

Case Number

4364

Application
Transcripts.

Small Exhibits

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
June 10, 1970

EXAMINER HEARING

IN THE MATTER OF:

Application of Roy E. Kimsey, Jr.,
for a non-standard oil proration unit,
Lea County, New Mexico.

Case No. 4364

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date JUNE 10, 1970TIME: 9 A.M.

NAME	REPRESENTING	LOCATION
J. F. Sperling	Modgall Seymour Sperling	Alb.
W.B. Simmons	Mobil Oil Corp.	Midland
W.P. Conyers	Mobil Oil Corp.	Midland
Nimi L. Williams	Lee Bryan & Co.	Santa Fe
Ronald M. Williams	Conoco	Hobbs
J.B. Wootley	Anadarko	Roswell
Anthony Brown	U.S.G.S.	Hobbs
R. Loring	Self	Midland
Paul R. Zeman	Marathon	Midland
Jadon M. Wilson	Marathon	Houston
Carl Traywick	U.S.G.S.	Roswell
Owen Nicholas	Montgomery, Fabric & Andros	Santa Fe
Pat Kelly	Mobil Oil	Midland
Jason Kellah	Kellah & Fox	Santa Fe
Victor T. Lyon	CONTINENTAL OIL CO	Hobbs
C.W. Stumhoffer	ANADARKO PROD. CO.	FT. WORTH

MR. NUTTER: The hearing will come to order, please.
The first case we will take this morning will be Case No.
4364.

MR. HATCH: Application of Roy E. Kimsey, Jr., for
a non-standard oil proration unit, Lea County, New Mexico.

MR. KELLAHIN: If the Examiner, please, Jason
Kellahin, Kellahin and Fox, Santa Fe, appearing for the
applicant.

MR. NUTTER: We will ask for other appearances in
this case at this time.

MR. TRAYWICK: I am Carl Traywick, USGS, Roswell.
I am unable to testify in this case, but do plan to offer a
statement on our position in the matter.

MR. NUTTER: Thank you.

MR. KELLAHIN: May I ask will any other representative
of the USGS testify? Nobody?

MR. TRAYWICK: Nobody.

MR. NUTTER: Are there other appearances then in
this case? Please proceed, Mr. Kellahin.

MR. KELLAHIN: We have one witness I would like to
have sworn, please.

(Whereupon, Applicant's
Exhibits 1 through 3 were
marked for identification.)

(Witness sworn.)

ROY E. KIMSEY, JR.,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A Roy E. Kimsey, Jr.

Q Are you the applicant in Case No. 4364 presently
before the Commission?

A I am.

Q Mr. Kimsey, have you ever testified before the
Oil Conservation Commission?

A One time.

Q And your qualifications are a matter of record?

A Yes, sir.

Q Are you a petroleum engineer --

A No, sir.

Q -- or geologist?

A No, sir.

Q Operator?

A Operator and land, primarily.

Q Operator and land?

A Right.

Q So, you are familiar with matters involving lease
dedication --

A Yes, sir.

Q --- and matters of this nature, is that correct?

A Correct.

MR. KELLAHIN: Are the witness' qualifications acceptable?

MR. NUTTER: Yes, with respect to this case, they are.

Q (By Mr. Kellahin) Mr. Kimsey, briefly, what is proposed by the applicant in this case?

A What I have asked for is, of course, as stated in the docket as 120-acre non-standard unit for the Jenkins-Cisco Pool. Formerly, I believe, it was -- in fact, I notice that it calls for 160-acre spacing at the present time and I have asked for 120-acre proration unit and to accept three-quarters of the normal allowable.

There was a 40-acre federal tract involved in this, being the southwest southwest quarter of Section 24 in Township 9 South, Range 34 East, and I am asking that that 40-acre tract be deleted -- that federal 40-acre tract be deleted from the normal 160-acre proration unit.

Q Now, when you filed your notice of intention to rework the Mounsey No. 1 and your notice of intention to drill the subsequent well that was completed, did you dedicate that 40-acre tract to the well?

A Yes, sir.

Q Would you briefly outline the background of this lease? Are you familiar with the history of this lease?

A Yes, sir, very much so. When this thing began, the 120 acres which comprises the balance of the southwest quarter of Section 24 is fee land, of which I own a small mineral interest therein myself. The Superior Oil Company in 1965 originally drilled a Bough C Well and completed it as a top allowable well and at that time I believe that the field was on 80-acre spacing and Amerada Petroleum Corporation owned the 40-acre federal lease which is in question.

After Superior had drilled their well and completed it and had been producing for approximately six months, Amerada approached them and asked to throw in their 40, communitize their 40 acres and join and pay their proportionate part of all the well costs and come in on production from the date of first runs.

MR. NUTTER: Now, this was after --

THE WITNESS: No, this is the very beginning of this.

MR. NUTTER: Well, now, had the pool gone to 160-acre spacing at this time?

THE WITNESS: No, sir, not at this time. It was still on 80-acre spacing, but the way that the acreage lies that Amerada proposed that they -- well, I guess it was

communitize the southwest quarter southwest quarter of southeast quarter southeast quarter and form an 80-acre unit there, and Superior told them, said, we took the chance on drilling the well, we have spent our money, it's been producing for a period of six months, we will let you come in, put in your 40-acre tract, pay your proportionate part of the costs, but we will only let you receive runs from the date, you know, that you pay your proportionate part of the well cost.

So, Amerada said no to that and Superior at that point -- let me back up, Amerada at that point, I believe, asked for 160-acre spacing for the field and they were granted 160-acre spacing. After that, Superior came back and asked for 120-acre proration unit and I believe that they were -- in fact, I know they were granted the 120-acre proration unit.

That well produced approximately 93,000 barrels before it was plugged, and it was plugged in June of 1967; produced for approximately 24 months and in that 24-month period, Amerada Petroleum paid to the USGS compensatory royalty for a period of only ten months out of the total 24 months that the well was producing.

I don't know over exactly what ten-month period that that compensatory royalty was paid and whether it was even in continuous months or not, but, after the well was plugged or

that -- Superior of their fee acreage, the lease did not expire from its primary term until January 9, 1969. The federal 40-acre tract terminated on September 30, 1969 and I, for the fact I had owned minerals in there, I watched the expiration of the Superior well and Superior never put that well on a cobe pump and I had ideas that with a cobe that there could be more oil recovered, so I had had ideas for quite awhile of bringing in that well for the idea of turning it into a cobe operation, and another fellow from Lovington got in and tried to put the deal together on a 120-acre fee lease.

There were about eight different mineral owners and he was unsuccessful in doing so, but he had taken one or two, 6-month term leases and I had to wait until those leases expired and then approximately August 25, 1969, I contacted all of the fee mineral owners about re-entering the former Superior Oil Company No. 1 Mounsey and asked them for a short-term lease and no bonus consideration but additional royalty for re-entering that well.

In the meantime, after I got a few of the leases in, it was about September 2, I went to Amerada. I asked them if they would make a deal with me on that 40-acre federal lease and it was their belief, in the beginning, that there's no way in that short period of time, with only about 28 or 29 days remaining on the primary term, that I could get that lease

successfully communitized, you know, for 160-acre proration unit, so I worked out a deal with them and they said, if you can get it communitized, we will assign the lease to you, so I contacted --

Q (By Mr. Kellahin) I hand you what has been marked as Kimsey Exhibit 1. Is that the assignment you did receive from Amerada?

A Yes, sir.

Q And that was dated September the 10th, 1969, is that correct?

A Right.

Q Would you continue, then, with your explanation?

A All right. I at that point, when they indicated that they were willing to make a deal with me and assign this 40-acre federal lease, I contacted Mr. George Hunker in Roswell and he represented me in this matter, as far as getting the communitization agreement approved and we got all the necessary work done and it was handed to the USGS, I believe, on about September the 27th and was approved by the USGS on approximately September the 29th and filed for record in Lea County thereafter.

In the meantime, I finally got my deal together, moved a rig in on approximately the 27th, commenced operations and, of course, I have constantly kept the USGS informed as to

my activities because of the fact that that lease was terminating. We re-entered the former Superior Oil Company No. 1 Mounsey with the idea of going down where the four and a half inch production string had been shot and hoping to get back into the four and a half inch production string and then tie into it at a later date after we drilled out all the plugs.

The first thing we did, we successfully drilled out all the plugs and got down -- this was on about September 29, we got to the top of the old four and a half inch production string at approximately 8,000 feet and we couldn't tell for a period of 6 or 8 hours if we were drilling inside the four and a half or on the outside of it, and finally determined that it was so hard that we went in with a mill and came out with some pieces of metal which we had determined at that time that we had just hit a corner of the old four and a half production string and were obviously drilling on the outside of it.

We drilled approximately 133 feet below where we knew the top of the four and a half inch old production string was and then our drill pipe started torking up to the point that we could not drill any more, but we caught new samples of the new formation that had been drilled and had pieces of metal from the top of the stub on the four and a half inch pipe.

So, at that time, there was only one thing left to do.

We had decided or elected to come back up and tie into the old 8 and 5/8 inch casing and it had been shot from approximately 1603 feet and pulled from that point back to surface, which left a remainder of 8 and 5/8 from 1603 feet down to 4300 feet in the hole, but we set a casing bow -- this all took place on the 30th of September, we set a casing bow in the top of the 8 and 5/8 inch stub, went back in with a new 8 and 5/8 inch intermediate and tied in to the old pipe.

I believe at midnight on September 30th that is exactly what we were doing at the time that that lease had terminated. In the meantime, as I have stated, we had drilled approximately 133 feet of new hole on the outside of the old four and a half inch pipe. After we successfully set that intermediate or tied back into that intermediate, we went in with a whipstock, had about a one and a half degree angle and drilled approximately 90 feet of new hole to where we could avoid that old four and a half inch stub.

This was successful. We came out of the hole and were attempting to go back in on approximately October 2nd or 3rd and the driller called me about three o'clock in the morning and stated that he could not get the drill pipe down below 2300 feet, something was stuck or something was in the hole.

