

CASE 4410: Application of MAJOR,  
GIEBEL & FORSTER FOR COMPULSORY  
POOLING, LEA COUNTY, NEW MEXICO.

ED TO THE SEPTEMBER 2, 1970 EXAMINER HEARING

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Case Number

4/4/0

Application  
Transcripts.

Small Exhibits

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
September 2, 1970

IN THE MATTER OF:

Application of Major, Giebel & Forster  
for compulsory pooling, Lea County,  
New Mexico

Case No. 4410

BEFORE: ELVIS A. UTZ, Examiner

TRANSCRIPT OF HEARING

MR. HATCH: Case No. 4410, continued from the August 19, 1970 Examiner Hearing. This is the application of Major, Giebel and Forster for compulsory pooling, Lea County, New Mexico.

MR. KELLAHIN: Mr. Examiner, please, Jason Kellahin of Kellahin and Fox, Santa Fe, appearing for the applicant. We have one witness I'd like to have sworn.

MR. UTZ: Any appearances in the case?

MR. KASTLER: Yes, sir. I am Bill Kastler, Roswell, representing Gulf and we will have two witnesses, possibly, who may be sworn at this time.

MR. KELLAHIN: Mr. Examiner, please, in connection with the appearance of Gulf, it doesn't appear that Gulf owns any interest in the proposed unit for which compulsory pooling is sought and I'd like to inquire as to what their interest in this case is.

MR. KASTLER: It is well conceded we do not own any interest in the 160 acres involved directly in this hearing, but Gulf is the owner of the proration unit to the south.

In Section 65-3-14 (c) of New Mexico statutes, where it provides for equitable allocation and allowable production and compulsory pooling, the statute makes it a preliminary requirement of uniform productivity being found in a spacing or proration unit. This requirement is implicit in the following language quoted from the statute which I quote in part: "The

portion of the production allocated to the owner or owners of each tract shall be considered as if produced from each separately owned tract or interest by a well drilled thereon."

For the purpose of protecting correlative rights Gulf, being the owner of a producing well to the south, we believe we are entitled to protection and to appear and oppose the preliminary findings that may be necessary in this case.

MR. KELLAHIN: If the Examiner please, it is the position of the applicant that this is an application for compulsory pooling involving a standard proration unit as created by the orders of the Oil Conservation Commission. There is no application here for a non-standard unit, nor is there any application for an unorthodoxed well location. The only matter before the Commission under the advertising in this case is the question of compulsory pooling. Now, clearly the Commission can consider productive acreage in the case brought before it, but we submit that an attempt to bring that into this application would go beyond the call of the hearing and that we are without notice as to the order that would be entered by the Commission and the Commission would be without jurisdiction at this time to hear anything relating to productive acreage.

The counsel for Gulf has read a portion of the statute 65-3-14 but I would point out that subsection (b) of that statute provides that the Commission shall establish a proration

unit for each pool, such being the area that can be efficiently and economically drained and developed by one well, at which time it considers all the factors as to what one well will drain and develop and it has done so in this pool. To raise it again in this hearing, in our opinion, would be highly improper and go far beyond the call of the hearing.

Now, it is in the field of administrative law well established and there are numerous cases to the effect that any applicant or party to a hearing is entitled to notice and what does this notice mean -- it means that what matters are going to be heard at the hearing. The matters to be heard at this hearing are on the question of compulsory pooling. There is nothing in the advertising to say that we should come here prepared to argue the question of productive acreage.

Now, if Gulf wants to bring the question of productive acreage into this case, let them bring a case on their own initiative and perhaps inquire into the productive acreage of all the wells in the pool. Certainly this one should not be singled out.

We object to the appearance of Gulf and take the position that they cannot be heard in this proceeding.

MR. KASTLER: If I may comment on that last request and objection, the application filed by Major, Giebel and Forster asks for a standard proration unit of 160 acres and the allocation of pooling based on that 160 acres. That itself

is sufficient to raise the question.

Insofar as notice is concerned, on August the 18th, I believe it was, there was a hearing scheduled to be held here -- or the 19th -- and Gulf opposed, appeared and offered its opposition at that time, so the applicant has actual knowledge of the nature of our objection here.

MR. KELLAHIN: Mr. Examiner please, we don't agree that we had actual knowledge. The notice which is required by the statute and by the rules and regulations of the Commission require that this Commission itself give actual notice and in Section 65-3-6 of the New Mexico statutes this notice is described as follows: "It shall specify the number and style of the case, the time and place of the hearing, shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations contemplated by the Commission on its own motion or sought in the proceeding brought before the Commission -- " and the proceeding brought before the Commission was a question of forced pooling and Gulf has had ample time to raise any other questions they wanted to in an application of their own.

MR. UTZ: Mr. Kastler, was the case actually called on the 19th of August?

MR. KASTLER: The record would show. I don't -- I believe it was called. We announced our intention to appear.

MR. KELLAHIN: I don't think it was. It was called



but I don't recall Gulf made any appearance or stated any position in the record.

MR. UTZ: I don't either. There is nothing in the file to show.

MR. KASTLER: The record doesn't show that? Do you have the record of that hearing?

MR. UTZ: We may not have the transcript yet.

MR. KASTLER: Well, there was some discussion about our appearance. Whether it was on or off the record, I don't know. It did take place.

MR. UTZ: I don't remember.

MR. KASTLER: The issue is whether or not this appearance, proposed appearance of Gulf comes within the purview of the advertisement of this case and we say it does and Mr. Kellahin and his client says it does not.

MR. UTZ: After consulting with my legal advisor I will have to overrule your motion, Mr. Kellahin, and hear the case. If you'd like to hear his reasons for his recommendation, I would be happy to have him state them.

MR. KELLAHIN: I would like them, please.

MR. HATCH: I believe you spoke of the requirements of notice and those requirements are principally for the protection of possible protestants or other affected parties other than the applicant in the case and also in 65-3-14 (a), "The rules, regulations and orders of the Commission shall, so far as it is

practicable to do so, afford to the owner of each property in a pool the opportunity to produce his just and equitable share of the oil or gas or both in the pool, being an amount, so far as can be practically determined, and so far as such can be practically obtained without waste, substantially in the proportion that the quantity of the recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for this purpose to use his just and equitable share of the reservoir energy."

This gives the protestants in this case the opportunity to determine whether the production unit will violate their correlative rights.

MR. KELLAHIN: May I comment on that, please?

MR. UTZ: Sure.

MR. KELLAHIN: As I understand it, the position in regard to the notice that it is for the benefit of others than the applicant, I think in this case it is quite clear that we are somewhat in a different situation than an applicant because we certainly did not apply to this Commission for anything in the nature of a productive acreage hearing. We applied to the Commission for compulsory pooling.

Now, under the reasons of notice we feel and take the position that the notice issued by this Commission as required by statute and by rules of the Commission to state the general nature of the order or orders, rules or regulations to be

promulgated or affected. Now, to then say that the general reasons under the statute which say that the rules of the Commission shall give each producer the opportunity to recover his just and equitable share of the oil or gas underlying his land, I quite agree with, but it should be done on a proper proceeding. In other words, if Gulf wanted to bring in the question of productive acreage to protect their correlative rights as an offset operator, they have a right to bring a case before this Commission and the Commission would have to entertain it under the provision of that statute, but this isn't the type of case we have got here. What we have here today is a forced pooling case and it is clearly covered by the statute which says that the Commission shall pool the acreage where the people cannot agree and it is for the purpose of preventing the drilling of unnecessary wells and give each owner in the pool the right to recover his just and equitable share of the oil or gas underlying his tract and that is the whole purpose of the pool and to say then we can change the nature of the hearing and do something entirely different than that contemplated when the application was filed, I think, violates our rights and denies us due process -- the fundamental due process required in all administrative hearings.

MR. UTZ: What you are saying then is you haven't had notice and you are not prepared to rebut a so-called dry acreage case?

MR. KELLAHIN: We have not had notice that this would be heard by the Commission.

MR. KASTLER: It is part of your burden of proof.

MR. KELLAHIN: There is nothing in the statute that requires a compulsory pooling case to prove any acreage is productive whatever. All you do is prove that you are unable to form a standard unit without compulsory pooling. That is what we are here to do.

MR. KASTLER: I don't believe that the Commissioner -- the Examiner wants further argument, but I would like to ask Mr. Kellahin to try and make this point more clear. Do you believe that the Commission can lawfully pool productive acreage with unproductive acreage if it has knowledge of it?

MR. KELLAHIN: If it has knowledge of it in proper proceeding, I'd say no.

MR. KASTLER: Do you believe if it has a way of finding knowledge of that, that the Commission is precluded because of some notice requirement or hearing requirement or something like that?

MR. KELLAHIN: Absolutely. Absolutely. If Gulf wanted to raise this question, they have had ample opportunity to raise it. They know how to write applications just as well as we do.

MR. KASTLER: That is it.

MR. UTZ: Lets proceed. You may proceed.

CHARLES E. KOCH,

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

DIRECT EXAMINATION

BY MR. KELLAHIN

Q Will you state your name, please?

A Charles E. Koch.

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

A Major, Giebel and Forster. I am manager of their Land and Legal Department.

Q And have you ever testified before the Oil Conservation Commission?

A I have not.

Q For the benefit of the Examiner would you briefly outline your experience in this field?

A I have been -- I was an employee of Pan American Petroleum for thirteen years in their Land Department and I have been employed with Major, Giebel and Forster in the capacity I stated for the last three years.

Q In connection with your work for Major, Giebel and Forster, have you had anything to do with efforts to obtain voluntary agreements for the pooling of the acreage involved in this application?

A I have.

MR. KELLAHIN: Are the witness' qualifications acceptable?

MR. UTZ: Yes. They are.

Q Mr. Koch, did Major, Giebel and Forster attempt to get voluntary agreements for the pooling of the interest underlying the southeast quarter of Section 28 and 25 south, 37 east in the Crosby-Devonian Pool?

A Yes, sir.

Q What were the results of that effort?

A Results to date, by the exhibit furnished to you, indicates that approximately --

Q You were not able to get complete voluntary agreement, is that correct?

A That is right.

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

A Exhibit No. 1 is a land plat that outlines the subject 160 acres which is divided by color in blue and yellow; the blue acreage indicating a farmout dated June 10, 1970 from Union Oil of California to Major, Giebel and Forster and the yellow represents leaseholding acreage acquired or subject to this forced pooling hearing.

Q You actually have the working interest under the acreage acquired from the Union Oil, is that correct?

A Yes, sir.

Q And do you have substantially all of the acreage, leased acreage in the yellow portion of the unit?

A Substantially. Yes, sir.

Q Now, was this a part of the old Standard of Kansas leaseholdings?

A Yes, sir. The full 160 acres has common mineral ownership.

Q And it is what, Federal, State or Fee.

A It is Fee.

Q It is Fee acreage but it is subject to separate mineral leases?

A Yes, sir. The acreage in blue is held by Shell's Production.

Q Referring to Exhibit No. 2, would you identify that exhibit and discuss the information shown on it?

A Exhibit No. 2, the initial page indicates the acreage we desire to force pool; the amount and the parties whom we have been unable to effectively acquire or pool. The second and remaining pages are a title opinion dated July 27, 1970 from Stubbeman McRae Sealy Laughlin and Browder of Midland, Texas, outlining the fifty mineral owners involved in the subject acreage.

Q Now, on the first page we have unleased minerals and it starts off with 37.5 acres.

A Yes, sir.

Q J. M. Richardson Lyeth, Jr., Munroe Longyear Lyeth and Onez Norman Rooney. What is the situation as to those 37 and a half acres?

A The 37.5 acres indicated in that entry is the parties are traveling extensively abroad and elsewhere and their legal counsel has given us a letter to the effect that he will guarantee their signature and execution of an oil and gas lease. However, at the present time we do not have such an instrument, so the well is currently drilled and we must protect our rights in that case.

Q But you do anticipate you will get a lease to that acreage?

A I would assume so.

Q And the balance of the unleased acreage amounts to less than one acre, does it not?

A Yes. Actually it is a little bit over a half acre.

Q Just going down that list, would you tell us the situation as to each tract.

A Anna Gebhardt is a deceased woman in New York. We are making every effort to try to determine her heirs and at the present time we have been unable to locate those parties.

The case of Edward F. Nicolin, we also are in the same situation basically. We cannot locate the gentleman or his address or last known address.

In the case of Adam Arnold, Adam Arnold is also deceased.



We have a lease from his sister and she represents that she is the sole owner of Mr. Arnold's interest. However, she has not furnished us proof of that and we cannot assume, so until we do actually get probate proceedings and an instrument indicating her ownership --

The Republic National Bank of Dallas has indicated verbally they will execute an oil and gas lease. I have nothing more than that verbal notification.

Flora G. Sarkisian, we have contacted this party and we simply have been unable to secure an oil and gas lease from her - more from lack of ability to correspond with the party.

Q Now, in the next category, the section "leased minerals with no pooling agreement", am I correct in saying Major, Giebel and Forster hold a working interest on those particular tracts of land?

A Yes, sir. Those interests listed under this title result from the fact that the 1927 lease currently owned by Unions of California did not have a pooling provision in the lease. These parties or owners under that acreage or leases that we acquired from the same parties on the north sixty acres do contain pooling, however. This was why we were required to secure pooling agreements.

Q That is all in the Union of California farmout acreage, is that correct?

A That is correct. Incidentally, Jason, all the parties

listed under the "No Pooling Agreement" have executed leases on the sixty acre tract with pooling.

Q With pooling.

A With pooling, yes.

Q Have you attempted to get voluntary pooling agreements from all these individuals?

A Yes, sir, and I think basically it is a correspondence problem. The majority of the acreage, the principal brother of the top two parties has executed a lease and pooling agreement and he is having trouble finding and getting his two brothers to execute the same agreement.

Q Now, the next category is "mineral interest electing to join". What is the situation with that acreage?

A This three tenth's of an acre of Mr. Chudy in Minneapolis, Minnesota, I believe he was under some misguidance as to what he was actually doing and we have had extensive correspondence with him and at this date he still elects to join and I assume before it is over with he will change his mind because of the costs with that small amount of acreage.

Q Now, at the bottom is "Recapitulation" and it shows a total of 42.61183 acres which you seek to force pool?

A Yes, sir.

Q Now, as to the leased minerals with no pooling agreement, there would be no recovery to the owners other than their royalty interest, is that right?

A Yes.

Q Nor would you recover their proportional share of the cost out of the well?

A That is correct.

Q So do you ask that the right to recover out of the unleased minerals, the proportionate share of their cost of drilling the well and the charge for the risk be involved?

A We do.

Q What risk would you anticipate would be reasonable in this situation?

A This is a very low risk well. I don't know whether you can use percentages as they mean different things to different parties, but we consider it certainly in the realm of twenty-five percent risk of a dry hole.

Q So a twenty-five percent risk factor would be satisfactory to you?

A As a risk factor, yes.

Q Do you also ask for a provision for the allocation of actual operating costs and the establishment of charges for supervision of the well?

A Yes, sir.

Q What supervision costs would you feel are proper?

A The actual supervision of the well itself would be minimal. However, as indicated earlier, we have fifty mineral owners, some of these not effectively leased or pooled. The

handling of this large a number of mineral owners -- and they are old in nature -- their title is old -- there are a great many probate proceedings and other legal requirements that must be met before they can effectively execute different orders, so the expense anticipated in setting this up for dispersement of royalties would be considerable.

Q Do you think that would be an additional cost which would not ordinarily exist?

A Yes, sir.

Q Could you put a dollar figure on the supervision costs?

A Oh, it would run somewhere in the rate of \$175.00 per month.

Q And would you ask that you be permitted to recover the proportionate share from owners of the unleased minerals before they share in production?

A I would.

Q Is Major, Giebel and Forster willing to purchase leases from these individuals on any reasonable basis?

A Yes, sir. We are.

Q Are you willing for them to join in the drilling of the well?

A Yes, sir.

Q It would be a rather infinitesimal interest, other than the 37 and a half acres, would it not?

A Yes. It would.

Q Would you think it would be reasonable that they should join in the drilling of the well?

A No, sir, I don't, but --

Q But you would welcome them if they want to?

A Yes. If that was their wish, yes.

Q Was Exhibit 1 and 2 prepared by you or under your supervision?

A Yes, sir.

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

MR. UTZ: Without objection Exhibits 1 and 2 will be entered into the record in this case.

