

SECRET

Case Number

4807

Application

Transcripts

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
CONFERENCE HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
August 23, 1972

EXAMINER HEARING

IN THE MATTER OF:

In the matter of the hearing called
by the Oil Conservation Commission
on its own motion for the amendment
of Rule 104C. I of the Commission
Rules and Regulations to permit the
drilling of development oil wells
as close as 330 feet to another
well on the same unit drilling to
or capable of producing from the same
pool.

CASE NO. 4807

BEFORE: Richard L. Stamets
Examiner

TRANSCRIPT OF HEARING

dearnley, meier & mc cormick

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1216 FIRST NATIONAL BANK BLDG. EAST ALBUQUERQUE, NEW MEXICO 87108

dearnley, meier & mc cormick reporting service

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1 MR. HATCH: Case 4807: In the matter of the
2 hearing called by the Oil Conservation Commission on its
3 own motion for the amendment of Rule 104C.I of the Commission
4 Rules and Regulations to permit the drilling of development
5 oil wells as close as 330 feet to another well on the same
6 unit drilling to or capable of producing from the same pool.

7 I would like the record to show that Mr. Nutter
8 has been sworn and identified for the record.

9 THE EXAMINER: You may proceed, Mr. Hatch.

10 DANIEL S. NUTTER,

11 having been already duly sworn according to law, testified
12 as follows:

13 DIRECT EXAMINATION

14 BY MR. HATCH:

15 Q Mr. Nutter, would you continue with your explanation
16 to the Examiner as you did in the previous cases the
17 reason for your recommendations in Case 4807?

18 A Yes, sir. The purpose of this case is to eliminate
19 the necessity for operators having to have hearings
20 when they want to drill a second well on a 40 acre
21 tract. More and more in the last few years there
22 has been a tendency to do some infill drilling on
23 some of these units and it appears that a good portion
24 of this country's remaining oil reserves may be produced
25 by infill drilling. This becomes more obvious as time

1 goes on. At the present time a well is permitted to
2 be located anywhere on the 40 acre tract that is 330
3 feet from the outer boundary of the tract. However,
4 it can't be closer than 660 feet to another well on
5 the tract. If a well has been drilled on a 40 acre
6 tract at a 660/660 location putting it right in the
7 center of the 40, there is no way you can drill another
8 well on that 40 acre tract without having a hearing.

9 If a man drilled a well on that 40 acre tract
10 at a 330/330 location under the existing rule he can
11 drill three additional wells and still be 660 feet
12 apart or 660 feet away from the nearest other well
13 on the 40 acre tract or on any other tract. This
14 imposes a penalty, so to speak, on the man that drilled
15 in the center of his 40 because he can't drill a second
16 well if he sees fit to do so unless he has a hearing.

17 What we are proposing here is that wells could
18 be located within 330 feet to another well on the 40
19 but they could still -- they would continue to not
20 be permitted to be drilled closer than 330 feet to
21 the outer boundary of the 40. It is simply to give
22 the operator an opportunity to drill an additional well
23 if he sees necessary on his 40 acre tract. Like I say,
24 if he had already drilled on a 330, he can do it
25 without a hearing but if he drilled in the middle of

1 the 40, he can't and it is just to eliminate the
2 necessity for hearing as I stated before.

3 Q Mr. Nutter, under your revised rule, how many wells
4 could a person drill on 40 acres?

5 A Well, if he wanted to completely develop the thing,
6 I think he could probably have nine locations on a
7 40 if they were all spaced out just perfectly even,
8 330 feet apart. You can drill four now under existing
9 rules.

10 Q Do you have anything further to add?

11 A No, sir.

12 THE EXAMINER: Are there any questions of the
13 witness?

14 MR. SIMMONS: David B. Simmons with Mobil.

15 CROSS-EXAMINATION

16 BY MR. SIMMONS:

17 Q What would the allowable -- would the allowable still
18 be the same?

19 A The allowable would still remain a 40 acre allowable,
20 yes, sir. It is now whether you have got one well
21 or four wells. You can get one 40 acre allowable.

22 Q There would be no justification to show reason for
23 this just that it would be administrative in every way?

24 A Yes, sir. It would be simply as long as it complied
25 with this rule to file a C 101 with the District Office

1 and if it met all the other provisions required, it
2 would be approved.

3 THE EXAMINER: Any other questions?

4 (No response.)

5 The witness may be excused. Any statements in
6 the case?

7 MR. HOCKER: R. L. Hocker, representing Amerada
8 Hess Corporation which is opposed to the change of statewide
9 rule 104 which would allow the completion of nine oil wells
10 on a 40 acre proration. The rules proposed would encourage
11 or could encourage drilling of unnecessary wells particularly
12 during times of high oil allowables. We suggest that if
13 such a close spacing of wells is warranted that it be adopted
14 only as a special pool rule and not as a statewide rule.

15 THE EXAMINER: Any other statements?

16 MR. SIMMONS: W. B. Simmons, again, with Mobil
17 Oil Corporation. Mobil Oil Corporation is opposed to the
18 proposed amendment rule of 104C.I of the Commission Rules
19 and Regulations that will permit the drilling of development
20 oil wells as close as 330 to other wells in the same pool.
21 Mobil believes that the amendment as proposed and the re-
22 sulting denser development activity would cause involuntary
23 drilling, economic waste and violation of correlative
24 rights. We believe that the present rules of the Commission
25 adequately protect waste and provide relief or exception and

1 protect correlative rights. Therefore, Mobil recommends
2 that the Commission disapprove the amendment to Rule 104 as
3 proposed in Case 4807.