We ran an impression block and what had happened,

that Superior, when they attempted to pull the old 8 and 5/8 inch casing, had shot it one time at that 2300 foot interval and apparently with us going in and out of the hole so many times, that it had come loose and leaned across the hole to the point the impression block only showed that we had about that much room to get back in.

Q About how much is that?

A Approximately an inch, so it was impossible to get back into the hole and we had to plug it as an abandoned hole. We had a meeting the next day or two with all the partners and I elected to skid over the -- I think 150 feet is the maximum that you can take a replacement well and drill what we call our Moun-Kimsey No. 1-Y Mounsey. In the meantime, I was using Moran Drilling Company and they had -- this was in October, of course, and there was a scarcity of rigs at that time.

They had to move off the hole on another commitment and it took me until approximately November 3rd to get Tri-Service Drilling Company to move on and they moved on at that point and we drilled this new well and totaled up and completed same on -- I believe it was around December the 14th or 15th, somewhere in there, and have been in more or less continuous production since that time.

Q Now, were you notified at any time that the federal

lease had expired?

A Yes, sir. On October the 22nd, a decision was handed down through the USGS or BLM that they did not consider the operations at the time the lease ran out to be of a nature which would extend that lease beyond the primary term, even though the communitization agreement had been approved and had been recorded.

Q I hand you what's been marked as Kimsey Exhibit No. 2 and ask you if that is the decision you received when the lease had expired?

A Right.

Q It was directed to Amerada Petroleum Corporation, is that correct?

A Right.

MR. NUTTER: What was the date of that, please?

MR. KELLAHIN: October 22, 1969.

MR. NUTTER: Was this the first notification, Mr. Kimsey, that you had that the lease had expired?

THE WITNESS: Yes, sir.

Q (By Mr. Kellahin) We have a memorandum which Mr. Kimsey received, dated October the 1st. Do you remember when you received that?

A No, sir, I do not. Most of this correspondence was sent, I believe, to George Hunker and then sent on to me by him.

Q But, the official decision was dated October 22?

A Right. That was the first official notification I had that the lease had terminated.

Q Now, subsequent to that, what action did you take, Mr. Kimsey?

A After we received the notification that the lease had been terminated, I believe we had thirty days in which to file an appeal and we did so and I have forgotten just what transpired after that, but after that time period, we asked for an extension after the appeal of which to file -- well, first of all, we asked for an examiner to hear our case and we were denied the right to have an examiner and so we were asked to file a statement of reasons in conjunction with the appeal, but we filed what we considered to be our statement of reasons on or about, I believe, sometime in February, around the 15th or 16th, giving a complete detail of everything that had transpired from the date that we entered the location and as a result of our statement of reasons filed with the BLM, I have never to this date received any final decision whatsoever from the USGS or the BLM as to the status of our appeal.

But, in the meantime, Mobil Oil Company is purchasing the oil and we -- the date of our first runs was January 5, 1969; it took about three months to get the title opinion written on this thing and Mobil sent me a letter on about the first of

May, wherein the USGS had written to Mobil and requested that one-fourth of all the runs be held in suspense pending the outcome of the appeal and --

Q I hand you what has been marked as Kimsey Exhibit No. 3. Is that a copy of that letter?

A Yes, it is.

Q Now, has Mobil been withholding one-fourth of all production on this well?

A Yes, sir, they have, right.

Q Has any portion of that share of the production been allocated for the payment of cost of operation --

A None whatsoever.

Q -- cost of the drilling?

A None.

Q Have you had access to any of it --

A No, sir.

Q -- for any purpose?

A Not at all.

Q Now, as I understand, at the present time, your appeal is still pending before the Bureau of Land Management?

A Yes, sir.

Q Do you intend pursuing that appeal?

A No, sir, I do not.

Q Do you, at this time, wish to dedicate that 40 acres

to your Mounsey No. 1-Y?

A No, sir, I do not.

Q And, is it your request to this Commission to approve a non-standard unit of 120 acres consisting of the fee lease held by you?

A Yes, it is.

Q Mr. Kimsey, have you any way that you can dedicate the 40 acres involved in this federal lease to your well at the present time?

A No, sir, I don't see how we could without a decision from the BLM or USGS.

Q Are you willing to take the Government in as a partner in this well?

A I would like to have the Government as a partner.

Q Are you willing to turn the operation of the well over to them?

A Yes, sir, I would like to have them as operator.

Q Now, at the present time, do you consider that communitization agreement to still be effective since you have no lease?

A I don't really know how to answer that. My first opinion would be, no, the communitization agreement would not be effective; on one hand, the communitization agreement was approved; on the other hand, they have not denied the validity

of the communitization agreement, but have denied the validity of the lease, so I don't know exactly what the status of it is.

Q Who was the owner of the working interest under that lease at the time it was communitized?

A Of course, I would be at that time because Amerada had assigned it to me.

Q You communitized it as a working interest owner?

A Yes, sir.

Q Did the Government ever do anything, other than merely approve the communitization of the working interest?

A No, sir.

MR. KELLAHIN: At this time, I would like to offer in evidence Exhibits 1, 2 and 3.

MR. NUTTER: Applicant's Exhibits 1 through 3 will be admitted in evidence.

(Whereupon, Applicant's Exhibits 1 through 3 were offered and admitted in evidence.)

MR. KELLAHIN: That completes our case, Mr. Examiner, except I do want to make a statement of some length.

MR. NUTTER: Are there any questions of Mr. Kimsey?

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Kimsey, as I understand it, the original well was drilled by Superior and Superior had 120-acre unit throughout the producing life of that well?

A Yes, sir.

MR. KELLAHIN: I have the order numbers on those that I will give you, Mr. Nutter.

MR. NUTTER: I think I have them right here.

Q (By Mr. Nutter) So, in other words, Mr. Kimsey, for the life of the well during which it produced some 93,000 barrels over a 24-month time, Superior had 120-acre unit, excluding the 40-acre federal lease?

A That's right.

Q That was because of some differences between Amerada and Superior?

A That's correct.

Q And, as a result of being excluded, Amerada paid the Government compensatory royalty over some period of time, during that 24 months?

A That's correct.

MR. TRAYWICK: That period of time was May, '66 through February, '67. The total production from the No. 1 Mounsey Well was 51,072 barrels.

MR. NUTTER: That was May, '66 through when?

MR. TRAYWICK: Through February of '67.

MR. NUTTER: And it produced 51,072 barrels during that period of time?

MR. TRAYWICK: Right. The compensatory royalty charged, obtained by the Government, was \$2,699.63, based on the Mounsey Well.

MR. NUTTER: I see.

MR. TRAYWICK: We had a drainage factor of 15 percent to apply to the total production for compensatory royalty evaluation with respect to the Mounsey Well. We did also charge compensatory royalty on the well to the south at the same time. I don't know whether that's relevant or not.

MR. NUTTER: It probably wouldn't be relevant.

Q (By Mr. Nutter) And, then, when you filed your notice of intention to drill, Mr. Kimsey, which was filed with our Hobbs office on October the 10th of 1969, you accompanied that with a Form C102, well location and acreage dedication plat, in which you showed 160 acres dedicated to the well?

A Yes, sir, that's right.

Q This was in conformance with the communitization agreement which had been approved?

A Had been approved.

Q I think you said that the communitization agreement was approved on September 29th?

A September 29th.

Q Of '69? All right. Now, you mentioned a minute ago that you had received a memorandum notifying you that the lease had been canceled. When was the memorandum received? What was the date of the memorandum?

A October 22, 1969.

MR. KELLAHIN: Would you like a copy of that?

MR. NUTTER: Yes, sir, please.

Q (By Mr. Nutter) The opinion was dated October 22?

A That's right.

Q How about the memorandum?

A The memorandum was dated October 1, 1969.

MR. TRAYWICK: May I introduce a comment here on that memorandum?

MR. KELLAHIN: Let's get it marked and in here first, if we may, unless you want to keep it out.

(Whereupon, Applicant's Exhibit 4 was marked for identification.)

MR. TRAYWICK: No, I have no reason to keep it out, but I would like to clear up a point on it.

MR. KELLAHIN: I hand you what has been marked as Exhibit No. 4 and ask you if you can identify that exhibit,

please?

THE WITNESS: This is right.

MR. KELLAHIN: Is this the memorandum that you referred to?

THE WITNESS: Yes, correct.

MR. NUTTER: You are offering this as Exhibit No.

4, Mr. Kellahin?

MR. KELLAHIN: Yes, sir.

(Whereupon, Applicant's Exhibit 4 was offered and admitted in evidence.)

MR. TRAYWICK: May I clear a point on it?

MR. NUTTER: Yes, sir, please do.

MR. TRAYWICK: Let me make sure I'm -- I believe Mr. Kimsey said this was furnished to him. This is an interior memorandum to the Supervisor from the Hobbs District Engineer, copy of which goes to BLM in Santa Fe, which we did not furnish Mr. Kimsey, since it's interior information. This was obtained by Mr. Kimsey's attorney from the BLM Land Office.

MR. KELLAHIN: I think that's correct.

THE WITNESS: I can reiterate on it now. I had forgotten the circumstances behind it, but we had requested I believe sometime in February or March of 1970 for the inter-office correspondence as to the field engineer's report which

was sent to Santa Fe, so I received this some five or six months after this whole thing began.

MR. NUTTER: This has reference to a John Trigwell.

MR. KELLAHIN: The second page, Mr. Nutter.

MR. TRAYWICK: This is our routine report to the BLM, every month, which covers all wells which are drilling on the expiration date.

MR. NUTTER: And the lead paragraph here says there's no leases in this district on which drilling operations were in progress, which would expire, so this is just for --

MR. TRAYWICK: This is just our routine interior memorandum advising BLM, every month, the leases which should be extended by drilling operations.

MR. NUTTER: Now, the paragraph in the memorandum which has to do with the subject lease would be on the second page?

MR. TRAYWICK: Yes, sir.

MR. NUTTER: So, as far as USGS is concerned, the last sentence in the second paragraph on page two would be the pertinent sentence which describes the operations which are in progress on the well, then they say the operations are not considered actual drilling operations pursuant to 43CFR 3127.2, which would qualify Lease New Mexico 050149-A for a two-year extension?

MR. TRAYWICK: Correct.