(Whereupon applicant's Exhibits 1 and 2 were admitted into evidence)

MR. KOCH: Have you had experience as a driller of Devonian wells up in this area?

A In southeast New Mexico, as a general rule, yes, sir.

Q What do you anticipate the cost of drilling to complete a Devonian well?

A \$150,000.

MR. KELLAHIN: That completes the examination of the witness.

WITNESS: I would like to mention that we are currently drilling the well and we are totalled at 4,000 feet.

MR. KELLAHIN: That is all we have, Mr. Utz -- one other question -- Mr. Koch, does Gulf Oil Corporation own any interest, to your knowledge, underlying this tract?

WITNESS: Not to my knowledge.

MR. UTZ: Any questions of the witness?

MR. KASTLER: Yes.

CROSS-EXAMINATION

BY MR. KASTLER:

Q Mr. Koch, to your knowledge has this same 160 acre quarter section been unitized and produced from the Crosby-Devonian gas pool?

A Yes, sir.

Q What happened that it now has to be forced pooled again?

A There is a well located on the north half, north sixty acres that was subsequently plugged and abandoned and that sixty acres expired under the terms of the prior lease as to the deeper rights.

Q Was Major, Giebel and Forster the operator of that well?

A No, sir.

Q Do you have knowledge of whether it accidentally quit or by some sudden stoppage losing the well, in effect, or did it appear to run to its exhaustion of the gas that was productive in that well bore or would you care to speculate on it?

A No, sir.

Q I am asking for a conclusion, I realize that.

Have you or has anyone in your company made a geological study of this area and prepared to offer exhibits or testimony here this morning?

MR. KELLAHIN: Mr. Examiner please, we object to the question. We are not presenting, at least on our own behalf, a hearing on the geology of this area. If there was testimony offered, we will probably wish to rebut it.

MR. UTZ: If testimony was offered you would what?

MR. KELLAHIN: We would wish to rebut any testimony offered by any other person, but we don't propose to submit any testimony on geology, nor is this witness qualified to do so.

MR. KASTLER: My question is only preliminary. I wanted to know if I should ask Mr. Koch further questions or not.

MR. UTZ: You got your answer, didn't you?

MR. KASTLER: I got my answer.

MR. UTZ: All right.

MR. KASTLER: That is all the questions I have.

MR. UTZ: O.K. Any other questions?

The witness may be excused.

Do you have another witness, Mr. Kellahin?

MR. KELLAHIN: Not at this time.

MR. KASTLER: At this time Gulf would like to call  
Mr. J. E. Hutchison.

J. E. HUTCHISON,

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

DIRECT EXAMINATION

BY MR. KASTLER

Q Will you please state your name, where you live and  
by whom you are employed and in what capacity.

A J. E. Hutchison, Roswell, New Mexico. I am employed  
by Gulf Oil Corporation as a District Production Geologist.

Q How long have you occupied that position at Gulf?

A Nearly seven years.

Q During that time have you previously had occasion to  
appear before the New Mexico Oil Conservation Commission and  
have qualified as an expert Geologist?

A Yes. I have.

Q Have you made a study of the area in the vicinity of  
the application of Major, Giebel and Forster in Case No. 4410?

A Yes. I have.

MR. KASTLER: Are the witness' qualifications  
acceptable?

MR. UTZ: Yes, sir. They are.

Q I wish you would now refer to what has been marked  
as opponent's Exhibit No. 1. Please identify this.



MR. KELLAHIN: Examiner please, at this time I'd like to renew our objection as previously stated and renew our position that no testimony should properly be received before this Examiner Hearing not related to the question of compulsory pooling. We submit geological testimony is not so related.

MR. UTZ: Your objection will be noted in the record and again you are overruled, Mr. Kellahin.

Q Please identify this structure map, this exhibit.

A Exhibit No. 1 is a structure map of the Crosby-Devonian field in Township 25 south, range 37 east and 26 south, range 37 east, Lea County, New Mexico. The map is contoured on the top of the Devonian formation and the contour interval is, as exhibited, 100 feet.

Q What wells have you shown on here as giving you surface -- sub-surface control?

A Only the deeper wells are shown. Of the wells that either penetrated the Devonian formation or quit short of the Devonian formation there are only three wells shown on this exhibit that did not penetrate the Devonian formation or has not as yet penetrated the Devonian formation.

Q Please identify those three wells.

A There are three wells. The first of which is the Western Natural No. 1 Dabbs located in unit E, Section 34, Township 25 south, range 37 east. The second of which is the Amerada and Olsen No. 1 Hays well located in unit N of Section

29, 25 south, range 37 east and the currently drilled No. 1 Major, Giebel and Forster No. 1 Cook located in unit O of Section 28.

Q Those are the three wells which did not penetrate the Crosby?

A Did not or have not.

Q And which wells are now producing from the Crosby-Dovonian?

A Presently there are four producing wells in the Crosby-Dovonian gas field. These are two wells in the north half of Section 33; namely the El Paso No. 2 Gregory Federal located in unit C of Section 33, 25 south, range 37 east; the Gulf NO. 2 Shahan located in unit B of Section 33; the Union Texas Petroleum No. 1 American Republic Federal located in unit K of Section 28 and the Union Texas Petroleum No. 1 Gregory Federal located in unit O of Section 33.

Q Is there one more well producing oil in the Crosby-Dovonian field?

A No, sir. There isn't any well classified as an oil well at the present time. There was one well that at one time was a Crosby-Dovonian so classified well and it is located in unit M of Section 21, Township 25 south, range 37 east. That well was plugged and abandoned in January of 1963.

Q Mr. Hutchison, of these wells that are now producing from the Crosby-Dovonian pool, which are the top allowable

wells and which are the marginal wells?

A Of the four producing wells there are two top allowable wells. Both of these wells are in the north half of Section 33, being the Gulf No. 2 Shahan and the El Paso No. 2 Gregory Federal. The well Union Texas Petroleum No. 1 American Republic Federal located in unit K is classified as a marginal producer and the Union Texas Petroleum well No. 1 Gregory Federal located in unit O of Section 33 is also a marginal producer.

Q With regard to the top allowable wells and the marginal producers, do you have a conclusion that the top allowables are higher on the structure?

A Yes, sir. I do. The two top allowables are also the two highest wells structurally on the Crosby-Dovonian field.

Q Now, will you refer to Phillip's No. 1 Copper well and give a brief history of its production, but first state its location, please.

A The Phillip's No. 1 Copper well is located in unit J of Section 28, Township 25 south, range 37 east. The well was completed from the Devonian formation January 16, 1956 and the well ceased to produce in October of 1968. Through this interim the well produced a total of 8,212,000,000 cubic feet of gas.

Q What is the structural difference between Phillip's No. 1 Copper well, now dry hole, and the Anderson Prichard

Lanehart well in unit G of Section 28?

A The Anderson Prichard Lanehart well is structurally 754 feet low to the Phillip's No. 1 Copper well located in unit J.

Q Do you conclude from that that this well is on the downthrown side of a fault?

A Yes. It is my interpretation we have a down to the east fault running between these two wells.

Q For additional fault control what other wells have you studied?

A Well, we have looked, of course, at the wells in the field, but so far as additional fault control, in Section 34 and unit E, the Western Natural No. 1 Dabbs drilled to a total depth of 9,273 feet and were still in the Mississippian line at total depth and we, from that, estimated a top of the Devonian to be at a datum of 6,643 feet subsea. The well directly south of that, the Anderson Prichard No. 1 Dabbs located in unit L, encountered the top of the Devonian at a datum of minus 5,873, being 770 feet higher than the Western Natural No. 1 Dabbs.

Q In your opinion what conclusions can be drawn from what you have shown on Exhibit 1?

A Well, from all the wells drilled in the Crosby-Devonian field it appears that the production lays longer on top of the structure than on the flanks and this is evidenced

by the wells plugged on the flank of the structure and also I would conclude that all wells drilled east of our down to the east fault are too low to produce hydrocarbons from the Devonian reservoir.

Q Can you detect an encroachment with the well history you have given in the case of the Phillip's Copper No. 1 well -- can you detect an encroachment of unproductivity or exhaustion of production, lower pressures and economic limits to the point that you could estimate how many productive acres there now are in the southeast quarter of Section 28?

A The Phillips No. 1 Copper well was originally completed, as I stated, back in 1956. This well at that time was a top allowable well and in my opinion at the time the well was drilled there wasn't more than probably eighty acres -- that being west of the fault -- that were productive at the time that the Phillip's well was drilled. Of course, that wasn't readily determinable since the Anderson Prichard Lanehart well directly north of it was drilled subsequent to the Phillip's well, but originally I feel that it was within the southeast quarter of Section 28. There were probably eighty acres that were originally productive. Since the cessation of production in the Phillip's well I feel like that there has been additional encroachment updip as evidenced by the very marginal status of the Union Texas Petroleum No. 1 American Republic well which only produced 2.6 million cubic feet of gas in the

month of June, 1970, so in my opinion the productive acreage existing in the southeast of Section 28 at the present time, so where the line would exist between the plugged Phillip's Copper and the Union Texas American Republic well would be hard to determine exactly, but I'd say halfway, which would probably make the datum line approximately minus 5,250 subsea -- that an updip would probably be productive of gas in the Devonian reservoir.

Q How many acres -- have you planimetered the number of acres?

A No, sir. I have not. I have not planimetered it, but I would estimate that it is probably forty acres or less. I have not an exact figure on it.

Q Mr. Hutchison, what does your A to A prime line connecting three wells in Section 28 refer to?

A That refers to Exhibit 2 which is a cross section running from the Union Texas No. 1 Republic Federal, which was the discovery well in the Crosby-Devonian field, through the Phillips No. 1 Copper and northward to the Anderson Prichard No. 1 Lanehart.

Q And you have prepared or had caused to be prepared this Exhibit No. 2 which is marked Opponent's Exhibit No. 2 to show this cross section?

A Yes. I have.

Q Will you state what logs are depicted on there?

A From the left of the cross section, the well immediately to your left is the Union Texas No. 1 American Republic Federal. The second well is the Phillips Petroleum Company No. 1 Copper well and thirdly the Anderson Prichard No. 1 Lanehart well.

Q Explain what is shown here and what conclusions you draw from it.

A This cross section is intended to more or less show the structural differences between these wells; the lower line on the cross section is marked top of the Devonian; the producing zone of the Devonian formation is approximately 180 to two hundred feet below the line, as you can see from the curves on this particular well. Immediately overlying this is the very radio active Woodford shell section and as you can see going from the Union Texas to the Phillip's Copper well you have what you might consider a relief there of some 114 feet and then, as I stated before, the other well being 754 feet low. We have predicted with that rapid rate change in the dip a downthrown fault and this way, down on the lower right-hand side of the cross section gives the top of the Devonian on the Anderson Prichard well which does have a dip in the Devonian and recovered 6,065 feet of formation water.

Q Do you have any other conclusions you'd like to make or add at this time?

A No, sir. I do not.

Q Were Exhibits No. 1 and 2 prepared by you or at your direction or under your supervision?

A Yes, sir. They were.

MR. KASTLER: This concludes my questions of Mr. Hutchison on direct examination and I'd like to move Exhibits 1 and 2 be admitted into evidence at this time.

MR. UTZ: Without objection Exhibits 1 and 2 will be entered in the record in this case.

(Whereupon opponent's Exhibits 1 and 2 were admitted into evidence)

We will take the noon day lunch break.

(Whereupon the hearing was adjourned for lunch).

MR. UTZ: The hearing will come to order. I believe we are ready to cross question Mr. Hutchison.

MR. KELLAHIN: May I ask a few questions?

MR. UTZ: Yes, sir.

CROSS-EXAMINATION

BY MR. KELLAHIN

Q Mr. Hutchison, referring to your Exhibit No. 1.

A Yes, sir.

Q As I understand, you base your location of your fault on the difference between the Phillip's Petroleum well and the Anderson Prichard well offsetting it to the north, is that correct?

A To the north, that is correct.



Q And that is on the difference of the subsea datum on the Devonion formation?

A That is correct.

Q Now, down to the south you referred, in Section 34, to the Western Natural Gas Company well No. 1.

A Yes, sir.

Q Which you show a subsea datum of minus 6,643.

A Correct.

Q Actually that well did not reach the Devonion, did it?

A That is correct. That is an estimate. It is marked on the exhibit as an estimate.

Q And it is an estimate?

A Yes.

Q Now, those two control points are the only control points that you have for the location of the fault, is that correct?

A Well, that and also the Anderson Prichard well in unit L of Section 34. I think I stated that between the Anderson Prichard well in unit L and the Western Natural there was 770 feet, I believe.

Q We were just talking about the fault line and you say, as I understand it, those are your two control points plus the Anderson Prichard well in unit L.

A That is correct.

Q And to the north you don't have any control points

at all, is that right?

A North of the Anderson Prichard, no.

Q For the location of the fault?

A No, sir.

Q Now, as I understood your testimony, based on the history of the Phillip's well in Section 28 and the immediate offset well which was the Union Texas Petroleum well to the west, did I understand you to say that based on those two wells in your opinion anything below 5,250 feet was not productive in the Devonian?

A That is what I am estimating, approximately 5,250 subsea being the limit of production.

Q Well now, if we followed the 5,250 foot line onto the south of the acreage that is the subject of this hearing, how much of the Gulf acreage is productive at this time?

A At this time I feel probably that they are roughly on the same basis as what we are estimating up there, probably roughly one hundred acres of 160 using the same basis I would apply to the acreage to the north. Originally I feel that when we drilled the well we felt like there was 160 acres present being in the same situation as was the Phillip's well and that the wells to the south, namely the Western Natural Dabbs, the Anderson Prichard Dabbs were drilled subsequent to the Gulf well.

Q So actually on your present interpretation you had less than 160?

A Approximately I'd say what we know now, if these wells have been drilled prior to the Gulf well, probably 150 or fifty-two acres cutting out some eight or ten acres.

Q At present you have about a hundred?

A I haven't actually figured, but going down that 5,250 I'd say in the same basis, roughly, approximately one hundred acres.

Q Now, if you were to drill a replacement well for your Gulf Shahan No. 2 would you ask for a hundred acre allowable?

A If we drilled a replacement well at the present time, yes, sir.

Q You would voluntarily say "we only got a hundred acres productive?"

A Assuming our well went to pot?

Q Yes, sir.

A Our well went to pot, completely to pot, I don't think if our well ceased producing all together, I don't think that we would be entitled to a hundred acres.

Q You would be something less than that?

A Less than that. If we quit producing, I'd say then our well was nonproductive downdepth from at least this well.

Q Now, coming on down to the south a little further, the El Paso Natural Well No. 3 in the south half of Section 33, that was abandoned in 1963, was it not?

A Which well was that again?

Q No. 3 well.

A In unit G?

Q Immediately south of your acreage?

A In unit J, the No. 3 El Paso well -- that well was abandoned, according to our records, in June, 1962 -- ceased production.

Q Ceased production?

A Yes.

Q Did it water out or do you know?

A I do not have that production, water production, on that particular well. It could be possibly that our subsequent witness may possibly have that information.

Q Now, the replacement well directly south of that, that is at a subsea of 5,266?

A That is correct.

Q According to your theory of the pool that should not be productive because it is below 5,250?

A Yes. That particular well there in unit O, the El Paso Union Texas Petroleum well, is a marginal producer and in June of 1970 produced 8.6 million cubic feet of gas and 1,226 barrels of condensate with 1,344 feet of water -- 1,344 barrels of water produced for the month of June. That would be a matter of sixteen feet, I believe, from that and, of course, to assume that exactly -- I said somewhere in between the Phillip's well and the Union Texas well, roughly 5,250. Now, assuming that,

you would have to assume encroachment for a distance there in excess of a mile. I don't think that a person can predict that closely, but assuming production from the Phillip's well's ceasing in October of 1968, I would think it would be some encroachment, so my estimate is a minus 5,250.

Q Now, do you think that all of that acreage is productive?

A As best as I could estimate, I'd say it was.

Q You didn't object to the replacement well or the dedication acreage to it?

A No, sir, we did not.

Q Now, lets go on up to the north end of your exhibit in Section 21, one well which is an oil well, is that right?

A Yes, sir. That is correct.

Q That is in a different pool than the Crosby-Devonian gas pool, isn't it.

A That is Devonian oil pool, that is correct.

Q Do you know the basis for the separation between a Devonian gas pool and the Devonian oil pool?