MR. NUTTER: Then it goes on to say that we consider that the lease has expired on its own terms.

MR. TRAYWICK: Correct. This is in connection with our advisory obligation to the Bureau of Land Management. We have no authority to terminate leases or issue leases.

Q (By Mr. Nutter) Mr. Kimsey, what I want to know is, when you were actually notified the first time?

A October 22, 1969.

Q By this decision from Padilla here with the BLM?

A Yes, sir.

Q And that decision has been appealed and you haven't been notified of the status of the appeal?

A I have never heard one more word since our filing of the statement of reasons about the 15th or 16th of February.

Q I see. So, in effect, what you are here today doing is seeking to rescind this 160-acre plat that was filed and obtain a 120-acre non-standard unit?

A Yes, sir. Now, those funds have been placed in suspense by Mobil Oil Corporation, which I don't know what procedure I can take to get that out of suspense, but the USGS or BLM never notified me that they were going to ask Mobil to suspend those runs.

They wrote directly to Mobil. Mobil, in turn, sent me a xerox copy of the USGS letter, so we have got kind of an uphill fight. Our well is producing only about 50 or 60 barrels a day. Out of that 50 or 60 barrels, one-quarter of all runs is going into suspense pending the final decision as to the appeal and as far as I know, the next time that that lease could come up at a KGSA will be next December, so I assume that the USGS is going to continue to ask that these runs be held in suspense until such time as a new lessee gets that lease, but in the meantime, I don't know what to do, except ask for 120-acre spacing and try to get some kind of pay out on our well because nobody is paying operations on that quarter interest, nobody responsible for the quarter of all costs concerned with the well.

MR. NUTTER: Thank you. Are there further questions of Mr. Kimsey?

MR. TRAYWICK: I would like to ask one question.

CROSS EXAMINATION

BY MR. TRAYWICK:

Q Mr. Kimsey, you mentioned whipstock operations on the well where you drilled 133 feet of new hole directional.

A Yes, sir. Well, approximately 90 feet of new hole directional; 130 feet of new hole besides the old four and a half inch production string.

Q Now, that was conducted after the September 30 primary term expiration?

A Right, but we had to go tie into that 8 and 5/8 before we could conduct the whipstock operations.

Q You were having a cabling problem up the hole?

A Right.

MR. TRAYWICK: Thank you.

MR. NUTTER: Are there any further questions?

MR. HATCH: Do you now claim any interest in that southwest quarter southwest quarter?

THE WITNESS: No, sir, not as of this time.

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

Does anyone have a statement they wish to make in this case?

MR. TRAYWICK: I would like to make a statement, Mr. Examiner. I am Carl Traywick, Deputy Oil and Gas Supervisor, Branch of Oil and Gas Operations, U. S. Geological Survey, Roswell, New Mexico.

In order to protect the proprietary Federal interest involved, we are opposed to Commission approval of the non-standard proration unit requested by Roy E. Kimsey, Jr., by which the present 160-acre proration unit comprising the southwest quarter of Section 24, Township 9 South, Range 34

East, N.M.P.M., would be reduced to eliminate the 40-acre Federal tract for the following reasons:

1. New Mexico Oil Conservation Commission Order No. R-2931-B establishes 160 acres as the standard proration unit for wells completed in the Jenkins-Cisco Oil Pool. Accordingly, the legal proration unit for Mr. Kimsey's No. 1-Y N. Mounsey Well on fee land in the southeast quarter southwest quarter, Section 24, Township 9 South, Range 34 East, N.M.P.M., is the entire southwest quarter of the said Section 24.

Such standard proration unit is comprised of the 120 acres which Mr. Kimsey is seeking as a non-standard proration unit and 40 acres of Federal land described as the southwest quarter southwest quarter of Section 24. The southwest quarter of Section 24 is effectively pooled in accordance with N.M.O.C.C. Orders R-2931-B and R-3014 by a communitization agreement covering the Cisco formation which was approved by the Regional Oil and Gas Supervisor, U. S. Geological Survey on September 30, 1969, effective September 15, 1969.

The communitization agreement was filed for approval by Mr. Kimsey's attorney in order to extend the Federal lease, if the re-entry operations on the previously abandoned No. 1 N. Mounsey well resulted in completion of a producible well before the expiration date of the Federal lease.

It is our understanding that Mr. Kimsey is the unofficial successor in interest in the Federal lease from Amerada Hess Corporation. The 120-acre fee portion of the communitized area described as the north half southwest quarter, southeast quarter southwest quarter of Section 24, was covered at the time the communitization agreement was approved by eight separate undivided type fee land leases which contained pooling clauses authorizing the lessee, Roy E. Kimsey, Jr., to pool such leases for the production of oil and gas from legally approved proration units.

The working interest in the communitized area was committed by Amerada Hess Corporation and Roy E. Kimsey, Jr. Such agreement provides that all communitized substances shall be allocated on an acreage basis. The agreement makes no provision for voluntary termination after production in paying quantities from the communitized area is established and by its expressed terms is in effect for a primary term of two years and as long as unitized substances are or can be produced from the communitized area in paying quantities.

Accordingly, the proration unit reduction under consideration in this case would not be compatible with the terms of the prior and valid communitization agreement by which the southwest quarter of Section 24 is pooled. We will be pleased to furnish the Commission a copy of this agreement,

if requested.

In our opinion, such agreement is paramount to any subsequent change in spacing. Subsequent to the Supervisor's approval of the communitization agreement, the oil and gas lease covering the Federal acreage was held to have expired by its own terms. Such decision has been appealed by Mr. Kimsey and the status of the lease is indeterminate at this time. However, in our opinion, even if such Federal lease is eventually held to have expired, the communitization agreement will remain in full force and effect for the primary term thereof or for the life of the production from the Kimsey well, whichever is the longer period of time.

Such opinion is in accordance with previous rulings of the Survey in other similar cases involving Federal lands and is based on precedent established by court decision. If Mr. Kimsey's appeal on the Federal lease is successful, such lease will remain committed to the communitization agreement. If the Bureau of Land Management decision terminating the lease is affirmed on appeal and a further appeal is not filed by Mr. Kimsey, the Federal land can be subsequently leased and committed to the communitization agreement by subsequent joinder of the new lessee providing the spacing unit is not reduced to eliminate the Federal land.

2. We believe there are only two legitimate reasons

for eliminating the 40 acres of Federal land from this proration unit, which are, that the 40 acres of Federal land is included in the proration unit for another well completed in the Jenkins-Cisco Oil Pool or it can be shown geologically that the Kimsey well is not draining the Federal acreage.

The 40-acre Federal tract is not dedicated to another well completed in the Jenkins-Cisco Oil Pool, and having been successfully offset in two directions, it seems apparent that the tract is contributing to the production of the Kimsey No. 1-Y N. Mounsey well. Accordingly, approval of Mr. Kimsey's application by the Commission would:

(a) Result in uncompensated drainage of the Federal land by the No. 1-Y N. Mounsey well and deprive the Federal Government of its just and fair share of the oil and gas in the Jenkins-Cisco Oil Pool.

(b) Create a serious equity and legal discrepancy with respect to the spacing unit and communitized area.

(c) Prejudice and cloud the integrity of a currently valid, prior, and paramount communitization agreement which was approved by the Survey on the basis of a New Mexico Oil and Gas Conservation Commission order. Any change in the spacing unit would contradict the original intent of the parties to the communitization agreement covering

the southwest quarter of Section 24 and the basis upon which the agreement was approved.

(d) Create a situation which might make it necessary for the Survey to require a protective well to be drilled on the 40-acre Federal tract by the present lessee, if the old lease is reinstated, or by the subsequent lessee.

The presence of two wells on a 160-acre tract in the same formation might be construed as constituting economic waste in view of the Commission's finding in Case No. 3261, Order R-2931-B, that one well in the Jenkins-Cisco Pool can efficiently drain and develop 160 acres and that 160-acre spacing will afford to the owners of each property in the pool the opportunity to produce his just and equitable share of the oil in the pool.

3. The requested spacing unit reduction would be a unilateral action at the expense of the Federal tract inasmuch as no reduction of the allowable for the No. 1-Y N. Mounsey well will be caused by Commission approval of the application.

In view of these circumstances, the U. S. Geological Survey respectfully requests that the Commission deny Mr. Kimsey's application.

Thank you, Mr. Examiner, for the opportunity to make this statement.

MR. NUTTER: Thank you, Mr. Traywick. Mr. Kellahin.

MR. KELLAHIN: In view of the fact that this is an unsworn statement, I assume I have no right to cross examine.

MR. NUTTER: That was a statement of position, I believe.

MR. TRAYWICK: Yes, sir.

MR. NUTTER: You can rebut it if you desire.

MR. KELLAHIN: Well, if the Examiner please, I fully intend to attempt to rebut it, but there have been statements made in connection with the communitization of this tract which properly should be subject to cross examination for example as to whether the United States Government is willing to pay its proportionate share of the well cost, as any communitized interest should. Is the USGS or United States Government willing to pay its share of the operation costs of this well, as would be the case under any communitization?

It would seem to me that the USGS has taken the position we get all of the benefits but none of the liabilities of this communitization agreement which was entered into as an arm-lengths transaction between Mr. Kimsey and Amerada Hess, and they want to hold that open, then, until a subsequent lessee can come in and take advantage of a contract not made

by him.

Now, if there is a subsequent lessee who might be required to drill a protection well as Mr. Traywick has stated, he, under our statutes, has the right to come and attempt to force pool his way into the existing well and the Government is fully protected there.

If the Government wanted protection on the lease, which it says it now owns, it can drill its own well or it can offer the lease for sale or it can do whatever it wants to. It owns the minerals and I would even assume it could come in and force pool its way into Mr. Kimsey's well if it saw fit. I never heard of such a thing being done, but I'm sure there's no reason that the Government couldn't take the same position as any other interest owner.

In connection with the statement, I would like to point out that it's always been the custom to hear statements in connection with all these cases which come before the Commission and I think properly so and I have no objection to that, but this is a very peculiar case and we are put at the disadvantage of not being able to cross examine the representative of the United States Geological Survey and, in this connection, I would like to quote the Statute 65-3-11.1 which provides that Commission shall base its decision rendered in any matter or proceeding heard by an Examiner upon the transcript of

testimony and record made by or under the supervision of the Examiner in connection with such proceeding.

That contemplates a hearing with opportunity to present testimony and to be heard and be subject to cross examination. Now, this is fully covered in the Commission's Rule 1212 which provides that full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross examine witnesses.

In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, providing such rules may be relaxed whereby, so doing, the ends of justice will be better served and I want to emphasize this part, no order shall be made which is not supported by competent, legal evidence.

Now, a statement made on behalf of any party before this Commission can't be considered as evidence in any sense of the word. The only evidence that has been presented here has been presented by Mr. Kimsey and we have attempted to fully disclose just exactly what the situation is here, but we have been denied the opportunity of inquiring of the United States Geological Survey as what their intention is in connection with this money that they have ordered escrowed, what portion of it would be available to Mr. Kimsey to cover his well costs or his cost of operation, if any, and what their

intentions are is what they will do with this lease in the future.

Now, any private party in the same position wouldn't be heard at all under said circumstances as this, and we don't feel that the United States Geological Survey should and particularly in view of the letter which they wrote to the Commission which I assume appears in the file, dated May 1, 1970, in which they made their objection.

In the last paragraph they say, we hereby enter a protest against the administrative approval of Kimsey's request and ask that we be afforded ample time in which to prepare for any hearing before the Commission that might result from our protest. That contemplates they are going to be prepared to present some testimony or at least get on the witness stand and state their position, which they have not done.

Now, in connection with the contention that the communitization is in force, this is a debatable thing. Our exhibit, the decision of October 22, shows that the United States Government considers that lease terminated and terminated as of September the 30th, 1969. If the lease is terminated, then certainly any communitization made by the owner of the working interest would likewise be terminated and Mr. Traywick, in his letter directed to Mobil Oil Corporation, which is also

an exhibit in this case, recognized this and the second paragraph of that letter, he states if the BLM decision terminating the federal lease as of September 30, 1969 is upheld on appeal, such lease expiration will effectively remove Lease New Mexico 050149-A from the terms of the communitization agreement as of such date and in other words, he is saying that if Mr. Kimsey doesn't effect his appeal and does not get the decision of the BLM reversed and have the lease reinstated, then the communitization was terminated as of September 30, 1969.

Now, we are perfectly willing to recognize this and that's the reason we are here. We say that the communitization is terminated and we are asking for the dedication of the acreage which Mr. Kimsey has available to dedicate to this well. He has absolutely no control over this other acreage. He can't even come in here and force pool it as would be the case if it were a private land owner.

I'm sure that the Government would resist mightily if we attempted to force pool this acreage into this well and have them pay their proportionate share of the well cost out of production. So, the only relief we can ask for is for the approval of a non-standard unit. As Mr. Kimsey stated, he is willing to do anything within reason. He will take them in as a partner in the well; he will turn the well over to them

and let them operate it if they want to.

Of course, they are not going to do that. At the same time, they can't sit there and say we own this and you can't even have any portion of this one-fourth of the production and that's what they have done.

Now, we are asking the Commission for some relief by the dedication of a non-standard 120-acre unit consisting of the acreage which Mr. Kimsey holds under lease and we recognize that he does not hold this other acreage under lease and on that basis we ask approval of the 120 non-standard unit.

Now, the position of the Government is rather peculiar again in this factor. If they are talking about being subject to drainage, it's simply because the acreage they have is not leased and if it were under lease as it was when the Superior well was there, they would demand compensatory royalty. They can't demand compensatory royalty from themselves and they won't participate in the well, so the question is where do we go from there.

We say we go to 120 non-standard unit. If the land is subsequently leased to somebody else, they certainly have a right to come before this Commission and ask for a force pooling order.

MR. NUTTER: Thank you, Mr. Kellahin.

MR. KELLAHIN: Yes, sir.

MR. TRAYWICK: If I could have the opportunity, I would like to offer a comment on a portion of Mr. Kellahin's allegation.

MR. NUTTER: Go ahead.

MR. TRAYWICK: The statement which I have just offered contains certain facts which we believe it's imperative to be brought out for the consideration of the Commission before a decision is reached, as to the disposition of the case and our comments and observations on the facts and circumstances of the case which we believe are admissible under Commission Rule 1210.

Although I am appearing here in a proprietary rather than a regulatory position in an effort to protect the federal interest involved, I am a petroleum engineer by profession and not a lawyer and I am at a disadvantage because I do not have approval to testify and do not have the legal advice.

Accordingly, under such circumstances, the statement which I have previously made is my only opportunity to place before the Commission the reasons for our position in this matter. This case involves equities of the parties in the present proration unit and I respectfully submit that the importance of placing before the Commission all the related information and our comments on such information may justify

the indulgence of the Commission with respect to regulating the legal formalities used to control the acceptance of information for record purposes.

Accordingly, I request that the statement I have made either be allowed to stand or that I be allowed to submit this prepared statement to the Commission for a ruling on its acceptance as to the portion which is qualified for acceptance for formal consideration and admission for record purposes.

I would like to ad lib two things. Mr. Kellahin mentioned our letter of May 1 to Mobil, holding that if Mr. Kimsey's appeal was unsuccessful that the federal lease would be removed from the terms of the agreement.

This is true. However, in the previous statement, I have explained our position in similar previous cases where two or more leases are involved in communitization agreements. I should say where three or more leases are involved in communitization agreements and one lease expires, that the agreement is independent of an expiration of one of the leases and that a lease that is pooled by such an agreement can be recommitted to such agreement upon subsequent joinder when the loss of title, if it occurs, is secured.

One more point. Mr. Kellahin mentioned the BLM decision of October 22nd held that the lease was expired. I believe examination of the exhibit no. which was this letter

of October 22 --

MR. NUTTER: Exhibit No. 2.

MR. TRAYWICK: -- will show that it was held to expire subject to appeal within 30 days --

MR. KELLAHIN: That's correct.

MR. TRAYWICK: -- which Mr. Kimsey's attorney then filed a statement of reasons to stay the time on that 30 days and then filed his formal appeal. Thank you.

MR. KELLAHIN: If the Examiner please, Mr. Traywick apparently feels I have moved to strike his statement, which I haven't done. All I have done is said that under the statutes and under the rules, the Commission can't be considered for anything except a comment on the evidence and certainly no material contained in it, which is factual, can be considered as evidence in this case.

However, I don't think it's necessary to because I think all the facts are before the Commission anyway, but again we are at a disadvantage of not being able to inquire if the USGS is willing to abide by the terms of the communitization agreement.

You say it's communitized and they want it recognized, but will they perform their obligations under that communitization agreement subject to the terms of the lease as it is.

MR. NUTTER: Thank you. Does anyone else have

anything they wish to offer in Case 4364? We will take the case under advisement and a 15-minute recess.

I N D E X

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ROY E. KIMSEY, JR.		
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Applicant's 1 through 3	2	16
Applicant's 4	19	20

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
 COURT REPORTER

I do hereby certify that the foregoing is
 a complete record of the proceedings
 the Examiner hearing of Case No. 4364
 heard by me on 6/10, 19 70

James, Examiner
 New Mexico Oil Conservation Commission

July 1, 1970



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

P. O. BOX 2088 - SANTA FE

87801

GOVERNOR
DAVID F. CARGO
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMijo
MEMBER

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

August 12, 1970

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

Re: Case No. 4364
Order No. R-4013
Applicant:
Roy E. Kimsey, Jr.

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

Aztec OCC

Other Mr. Carl Traywick

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. 4364
Order No. R-4013

APPLICATION OF ROY E. KIMSEY, JR.,
FOR A NON-STANDARD OIL PRORATION
UNIT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 10, 1970,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 12th day of August, 1970, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, Roy E. Kimsey, Jr., is the owner and
operator of a 120-acre lease or leases comprising the N/2 SW/4 and
SE/4 SW/4 of Section 24, Township 9 South, Range 34 East, MNPM,
Jenkins-Cisco Pool, Lea County, New Mexico.

(3) That the applicant seeks approval of a 120-acre non-
standard oil proration unit comprising the above-described acreage
to be dedicated to his N. Mounsey Well No. 1-Y located in the
SE/4 SW/4 of said Section 24.

(4) That a standard oil proration unit in the subject pool
would consist of a unit containing 160 acres, more or less,
substantially in the form of a square, which is a quarter section
being a legal subdivision of the United States Public Land Surveys.

(5) That the entire non-standard oil proration unit requested
by the applicant may reasonably be presumed to be productive of oil

-2-

CASE No. 4364
Order No. R-4013

from the Jenkins-Cisco Pool and can be efficiently and economically drained and developed by the above-described Well No. 1-Y.

(6) That approval of the 120-acre non-standard oil proration unit as requested by the applicant will afford the applicant the opportunity to produce his just and equitable share of the oil in the Jenkins-Cisco Pool, will prevent the economic loss caused by the drilling of unnecessary wells, will avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights, provided any owner of a mineral interest in the SW/4 SW/4 of said Section 24 is allowed a reasonable time in which to bring a case before the Commission for the compulsory pooling of all mineral interests in the SW/4 of said Section 24.

IT IS THEREFORE ORDERED:

(1) That a 120-acre non-standard oil proration unit in the Jenkins-Cisco Pool comprising the N/2 SW/4 and SE/4 SW/4 of Section 24, Township 9 South, Range 34 East, NMPM, Lea County, New Mexico, is hereby established and dedicated to the Roy E. Kimsey, Jr., N. Mounsey Well No. 1-Y located in the SE/4 SW/4 of said Section 24;

PROVIDED HOWEVER, that the above shall be without prejudice to the right of any owner of a mineral interest in the SW/4 SW/4 of said Section 24 to bring a case before the Commission for the compulsory pooling of all mineral interests in the SW/4 of said Section 24, provided said compulsory pooling case is brought by March 1, 1971.