A I think actually in my opinion if that is an oil rim up there you will notice the top of the Devonian on that particular well. There is a datum of minus 5,877. The perforations in that well, they perforated from eighty, 8,900 to 8,970 to 9,515 feet.

Q Could you give us the subsea datum?

A That is a minus 5,923 to a datum of minus 5,968.

Q That is well below your 5,250, isn't it?

A Yes, sir. It is.

Q Quite a lot low?

A Yes.

Q What interval is the offsetting well to the west?

A The offsetting well to the west?

Q Yes.

A The offsetting well to the west is not producing.

That well had been plugged. It was plugged or ceased producing in 1962.

Q It did produce prior to that, did it not?

A Prior to that it did.

Q Do you know what interval it produced from?

A No, sir. I do not have that. I have it in my brief case, if you'd like me to go through that trouble to dig it out.

Q Would you agree it produced from 5,848 feet?

A 5,848 subsea.

Q Yes, sir. Subsea.

A Well, that sounds logical.

Q Would you like to check your cards and see?

A Yes, sure.

MR. UTZ: Was 5,848 the top of the perforations?

MR. KELLAHIN: The base of the perforation, yes.

WITNESS: The base of the perforation on the Owens

was a minus 5,968 datum line. My information shows that the Sun No. 3 Lanehart was perforated from 8,915 to 8,940, to an elevation of 3,042 feet and if my arithmetic is correct, that would be from a datum of minus 5,871 to 5,898.

Q That would be below the oil well, wouldn't it?

A It would be, datum wise, below the oil well.

Q Yes, sir. You said --

A It would be above the oil well.

Q Above the oil well -- is there any separation between those two wells?

A Not that I know of. There may be some difference of permeability. I just think there is an oil rim and this oil was accumulated downstructure down from the gas.

Q It should have been prorated as an associated oil well in a gas pool?

A Well, it probably should have been, but it wasn't. To my knowledge, it wasn't.

Q Do you know or have any opinion as to what the original gas water contact was in this pool?

A Yes, sir. We have used a minus -- approximately a minus 5,900 was our estimate of the original -- of the original gas water and, of course, the original gas oil I would say would be somewhat below that as exemplified in that Texas Pacific well and they produced the oil from a minus 5,923 to 5,968, so I would say the gas oil contact was somewhat, at that time,

above the minus 5,923.

Q So you had oil below the water then?

A I beg your pardon?

Q You had oil below the water, is that what you are saying?

A No, sir. I am saying we had gas on top. We had an oil ring around it and water below.

Q But your oil is at 5,968. You say your water was 5,900.

A No. I said the gas oil contact was estimated 5,900 feet.

Q The water contact?

A The gas water contact.

Q Yes. That is what I was asking.

A About a minus 5,900 feet.

Q You are saying they are the same thing then?

A No. I am saying the gas oil contact in this well would be somewhat below that because they have gas on oil in that particular well bore.

Q Well, that, to me, would indicate that you are saying the oil is below the water, if there was any water?

A No, sir. It doesn't to me.

Q I don't understand your testimony then.

A On the Lanehart well in Section 3, if these datums are correct we figure they produced from 5,971 to minus 5,800 -



produced gas, 5,898. The productive interval in the Texas Pacific Eva Owens was lower than that datum-wise from a minus 5,923 to a minus 5,968, so the gas was produced above the oil.

Q Correct, but where was the water -- you say it is in 5,900.

A As estimated -- at the time of this it was probably -- the oil was probably below that. This oil probably uncovered the whole structural aspect. It was just a rim around it.

Q Well, it might not have been even any water up there then?

A That is true, because we only have a cross section of 180 to 200 feet. A great part of the field was no water at all.

Q I just want to clarify one point. Did you say the El Paso Natural Union Petroleum well No. 1 in the south half of Section 33 is producing now or not?

A Yes, sir. I said it was producing. It is a marginal well.

Q It is still producing?

A It is still producing.

MR. KELLAHIN: That is all. Thank you, Mr. Hutchison.

MR. UTZ: Any other questions?

MR. KASTLER: No further questions.

Mr. Hoover, take the stand.

JOHN HOOVER,

a witness, having been first duly sworn, was examined and

testified as follows:

MR. KELLAHIN: We make the same objection to the testimony of this witness as we make in the testimony of Mr. Hutchison, Mr. Examiner, please, on the ground any testimony as to productive acreage goes beyond the scope of this hearing.

MR. UTZ: The objection will be noted in the record. You are overruled again.

DIRECT EXAMINATION

BY MR. KASTLER

Q Mr. Hoover, please state by whom you are employed, where and in what position?

A John Hoover, employed by Gulf Oil Corporation, Roswell, New Mexico, as District Production Engineer.

Q Are you familiar with certain facts and circumstances surrounding the Phillip's Copper well which is indirectly involved in this hearing?

A Yes, sir.

MR. KASTLER: Are the witness' qualifications satisfactory?

MR. UTZ: Yes. They are.

Q Mr. Hoover, referring to what is marked -- what should be marked Opponent's Exhibit No. 3, would you state what that is and what is shown thereon?

A Yes, sir. I made a tabulation of the production from

the Phillip's Copper well No. 1 and I was attempting to determine what the production characteristics of this well was so I tabulated the gas and water production or attempted to by months, using the New Mexico Oil and Gas Engineering Committee Report. I have taken their production in the latter stages of production of the well and I started with the year 1963. No water was reported for this well whatsoever. However, the gas production continued along fairly constant until the latter part of 1965 and then there was a rapid decrease. By December of 1966 the well had dropped to about 352 M.C.F. from over the month. These are monthly figures, so I attempted to determine what happened so I went to the Commission's Hobb's office to see if any remedial work had been performed on that well and we found that they had performed remedial work in March of 1967 and the remedial work performed was that they squeezed some of the perforations to shut off water. The old perforations were from 8,376 feet to 8,392 feet. I am going to correct that. The old perforation was from 8,376 feet to 8,450 feet and 8,482 feet to 8,522 feet. The new perforations were 8,376 feet to 8,392 feet. They squeezed off the lower set. The well went back on production in March of 1967. It did pretty good on production all through 1967, getting the production up somewhere around eighteen to twenty-six million per month and then in 1968 or in 1967 the water reported in May

started picking up from 270 barrels per month in May to 1,380 barrels per month in December and then the water, the gas production in 1968 started falling off and although it did not report any water except for April, which was 1,426 barrels, the production was just practically nothing from March, 1968 through October. It was 29 M.C.F. They discontinued production in October and then the well was plugged and abandoned in June of 1969 so I contacted the Phillip's representative to determine if there was any reason for any lag from the last production to the plugging and abandoning and he advised me that they were attempting to make a sublease on the shallower zone, shallower pay, but that fell through so they went ahead and plugged the well and dropped their lease.

Q But your testimony is to the effect that after the end of October, 1968 there was no further gas production out of this Phillip's Copper well?

A No. There wasn't and even though there was production in October of 1968 there has been considerable production since that time from the remaining part of the pool. In my opinion I feel that the water encroachment has come up beyond the upper set of perforations, the top of the perforations in that well and is somewhere between there and the Union Texas American Republic Federal well.

Q All right. I take it -- I don't mean to suggest, but

do you say that because there is a presence of water in your exhibit?

A Yes. I feel that the well watered out back in 1968 and we have had two and a half -- almost -- yes, two and a half years of production from the other wells in the pool since then.

Q What was the cumulative production of that?

A That well recovered 8,212,466 M.C.F.

Q Are there any other conclusions you wish to draw on the basis of Exhibit No. 3?

A No, sir. I believe that covers that exhibit.

Q Was this exhibit prepared by you from data that you consider reliable?

A Yes, sir.

Q Did you already testify where you obtained the data from?

A Yes. I obtained it from the New Mexico Oil and Gas Engineering Committee Report.

MR. KASTLER: I'd like to move this opponent's Exhibit No. 3 be admitted into evidence at this time.

MR. UTZ: Without objection Exhibit No. 3 will be entered into the record in this case.

(Whereupon opponent's Exhibit No. 3 was admitted into evidence).

MR. KASTLER: That is all the questions I have on direct.

MR. UTZ: Any questions of the witness?

CROSS-EXAMINATION

BY MR. KELLAHIN

Q Mr. Hoover, you said you feel the water is above the top of the perforation in that well. What was the top perforation?

A The top of the new perforations or the original perforation, the top was 8,376 feet.

Q And what would that be subsea?

A Minus 5,355.

Q And what were the perforations after the workover?

A That is it. They didn't change the top of the perforation.

Q So you feel that there is water in this area at least at 5,355 or less?

A Yes, sir.

Q Would you agree with the 5,250 figure given by Mr. Hutchison?

A Yes, sir.

Q You are in agreement then that approximately sixty acres or more of the Gulf acreage to the south has been watered out too.

A Yes, sir.

Q That would be correct?

A Yes. At this time, yes, sir. Apparently, yes, sir.  
That is right.

Q Would you say that this 5,355 or 5,250 figure would  
apply throughout the whole pool?

A I don't know Mr. Kellahin.

Q You don't know?

A No, sir.

Q One other question. On these Devonian completions,  
has it been the practice of the operators to perforate the  
entire Devonian sections in most instances at least?

A Well, I am not sure of the perforations, but I do  
know that the very top of the Devonian has no porosity. They  
would not perforate the entire Devonian section based on that.  
Now, this well, I believe, is perforated maybe twenty-five feet  
below the top of the Devonian but that perforation at 8,376  
feet was right at the top of the porosity.

Q Now, what would be the thickness of the porosity  
zone generated in the Devonian, generally?

A I don't know.

Q How many feet normally do the operators perforate?

A I don't know.

Q How many feet do they perforate in your well?

A Well, we can look at the logs and find out. I don't  
have any tabulation on the overall perforations.

Q Well, you gave the overall perforation on the Phillip's well. That substantially covered the entire Devonian porosity, did it not?

A I don't know whether that covered the bottom or not. I believe if a person was driving another well you are going to perforate, you wouldn't go very much into the top of the Devonian.

MR. KASTLER: Mr. Hutchison had a copy of the log as part of his cross section and if you wish, you may recall him and question him on that point.

MR. KELLAHIN: We can put on our own witness, but Mr. Hoover was testifying to the perforations in the Phillip's well and I wanted to know what they covered. He doesn't know. There is no use pursuing the matter.

That is all I have. Thank you.

MR. UTZ: Do you want your question answered, Mr. Kellahin?

MR. KELLAHIN: No, not necessarily. We have our own witness.

MR. UTZ: Any other questions of Mr. Hoover?

CROSS-EXAMINATION

BY MR. UTZ

Q Mr. Hoover, when a gas well and a water drive pool such as this waters out, is this typical of the manner in which



it waters out or does it just increase water production?

A Well, we don't believe this is a true water drive. It is a matter, I think, of the water expansion or encroachment to fill the voidage created by the gas production. Usually in a water drive reservoir the water will encroach fast or faster than the gas is withdrawn and you maintain a reasonable pressure, but this one follows a pressure decline and I feel that it is just water encroachment, but in these particular Devonian wells it seems to be that the production from them goes along pretty good and then all of a sudden the production falls off and there is water, a considerable amount of water produced.

Q Then it is your feeling the water encroaches over the perforations and just shuts the gas off from the perforations?

A Yes, sir.

Q So that the gas can't work its way through the water?

A Well, yes, sir. I believe the water works right up behind the gas and actually I believe when the gas hits that, it is probable you have produced most of the gas up to that point of your perforation.

Q So then I take it that you would explain the absence of water in the last few months this well produced by the fact that there was not enough pressure to lift the water -- just a

little gas bubbled up through it?

A I believe so. In the last part, however, I don't have any reason to say this, but I question the water reporting. There was no water reported there in 1966, even though the gas production went down, but the remedial work was for the purpose of shutting off water. Whether it just encroaches and floods the gas out, is not produced, or if it just is not reported as such, I am not sure.

Q The bottomhole pressure in the pool has declined?

A Yes. I believe it has. I don't have any figures on bottomhole pressure. The tubing pressures I have.

MR. UTZ: Are there any other questions?

MR. KASTLER: No.

MR. UTZ: You may be excused.

Do you have any further witnesses?

MR. KASTLER: No, sir. This concludes our opposition.

MR. UTZ: Mr. Kellahin, do you have another witness?

MR. KELLAHIN: Yes. We do.

MR. UTZ: This will be a rebuttal witness, I presume?

MR. KELLAHIN: A rebuttal witness.

I would like to state that Major, Giebel and Forster, by presenting rebuttal testimony, are doing so merely for the purpose of refuting testimony which has been offered here by Gulf Oil Corporation and we feel improperly admitted in this

hearing. We in no way waive our objection to this procedure and at this time I'd like to renew my objection and move that the testimony offered by Gulf Oil Corporation be stricken from the record.

MR. KASTLER: Does that go to the part of your objection that you had no notice or time to prepare --

MR. KELLAHIN: Yes, sir. It goes to the objection that we had no notice as required by law and the rules of the Commission.

MR. UTZ: The record will note your objection. You are overruled again.

ROSS D. ROBERTS,  
a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN

Q Mr. Roberts, you have been sworn in?

A Yes, sir.

Q By whom are you employed and in what position?

A I am employed by Major, Giebel and Forster as Chief Engineer.

Q Where are you located?

A Midland, Texas.

Q Have you ever testified before the Oil Conservation

Commission in one of its examinations?

A I have not.

Q For the benefit of the Examiner would you briefly outline your education and experience as an engineer?

A I graduated from the University of Texas in 1958 with a B.S. in Petroleum Engineering; went to work for Pan American Petroleum Corporation. The last five years of my eleven years with Pan American was spent primarily in reservoir engineering. At the time I terminated with Pan American I was Assistant District Engineer in charge of reservoir engineering in the Midland, Texas district. Currently with Major, Giebel and Forster I am charged with the responsibility of all engineering within our company.

Q In connection with your work with Major, Giebel and Forster, have you made an investigation of the Crosby-Devonian pool which is the subject matter of this hearing?

A Yes, sir.

MR. KELLAHIN: Now, are the witness' qualifications acceptable?

MR. UTZ: Yes, sir.

Q Mr. Roberts, in connection with your work, you heard the testimony that has been offered here by Gulf, have you not?

A Yes, sir.

Q And the testimony which is to the effect that in their opinion all of the acreage purposed to be dedicated by

Major, Giebel and Forster to a well to be drilled in the south-east quarter of Section 28, 25 south, range 37 east, is not productive. You heard that testimony?

A Yes, sir.

Q Now, largely it was based upon the location of two factors; a fault and encroachment of water. Have you made a study of those two factors?

A Yes, sir.

Q Referring to what has been marked as the Applicant's Exhibit No. 3 that has been hung on the wall over here, would you discuss your interpretation and contrast it to the interpretation that has been made by Gulf?

A Our Exhibit 3 is a structure map contoured on top of the Devonian and the Crosby pool contour interval is a hundred feet. The producing Devonian gas wells are located by the circles shown here. There are four producing gas wells in the pool at this time. The abandoned Devonian gas wells are shown with the mark through them. You can locate those easily on the map.

The map was prepared using available subsurface data. At all available subsurface data we concur with Gulf. There is a fault located between the Phillip's Copper well at this location and the Anderson Prichard Lanehart well at this location. The exact location of the fault we differ with Gulf. We believe

that shown on Gulf's cross section it appears that the fault was either cut in this well or was very close to this well due to the thickening of the Woodford section indicated between these two wells. Also the fact that this well produced oil from the Devonian.

Q You identify the well.

A Yes. This is the Olsen -- Eva Owen's well. The fact this well produced oil with the reported initial gravity potential of thirty-four degrees with a low gas oil ratio, this offsetting well produced gas condensate with a reported gravity of fifty-one degrees indicates to me separation. It is interesting to note, as brought out before, that these were pro-rated as separate pools rather than associated oil producer so at the time this well was completed it saw fit to separate it from this pool.

It is my opinion, based on the data and on this interpretation, that a valid interpretation of the fault separates the oil well from the gas well, honors the point coming through the Anderson Prichard Lanehart well to give you an orientation of this manner. It is also my opinion, based on data, honoring all control points, that there is a subsequent fault or a fault at this point which runs primarily north-south. It separates this side of the pool from this side of the acreage, from the productive acreage to the west.

We have not chosen to put a Devonian top on this, an estimated Devonian top. All we know is that well bottom of the Mississippian from the Mississippian down is strictly speculation as to where the Devonian top is located, particularly when you dealing with an area as complex this obviously is with faulting.