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

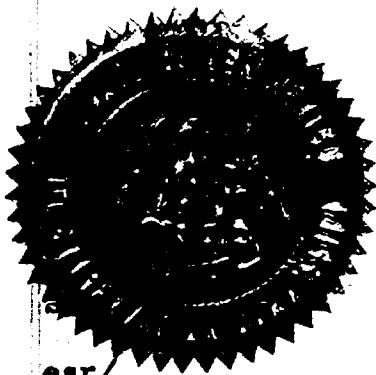
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

ALEX J. ARMIJO, Member

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



esr

JASON W. KELLAHIN
ROBERT E. FOX

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

June 25, 1970

TELEPHONE 982-4315
AREA CODE 505

AM
JUN 26 1970

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JUN 26 1970

[Handwritten signature]

Mr. A. L. Porter
Oil Conservation Commission of New Mexico
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: OCC Case No. 4364
Application of Roy E. Kimsey, Jr. for a Non-
Standard Proration Unit, Jenkins-Cisco Pool

Dear Mr. Porter:

In connection with the above case, at the time of the hearing on June 10, an appeal from the ruling of the Bureau of Land Management terminating U. S. Lease NM 050149-A was pending. This lease covered the acreage sought to be excluded in the application for a non-standard unit.

I submit, for your information, a copy of the Withdrawal of Appeal that has been filed with the Director, Bureau of Land Management, by Mr. George H. Hunker, Jr., who represented Mr. Kimsey in that matter.

The withdrawal of the appeal will, in my opinion, make final the decision that the subject lease had expired by operation of law on September 30, 1969.

Yours very truly,

[Handwritten signature: Jason W. Kellahin]

Jason W. Kellahin

jwk;jh

Encl. as stated.

cc: Mr. R. E. Kimsey, Jr.
Mr. G. H. Hunker, Jr.
Mr. Carl Traywick

70 JUN 26 AM 8 22

BEFORE THE DIRECTOR
BUREAU OF LAND MANAGEMENT
DEPARTMENT OF THE INTERIOR
WASHINGTON, D. C.

NM 050149-A (142 Amerada Petroleum
Corporation, Lessee,

Roy E. Kimsey, Jr.,
Assignee.)

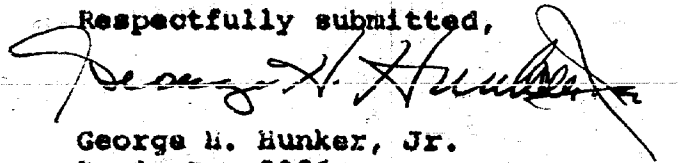
WITHDRAWAL OF APPEAL

Reference is made to Decision dated June 11, 1970, made by the Chief, Bureau of Mineral Appeals, Office of Appeals and Hearings, on behalf of the Director, Bureau of Land Management, Washington, D. C., wherein the decision of the New Mexico Land Office declaring that NM 050149-A had expired by operation of law on September 30, 1969, was affirmed.

While not conceding merit in said decision, the Appellant, Roy E. Kimsey, Jr., by his attorney, hereby withdraws his appeal and surrenders and relinquishes his right to appeal said decision of June 11, 1970 to the Secretary of the Interior. Appellant requests that the Communitization Agreement of September 15, 1969 previously approved on behalf of the Secretary likewise be considered a nullity and void, there having been no United States lease available for communitization after September 30, 1969; that said termination of communitization be deemed to be effective as of end-of-day September 30, 1969; and that the United States claim to a one-fourth part of the proceeds from the production of the Kimsey 1-Y N. Mounsey well be withdrawn, and that equitable relief be granted to Appellant in accordance with

paragraph 10 of said Communitization Agreement as is appropriate under the circumstances so as to prevent Appellant from suffering a forfeiture.

Respectfully submitted,



George M. Hunker, Jr.
P. O. Box 2086
Roswell, New Mexico 88201

Attorney for Appellant,
Roy E. Kimsey, Jr.

Attention: Mr. George Hatch

Oil and Gas Leases: Extensions 3127

For an oil and gas lease to qualify for an extension of 2 years, as provided by 43 CFR 3127.2, there must be actual drilling operations being conducted on, or for the benefit of, the lease on the last day of the primary term of the lease.

The term "actual drilling operations" as used in section 4(d) of the Mineral Leasing Act Revision of 1960 means the actual boring of a well with drilling equipment, and does not include reworking operations.

Reworking operations in an earlier abandoned well, which do not lead to deepening of the original hole, cannot be considered to be "actual drilling operations" within the meaning of the term as used in section 4(d) of the Mineral Leasing Act Revision of 1960.

Roy E. Kimsey, Jr., NM 050149-A June 11, 1970

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'70 JUN 29 AM 17

UNITED STATES
DEPARTMENT OF THE INTERIOR
Bureau of Land Management
Washington, D.C. 20240

In Reply Refer to:
142
NM 050149-A

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

DECISION

Amerada Petroleum Corporation, :
Lessee :

Roy E. Kimsey, Jr., :
Assignee :

Oil and Gas

Decision Affirmed

Roy E. Kimsey, Jr., has appealed from a decision of our New Mexico land office dated October 22, 1969, which declared that noncompetitive oil and gas lease NM 050149-A had expired by operation of law September 30, 1969, at the conclusion of the primary term of the lease, and that reentry operations being conducted on the terminal date of the lease could not be considered as actual drilling operations which would qualify the lease for a 2-year extension pursuant to 43 CFR 3127.2. Kimsey's interest in prosecuting this appeal comes from an unapproved assignment of record title, executed September 10, 1969, and submitted to the land office on November 21, 1969.

The appellant contends essentially that the operations being conducted on September 30, 1969, on lands in SW $\frac{1}{4}$ section 24, T. 9 S., R. 34 E., communitized with the lands in lease NM 050149-A, were of a character to entitle the lease to a 2-year extension under the provisions of 43 CFR 3127.2, and that, in the alternative, the primary term of the lease NM 050149-A should be extended beyond September 30, 1969, for a period of time equal to the number of months that compensatory royalty payments were made for the benefit of this lease, citing 43 CFR 3120.3-2. The appellant also suggests that elimination of lease NM 050149-A from the communitization agreement should entitle the lease to a 2-year extension. The appellant requested a hearing to develop issues of fact.

The record shows that lease NM 050149 issued October 1, 1959, for 5 years, and that partial assignment of the SW $\frac{1}{4}$ SW $\frac{1}{4}$ section 24, T. 9 S., R. 34 E., N.M.P.M., was approved as lease NM 050149-A, effective September 1, 1964. By a later assignment, Amerada Petroleum Corporation became the record title owner, and subsequently obtained a 5-year extension of the lease to September 30, 1969, pursuant to 43 CFR 192.120 (now 43 CFR 3127.1). Compensatory royalty was paid on behalf of lease NM 050149-A from May 1, 1966, until February 28, 1967. On September 15, 1969, the lease was committed to Communitization Agreement SW-533, which embraces the SW $\frac{1}{4}$ section 24, T. 9 S., R. 34 E., 160 acres.

The operator of the communitized acreage commenced reworking an old well, Kimsey #1 N. Mounsey at 660' FSL, 1980' FWL, section 24, T. 9 S., R. 34 E., on September 26, 1969. The reworking operations attempted only to drill out cement plugs in the well from an earlier drilling venture, and were terminated October 7, 1969, without reaching the bottom of the original hole, and without making any new hole in a diligent search for oil or gas. Subsequently, the operator located the Kimsey 1-Y N. Mounsey well, and spudded it November 9, 1969, at 2,130' FWL, 660' FSL in section 24, T. 9 S., R. 34 E. This well was completed as an oil well to which the New Mexico Oil Conservation Commission has allocated a production allowable of 121 BOPD.

The essential question presented here is: do reworking operations in an old well constitute "actual drilling operations" as contemplated by the Mineral Leasing Act Revision of 1960, 30 U.S.C. § 226-1(d) (1964), especially if such reworking operations are abandoned without digging any new hole.

The Solicitor discussed the amendatory language of Section 4(d) of the Mineral Leasing Act Revision of 1960, supra, in his Memorandum M-36657, Oil and Gas Lease Extensions, July 17, 1963, and concluded that "an essential characteristic of actual drilling operations is that they be conducted in such a manner as to be an effort (not necessarily the best effort, but a sincere effort) which a man seriously looking for oil or gas would be expected to make in that particular area, given existing knowledge of geologic and other factors normally considered when drilling for oil or gas. Drilling operations lacking this characteristic cannot be deemed actual drilling operations."

Subsequently, in Michigan Oil Company, 71 I.D. 263 (1964), the Department held that the term "actual drilling operations" as used in Section 4(d) of the Mineral Leasing Act Revision of 1960, supra, means the actual boring of a well with drilling equipment. We construe this to mean the actual digging of a new hole or deepening an existing hole with drill tools. See also Thelma M. Holbrook et al., 75 I.D. 329 (1968).

At no time prior to the termination of lease NM 050149-A did the operations under Communitization Agreement SW-533 include digging of a hole with drill tools. The drilling operations were limited to drilling out cement plugs in the original hole and attempting to whipstock past obstructions down hole. Failure to overcome the impediments necessitated abandonment of the redrilling operations being conducted at the expiration of the primary term of lease NM 050149-A, September 30, 1969, on October 7, 1969, and replugging the old hole.

We cannot accept the arguments of the appellant that the acts by the operator under the Communitization Agreement satisfied the statutory requirements for "actual drilling operations." The lease NM 050149-A must be considered to have terminated by operation of law at the end of its primary term on September 30, 1969. The terminated lease cannot derive any benefits from the subsequent completion of an oil well from new drilling operations, spudded November 9, 1969, on land within the area included in Communitization Agreement SW-533.

The contention by the appellant that the primary term of lease NM 050149-A would be extended for a period equal to the time compensatory royalty was paid has no merit. The amendment to the Fifth Paragraph of Section 17, Mineral Leasing Act of 1920 was amended by the act of July 29, 1954, 68 Stat. 583, to provide that the primary term of a lease which is affected by an agreement under which the United States receives compensatory royalty remains in full force and effect for one year following discontinuance of compensatory royalty payments. 30 U.S.C.A. § 266 footnote.

In the case of lease NM 050149-A, compensatory royalty payments were made from May 1, 1966, until February 28, 1967, at which time the primary term of the lease still had 2 years and 7 months to run. So, as the remaining primary term of the lease exceeded the one year extension provided by statute, there was no occasion to employ the statutory extension. We cannot read into the statutory language any interpretation that the primary term of the lease is extended beyond the normal primary term of the lease solely for the reason that compensatory royalty payments were made during the life of the lease; rather the statute provides that a lease shall be extended beyond its normal primary term because of payment of compensatory royalty only if the lease is under an agreement to make such compensatory royalty payments at the terminal date of the primary lease term, and for one year following termination of such compensatory royalty payments.

The appellant contends that elimination of lease NM 050149-A from the Communitization Agreement SW-533 entitles the lease to a 2-year extension, pursuant to 43 CFR 3127.5. There is nothing in the record to show that the SW $\frac{1}{4}$ section 24, T. 9 S., R. 34 E., had been eliminated from the Communitization Agreement during the life of this lease, NM 050149-A, so the argument of the appellant is moot. Information from the Geological Survey indicates that there has been no change in the land description in Communitization Agreement SW-533, and that it still includes the entire SW $\frac{1}{4}$ section 24, T. 9 S., R. 34 E.

The appellant requested a hearing to inquire into matters of fact in issue, but he has not shown what material facts already of record are in dispute. The issue is the application of the statutory provision to the known facts of record. The appellant has not been limited in the presentation of his case. A hearing does not appear necessary to reach a decision on the facts presented by the record in this case.

The decision appealed from is affirmed.

Roy E. Kimsey, Jr., has the right of appeal to the Secretary of the Interior in accordance with the regulations in 43 CFR Part 1840. See enclosed Form WO 1844-1 and Circular 2137. If an appeal is taken, it must be filed with the Director, Bureau of Land Management, Washington, D.C. 20240. The filing fee will be \$5. In taking an appeal there must be strict compliance with the regulations. The appellant must show wherein the decision appealed from is in error.

Frances A. Patton

Chief, Branch of Mineral Appeals
Office of Appeals and Hearings

Enclosures 2

DISTRIBUTION

George H. Hunker, Jr., Attorney for Appellant (Certified Mail)
Roy E. Kimsey, Jr.
200
300 (6)
GS, Cons Div (3)
Gower Federal Service
Appeals List No. 1

Docket No. 14-70

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 10, 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 4363: Application of Jack L. McClellan for unorthodox gas well location, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location for his Atlantic Federal Well No. 1 located 2130 feet from the South line and 660 feet from the East line of Section 24, Township 8 South, Range 37 East, Bluit-San Andres Associated Pool, Roosevelt County, New Mexico. The S/2 of said Section 24 to be dedicated to said well.

CASE 4364: Application of Roy E. Kimsey, Jr., for a non-standard oil proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the approval of a 120-acre non-standard oil proration unit comprising the N/2 SW/4 and SE/4 SW/4 of Section 24, Township 9 South, Range 34 East, Jenkins-Cisco Pool, Lea County, New Mexico, to be dedicated to his Mounsey Well No. 1-Y located in Unit N of said Section 24,

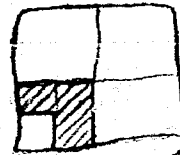
CASE 4365: Application of Benson-Montin-Greer Drilling Corporation for amendment of special pool rules, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Rule 1 of the Special Rules and Regulations governing the East and West Puerto Chiquito-Mancos Oil Pools to provide that wells completed or recompleted in the Mancos formation within one mile of said pools shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations governing said pools.

CASE 4366: Application of Mobil Oil Corporation for down-hole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Vacuum-Wolfcamp and Vacuum-Upper Pennsylvanian Pools in the well-bore of its Bridges State Well, No. 109, a triple completion, located in Unit N of Section 24, Township 17 South, Range 34 East, Lea County, New Mexico.

CASE 4367: Application of Mobil Oil Corporation for a waterflood expansion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand its Bridges State Waterflood Project, Vacuum Pool, by the drilling of an additional water injection well at an unorthodox location 100 feet from the South line and 1980 feet from the West line of Section 26, Township 17 South, Range 34 East, Lea County, New Mexico.

Jenkins - Circo

- R-2931 - June 15, 1965 - Temp. - 80 acre
 R-2931-A - July 19, 1966 - denied 160 - made 80 permit
 R-2931-B - De Novo - Aug. 1966 - Temp. - 160 acres (80 acre factor)
 R-2931-C - Feb. 1967 - Permit - 160 - 160 acre factor



65-3-14.5 (1969)

#1 dld in 1965 80 ac spec.

Permit 9-30-69

- NSP-768 - Sept. 1966 - 120-acre NSP for 2 mos.
 pending formation 160-acre
 NSP-768 - Nov. 1966 - 120-acre NSP extended for
 3 mos.
 NSP-775 - Feb. 1967 - ~~120~~ 120-acre NSP - unrestricted.
 prod 24 mos 93000 ~~Amurda~~ pdcomp
 rty box 10 mos 21
 Sept. 1969 - Kinney files C-102 dedicating 160-acre
 Mounsey #1

Oct. 1969 - Kinney files C-102 - dedicating 160-acre
 Mounsey ~~#1~~ #1-4

9-25-69 LS Co. back to the agency, HC re-amended, and
 what Amurda did with 40 (225) came back to us 9-30-69
 approved 9-29-69 10/1/69 MCCC grant for notification
 of cancellation



United States Department of the Interior

GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

70 MAY 15 4 19

Case 4364

May 14, 1970

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

Attention: Mr. George Hatch

Gentlemen:

We wish to revise the last paragraph of our letter of May 1, 1970, concerning Roy E. Kimsey, Jr.'s application for administrative approval of a non-standard proration unit in the Jenkins-Cisco oil pool, to read as follows:

"Although it is still our opinion that your approval of the non-standard proration unit will result in the Federal acreage being drained, we do not plan to offer testimony before the New Mexico Oil Conservation Commission at any hearing that may be held in connection with this matter."

Sincerely yours,

CARL C. TRAYWICK
Acting Oil and Gas Supervisor

DOCKET MAILED

Date 5/28

*Do not issue
until USGS
has been contacted*

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

April 24, 1970

Case 43,64

Mr. Roy E. Kimsey, Jr.
522 Bldg. of the Southwest
Midland, Texas 79701

Re: Administrative approval for a
non-standard proration unit com-
prising the N/2 SW/4 and SE/4 SW/4
of Section 24, Township 9 South,
Range 34 East, Lea County, New
Mexico

Dear Mr. Kimsey:

Rule 3 of the Special Rules and Regulations for the
Jenkins-Cisco Pool requires that all operators, direct
and diagonal, offsetting the proposed non-standard unit
be notified of the application by registered or certified
mail, and that the application state that such notice has
been furnished. The Commission, therefore, needs such a
statement from you and a plat showing the ownership of
the leases directly and diagonally offsetting your
proposed unit.

Very truly yours,

GEORGE M. HATCH
Attorney

GMH/esr

C
O
P
Y

682-1422

ROY E. KIMSEY, JR.

OIL OPERATOR

522 BLDG. OF THE SOUTHWEST
MIDLAND, TEXAS 79701

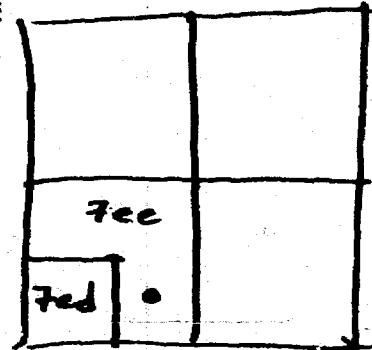
April 22, 1970

MAIN OFFICE 000

'70 APR 24 AM 8 30

*NSP
issue 30 days from
receipt of statement
that all operators
have been notified.*

Case 4364



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

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

Re: Kimsey #1-Y N. Mounsey
Jenkins Cisco Field
Lea County, New Mexico

Gentlemen:

On January 5, 1970, I began producing oil from the above captioned lease which is located in the SE/4 SW/4 of Section 24, T-9-S, R-34-E.

I would like to ask that this well be placed on 120 acre proration unit instead of the prevailing 160 acre proration unit, and that said unit shall encompass the N/2 SW/4 and SE/4 SW/4 of said section.

Please notify me if you need any further information.

Yours very truly,

Roy E. Kimsey, Jr.

REK:sf

cc: Mobil Oil Corporation
Attention: Mr. J. D. Ferguson
P. O. Box 900
Dallas, Texas 75221

Form 3120-1
(December 1968)UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTASSIGNMENT AFFECTING RECORD TITLE
TO OIL AND GAS LEASE*

Serial Number

NM-150147-A

TO BE FILLED IN BY LAND OFFICE

Effective Date of Base Lease

New Serial Number

undersigned, as owner of record title of the above-designated oil and gas lease, hereby transfers and assigns to

Name
Street
City
State
Zip CodeRoy E. Kimsey, Jr.
522 Building of the Southwest
Midland, Texas
79701

the record title interest in and to such lease as specified below.

1. Describe the lands affected by this assignment (by legal subdivision, if surveyed)

Lea County, New Mexico

Township 9 South, Range 34 East, N.M.P.M.

Section 24: SW/4 SW/4

Containing 40 acres, more or less

2. What interest was held by the assignor in above-described lands prior to this assignment?

100%

3. What interest is being conveyed to assignee?

100%

- 4a. What overriding royalty or production payments is the assignor reserving herein? (See Item 4 of the instructions; specify percentage)

None

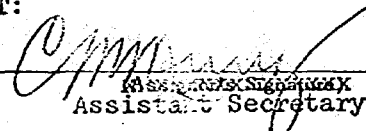
- b. What overriding royalties or production payments, if any, were previously reserved? (percentage only) 5%

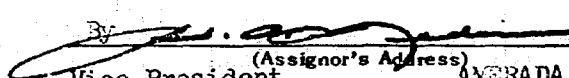
It is agreed that the obligation to pay any overriding royalties or payments out of production of oil created herein, which, when added to overriding royalties or payments out of production previously created and to the royalty payable to the United States, aggregate in excess of 17½ percent, shall be suspended when the average production of oil per well per day averaged on the monthly basis is 15 barrels or less.