Q Now, in connection with the testimony that was offered by Gulf, both of their witnesses put an interpretation on this pool to indicate anything below 5,250 feet would probably not be productive. Do you have any comments on that?

A Yes, sir. I definitely do. I might go to the cross section for this point. The question was asked in terms of how much of the sections are perforated in the well. Our Exhibit No. 4 at this point is a cross section which goes through the reservoir -- this is just a reproduction of these two sections right here. We are starting here at the Sinclair Lanehart unit going down through the Phillip's Copper well, across to the Anderson Prichard American Federal well, through our location, through Gulf's Shahan well, through El Paso Federal No. 2 X, through the abandoned El Paso No. 3 well and down to the Union of Texas Gregory Federal El Paso No. 1 well which was drilled as a replacement well for this well which is now abandoned and was abandoned in 1963. I think with this cross section you can see quite vividly the perforations are indicated by the small circles with lines. You can see the Devonian section consists

in this particular instance here a 150, a 160 feet, approximately, of perforated section in the well. You can go across and see that the Devonian section was opened up and most of the wells, the entire distance perhaps except for maybe twenty feet in the top of some wells, you can see predominately the entire Devonian section was opened and was productive of gas. In support of this I have a log on one well which is Anderson Prichard well at this point which was a discovery well and this is a microlog with a function of the microlog to indicate permeability. The top of the Devonian is at this point. Here is the Woodford section. That point is at 8,230 feet. The perforated interval is shown and this interval is from 8,270 to 8,390 feet. The permeability intervals are shown in black and they begin at 8,294 feet. You have excellent separation on the microlog indicating the existence of permeability.

It is my opinion that any interval having a permeability in it contains gas. I think this is an important point in terms of this productive section and the performance of the wells as they begin to make water. I concur with Gulf that this is predominately an expansion type of reservoir. In fact, looking at performance on the field we have trouble seeing the influx of water into the field. It is operating predominately as an expansion type reservoir with some water influx taking place.

In terms of the work on the Phillip's Copper well, Phillips did come in and do the squeeze job on this well. It did start



making water. Let me see the tabulation -- I believe it is quite evident from the productive information shown that in November of 1965, between November and December production, that water began entering the well bore of Phillip's Copper well. It is my opinion that this water does not -- I believe performance will substantiate this -- water does not move through the entire section. In other words, in the Phillip's well when we first started making water at the subsea datum of minus 5,501, the perforations, it is my opinion that water was moving in from the edge. You can see out here this was not a bottom water drive. It was an edge type movement because this area out here is below your outer Devonian so it is an edge type drive coming in. As to some type of influx of water, it is my opinion water has reached a level of minus 5,501. The moment water gets in a gas well the obvious thing that happens is the well starts loading up and if the bottomhole pressure is not sufficient to produce the water with the gas, the well decreases in production and dies. It is my opinion that water has reached a level at this point, an effective level. We also know that producing these wells at two, three, four million feet a day, that water would not have to be at minus 5,501 feet to be produced. That water could be coned in or cusped in and in effect this probably happened in the south part of the field in a similar circumstance early in the life of this field and no specific gas

contact can be set for this reservoir. In this Copper well, at the time that it started making water production, as gas production decreased they, Phillips, came in and squeezed off this interval. They went in and drilled out down to this point. They squeezed off the whole thing.

Q Could you give the point?

A They squeezed off from minus 5,355 to minus 5,501 feet. They came in and drilled out cement to minus 5,371 feet and according to the contact with Phillips they did not reperforate the interval. They drilled out the cement, acidized it with 2,000 gallons and reproduced this interval at this point for 1.039 million feet of gas a day after that time. It is shown on Exhibit 3. Gulf had only a very short period, in fact, probably two and a half months before they started to make water again. In my opinion this indicates that the squeeze job in this fracture and Devonian reservoir was not effective in shutting off this water. In fact, they only produced that two month period approximately before water production again came back on them. If they had been effective, it would appear that they would have had a much longer sustained producing life. It is not uncommon. I think you can appreciate a workover in a gas well with a pressure decreased -- cement held on it -- in terms of what happens to the cement when it gets on the formation. It would tend to go every place that there is perme-

ability and the ability to squeeze off effectively would be reduced because as soon as you come back and acidize it, the easiest place for the acid to go is along the fracture face at the point filled with cement. Also, in terms of the water oil contact location in this particular area of the field -- let me rephrase that -- in terms of the effective gas water contact in this area of the field, this union of Texas-Anderson Prichard is a key well, this well located directly west of the Phillip's Copper well. This well has its perforations on the bottom minus 5,367 feet. Until mid-1969 this was a high capacity gas producing well.

During 1969 the well began to make water. Its production decreased which would tell me at that point in time water was being produced into this well. I cannot see how the entire column would water out. It is my opinion water was at that level at that time. This well is currently marginal well producing and conversations with Union Texas indicate they are giving consideration to plugging back over again, emphasizing that in their opinion there is an additional gas column present in their well that is productive. So, in essence, in summary, it is my opinion that when water comes into a well that is open through the entire section, it does not condemn the entire section. It only indicates that water is in that well bore at that point and that productive gas exists above that subsea

point. A strong indicator of this is this El Paso Gregory Federal No. 3 well located at this point directly south of Gulf Shahan No. 2. On this map, indicated at this point, this well was completed in July of 1958 as a high capacity gas producer. It was assigned a 160 unit consisting of the southeast quarter of Section 33. It last produced in 1962 and so far as I can determine it was abandoned during 1963. This well, as you can see, was high on top of the Devonian minus 5,126. This was the third highest well in the pool. On the cross section you can see its relative structural position and you can see coming across the Gulf well this well, the base of the perforations are approximately at the top of Gulf's perforations in their No. 2 Shahan well, yet this well actually accumulated only 6.9 B.C.F. of gas before it was plugged and abandoned.

We were not able to find any direct evidence of the amount of water production this well made, but verbal contacts indicated both the No. 3 well and the No. 4 of El Paso Natural Federal No. 3 and 4 watered out after only a short period of production. I think this conclusively shows that highest substructure well at this position watering out, having its last production back in 1962 would indicate that the water oil contact or a single water oil contact would not hold for this field. It is my opinion there was some form of coning or

cusping that came in here and made those wells uneconomic to produce at the high subsea datum. As a precedent for what they are doing at this time, drilling on 160 acre unit previously dedicated to a producing well, Union of Texas came in in 1963, completed their Gregory Federal El Paso No. 1, and countered the top of the Devonian 142 feet low to this abandoned well, being El Paso Federal No. 3, then encountered the Devonian 142 feet low of this well. They were assigned a full allowable in a 160 acre proration unit being the same southeast quarter of Section 33 previously assigned to this well. It is my opinion that we are doing the same at this point.

MR. UTZ: You are going upstructure?

WITNESS: Right. I am sure at this point in time they thought they were going upstructure. It would be my opinion -- it is strictly an opinion without any basis -- to go down dip from a well that watered out would be quite risky.

Q But they did go down dip and they did get production?

A Yes. It is currently producing. I think it is quite -- you can see quite easily on this cross section that this well, the El Paso Gregory No. 2 -- excuse me -- El Paso Gregory Union Texas No. 1, Gregory Federal El Paso -- I think you can see that the perforated interval, the base of it is at minus 5,371 feet. It is interesting to note that this minus 5,371 feet coming across is also in line with the minus 5,371 feet,

the base of the perforation in Phillip's No. 1 Copper well after plug back and is essentially within three feet of the base of the hole in Union Texas Anderson Prichard well, a minus 5,367 feet. To me this conclusively shows that the contact, the effective gas water contact is no higher than minus 5,370 feet at this point in time and that interval above that point is productive of gas.

Q If that is true then how much of the acreage proposed to be dedicated to the Major, Giebel and Forster well would be productive?

A On that basis, honoring the fault indication in here, that calculates out about twelve and a half acres. I want to emphasize that the finding --

Q Twelve and a half acres that is outside?

A Yes. That is outside of the 160 acre unit. Trying to define a proration unit down to that point on faulting when we don't know whether this is a single fault or a complex amount of faults -- multiple faults -- is getting it down to a pretty fine edge. I have not calculated the acreage that would be outside or below the minus 5,370. For one reason, I believe it is a valid reason since this is an expansion type reservoir predominately based on performance and the fact that we do not, in my opinion, have necessarily a specific gas water contact -- one specific gas water contact for the field,

that this area deeper than minus 5,370 contains some gas in it. The water is not effective in replacing the gas and as the pool pressure drops this gas expands. As this expands, gas will tend to move out along with water, so I think it would be -- I cannot say where it would be, where is the pool completely watered out -- I cannot say and I believe it would be difficult for anyone to say based on the data at hand. I believe that is all.

Q Mr. Roberts, is Major, Giebel and Forster asking for a nonstandard unit in any way at all?

A No, sir. We are drilling at a standard location with a standard unit. There was a shallow well located at 660 location which is specified as a minimum distance by Federal rules, so we moved seventy-five feet to the east on our location. We are drilling a standard location on a tract previously assigned to a producing well. I think it is interesting to note that at the time the Federal rules were adopted in this field this well was drilled and this well was drilled and this well was assigned after a hearing. This well was assigned a full 160 acre proration unit and I wonder what subsequent data Gulf offered to indicate that the location of this fault has changed except the speculative Devonian estimated top on this Western Natural Dabbs well which set the orientation of their faulting.

Q Were Exhibits 3 and 4 prepared by you or under your supervision?

A They were prepared under my supervision, yes.

MR. KELLAHIN: At this time I'd like to offer in evidence Exhibits 3 and 4.

MR. UTZ: Without objection 3 and 4 will be entered into the record in this case.

(Whereupon Applicant's Exhibits 3 and 4 were admitted into evidence).

Q Do you have any other conclusions to offer, Mr. Roberts?

A No, sir.

MR. KELLAHIN: That completes the examination of the witness.

MR. HATCH: This log is not to be entered?

MR. KELLAHIN: Does the Commission want the log? We will mark it and put it in if there is no objection.

MR. UTZ: I think it would be well to do so.

MR. KELLAHIN: All right.

MR. UTZ: That would be Exhibit 5. That is on the Anderson Prichard Oil Corporation, American Republic Federal No. 1 log that is marked No. 5.

(Whereupon the log, Exhibit No. 5 on the Anderson Prichard Oil Corporation, American Republic Federal was marked for identification)



Where is it located?

WITNESS: That would be this well right here, well No. 3. This well at this point right here. It would be directly west of the Phillip's Copper well.

MR. UTZ: All right.

MR. KASTLER: May we have about five minutes intermission?

MR. UTZ: You may.

(Whereupon there was a short recess).

CROSS-EXAMINATION

BY MR. KASTLER

Q Mr. Roberts, how much difference do you have structurally to isolate the Devonian reservoir between Sun No. 3 Lanehart well and the Texas Pacific No. 1 Owen's oil well?

MR. UTZ: Where is the first well located?

MR. KASTLER: The first is the Sun Lanehart No. 3.

MR. UTZ: That is in unit P of Section 20?

MR. KASTLER: Yes, and the second is in unit M of Section 21.

A On the top of the Devonian there is a difference of 174 feet structurally between the two wells.

Q It is 174 feet difference?

A Yes, sir.

Q Did you make any examination of logs or cross section

study of that?

A I did not. Our geologist did.

Q Referring now to the Western Natural Dabbs well No. 1 which in your direct testimony you said it was a speculative opinion of Gulf that it estimated the top of the Devonian would be at 6,643 and it is in unit E of Section 34, yet your exhibit shows estimated 400 to 500 feet to the Devonian. If you extend an estimated 500 feet below the 9,270 feet at which the drilling was stopped in this well, what do you get if you convert it to subsea depth?

A How many feet added to it?

Q Well, at what subsea depth datum line is that?

A How many feet?

Q In other words, you have made an estimate --

A But you asked me how much -- you said how many feet added to it would be the subsea depth?

Q Yes. 9,273, wasn't it -- you estimated 400 to 500 to the Devonian.

A It would be 9,773. That would be the depth, the subsea depth on it. I'd have to see what the actual elevation is on that well. Based on the elevation of 3,014, subsea would be minus 6,759 feet -- minus 6,759 feet.

Q So your estimate of the top could be as low as minus 6,759 and Gulf has placed it at an estimated minus 6,643.

A That assumes an equivalent thickness below the section which in my opinion is speculative.

Q Now, I notice that you have drawn your secondary fault to the west of all of these wells that have been drilled, including the Enfield the Anderson Prichard and the Western Dabbs.

A Correct.

Q What is the subsea depth now calculating the top of the Devonian at 6,759 on the Western Natural Dabbs well in unit E -- what do you get for a subsea depth that was actually reached in the Anderson Prichard well in unit L in Section 34?

A Anderson Prichard Dabbs 1 we get a top of the Devonian at minus 5,872 feet.

Q In other words, you have not drawn the fault in. You have shown both of these wells that I am referring to, the Western Natural Dabbs well and the Anderson Prichard Dabbs well on the downthrown fault side of the fault?

A Correct.

Q And you have shown a difference or estimated difference of reaching the Devonian between minus 6,759 feet in the Western Natural Dabbs well and a minus 5,872 feet in the Anderson Prichard Dabbs well?

A We have not shown the top of the Devonian in the Western Natural well. Only based on the calculations which you asked that I make. The top of the Devonian, if you had equiva-

lent thickness, would be minus 6,759. I consider estimating that to an equivalent thickness to be speculative.

Q That calculates out to a difference of about 987 feet?

A 987 or 887?

Q 887. With that much difference you have not drawn a fault at this angle, yet going back up here to the Sun Lanehart No. 3 and the Texas Petroleum Owen well No. 1, you drew a fault with a difference of about 170 feet?

A Correct.

Q Can you explain a reasonable basis for drawing your fault?

A Yes, sir. I can. On this area up here the basis for the fault is not the difference in structural position between these two wells. It is a basis of the difference in production between the two wells. As you recall, this well was prorated and produced as a Devonian oil well. On the initial potential card that well recorded a gravity of forty-three with a low gas oil ratio. This well was completed as a high capacity gas producer gas condensate with gravity of fifty-one. It is my opinion that this large magnitude of difference would indicate some type of separation between these two and that is the basis of my opinion. I might point out faulting and separation is not a function of a particular magnitude of fault.

As long as you have enough slippage between the fault to seal off a strata, you can have separation. We had a 174 structural difference between these two wells. We have no assurance there is not more difference between these two points. We are looking at only two points over here over a distance of approximately a thousand feet so that there could be more distance but 174 feet is enough to get a seal across that productive section, so in my opinion, based on the difference in production, the fluids produced and backed up by the fact this well was pro-rated as a Devonian oil well and a separate pool and it is a Devonian gas pool, it is my opinion there is physical separation between the two, reasonably on evidence.

The fact that this fault is 887 feet, we had this envisioned -- honoring all subsea points we have this envisioned as a down dipping fault to the north coming up and running out at this point here, sloping in, the down dip side. How deep this goes -- no control. We have honored all points. We consider this a valid interpretation.

Q Did you analyze the fact that water was encountered in the Mississippian in the Western Natural Dabbs No. 1 well and put that together with still your testimony that there does not seem to be a difference in structure between this area on one side of the fault where Gulf has drawn it and where you have drawn it, in other words?

A I don't follow your question.

Q I am sorry I can't phrase it better. I am trying to say that have you analyzed or asked, if you have analyzed the logs in both Western Natural Dabbs well and Anderson Prichard Dabbs well, to ascertain whether there was not some other but of a somewhat similar nature structural difference between those wells which would cause the fault to cut or to apply somewhere between them.

A I looked at all of the logs and looked at all the logs in the pool and based on the subsea points this is about -- this is a valid interpretation that honors all subsea points.

Q Have you formed any opinion as to whether all wells in the field are of somewhat uniform deliverability?

A At which point in time?

Q As of now, do you have an opinion that these wells are equally deliverable?

A There is a difference in deliverability and it is a function of the current time in terms of whether or not they are producing water. It is also a function, I am sure, of what the permeability development has shown on the cross section. I think we can go across to illustrate this Sinclair Lanehart well had an initial potential flowing of 58,000,000 feet a day. Phillip's Copper had an initial potential calculated 32.5 million a day. Union Texas well had an initial potential

flowing of 67.5 million feet a day. This is coming down the cross section. The Gulf Shahan No. 2 had an initial potential flowing of 23,000,000 feet a day. The El Paso Gas Company Gregory Federal No. 2 X had an initial potential calculated open-flow of 102,000,000 feet a day. El Paso Gregory Federal No. 3 had an initial potential calculated open-flow of 8.7 million feet a day and the Union Texas Gregory Federal El Paso, which was drilled as a replacement well for the El Paso Federal Gregory Federal No. 3 on the same 160 acre proration unit had an initial potential flowing of 4.9 million feet of gas per day. I think that will give you the idea of the range of the deliverabilities of the wells. At the current time these are the two high capacity wells in the field, with the El Paso Gregory Federal No. 2 X based on what it is producing having the highest capacity; the Gulf Shahan having the second highest capacity. This well currently having the third highest capacity, being marginal, with the water oil condensate production and this well making only a small amount of gas due to the fact water is present in the well bore -- but is still productive -- the other wells have been abandoned, as you know.

MR. KASTLER: Mr. Examiner, I don't believe I care to ask any more questions at this time.

MR. KELLAHIN: Just one question on redirect.

REDIRECT EXAMINATION

BY MR. KELLAHIN

Q I'd like to clarify just one point, Mr. Roberts. On your direct testimony I believe you testified that the Texas Pacific Owens No. 1 well in Section 21 had a gravity of thirty-four degrees and on cross-examination I believe you stated it was forty-three. Which is it?

A Thirty-four is the reported gravity on the Reinhart card.

MR. KELLAHIN: That is all I have.

RECROSS EXAMINATION

BY MR. UTZ

Q Mr. Roberts, I am a little bit confused now about the top of the Devonian on your Anderson Prichard No. 1, I believe it is; the Dabbs No. 1 and the Western Natural Dabbs No. 1. Would you give me the tops of the Devonian that you have there?

A Pardon me, sir. Was the first one the Anderson Prichard Lanehart?

Q Either one.

A The Anderson Prichard Lanehart --

A No. It is Dabbs down here.

A Dabbs?

Q At the tail end of your Section 34.

A The Western National Dabbs No. 1?

Q Right.



A We did not place the top of the Devonian, the subsea top of the Devonian on the map. We made the statement that the well was in the Mississippian at minus 6,228. If you assume a thickness equivalent to the other wells in the area, the additional four hundred to five hundred feet to the Devonian, based on his questioning, adding five hundred feet to it, you'd have a subsea depth, if my figures are correct, of minus 6,759 as an estimated top of the Devonian.

Q And the Anderson Prichard Dabbs is minus 5,872?

A Correct, sir.

Q Now, what you are actually saying is that you admit to probably four or five hundred feet of displacement?

A If you assume an equivalent section. I think the assumption -- with as much faulting that is taking place in this section -- that assumption is speculative. You don't know what you're going to come out with, out of the Mississippian. You have no assurance what will happen. It could be deeper. It could be considerably shallower. I just do not know. All we know for sure is that that is the Mississippian point, right in this point.

MR. KASTLER: Do you know what the subsea datum of the Enfield Dabbs well would be?

WITNESS: It shows here on the Devonian minus 5,691.

MR. KASTLER: We show minus 5,693.

WITNESS: So it is real close.

MR. KASTLER: Right.

Q Now, on the two wells I have mentioned there, Section 34, do you show that much displacement?

A Our contour in here?

Q Yes.

A Yes. Here, minus 6,000 feet. Here is 5,872. That would be that contour right there and the 6,000 contour would come at this point. Then we did not contour this point on the Devonian top since we did not have a Devonian top. We did not feel we could contour a Devonian top without having one.

MR. UTZ: Any further questions?

The witness may be excused.

Has everybody testified who wants to testify now?

Any statements in the case?

MR. KELLAHIN: I want to make a closing statement.

If you want to make a closing statement --

MR. KASTLER: All right. Our position can be phrased quite simply and that is that there is not enough productive acreage situated in the southeast quarter of Section 28 to justify the Commission making a forced pooling order and this is based, as I said, upon the statutes which first require that the New Mexico Oil Conservation Commission accord all parties their correlative rights. Being an offset operator having a

producing well to the south we feel our correlative rights would be justified -- would be impaired by this forced pooling order, particularly for the basis it must as a fundamental fact be based upon or founded upon a finding by the Commission that all acres so pooled are equally productive at least at the outset. This is what all parties must start off with. We started off with that. Phillip's started off with that and other parties have.

Now, after later information is developed the conditions change where if you had perfect hindsight you could say, well, we will have to reallocate the pool. We will now have to give Gulf less, El Paso more and things like this. We believe that the Commission should be spared the burden of that, but at any time when a new party comes in to force pool acreage that has been previously forced pooled and allowed to expire, we think it is basic and fundamental that he bear his burden of proof showing that the acres to be forced pooled are equally productive. That is the substance of our statement. I don't believe I need to go into anything anymore.

MR. KELLAHIN: Commissioner please, Major, Giebel and Forster filed this application as a routine forced pooling application and it is still our position that it should have been heard exclusively as a forced pooling application.

Now, the Commission has permitted Gulf Oil Corporation to

turn the case into a hearing on productive acreage and Gulf, by the statement that has just been made by Mr. Kastler, takes the position that it is incumbent upon the applicant in the forced pooling application and he says particularly when the forced pooling acreage has been previously forced pooled -- it is incumbent to show all the acreage is equally productive, but there is absolutely no provision in our statutes, in our rules and regulations nor in the case law in the history of oil and gas production which would form a basis for such a statement.

Under the provision of the New Mexico Oil Conservation Commission statutes and its rules and regulations which, for the most part, paraphrased the statute, the Commission is authorized to establish a proration unit and the proration unit is designed to be the area that one well can efficiently and economically drain and develop.

Now, in the initial hearing in this case and as a specific finding that was made, the Commission made a finding that the area of the pool was insufficient for 320 acre spacing and that the pool, the productive acreage could be more efficiently developed on the basis of 160 acre spacing. Now, this is the basic finding which decides what acreage is productive.

Now, in any pool -- I don't care where it is -- you could get to an edge location -- somebody wants to drill a well and

they could be hauled before the Commission and say all of your acreage isn't productive -- it is up to you to show that it is. Now, this is the theory that Gulf is advancing. We are worse than that. I will come to it in just a moment. In addition to the creation of a proration unit the Commission has authority, under our statutes and under the rules, to pool property within a unit. Now, the statute clearly reads when two or more separately tracts are embraced within a spacing or proration unit -- we are back talking about this entity which the Commission has already created -- or where there are owners of royalty interests or undivided interests in oil and gas minerals which are separately owned or any combination thereof, the owners thereof may validly pool their interests and develop their lands as a unit. Where, however, such owner or owners have not agreed to pool their interests, and where one such separate owner or owners who has the right to drill has drilled or proposes to drill a well on said unit to a common source of supply, the Commission, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool all or any part of such lands or interests or both in the spacing or proration unit as a unit.

Now, there is nothing in there that says that it is incumbent upon us in a compulsory pooling case to come before this Commission and show all the acreage is productive of oil

or gas at the time of the hearing. This is a new concept and I don't believe that the question has ever been before this Commission before -- not to my knowledge it has. On the other hand we have gone ahead in spite of this and offered evidence to show substantially all of the acreage which Major, Giebel and Forster proposes to dedicate to its well in the southeast quarter of Section 28 is actually productive of gas in the Devonian formation. Gulf, by its own admission, says it is on acreage offsetting it to the south; is not entirely productive. Are they willing to take a cut in their allowable in proportion to the productive acreage -- of course not. They would say, well, we drilled and we didn't know any better and we have a right to go on.

All right. Phillip's Petroleum Company drilled and by the same token they produced their well and because of the manner in which it was completed they were no longer able to produce the well.

I think our evidence shows there is still gas under that. We have then in effect made a new location on the same unit and it makes no difference who made this new location. Phillips drilled the first well. Major, Giebel and Forster is drilling the second well, but it is merely a new location, a standard location. We have asked for nothing out of the ordinary in the way of a proration unit or location and all we want is a

replacement well which we have the right to ask for.

We have a precedent for that in the south half of Section 33 where the El Paso Natural well No. 3 was abandoned in 1963 and a replacement was drilled to the south. That was completed as a procedure and Gulf who offsets to the north made no objection then. That was a replacement well. We feel that the same treatment should be accorded Major, Giebel and Forster, but aside from that, if the Commission does wish to consider the question of productive acres, then why would they not go around the entire pool on the basis of testimony offered here today and reallocate the acreage to the entire pool. There is no difference whatever in our position and their position merely because they have continued to produce their well. If that well watered out and they drill a new location, they said they'd come in here and ask for a reduced allowable. I would like to see that. I have never seen an operator yet come in under those circumstances and ask for a reduced allowable. It would be a new point in the history of this Commission if Gulf were to do so.

If the Commission goes along with this question of productive acres, they are opening up a field of trouble in all the pools in the State of New Mexico. As I said, this question could be applied to edge locations in any pool in the state and you don't know whether you have got an edge location or not

until after you have drilled it.

Are we going to have productive acreage hearings on all these offset wells? Are we going to have a productive acreage hearing on any kind of an application that comes before the Commission and says we want to make a double completion -- it would be equally sensible to say, well, all the acreage isn't productive.

We submit that the Commission would commit serious error if they considered this question of productive acreage. On the other hand, if they do, we feel that our testimony shows that substantially all of the acreage is actually productive and that the fault as drawn by Gulf and the testimony of Gulf won't stand up in the light of the contradictions which exists throughout their own exhibits. For example, the witnesses testified -- both of them -- that at 5,250, below 5,250 there would be no production. Well, there is production. There is production all over the field below 5,250 at the north and clear down at the south, so that argument won't hold water at all.

They have based their fault line by their own admission on the depth of the Anderson Prichard well in Section 28 and the Western Natural Gas Dabbs well in Section 34 and in the Western Natural Gas well they don't know where the Devonian is. The well never penetrated the Devonian and that is merely a speculative top which they have arrived at for the purpose of



drawing a fault line.

We submit that the Commission should approve our forced pooling application and to grant a full allowable to this well.

MR. UTZ: Any other statements?

I have one question of Gulf which I should have asked a long time ago. What was the cumulative production on the Shahan No. 2?

MR. HUTCHISON: I have cumulative production on No. 2 Shahan to 6/1/70; 9.8 million cubic feet. That is rounded off. It is a little more than that.

MR. UTZ: All right. Thank you.

MR. KELLAHIN: Commissioner please, there is one thing; this well is currently drilling and we would appreciate a decision as soon as possible on that.

MR. UTZ: Any other statements?

The case will be taken under advisement.

The hearing is adjourned.

STATE OF NEW MEXICO     )  
                                   )     ss.  
 COUNTY OF BERNALILLO    )

I, Peter A. Lumia, Court Reporter, 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.

Peter A. Lumia  
 Peter A. Lumia, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 4460, heard by ss. on 9-20-70, 1970.  
[Signature], Examiner  
 New Mexico Oil Conservation Commission

I N D E X

<u>WITNESS</u>	<u>PAGE</u>
CHARLES E. KOCH	
Direct Examination by Mr. Kellahin	10
Cross-Examination by Mr. Kastler	19
J. E. HUTCHISON	
Direct Examination by Mr. Kastler	21
Cross-Examination by Mr. Kellahin	29
JOHN HOOVER	
Direct Examination by Mr. Kastler	39
Cross-Examination by Mr. Kellahin	43
Cross-Examination by Mr. Utz	45
ROSS D. ROBERTS	
Direct Examination by Mr. Kellahin	48
Cross-Examination by Mr. Kastler	62
ReDirect Examination by Mr. Kellahin	69
Recross-Examination by Mr. Utz	69

E X H I B I T S

Applicants Exhibits 1 and 2	18
Opponents Exhibits 1 and 2	29
Opponents Exhibit No. 3	42
Applicants Exhibits No. 3 and 4	61
Exhibit No. 5, Anderson Prichard Oil Corporation, American Republic Federal log was marked for identification	61

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
August 19, 1970

EXAMINER HEARING

IN THE MATTER OF:

Application of Major,  
Giebel & Forster for  
compulsory pooling,  
Lea County, New Mexico

Case No. 4410

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: Case 4410.

MR. HATCH: Application of Major, Giebel & Forster for compulsory pooling, Lea County, New Mexico.

MR. KELLAHIN: Jason Kellahin, Kellahin and Fox, Santa Fe, New Mexico. I move this case be continued to the next examiner hearing.

MR. NUTTER: Case 4410 will be continued to the next examiner hearing scheduled at 9:00 o'clock A.M. on September 21, 1970, at this same place. Hearing is adjourned.

deanley-meier

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

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Luisa M. Gonzalez  
COURT REPORTER

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Executive hearing of Case No. 4410  
heard by me on 8/19, 1970.  
William, President  
New Mexico Oil Conservation Commission



## OIL CONSERVATION COMMISSION

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

GOVERNOR  
DAVID F. CARGO  
CHAIRMAN

LAND COMMISSIONER  
ALEX J. ARMIJO  
MEMBER

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

September 22, 1970

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

Re: Case No. 4410  
Order No. R-4029  
Applicant:  
Major, Giebel & Forster

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. Bill Kastler

Case 4410

Recd 8-2-70

Rec. 9-8-70

Grant Major, Gilbert Foster  
for Compulsory pooling of the  
SE/4-28-25S-30E.

Grant 25% risk factor and  
175<sup>00</sup> Mo. Supervision.

Since we allowed the admission  
of Day Average testimony I assume we  
must give credence to it in  
this recommendation. I therefore  
recommend an acreage cut of  
20 Ac. or 140 Ac. production or an  
acreage factor of .87.

Thos. A. W. [Signature]



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. 4410  
Order No. R-4029

APPLICATION OF MAJOR, GIEBEL &  
FORSTER FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 2, 1970 at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 22nd day of September, 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, Major, Giebel & Forster, seeks an order pooling all mineral interests in the Crosby-Devonian Pool underlying the SE/4 of Section 28, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico.
- (3) That the applicant has the right to drill and is drilling a well at a location 660 feet from the South line and 1905 feet from the East line of said Section 28 to the Crosby-Devonian Pool.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That the evidence indicates that approximately 20 acres in the N/2 NE/4 SE/4 of said Section 28 is not productive of gas from the Crosby-Devonian Pool.

-2-

CASE No. 4410  
Order No. R-4029

(6) That the evidence indicates that approximately 140 acres in the W/2 SE/4, SE/4 SE/4, and S/2 NE/4 SE/4 of said Section 28 is productive of gas from the Crosby-Devonian Pool.

(7) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in the W/2 SE/4, SE/4 SE/4, and S/2 NE/4 SE/4 of said Section 28 the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, all mineral interests, whatever they may be in the Crosby-Devonian Pool underlying the W/2 SE/4, SE/4 SE/4, and S/2 NE/4 SE/4 of said Section 28 should be pooled.

(8) That the applicant should be designated the operator of the subject well and unit.

(9) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(10) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 25% thereof as a reasonable charge for the risk involved in the drilling of the well.

(11) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that said actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(12) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(13) That \$100.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) for the subject well; that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold

-3-

CASE No. 4410  
Order No. R-4029

from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(14) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Crosby-Devonian Pool underlying the W/2 SE/4, SE/4 SE/4, and S/2 NE/4 SE/4 of Section 28, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form a 140-acre gas proration unit to be dedicated to a well located 660 feet from the South line and 1905 feet from the East line of said Section 28.

(2) That Major, Giebel & Forster is hereby designated the operator of the subject well and unit.

(3) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs within 30 days following the date of this order.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs within 30 days following completion of the well; that if no objection to the actual well costs is received by the Commission, and the Commission has not objected within 60 days following completion of the well, the actual well costs shall be the reasonable well costs; provided however, that

CASE No. 4410  
Order No. R-4029

if there is an objection to actual well costs within said 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 30 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 25% of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$100.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) for the subject well; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8)

-5-

CASE No. 4410  
Order No. R-4029

royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

(13) 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. ARMILLO, Member

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



esr/

Docket No. 19-70

DOCKET: REGULAR HEARING - WEDNESDAY - AUGUST 12, 1970

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

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

THE FOLLOWING CASES WILL BE HEARD BEFORE DANIEL S. NUTTER, EXAMINER, OR ELVIS A. UTZ, ALTERNATE EXAMINER, IN THE OIL CONSERVATION COMMISSION CONFERENCE ROOM ON THE SECOND FLOOR OF SAID BUILDING AT 9:30 a.m.