IT IS HEREBY CERTIFIED, That the statements made herein are true, complete, and correct to the best of my knowledge and belief and are made in good faith.

Executed this 10th day of September, 1969 AMERADA HESS CORPORATION

ATTEST:


Assistant Secretary


Vice President

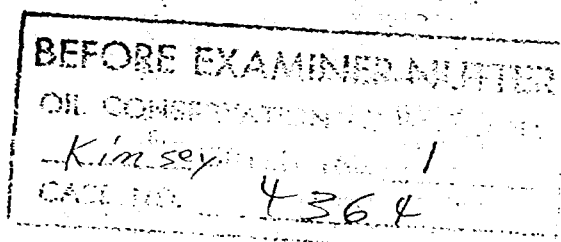
AMERADA DIVISION

P. O. Box 2040, Tulsa, Oklahoma 74102

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious, or fraudulent statements or representations as to any matter within its jurisdiction.

THE UNITED STATES OF AMERICA

Assignment approved as to the lands described below:



Assignment approved effective _____

Date approved _____

By _____
(Authorized Officer)*Lease extended under 43 CFR 3128.5 to and including
(date) _____

(Title)

NOTE: This form may be reproduced provided that the copies are exact reproductions on one sheet of both sides of this official form in accordance with the provisions of 43 CFR 3128.2



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

DIVISION OF LANDS & MINERALS
PROGRAM MANAGEMENT & LAND OFFICE
P. O. Box 1449
Santa Fe, New Mexico 87501

IN REPLY REFER TO:

NM 050149-A
Oil and Gas

4.10c

RECEIVED

OCT 23 1969

Certified Mail
Return Receipt Requested

OCT 22 1969 LAW OFFICES OF
GEORGE H. HUNKER, JR

DECISION

Amerada Petroleum Corporation :
P. O. Box 2040 :
Tulsa, Oklahoma 74102 : Oil and Gas

Lease Expired by Operation of Law

Oil and gas lease NM 050149-A, dated October 1, 1959, was segregated by partial assignment out of lease NM 050149 effective September 1, 1964. The lease was extended for a period of 5 years ending September 30, 1969, pursuant to 43 CFR 3127.1, and it is held of record by Amerada Petroleum Corporation.

The lease is communitized with 120 acres of fee land to form a 160-acre well spacing unit for the Pennsylvanian embracing the SW $\frac{1}{4}$ Sec. 24, T. 9 S., R. 34 E., NMPM, Lea County, New Mexico, Communitization Agreement SW-533. Re-entry operations of abandoned fee well No. 1 N. Mounsey in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 24 were commenced on September 27 to rework the well and restore production from the Bough "C" 9,770 feet to 9,776 feet, of Pennsylvanian age.

On the expiration date of the lease, the operator had cleaned out to the stub of the 4 $\frac{1}{2}$ -inch production casing at 8,066 feet but had been unable to enter it and had drilled outside the 4 $\frac{1}{2}$ -inch casing to 8,150 feet. The operator then commenced cleaning out the hole with an 11-inch bit to run 8 5/8-inch casing to connect with the stub of the 8 5/8-inch casing in the hole at 1,602 feet. At midnight September 30, the operator was cleaning out at 1,415 feet.

The operations are not considered actual drilling operations pursuant to 43 CFR 3127.2 which would qualify lease NM 050149-A for a two-year extension. Accordingly, lease NM 050149-A is considered to have expired under its own terms on September 30, 1969.

BEFORE EXAMINER
OIL CONSERVATION
Kins... NO. 2
CASE NO. 4 364

NM 050149-A
Oil and Gas
4.10c

This decision becomes final 30 days from its receipt in the absence of an appeal. Amerada Petroleum Corporation is allowed the right of appeal to the Director, Bureau of Land Management in accordance with the regulations in 43 CFR 1842. See enclosed Form 1842-1 and Circular 2137. If an appeal is taken, it must be filed in this office accompanied by a \$5.00 filing fee. There must be strict compliance with the regulations and the appellant will have the burden of proving by presenting positive and substantial evidence wherein this decision is in error.

Refund of advance rental payment in the amount of \$20.00 will be authorized when this decision becomes final.



Fred E. Padilla, Chief
Branch of Oil and Gas

Enclosures:
Circular 2137
Form 1842-1

cc: OSG Supv., Roswell(2)(9S-34E)
cc: Mr. George H. Hunker, Jr. ✓
P. O. Box 2086
Roswell, New Mexico 88201



United States Department of the Interior

GEOLOGICAL SURVEY
Drawer 1857
Roswell, New Mexico 88201

RECEIVED
HFV

MAR 30 1970

CERTIFIED MAIL

Mobil Oil Corporation
P. O. Box 900
Dallas, Texas 75221

Attention: Mr. H. F. ~~Sierk~~ [✓] Sierk, Manager
Crude Oil Accounting Department

March 25, 1970
JCV ✓ JRC CJS
WPK CFM RNL
HLS MJK SEM
DTF WAZ GPD
EJM RMG JON
VMS MKD RUS

Gentlemen:

Information available to this office indicates that Mobil is the purchaser of the oil produced from Roy E. Kimsey, Jr.'s, well No. 1-Y Mounsey in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ sec. 24, T. 9 S., R. 34 E., a Bough "C" oil well which was completed on or about January 20, 1970, for 141 barrels of oil per day. The 160-acre spacing unit dedicated to such well is the SW $\frac{1}{4}$ sec. 24 and is comprised of 120 acres of fee land (N $\frac{1}{4}$ SW $\frac{1}{4}$ and SE $\frac{1}{4}$ SW $\frac{1}{4}$ sec. 24) and 40 acres (SW $\frac{1}{4}$ SW $\frac{1}{4}$ sec. 24) of Federal land. The spacing unit is covered by communitization agreement SW-533; however, since the approval of the agreement, Federal lease New Mexico 050149-A covering the SW $\frac{1}{4}$ SW $\frac{1}{4}$ sec. 24 was determined to have expired on September 30, 1969, subject to appeal. Attached is a copy of the BLM decision terminating the lease. An appeal has been filed by Roy E. Kimsey, Jr., which is under consideration at this time. The lessee and working interest owner of the Federal lease was Amerada Hess Corporation at the time the lease was held to have expired, however, an assignment of the lease to Roy E. Kimsey, Jr., was filed with BLM on November 21, 1969. Action on such assignment has been deferred by the BLM until the appeal is resolved.

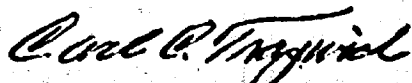
As the status of the Federal lease is indeterminate at this time, it cannot be considered as a lease in good standing. Accordingly, it is requested that Mobil, as the oil purchaser, place the revenue attributable to the Federal tract (one-fourth share) from the sales of oil from such well in a suspense account effective as of the date of first sales from the well. If the appeal is decided in favor of Kimsey, we will advise Mobil at that time to release the proceeds in the suspense account to Kimsey. If the BLM decision terminating the Federal lease as of September 30, 1969, is upheld on appeal, such lease expiration will effectively remove lease New Mexico 050149-A from the terms of the communitization agreement as of such date. In that event, it will be necessary that Mobil continue to hold in escrow the revenue attributable to the Federal tract until such acreage is again leased and subsequently committed to the existing communitization agreement.

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Kimsey EXHIBIT NO. 3
CASE NO. 4364

In view of the above-described circumstances, we request your cooperation in placing the revenue from the oil sales attributable to the Federal tract in a suspense account effective as of the date of first sales from the well.

Please advise us in regard to the proper identification of the suspense account to which the proceeds attributable to the Federal tract will be credited.

Sincerely yours,



CARL C. TRAYWICK
Acting Oil and Gas Supervisor



UNITED STATES
DEPARTMENT OF THE INTERIOR

GEOLOGICAL SURVEY

P. O. Box 1157

Hobbs, New Mexico 88240

IN REPLY REFER TO:
RECEIVED
BUREAU OF LAND MANAGEMENT
LAND OFFICE - SANTA FE, N.M.

OCT - 9 1969

HOUR: 10:00 A.M.

October 1, 1969

Memorandum

To: Regional Oil and Gas Supervisor, Roswell, New Mexico

From: District Engineer, Hobbs, New Mexico

Subject: Extension of leases by drilling operations, September 30, 1969

There were no leases in the Hobbs District due to expire on September 30, 1969, on which drilling operations were in progress. In addition, no drilling operations were being conducted on communitized tracts or on nonproducing units with leases due to expire on such date.

Our memorandum of August 1 advised that drilling operations were timely commenced on lease New Mexico 032935-A, which has an expiration date of July 31, 1969. John H. Trigg well No. 1 Government, in the NW 1/4 sec. 31, T. 19 S., R. 34 E., N.M.P.M., was drilling with cable tools at a depth of 532 feet in a 12 1/2" hole on September 30, 1969. 13-3/8" casing has been mudded in at a depth of 439 feet. The well spudded on July 25, 1969, and is a 3,600 foot Yates-Seven Rivers test. A recommendation will be furnished later as to whether the drilling operations should qualify the lease for extension pursuant to 43 CFR 3127.2.

(Orig. Sgd.) ARTHUR R. BROWN

Arthur R. Brown

cc:
BLM-Santa Fe ✓

NOTE: See attached supplemental report concerning reentry operations of an abandoned well on fee land communitized with 40 acres of Federal land in lease New Mexico 050149-A.

(ORIG. SGD.) JOHN A. ANDERSON

10-8-69	JOHN A. ANDERSON
BEFORE EXAMINER NUTT	Regional Oil and Gas Supervisor
OIL CONSERVATION	
Kimsey EXHIBIT NO. 4	
CASE NO. 2364	

Lease New Mexico 050149-A with an expiration date of September 30, 1969, is communitized with 120 acres of fee land to form a 160-acre well spacing unit for the Pennsylvanian embracing the SW $\frac{1}{4}$ sec. 24, T. 9 S., R. 34 E., Lea County, New Mexico, Com. Agr.-SW-533. Reentry operations of abandoned fee well No. 1 N. Mounsey in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ sec. 24 were commenced on September 27 to rework the well and restore production from the Dough "C" 9,770 to 9,776 feet, of Pennsylvanian age.