CASE 4414: Southeastern New Mexico nomenclature case calling for an order for the creation and extension of certain pools in Lea, Chaves, and Eddy Counties, New Mexico:

(a) Create a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Townsend-Morrow Gas Pool. The discovery well is the Avance Oil & Gas Company State ETA No. 2 located in Unit 1 of Section 8, Township 16 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM  
SECTION 8: SE/4

(b) Extend the Allison-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 36 EAST, NMPM  
SECTION 12: S/2

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

TOWNSHIP 13 SOUTH, RANGE 32 EAST, NMPM  
SECTION 36: NW/4

(d) Extend the Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM  
SECTION 24: E/2 NE/4

(e) Extend the EK Yates-Seven Rivers-Queen Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM  
SECTION 19: SE/4  
SECTION 20: SW/4

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

TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM  
SECTION 19: S/2

(g) Extend the Indian Basin-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM  
SECTION 21: N/2 and N/2 N/2 N/2 S/2

(h) Extend the Paduca-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 25 SOUTH, RANGE 31 EAST, NMPM  
SECTION 1: W/2  
SECTION 12: W/2

(i) Extend the Springs-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 25 EAST, NMPM  
SECTION 3: Lots 1, 2, 7, 8, 9, 10,  
15 and 16

(j) Extend the Sulimar-Queen Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM  
SECTION 26: SW/4 NE/4

August 19, 1970 - Regular Hearing

Docket No. 19-70

-3-

(k) Extend the Tres Papalotes-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 34 EAST, NMPM  
SECTION 33: NW/4

(l) Extend the Northwest Vacuum-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM  
SECTION 5: SW/4

CASE 4413: In the matter of the hearing called by the Oil Conservation Commission upon its own motion to permit Stanley Leonard Jones dba Francisca Corporation and all other interested parties to appear and show cause why the Francisca Corporation Beeman Well No. 1 located 1980 feet from the South and West lines of Section 2, Township 24 South, Range 28 East, Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 4172: (Reopened)

In the matter of Case No. 4172 being reopened pursuant to the provisions of Order No. R-3816, which order established 80-acre spacing units for the Northeast Lovington-Pennsylvanian Pool, Lea County, New Mexico. All interested parties may appear and show cause why the said pool should not be developed on 40-acre spacing units.

CASE 4399: Application of Pan American Petroleum Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle in the wellbore production from the Blinbry, Tubb, and Drinkard Oil Pools in its Southland Royalty "A" Well No. 8 located in Unit O of Section 4, Township 21 South, Range 37 East, Lea County, New Mexico.

CASE 4400: Application of David C. Collier for an exception to Order No. R-3221, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, which order prohibits the disposal of water produced in conjunction with the production of oil on the surface of the ground in Lea, Eddy, Chaves and Roosevelt Counties, New Mexico. Said exception would be for applicant's Southern Federal Lease in Units A, C, E, G, I, K, and M of Section 30, Township 19 South, Range 31 East, North Hackberry Yates-Seven Rivers Pool, Eddy County, New Mexico.



August 19, 1970 - Regular Hearing  
-4-

Docket No. 19-70

- CASE 4401: Application of Read and Stevens, Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Queen, San Andres, Glorieta, and Delaware formations in the open-hole interval between the 8 5/8 inch casing shoe at 3998 feet and the top of the cement at 6109 feet in its Getty State "B.G." Well No. 1 located in Unit K of Section 12, Township 19 South, Range 34 East, Quail-Queen Pool, Lea County, New Mexico.
- CASE 4402: Application of Reserve Oil and Gas Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Cooper-Jal Unit Area comprising 2581 acres, more or less, of Federal and fee lands in Township 24 South, Ranges 36 and 37 East, Lea County, New Mexico.
- CASE 4403: Application of Reserve Oil and Gas Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by water injection through 26 wells into the Lower Seven-Rivers and Queen formations underlying its Cooper-Jal Unit Area, Langlie-Mattix Pool, Lea County, New Mexico.
- CASE 4404: Application of Reserve Oil and Gas Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by water injection through 23 wells into the Tansill, Yates, and Upper and Middle Seven-Rivers formations underlying its Cooper-Jal Unit Area, Jalmat Pool, Lea County, New Mexico.
- CASE 4405: Application of Reserve Oil and Gas Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the South Langlie-Jal Unit Area comprising 1080 acres, more or less, of fee lands in Township 25 South, Range 37 East, Lea County, New Mexico.
- CASE 4406: Application of Reserve Oil and Gas Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by water injection through 13 wells into the Seven Rivers and Queen formations underlying its South Langlie-Jal Unit Area, Langlie-Mattix Oil Pool, Lea County, New Mexico.
- CASE 4407: Application of Tenneco Oil Company for an unorthodox oil well location, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox Dakota oil well location 1980 feet from the South and East lines of Section 13, Township 17 North, Range 9 West, Hospah Field, McKinley County, New Mexico, said location being closer than 330 feet to an inner boundary line.

August 19, 1970 - Regular Hearing  
-5-

Docket No. 19-70

CASE 4408: Application of Keohane and Westall for an exception to Order No. R-3221, as amended, Eddy County, New Mexico. Applicants, in the above-styled cause, seek an exception to Order No. R-3221, as amended, which order prohibits the disposal of water produced in conjunction with the production of oil on the surface of the ground in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico. Said exception would be for applicants' State Well No. 1, located in Unit D of Section 2, Township 19 South, Range 31 East, Shugart Pool, Eddy County, New Mexico.

CASE 4409: Application of Anadarko Production Company for two waterflood expansions, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the expansion of its Federal Q Waterflood Project by the conversion to water injection of three additional wells in Units J, L, and P of Section 3, Township 17 South, Range 30 East, Square Lake Pool, Eddy County, New Mexico. Applicant further seeks the expansion of the Stallworth Oil and Gas Company Parke Waterflood Project by the conversion to water injection of one additional well in Unit H of said Section 3.

CASE 4410: Application of Major, Giebel & Forster for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the SE/4 of Section 28, Township 25 South, Range 37 East, Crosby-Devonian Pool, Lea County, New Mexico, said acreage to be dedicated to a well to be drilled in said quarter section. Also, to be considered will be the cost of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

660 FSL  
1905 FEL  
Unit O

CASE 4411: Application of Continental Oil Company for an exception to Rule 104 C I, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 104 C I of the Commission Rules and Regulations to permit the completion within 660 feet of another producing well in the same formation of its State H-35 Well No. 10 located 2030 feet from the North line and 1780 feet from the East line of Section 35, Township 17 South, Range 34 East, Vacuum Pool, Lea County, New Mexico.

CASE 4412: Application of Continental Oil Company for a pressure maintenance project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project by the injection of water into the Yates and Seven Rivers formations through two wells on its McCallister "A" lease in Section 24, Township 26 South, Range 36 East, Scarborough Yates-Seven Rivers Pool, Lea County, New Mexico.

Docket No. 20-70

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 2, 1970

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

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

- CASE 4415: Application of Depco, Inc. for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by injection into the Grayburg and San Andres formations through 6 wells located in Sections 27, 33 and 34, Township 18 South, Range 28 East, Artesia Pool, Eddy County, New Mexico.
- CASE 4416: Application of Robert L. Parker Trust for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a cooperative waterflood project in the Langlie-Mattix Pool on its George L. Erwin Lease by the injection of water through its Erwin Well No. 2 located in Unit L of Section 35, Township 24 South, Range 37 East, Lea County, New Mexico.
- CASE 4417: Application of J. Cleo Thompson for an exception to Order No. R-3221, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, which order prohibits the disposal of water produced in conjunction with the production of oil on the surface of the ground in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico. Said exception would be for the applicant's Evans Wells Nos. 9 and 12 located, respectively, in Units A and B of Section 33, Township 16 South, Range 30 East, Square Lake Pool, Eddy County, New Mexico. Applicant seeks authority to dispose of water produced by said wells in unlined surface pits located in the vicinity of said wells.
- CASE 4418: Application of Texas Pacific Oil Company for amendment of Order No. R-3200, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-3200, which order authorized the applicant to institute a waterflood project in the South Eunice Pool, Lea County, New Mexico, by the injection of water through six wells located in Sections 5, 8, and 9 of Township 22 South, Range 36 East. Applicant seeks authority to delete the six wells authorized in said Order R-3200 and substitute therefor six other wells located in said Sections 8 and 9.

September 2, 1970 - Examiner Hearing  
-2-

Docket No. 20-70

CASE 4419: Application of Billings, Keyser and Kennedy for a non-standard gas proration unit, Eddy County, New Mexico. Applicant in the above-styled cause, seeks, in exception to Rule 104 B I, approval of a 320-acre non-standard gas proration unit comprising the NW/4 of Section 2 and Lots 1, 2 and 3 and the SE/4 NE/4 of Section 3, Township 22 South, Range 26 East, Eddy County, New Mexico, said unit to be dedicated to a wildcat gas well to be drilled in the NE/4 NE/4 of said Section 3.

CASE 4420: Application of Xplor Company for a dual completion, authority to gas-lift oil production, and to flare gas, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Cleveland Well No. 1 located in Unit G of Section 23, Township 12 South, Range 32 East, Lea County, New Mexico, in such a manner as to produce oil from the East Caprock-Devonian Pool through 2 3/8-inch tubing and gas from the Pennsylvanian Pool. Applicant further seeks authority to use a portion of said gas to gas-lift said oil production and to subsequently flare said gas in exception to Rule 404 of the Commission Rules and Regulations.

CASE 4421: Application of Phillips Petroleum Company for creation of a new oil pool, special pool rules therefor, and redesignation of the vertical limits of the Ranger Lake-Pennsylvanian Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new pool for the production of oil from the Bough section of the Pennsylvanian formation for its Phillips West Ranger Lake Unit Well No. 1 located in Unit C of Section 26, Township 12 South, Range 34 East, Lea County, New Mexico, and for the promulgation of special rules therefor including a provision for 80-acre spacing and proration units, with vertical limits of said pool to be the interval from sub-sea datum -5671 feet to -6016 feet as found in said Well No. 1. Applicant further seeks the contraction of the vertical limits of the Ranger Lake-Pennsylvanian Pool to that interval from sub-sea datum -6080 feet to -6230 feet as found in its West Ranger Lake Unit Tract 2 Well No. 1 located in Unit P of Section 23, said township and range.

CASE 4422: Application of Atlantic Richfield Company for amendment of Order No. R-3588, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-3588, which order authorized the disposal of produced salt water into the Yates and Seven Rivers formation in the perforated

September 2, 1970 - Examiner Hearing

Docket No. 20-70

-3-

Case 4422 continued

and open-hole interval from 3110 feet to 3300 feet in the Sinclair ARC Federal Well No. 1 located in Unit O of Section 9, Township 20 South, Range 33 East, West Teas Pool, Lea County, New Mexico. Applicant now seeks authority to dispose into said zones in the interval from 3010 feet to 3300 feet.

CASE 4423: Application of Union Oil Company of California for compulsory pooling, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down to and including the San Andres formation underlying the N/2 NE/4 of Section 20, Township 8 South, Range 38 East, Bluit-San Andres Associated Pool, Roosevelt County, New Mexico. Said acreage to be dedicated to a well to be drilled at an orthodox location in the NW/4 NE/4 of said Section 20. Also to be considered will be the cost of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

(Continued from the August 19, 1970 Examiner Hearing )  
CASE 4410: Application of Major, Giebel & Forster for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the SE/4 of Section 28, Township 25 South, Range 37 East, Crosby-Devonian Pool, Lea County, New Mexico, said acreage to be dedicated to a well to be drilled in said quarter section. Also, to be considered will be the cost of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

Docket No. 20-70

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 2, 1970

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

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

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CASE 4416: Application of Robert L. Parker Trust for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a cooperative waterflood project in the Langlie-Mattix Pool on its George L. Erwin Lease by the injection of water through its Erwin Well No. 2 located in Unit L of Section 35, Township 24 South, Range 37 East, Lea County, New Mexico.

CASE 4417: Application of J. Cleo Thompson for an exception to Order No. R-3221, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, which order prohibits the disposal of water produced in conjunction with the production of oil on the surface of the ground in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico. Said exception would be for the applicant's Evans Wells Nos. 9 and 12 located, respectively, in Units Ga and B of Section 33, Township 16 South, Range 30 East, Square Lake Pool, Eddy County, New Mexico. Applicant seeks authority to dispose of water produced by said wells in unlined surface pits located in the vicinity of said wells.

CASE 4418: Application of Texas Pacific Oil Company for amendment of Order No. R-3200, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-3200, which order authorized the applicant to institute a waterflood project in the South Eunice Pool, Lea County, New Mexico, by the injection of water through six wells located in Sections 5, 8, and 9 of Township 22 South, Range 36 East. Applicant seeks authority to delete the six wells authorized in said Order R-3200 and substitute therefor six other wells located in said Sections 8 and 9.

- CASE 4419: Application of Billings, Keyser and Kennedy for a non-standard gas proration unit, Eddy County, New Mexico. Applicant in the above-styled cause, seeks, in exception to Rule 104 B I, approval of a 320-acre non-standard gas proration unit comprising the NW/4 of Section 2 and Lots 1, 2 and 3 and the SE/4 NE/4 of Section 3, Township 22 South, Range 26 East, Eddy County, New Mexico, said unit to be dedicated to a wildcat gas well to be drilled in the NE/4 NE/4 of said Section 3.
- CASE 4420: Application of Xplor Company for a dual completion, authority to gas-lift oil production, and to flare gas, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Cleveland Well No. 1 located in Unit G of Section 23, Township 12 South, Range 32 East, Lea County, New Mexico, in such a manner as to produce oil from the East Caprock-Devonian Pool through 2 3/8-inch tubing and gas from the Pennsylvanian formation within one mile of the East Caprock-Pennsylvanian Pool. Applicant further seeks authority to use a portion of said gas to gas-lift said oil production and to subsequently flare said gas in exception to Rule 404 of the Commission Rules and Regulations.
- CASE 4421: Application of Phillips Petroleum Company for creation of a new oil pool, special pool rules therefor, and redesignation of the vertical limits of the Ranger Lake-Pennsylvanian Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new pool for the production of oil from the Bough section of the Pennsylvanian formation for its Phillips West Ranger Lake Unit Well No. 1 located in Unit C of Section 26, Township 12 South, Range 34 East, Lea County, New Mexico, and for the promulgation of special rules therefor including a provision for 80-acre spacing and proration units, with vertical limits of said pool to be the interval from sub-sea datum -5671 feet to -6016 feet as found in said Well No. 1. Applicant further seeks the contraction of the vertical limits of the Ranger Lake-Pennsylvanian Pool to that interval from sub-sea datum -6080 feet to -6230 feet as found in its West Ranger Lake Unit Tract 2 Well No. 1 located in Unit P of Section 23, said township and range.
- CASE 4422: Application of Atlantic Richfield Company for amendment of Order No. R-3588, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-3588, which order authorized the disposal of produced salt water into the Yates and Seven Rivers formation in the perforated

Case 4422 continued

and open-hole interval from 3110 feet to 3300 feet in the Sinclair ARC Federal Well No. 1 located in Unit O of Section 9, Township 20 South, Range 33 East, West Teas Pool, Lea County, New Mexico. Applicant now seeks authority to dispose into said zones in the interval from 3010 feet to 3300 feet.

CASE 4423: Application of Union Oil Company of California for compulsory pooling, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down to and including the San Andres formation underlying the N/2 NE/4 of Section 20, Township 8 South, Range 38 East, Bluit-San Andres Associated Pool, Roosevelt County, New Mexico. Said acreage to be dedicated to a well to be drilled at an orthodox location in the NW/4 NE/4 of said Section 20. Also to be considered will be the cost of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

CASE 4410: (Continued from the August 19, 1970 Examiner Hearing ) Application of Major, Giebel & Forster for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the SE/4 of Section 28, Township 25 South, Range 37 East, Crosby-Devonian Pool, Lea County, New Mexico, said acreage to be dedicated to a well to be drilled in said quarter section. Also, to be considered will be the cost of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.



September 2, 1970 - Examiner Hearing

-2-

Docket No. 20-70

CASE 4419: Application of Billings, Keyser and Kennedy for a non-standard gas proration unit, Eddy County, New Mexico. Applicant in the above-styled cause, seeks, in exception to Rule 104 B I, approval of a 320-acre non-standard gas proration unit comprising the NW/4 of Section 2 and Lots 1, 2 and 3 and the SE/4 NE/4 of Section 3, Township 22 South, Range 26 East, Eddy County, New Mexico, said unit to be dedicated to a wildcat gas well to be drilled in the NE/4 NE/4 of said Section 3.

*Cont.*  
CASE 4420: Application of Xplor Company for a dual completion, authority to gas-lift oil production, and to flare gas, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Cleveland Well No. 1 located in Unit G of Section 23, Township 12 South, Range 32 East, Lea County, New Mexico, in such a manner as to produce oil from the East Caprock-Devonian Pool through 2 3/8-inch tubing and gas from the Pennsylvanian formation within one mile of the East Caprock-Pennsylvanian Pool. Applicant further seeks authority to use a portion of said gas to gas-lift said oil production and to subsequently flare said gas in exception to Rule 404 of the Commission Rules and Regulations.

CASE 4421: Application of Phillips Petroleum Company for creation of a new oil pool, special pool rules therefor, and redesignation of the vertical limits of the Ranger Lake-Pennsylvanian Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new pool for the production of oil from the Bough section of the Pennsylvanian formation for its Phillips West Ranger Lake Unit Well No. 1 located in Unit C of Section 26, Township 12 South, Range 34 East, Lea County, New Mexico, and for the promulgation of special rules therefor including a provision for 80-acre spacing and proration units, with vertical limits of said pool to be the interval from sub-sea datum -5671 feet to -6016 feet as found in said Well No. 1. Applicant further seeks the contraction of the vertical limits of the Ranger Lake-Pennsylvanian Pool to that interval from sub-sea datum -6080 feet to -6230 feet as found in its West Ranger Lake Unit Tract 2 Well No. 1 located in Unit P of Section 23, said township and range.

*Cont.*  
*Sept 30*  
CASE 4422: Application of Atlantic Richfield Company for amendment of Order No. R-3588, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-3588, which order authorized the disposal of produced salt water into the Yates and Seven Rivers formation in the perforated

Docket No. 20-70

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 2, 1970

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

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

CASE 4415: Application of Depco, Inc. for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by injection into the Grayburg and San Andres formations through 6 wells located in Sections 27, 33 and 34, Township 18 South, Range 28 East, Artesia Pool, Eddy County, New Mexico.

CASE 4416: Application of Robert L. Parker Trust for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a cooperative waterflood project in the Langlie-Mattix Pool on its George L. Erwin Lease by the injection of water through its Erwin Well No. 2 located in Unit L of Section 35, Township 24 South, Range 37 East, Lea County, New Mexico.

CASE 4417: Application of J. Cleo Thompson for an exception to Order No. R-3221, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, which order prohibits the disposal of water produced in conjunction with the production of oil on the surface of the ground in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico. Said exception would be for the applicant's Evans Wells Nos. 9 and 12 located, respectively, in Units A and B of Section 33, Township 16 South, Range 30 East, Square Lake Pool, Eddy County, New Mexico. Applicant seeks authority to dispose of water produced by said wells in unlined surface pits located in the vicinity of said wells.

CASE 4418: Application of Texas Pacific Oil Company for amendment of Order No. R-3200, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-3200, which order authorized the applicant to institute a waterflood project in the South Eunice Pool, Lea County, New Mexico, by the injection of water through six wells located in Sections 5, 8, and 9 of Township 22 South, Range 36 East. Applicant seeks authority to delete the six wells authorized in said Order R-3200 and substitute therefor six other wells located in said Sections 8 and 9.

Case 4422 continued

and open-hole interval from 3110 feet to 3300 feet in the Sinclair ARC Federal Well No. 1 located in Unit O of Section 9, Township 20 South, Range 33 East, West Teas Pool, Lea County, New Mexico. Applicant now seeks authority to dispose into said zones in the interval from 3010 feet to 3300 feet.

CASE 4423:

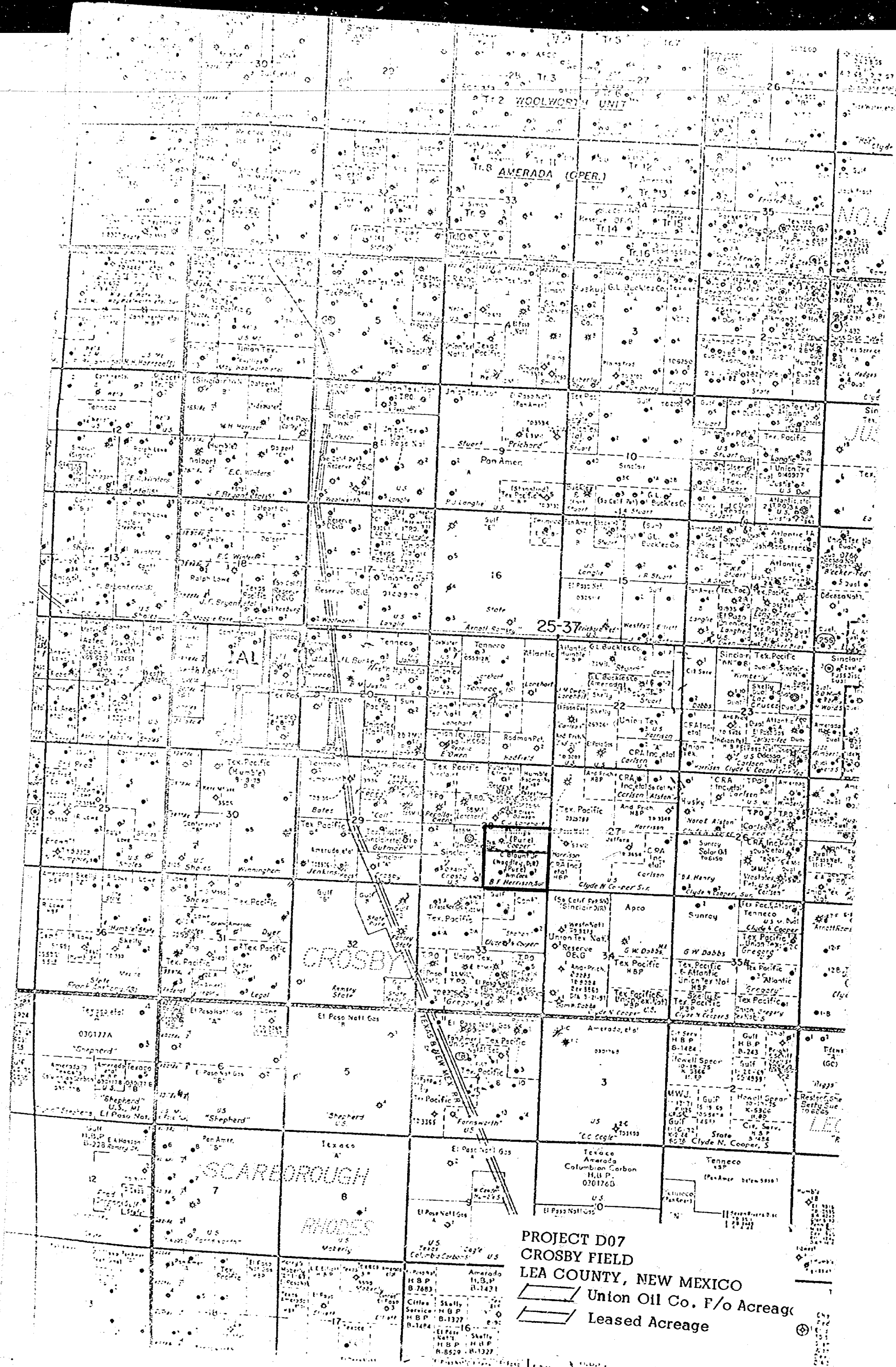
*Cont.*  
*Op - 30-70*

Application of Union Oil Company of California for compulsory pooling, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down to and including the San Andres formation underlying the N/2 NE/4 of Section 20, Township 8 South, Range 38 East, Bluit-San Andres Associated Pool, Roosevelt County, New Mexico. Said acreage to be dedicated to a well to be drilled at an orthodox location in the NW/4 NE/4 of said Section 20. Also to be considered will be the cost of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

CASE 4410:

(Continued from the August 19, 1970 Examiner Hearing )

Application of Major, Giebel & Forster for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the SE/4 of Section 28, Township 25 South, Range 37 East, Crosby-Devonian Pool, Lea County, New Mexico, said acreage to be dedicated to a well to be drilled in said quarter section. Also, to be considered will be the cost of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.



# MAJOR, GIEBEL & FORSTER

R. O. MAJOR, GEOLOGIST  
A. F. GIEBEL, PETROLEUM ENGINEER  
FRED FORSTER, JR., ENGINEER

1128 VAUGHN BUILDING - 915 - MU 4-7121  
MIDLAND, TEXAS 79701

## ACREAGE REQUIRED TO BE FORCE POOLED

### UNLEASED MINERALS

37.5	acres	J. M. Richardson Lyeth, Jr., Munroe Longyear Lyeth and Onez Norman Rooney	3/8
.00438	acres	Anna Gebhardt (deceased) <i>Anna Gebhardt</i>	12.5/42,976 of 1/4
.00175	acres	Edward F. Nicolin <i>Edward F. Nicolin</i>	5/42,976 of 1/4
.00350	acres	Adam Arnold (deceased) <i>Adam Arnold</i>	10/42,976 of 1/4
.02730	acres	Republic National Bank of Dallas <i>Wally</i>	78/42,976 of 1/4
.01680	acres	Flora G. Sarkisian	48/42,976 of 1/4
<u>37.55373</u>	<u>acres</u>		

### LEASED MINERALS WITH NO POOLING AGREEMENT

2.50000	acres	Patrick Leonard	1/24
2.50000	acres	Timothy T. Leonard	1/24
.00560	acres	J. Franklin Zouck	16/42,972 of 1/4
.01400	acres	Harry L. Jones et al	40/42,972 of 1/4
.00175	acres	Joseph Wesley Gallaher 2nd	5/42,972 of 1/4
.00175	acres	Charles T. Gallaher 2nd	5/42,972 of 1/4
<u>5.02310</u>	<u>acres</u>		

### MINERAL INTEREST ELECTING TO JOIN

.03500	acres	Max R. Chudy	100/42,976 of 1/4
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### RECAPITULATION

UNLEASED MINERALS	37.55373
LEASED MINERALS WITH NO POOLING AGREEMENT	5.02310
TOTAL ACREAGE ELECTING TO JOIN	<u>.03500</u>
TOTAL ACREAGE REQUIRED TO BE FORCE POOLED	<u>42.61183 ACRES</u>

BEFORE EXAMINER UTZ  
OIL CONSERVATION COMMISSION  
EXHIBIT NO. 2  
CASE NO. 4410

FRANK STUBBEMAN  
HAMILTON E. MCRAE  
TOM SEALY  
BOYO LAUGHLIN  
FRED M. CASSIDY  
F. H. PANNILL  
WM. S. BROWDER, JR.  
WALTER C. BEARDSLEY  
W. F. PENNEBAKER  
DURWARD H. GOOLSBY  
RECTOR CANNON  
WM. M. COTTON  
JAMES L. PARQUE  
JAMES G. NOLAND  
ROBERT J. COWAN  
ROBERT A. HUDSON  
MILTON L. BANKSTON  
ROBERT C. BLEDSOE  
CHARLES L. TIGHE  
RUSH MOODY, JR.  
HARRELL FELDT  
RICHARD T. PRIGHORE  
WM. C. MORROW  
SMITH RAY  
TEVIS HEARD  
JAMES V. HAMMETT, JR.  
ALVIN WALVOORD, JR.

STUBBEMAN, MCRAE, SEALY, LAUGHLIN & BROWDER

ATTORNEYS AT LAW  
MIDLAND SAVINGS BUILDING  
P. O. BOX 670  
MIDLAND, TEXAS 79701

AREA CODE 915  
682-1816

July 27, 1970

Major, Giebel & Forster  
Vaughn Building  
Midland, Texas 79701

Re: Title opinion on oil and gas leases from WM. COOK ET AL.  
insofar as said leases cover the following described land  
in Lea County, New Mexico:

T-25-S R-37-E N.M.P.M.

Section 28: SE/4

containing 160 acres, more or less, ONLY at depths  
below 4,000 feet below the surface of the land.

Gentlemen:

ABSTRACTS EXAMINED

From inception to July 20, 1970, at 8:00 A. M.

DESCRIPTION OF LAND

The SE/4 Section 28 and the NE/4 Section 33 as containing  
320 acres were patented to George W. Shahan on February 24, 1920,  
by patent recorded Volume 1, page 460.

ENCUMBRANCES

None.

RIGHTS-OF-WAY

None shown.

TAXES

All taxes are shown paid for 1969 and prior years.

FEE TITLE

Surface Estate:

Not known, since the abstracts examined did not cover the  
surface.

Subject to the oil and gas leases thereon which will herein-  
after be tabulated, we find record title to all of the minerals to  
be vested as follows:

Mineral Estate:

Elks National Foundation -----	1/40
Shattuck School -----	1/40
Boys Clubs of America -----	1/40
New Mexico Boys' Ranch, Inc. -----	1/40
Regents of the University of New Mexico -----	1/40
Robert J. Leonard -----	1/24
Patrick J. Leonard -----	1/24
Timothy T. Leonard -----	1/24
Sally Saunders Toles -----	1/24
Sue Saunders Graham -----	1/24
Elyse Saunders Patterson -----	1/24
J. M. Richardson Lyeth, Jr. and Munro	
Longyear Lyeth as joint tenants -----	3/16
Onez Norman Rooney -----	3/16

The following mineral interests are fractions of 1/4, each fraction having a denominator of 42,972 of 1/4:

Wrightsmen Investment Corporation -----	40,267/42,972 of 1/4
R. B. Mitchell -----	1,059/ "
J. Franklin Zouck -----	16/ "
Andrew M. Taylor -----	10/ "
The Sheridan Family Trust - Catherine A.	
Sheridan, Cornelius B. Sheridan and	
Olga Petuch, Trustees -----	78/ "
Anna Gebhardt -----	12.5/ "
John F. Corvino and Rita M. Corvino, his	
wife, as joint tenants with right of	
survivorship -----	32/ "
Mrs. Frank P. Sullivan (4/10); Mrs. B. B.	
Wehling (2/10); Mrs. Jeanne C. Gallion	
(2/10) and James W. Sullivan (2/10) -----	27/ "
Edward F. Nicolin -----	5/ "
Miss Ida Miller -----	5/ "
Leila C. McConnell -----	200/ "
Josephine Radue -----	32/ "
Harry L. Jones and Isabel Jones as joint	
tenants with right of survivorship -----	40/ "
Elmer G. Johnson -----	5/ "
Normarth Corp. -----	12/ "
Mrs. Carrie Gidwitz -----	50/ "
Joseph Wesley Gallaher 2nd -----	5/ "
Charles T. Gallaher 2nd -----	5/ "
Rose P. Feltman -----	78/ "
E. M. Edwards Co. -----	32/ "
Edward Mitchell Edwards -----	25/ "
Delia B. Edwards -----	15/ "
Robert C. Eble -----	49/ "
David Cohen -----	10/ "
Max R. Chudy -----	100/ "
John L. Brady -----	10/ "
Robert G. Bradshaw -----	16/ "
Howard W. Bradshaw -----	16/ "
Ellis Rudy -----	113.5/ "
Gordon G. Berg -----	10/ "
Adam Arnold -----	10/ "
Ella Mattimore -----	10/ "
Norma Meta Sanders -----	10/ "
Republic National Bank of Dallas, Trustee -	
Flora G. Sarkisian -----	48/ "
Nell Evans, a widow -----	93/ "
W. B. Trammell -----	388/ "

EXISTING OIL AND GAS LEASESA Lease - Covering all of the oil and gas in the land covered thereby

Dated: September 30, 1927  
Recorded: Volume 8, page 201, Records of Lea County  
Lessor: Wm. Cook and his wife Lucy Cook  
Lessee: Forest E. Levers  
Land Covered: S/2 S/2 N/2 SE/4 and S/2 SE/4 Section 28,  
T-25-S, R-37-E, N.M.P.M., containing 100  
acres, more or less  
Primary Term: Ten years  
Royalty: 1/8 on oil and gas  
Record Owner of A  
Lease: Union Oil Company of California only as to  
depths below 4,000 feet below the surface

B Lease - Covering 1/40 of the oil and gas owned by lessor

Dated: June 24, 1968  
Recorded: Volume 258, page 740, Records of Lea County  
Lessor: New Mexico Boys' Ranch, Inc.  
Lessee: Minerals, Inc.  
Land Covered: Purports to cover all of the SE/4 Section 28  
but it is believed that this lease effectively  
covers only the North 60 acres of the SE/4  
Primary Term: Ten years  
Royalty: 1/8 on oil and gas  
Depository Bank: First State Bank, Socorro, New Mexico  
Delay Rentals: \$4 per annum  
Record Owner of B  
Lease: Minerals, Inc. only as to depths below 4,000  
feet below the surface

TITLE REQUIREMENTS

## 1.

At a time when Phillips Petroleum Company owned two leases together covering 3/4 interest in the minerals in the North 60 acres of the SE/4 Section 28, said Phillips Petroleum Company and Woodley Petroleum Company (predecessors in title to the present owner, Union Oil Company of California) entered into a communitization agreement communitizing the dry gas and associated liquid hydrocarbons only in all of the SE/4 Section 28 from all depths below 4,000 feet below the surface. This agreement is dated August 2, 1955, recorded Volume 102, page 133, Miscellaneous Records. We have been advised that the unit produced gas for a very short time and the well was then plugged and abandoned many years ago. Phillips has released of record its two leases which were committed to the unit. The communitization agreement did not specifically provide that it would terminate when the gas well ceased to produce, but contains language that indicates that it might continue so long as any of the leases committed was still in force and effect, and it is to be noted that the Union lease tabulated above as A Lease is still in force and effect. We require that Phillips and Union enter into a stipulation and agreement relative to said communitization agreement to the effect that said agreement is no longer valid and that neither will claim any rights under same.