On the expiration date of the lease, the operator had cleaned out to the stub of the 4 $\frac{1}{2}$ -inch production casing at 8,066 feet but had been unable to enter it and had drilled outside the 4 $\frac{1}{2}$ -inch casing to 8,150 feet. The operator then commenced cleaning out the hole with an 11-inch bit to run 8 5/8-inch casing to connect with the stub of the 8 5/8-inch casing in the hole at 1,602 feet. At midnight September 30, the operator was cleaning out at 1,415 feet. The operations are not considered actual drilling operations pursuant to 43 CFR 3127.2 which would qualify lease New Mexico 050149-A for a two-year extension.

We consider that lease New Mexico 050149-A expired of its own terms on September 30, 1969. As it is in the known geologic structure of a producing oil field, the land is subject to leasing at competitive bidding.

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

May 11, 1970

Case 4264

DOCKET MAILED

Date 5/28

Mr. Roy E. Kimsey, Jr.
522 Building of the Southwest
Midland, Texas 79701

Re: Application for a non-standard
oil proration unit comprising the
N/2 SW/4 and SE/4 SW/4 of Section
24, Township 9 South, Range 34
East, Jenkins-Cisco Pool, Lea
County, New Mexico

Dear Mr. Kimsey:

At your request the above-described matter will be
set for hearing on June 10, 1970.

Very truly yours,

GEORGE M. HATCH
Attorney

GMH/esr

cc: Mr. Carl C. Traywick
Acting Oil and Gas Supervisor
United States Department of the Interior
Geological Survey
Drawer 1857
Roswell, New Mexico 88201

C
O
P
Y

682-1422

ROY E. KIMSEY, JR.

OIL OPERATOR

522 BLDG. OF THE SOUTHWEST
MIDLAND, TEXAS 79701

May 8, 1970

70 MAY 11 AM 8 05

Case 4264

[Handwritten signature]

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

Attention: Mr. A. L. Porter, Jr.
Secretary-Director

Re: Administrative approval for
non-standard proration unit
comprising the N/2 SW/4 and
SE/4 SW/4 of Section 24,
Township 9 South, Range 34
East, Jenkins-Cisco Pool,
Lea County, New Mexico

Gentlemen:

Pursuant to your letter of May 4, 1970, wherein you
inform me that the U.S.G.S. has entered a protest
against the approval of the above captioned non-
standard unit, I hereby ask that this matter be set
for a hearing.

Yours very truly,

[Handwritten signature of Roy E. Kimsey, Jr.]
Roy E. Kimsey, Jr.

REK:sf



United States Department of the Interior

GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

MAILED
70

AM 8

Case 4264
JMT

May 1, 1970

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

Attention: Mr. George Hatch

Gentlemen:

In response to an inquiry made by this office, you advise that Roy E. Kimsey, Jr., has applied to the Commission for administrative approval of a non-standard proration unit in the Jenkins-Cisco oil pool comprised of 120 acres described as the N $\frac{1}{2}$ SW $\frac{1}{4}$ and SE $\frac{1}{2}$ SW $\frac{1}{4}$ sec. 24, T. 9 S., R. 34 E., Lea County, New Mexico. Such non-standard proration unit is to be dedicated to Kimsey's No. 1-Y N. Mounsey well located in the SE $\frac{1}{2}$ SW $\frac{1}{4}$ of said sec. 24.

The rules and regulations of the Jenkins-Cisco oil pool define a standard proration unit as "containing 160 acres, more or less, substantially in the form of a square, which is a quarter section being a legal subdivision of the United States Public Land Survey." Accordingly, the standard proration unit for Kimsey's well is the SW $\frac{1}{4}$ sec. 24. The SW $\frac{1}{4}$ sec. 24, which is comprised of the 120 acres of fee land that Kimsey seeks as a non-standard unit and 40 acres of Federal land, is communitized as to the oil and associated liquid hydrocarbons producible from the Cisco formation underlying such lands.

As your approval of the non-standard proration unit sought by Kimsey would result in the Federal acreage being drained without recourse to the Government, we hereby enter a protest against the administrative approval of Kimsey's request and ask that we be afforded ample time in which to prepare for any hearing before the Commission that might result from our protest.

Sincerely yours,

Carl C. Traywick
CARL C. TRAYWICK
Acting Oil and Gas Supervisor

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

May 4, 1970

Case 4264

C
O
P
Y

Mr. Roy E. Kinsey, Jr.
522 Building of the Southwest
Midland, Texas 79701

Re: Administrative approval for non-
standard proration unit comprising
the N/2 SW/4 and SE/4 SW/4 of
Section 24, Township 9 South, Range
34 East, Jenkins-Cisco Pool, Lea
County, New Mexico

Dear Mr. Kinsey:

As the Commission has received an objection, a
copy of which is enclosed, to the formation of the above-
described non-standard unit, it cannot be approved adminis-
tratively. Please advise this office whether you wish the
matter set for hearing.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Enclosure

cc: Mr. Carl C. Traywick

682-1422

ROY E. KIMSEY, JR.

OIL OPERATOR

522 BLDG. OF THE SOUTHWEST
MIDLAND, TEXAS 79701

April 28, 1970

70 APR 30 AM 8 21

Case 4264

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

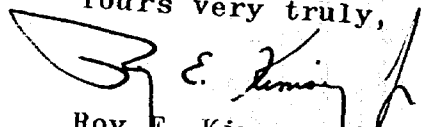
Attention: Mr. George M. Hatch

Re: Kimsey #1-Y N. Mounsey
Jenkins Cisco Field
Lea County, New Mexico

Gentlemen:

In reference to your letter of April 24, 1970,
I am enclosing copies of letters mailed to the
offset operators of my well, and am enclosing a
land plat showing all offset leases.

Yours very truly,


Roy E. Kimsey, Jr.

REK:sf
Enc.

482-1422

ROY E. KIMSEY, JR.

OIL OPERATOR

522 BLDG. OF THE SOUTHWEST

MIDLAND, TEXAS 79701

April 28, 1970

Case 4364

Amerada Hess Corporation
P.O. Box 591
Midland, Texas 79701

Attention: Mr. G. F. Whitlow

Re: Kimsey #1-Y N. Mounsey
Jenkins Cisco Field
Lea County, New Mexico

Gentlemen:

In accordance with Rule 3 of the Special Rules and Regulations for the Jenkins Cisco Pool, I am hereby notifying you of my application to the Oil Conservation Commission for a 120 acre proration unit, being the N/2 SW/4 and SE/4 SW/4 of Section 24, T-9-S, R-34-E.

Yours very truly,

Roy E. Kimsey, Jr.

REK:sf
Plat Enclosed

682-1422

ROY E. KIMSEY, JR.

OIL OPERATOR

522 BLDG. OF THE SOUTHWEST
MIDLAND, TEXAS 79701

April 28, 1970

Case 4364

Apache Corporation
1720 Wilco Building
Midland, Texas 79701

Re: Kimsey #1-Y N. Mounsey
Jenkins Cisco Field
Lea County, New Mexico

Gentlemen:

In accordance with Rule 3 of the Special Rules and Regulations for the Jenkins Cisco Pool, I am hereby notifying you of my application to the Oil Conservation Commission for a 120 acre proration unit, being the N/2 SW/4 and SE/4 SW/4 of Section 24, T-9-S, R-34-E.

Yours very truly,

Roy E. Kimsey, Jr.

REK:sf
Plat Enclosed

[illegible]

DRAFT

GMH/esr
8-10-70

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. 4364

Order No. R- 4013

APPLICATION OF ROY E. KIMSEY, JR.,
FOR A NON-STANDARD OIL PRORATION
UNIT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 10, 1970,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this day of August, 1970, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, Roy E. Kimsey, Jr., is the owner and
operator of a 120-acre lease or leases comprising the N/2 SW/4 and
SE/4 SW/4 of Section 24, Township 9 South, Range 34 East, NMPM,
Jenkins-Cisco Pool, Lea County, New Mexico.

(3) That the applicant seeks approval of a 120-acre non-
standard oil proration unit comprising the above-described acreage
to be dedicated to his ^{N.} Mounsey Well No. 1-Y located in ^{Unit N} of
said Section 24.

(4) That a standard oil proration unit in the subject pool
would consist of a unit containing 160 acres, more or less,
substantially in the form of a square, which is a quarter section
being a legal subdivision of the United States Public Land Surveys.

(5) That the entire non-standard oil proration unit requested by the applicant may reasonably be presumed to be productive of oil from the Jenkins-Cisco Pool and can be efficiently and economically drained and developed by the above-described Well No. 1-Y.

(6) That approval of the 120-acre non-standard oil proration unit as requested by the applicant will afford the applicant the opportunity to produce his just and equitable share of the oil in the Jenkins-Cisco Pool, will prevent the economic loss caused by the drilling of unnecessary wells, will avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights, provided any owner of a mineral interest in the SW/4 SW/4 of said Section 24 is allowed a reasonable time in which to bring a case before the Commission for the compulsory pooling of all mineral interests in the SW/4 of said Section 24.

IT IS THEREFORE ORDERED:

(1) That a 120-acre non-standard oil proration unit in the Jenkins-Cisco Pool comprising the N/2 SW/4 and SE/4 SW/4 of Section 24, Township 9 South, Range 34 East, NMPM, Lea County, New Mexico, is hereby established and dedicated to the Roy E. Kimsey ^{the SE/4 SW/4} Mounsey Well No. 1-Y located in ~~Unit N~~ of said Section 24;

PROVIDED HOWEVER, that the above shall be without prejudice to the right of any owner of a mineral interest in the SW/4 SW/4 of said Section 24 to bring a case before the Commission for the compulsory pooling of all mineral interests in the SW/4 of said Section 24, provided said compulsory pooling case is brought by March 1, 1971.

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

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

Re **CASE 4365: Application of BENSON-
MONTIN-GREER FOR AMENDMENT OF SPE-
CIAL POOL RULES, RIO ARRIBA CO.**

Approved