## 2.

This requirement deals only with the mineral interest owned by W. B. Trammell, being 388/42,972 of 1/4. This interest was conveyed by Standard Oil Company of Kansas to The National Bank of Commerce of Houston and Morgan J. Davis as Trustees under three separate trusts, one for Thomas Stephen Trammell under agreement dated October 6, 1949; one for W. B. Trammell, Jr. under agreement dated October 5, 1943; and one for Sue Trammell, also dated October 5, 1943, as amended. We have never examined the trust indentures and we require copies of these trust indentures to be certain that the trustee had authority to sell.

## 3.

This requirement concerns the mineral interest owned by R. B. Mitchell, being 1,059/42,972 of 1/4. This interest was conveyed to said R. B. Mitchell by Gail Whitcomb by deed dated March 5, 1965, in which his wife, if any, did not join. If Gail Whitcomb had a wife as of the dates he acquired his various interests (seven separate interests commencing in 1949), she had a presumptive community interest, and we require a correction deed from Gail Whitcomb, joined by said wife, or proof that he acquired all of his interests as separate property.

## 4.

There should be secured from Minerals, Inc. a release of the oil, gas and mineral lease described as B, above, insofar as said lease covers the South 100 acres of the SE/4 Section 28 at depths below 4,000 feet below the surface.

Further, if you are going to deal with this interest insofar as it covers the North 60 acres of the SE/4 Section 28 at depths below 4,000 feet below the surface, proof should be furnished of the proper payment of all delay rentals under the lease.

## 5.

The abstract indicates that Wrightsman Investment Corporation is claiming a mineral interest in this land, and we have assumed that it is the interest to which Wrightsman Petroleum Company has record title. We must be furnished with proof that the interest formerly owned by Wrightsman Petroleum Company is now owned by Wrightsman Investment Corporation.

## 6.

The Mullen Foundation was at one time claiming an interest in the minerals in this land, and executed an oil and gas lease on the shallow rights (above 4,000 feet) and also assigned all of its interest described as being 5/42,972 of 1/4, to Ellis Rudy. Nothing in the abstracts examined by us showed any title in The Mullen Foundation and therefore we have not given effect to the deed to Ellis Rudy. Before we can give effect to the deed, proof must be furnished that The Mullen Foundation had a title which it could convey.

7.

Hylah G. Sullivan executed an oil and gas lease on the shallow rights above 4,000 feet indicating that she claimed a mineral interest in this land. We have shown Mrs. Frank P. Sullivan as a mineral owner and we are assuming they are one and the same. An affidavit to this effect should be furnished.

8.

In connection with a portion of the interest owned by Ellis Rudy, the interest being  $5/42,972$  of  $1/4$ , we must be furnished with proof that the interest owned by Elizabeth S. McKee passed to Robert R. McKee and Ernest W. McKee. We examined in the abstracts a deed from Dorothy C. McKee as sole beneficiary under the will of Robert R. McKee, and Ernest W. McKee, Jr. and Robert F. McKee as beneficiaries under the will of Ernest W. McKee, which deed conveyed the interest to Ellis Rudy.

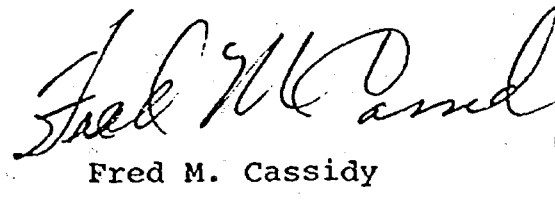
COMMENT

There are a great number of irregularities in the title to many of the small interests listed above, concerning which we are not going to make formal objections. By "small interests," we mean any of the above mineral interests which are less than  $100/42,972$  of  $1/4$ . These irregularities consist of titles based upon affidavits of intestacy and heirship and titles based upon wills which have not been probated in the State of New Mexico, each of which is a technical objection to the title under New Mexico law. Also, in a number of instances, we have not examined trust agreements under which grantors in a number of deeds have operated, but in almost every instance, the trustees were banks, and it has been our experience that trust instruments under which banks operate are almost invariably satisfactory. Also, a number of these interests passed under deeds from men not joined by their wives, if any, and their marital status not being shown. In the majority of these latter deeds, it is recited that the grantors were residents of states which do not follow the community property system. Under these circumstances, we feel that it is probably a reasonable business risk to assume that the interest involved was the separate property of the grantor. Similarly, with regard to wills which show to have been executed and probated in states not following the community property system, we have not raised any requirement with respect to the possibility of community interest of a spouse. We believe that the insignificance of the interests involved would justify your assuming the risk.

Respectfully submitted,

STUBBEMAN, MCRAE, SEALY, LAUGHLIN & BROWDER

By:



Fred M. Cassidy

FMC:db

PHILLIPS COPPER #1  
LEASE UNIT J. SECTION 28-258-37E  
POOL CROSBY DEVONIAN POOL

	OIL MONTH	GAS MONTH	WATER MONTH	GOR	% WATER		OIL MONTH	GAS MONTH	WATER MONTH	GOR	% WATER
YEAR	1963					YEAR	1967				
JAN	98	46,167	-			JAN	-	23	-		
FEB	104	27,469	-			FEB	-	-	-		
MAR	164	52,660	-			MAR	-	1,164	-		
APR	142	36,808	-			APR	-	8,940	-		
MAY	44	25,735	-			MAY	-	18,558	270		
JUN	-	26,606	-			JUN	-	18,421	279		
JUL	9	27,905	-			JUL	-	26,960	270		
AUG	14	6,172	-			AUG	-	21,035	279		
SEP	119	25,640	-			SEP	-	23,305	1,705		
OCT	332	77,867	-			OCT	-	31,773	1,650		
NOV	242	58,770	-			NOV	-	23,994	1,426		
DEC	187	86,925	-			DEC	-	12,305	1,380		
YEAR	1964					YEAR	1968				
JAN	131	62,865	-			JAN	-	5,162	-		
FEB	213	69,662	-			FEB	-	132	-		
MAR	284	96,218	-			MAR	-	70	-		
APR	239	88,963	-			APR	-	50	1,426		
MAY	49	18,900	-			MAY	-	78	-		
JUN	136	41,942	-			JUN	-	15	-		
JUL	275	96,640	-			JUL	-	-	-		
AUG	242	75,900	-			AUG	-	51	-		
SEP	272	77,106	-			SEP	-	12	-	Cumulative	
OCT	264	83,127	-			OCT	-	29	-	8,212,466 MCF	
NOV	201	93,827	-			NOV	-	-	-		
DEC	254	159,239	-			DEC	-	-	-		
YEAR	1965					YEAR	1969				
JAN	157	105,793	-			JAN	-	-	-		
FEB	129	77,105	-			FEB	-	-	-		
MAR	57	33,871	-			MAR	-	-	-		
APR	11	4,794	-			APR	-	-	-		
MAY	106	50,669	-			MAY	-	-	-		
JUN	30	15,828	-			JUN	P&A	6-11-69			
JUL	348	24,210	-			JUL					
AUG	67	63,077	-			AUG					
SEP	123	49,193	-			SEP					
OCT	132	48,036	-			OCT					
NOV	113	47,827	-			NOV					
DEC	12	9,723	-			DEC					
YEAR	1966					YEAR					
JAN	-	4,599	-			JAN					
FEB	-	1,366	-			FEB					
MAR	-	3,103	-			MAR					
APR	-	5,167	-			APR					
MAY	-	4,546	-			MAY					
JUN	-	3,454	-			JUN					
JUL	-	3,537	-			JUL					
AUG	-	3,920	-			AUG					
SEP	-	3,031	-			SEP					
OCT	-	493	-			OCT					
NOV	-	633	-			NOV					
DEC	-	352	-			DEC					

CASE NO. 4410  
EXHIBIT NO. 3  
August 19, 1970

BEFORE THE

OIL CONSERVATION COMMISSION OF NEW MEXICO

APPLICATION OF MAJOR, GIEBEL  
& FORSTER FOR AN ORDER FORCE  
POOLING THE SE/4 OF SECTION  
28, TOWNSHIP 25 SOUTH, RANGE  
37 EAST, LEA COUNTY, NEW MEXICO

A P P L I C A T I O N

Come now Major, Giebel & Forster and apply to the Oil Conservation Commission of New Mexico for an order force pooling all interest in and under the SE/4 of Section 28, Township 25 South, Range 37 East, N.M.P.M., Lea County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of the right to drill and develop the above described tract, and proposes to drill a well to a sufficient depth to test the Devonian formation at approximately 8,250 feet.
2. Under the provisions of the orders of the Commission, a standard drilling and proration unit consists of 160 acres, comprising a governmental quarter-quarter section.
3. The south 100 acres of the SE/4 of the section is covered by numerous leases which do not contain pooling clauses, and despite diligent efforts on the part of applicant, applicant has been unable to obtain voluntary pooling agreements covering these leases.
4. Applicant has acquired, or is acquiring leases covering the North 60 acres of the SE/4 of the section, which leases contain a pooling clause.
5. There are numerous fractional interests, some of which were derived in part from dissolution of Standard Oil Company of Kansas, and it has not been possible for applicant to obtain

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Case 4410  
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voluntary agreements from numerous owners of these small fractional interests, despite diligent effort.

6. Applicant proposes to drill a well on said unit, as stated, and in order to recover its just and equitable share of the oil and/or gas underlying its acreage, it is necessary that said SE/4 of Section 28, Township 25 South, Range 37 East, N.M.P.M., be pooled by order of this Commission in order that a standard 160-acre unit may be formed.

WHEREFORE applicant prays that the Commission set this application for hearing before the Commission or before the Commission's duly appointed examiner, and that after notice and hearing as required by law, the Commission enter its order pooling all of the oil and gas mineral interest, including royalty interests, in and under Section 28, Township 25 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

Applicant further prays that the Commission designate it as operator of said unit, and make suitable provision for recovery of its costs incurred in the drilling, completion, supervision and operation of said well from any non-consenting owners, and including a suitable risk factor for the risk involved in the drilling of a well or wells on said tract, to be recovered from any non-consenting owners share of production, together with provision for the recovery of the costs of operation of said well and supervision thereof and such other provisions as may be proper in the premises.

Respectfully submitted,

MAJOR, GIEBEL & FORSTER

By

*Jason W. Kellahin*  
Kellahin and Fox

P. O. Box 1769  
Santa Fe, New Mexico 87501

Attorneys for Applicant

DRAFT

GMH/esr

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE No. 4410

Order No. R-4029

APPLICATION OF MAJOR, GIEBEL & FORSTER  
FOR COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on  
September 2, 1967, at Santa Fe, New Mexico, before Examiner  
Elvis A. Utz.

NOW, on this day of September, 1967, 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, Major, Giebel & Forster,  
seeks an order pooling all mineral interests in the

Crosby-Devonian Pool underlying the SE/4 of  
Section 28, Township 25 North, Range 37 West, NMPM,  
Lea County, New Mexico.

(3) That the applicant has the right to drill and proposes  
to drill a well at a location 660 feet from the south line and 1905 feet  
to drill a well in the SE/4 of said Section 28 to the  
Crosby-Devonian Pool.

(4) That there are interest owners in the proposed proration  
unit who have not agreed to pool their interests.

(7) That to avoid the drilling of unnecessary wells, to  
protect correlative rights, and to afford to the owner of each

(1) That the evidence indicates that approximately 20 acres in the NW/4 SE/4 of said Section 28 is not  
productive of gas from the Crosby-Devonian Pool.  
(2) That the evidence indicates that approximately 140 acres in the W/2 SE/4, SE/4 SE/4, and S/2 NE/4 SE/4 of  
said Section 28 is productive of gas from the Crosby-Devonian Pool.

*the W/2 SE/4, SE/4 SE/4, and S/2 NE/4 SE/4 of said Section 28*

interest in ~~said unit~~ the opportunity to recover or receive with-  
out unnecessary expense his just and fair share of the ~~oil~~ gas in said  
pool, ~~the subject application should be approved by pooling all~~

*in the Crosby - Devonian Area.*  
all mineral interests, whatever they may be, ~~within said unit~~  
*underlying the W/2 SE/4, SE/4 SE/4, and S/2 NE/4 SE/4 of said Section 28 should be pooled.*

(8) ~~(8)~~ That the applicant should be designated the operator  
of the subject well and unit.

(9) ~~(9)~~ That any non-consenting working interest owner should  
be afforded the opportunity to pay his share of estimated well  
costs to the operator in lieu of paying his share of reasonable  
well costs out of production.

(10) ~~(10)~~ That any non-consenting working interest owner that  
does not pay his share of estimated well costs should have with-  
held from production his share of the reasonable well costs plus  
an additional 25 % thereof as a reasonable charge for the risk  
involved in the drilling of the well.

(11) ~~(11)~~ That any non-consenting interest owner should be  
afforded the opportunity to object to the actual well costs  
but that said actual well costs should be adopted as the  
reasonable well costs in the absence of such objection.

(12) ~~(12)~~ That following determination of reasonable well costs,  
any non-consenting working interest owner that has paid his share  
of estimated costs should pay to the operator any amount that  
reasonable well costs exceed estimated well costs and should  
receive from the operator any amount that paid estimated well  
costs exceed reasonable well costs.

*100.00*  
(13) ~~(13)~~ That \$ 175.00 per month should be fixed as a reasonable  
charge for supervision (combined fixed rates) for the subject  
well; that the operator should be authorized to withhold from  
production the proportionate share of such supervision charge  
attributable to each non-consenting working interest, and in  
addition thereto, the operator should be authorized to withhold  
from production the proportionate share of actual expenditures  
required for operating the subject well, not in excess of what  
are reasonable, attributable to each non-consenting working  
interest.

escrow to be paid to the true owner thereof upon demand and proof of ownership.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Crosby-Devonian Pool underlying the ~~SW 1/4~~  
W 1/2 SE 1/4, SE 1/4 SE 1/4, and S 1/2 NE 1/4 SE 1/4

of Section 28, Township 25 ~~North~~ South, Range 37 ~~West~~ East, NMPM,

Lea County, New Mexico, are hereby pooled to form a ~~160~~-

~~oil spacing~~  
acre gas proration unit to be dedicated to a well located

640 feet from the East South line and 1905

feet from the East line of said Section 28

(2) That Major, Giebel & Forster is hereby designated the operator of the subject well and unit.

(3) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs within 30 days following the date of this order.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs within 30 days following completion of the well; that if no objection to the actual well costs is received by the Commission, and the Commission has not objected within 60 days following completion of the well, the actual well



costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 30 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is

(9) That \$ \_\_\_\_\_ per month is hereby fixed as the reasonable charge for supervision and operational overhead for ~~able/cost of operating~~ the subject well, and the operator is

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costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 30 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 25 % of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$ <sup>100.00</sup>~~125.00~~ per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) for the subject well; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

hereby authorized to withhold from production the proportionate share of such cost attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths ( $7/8$ ) working interest and a one-eighth ( $1/8$ ) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

(13) 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.