4 THE EXAMINER: Are there other statements?

5 MR. HATCH: The Commission has received a letter
6 from Amoco Production Company in which Amoco Production
7 Company supports the Commission in this proposed amendment
8 and the Commission has received a telegram from Chevron Oil
9 Company recommending that the proposal to amend 104C.1
10 should not be approved and Chevron believes the Commission
11 should continue the present practice in granting exceptions
12 to the present Rule 104C.1 where it can be shown that
13 exceptions are necessary to efficiently drain the particular
14 pool and units within a pool.

15 Mr. Hutter, don't you have a letter from Skelly?

16 THE WITNESS: I thought you had it, but we do
17 have a letter from George Salinger with Skelly Oil Company in
18 which he has requested that the case be continued for 30 to
19 60 days for further study.

20 MR. HATCH: Do you have any other communications?

21 THE WITNESS: There is no other correspondence
22 that I know of.

23 MR. HATCH: I think Mr. Hutter has adequately
24 expressed the statement of Skelly.

25 THE WITNESS: However, I see no point in a further

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1 continuance of the case. Further study is not going to
2 reveal anything that we don't know now. Some people are for
3 it and some people are against it.

4 THE EXAMINER: Any other statements?

5 MR. LYON: V. T. Lyon, with Continental Oil
6 Company. It appears to Continental that there is a possibility
7 that operators could be faced with demands per additional
8 development on leases where an offset operator drills
9 additional wells offsetting his property and consequently
10 it appears to us that there is adequate reason for an operator
11 to file a notice of his intention to drill the additional
12 wells with the offset operator so that that operator could
13 evaluate the effect on his property and file an objection
14 if he feels that such objection is warranted.

15 THE WITNESS: In other words, you are suggesting,
16 Mr. Lyon, that if the Commission should adopt this 330 thing
17 that it would be an administrative procedure where an offset
18 would be notified?

19 MR. LYON: Right.

20 THE WITNESS: And have an opportunity to object
21 to it?

22 MR. LYON: If it is an inside location and I think
23 that probably the offset operators would not be affected,
24 but if it is an exterior location which would directly
25 offset another operator, that operator should receive notice

1 of the intention.

2 MR. DUGAN: Tom Dugan. In light of the additional
3 reserves that could be recovered and the less legal work
4 that would be required, I would recommend that the
5 Commission approve the proposed rule change.

6 THE EXAMINER: Any other statements?

7 MR. PORTER: Mr. Examiner, I was just wondering
8 if such a procedure as suggested by Mr. Lyon were established,
9 would it remove the objections of the operators who have
10 expressed opposition to the rule?

11 MR. HOCKER: For Amerada Hess it would be better
12 than the rule, as proposed. I will say that. We still
13 object to the rule.

14 MR. SIMMONS: Speaking for Mobil, it is an
15 improvement but this would be a very good rule if it were
16 applied by this infield drilling. There is no doubt about
17 it, in units that are under waterflood, this is something
18 that will happen time and time again. It is happening
19 everywhere we have waterfloods and this would be a very good
20 device to eliminate a lot of paperwork, but as far as the
21 statewide aspect of it, this is what Mobil is opposed to in
22 fields that have yet to be discovered. You could have a
23 dense drilling program and overdrill an area whereas in
24 waterfloods this would be a step where it got close to the
25 boundary lines and the unit, then I think that is very good

1 to serve notice and let everybody know what is going on
2 inside and on infield drilling I think it would be very good
3 applied with discretion. I might add further that the
4 proposal made by Continental I think would be an excellent
5 one to add to the special pool rule when you get the special
6 pool.

7 MR. PORTER: I don't know if I found out a great
8 deal. That is all the questions I have.

9 THE EXAMINER: Mr. Nutter, you have stated earlier
10 in the case that at the present time four wells could be
11 drilled.

12 THE WITNESS: I don't see any big rush in drilling
13 these four wells very often. We have a few ten acre pools
14 over in Eddy County, however, and most of those were drilled
15 on that ten acre spacing before this rule was even written,
16 and like I stated before, if an operator has drilled his
17 first well which is very often the case on his 40 acre tract
18 at a 330 foot location, in most cases that remains the only
19 well on the 40, although he could drill three additional
20 wells. If he wants to drill a second well, though, he has
21 got to have a hearing if he drilled in the center of the 40.
22 This seems to me a discrimination against the man that
23 drilled in the center of the 40 as compared with the guy that
24 drilled a 330 location to start with.

25 THE EXAMINER: Do you recall any instances where

1 an operator has requested the authority to put the fifth
2 well on the 40 acres under primary recovery?

3 THE WITNESS: I don't think I know of any fifth
4 well on a 40 in primary, no. I know some that are one-half
5 acre spacing on primary but those are 130 feet apart, but
6 those are in special pool rules.

7 THE EXAMINER: Is it your feeling that most of
8 the instances of this close drilling have been actually in
9 secondary recovery projects?

10 THE WITNESS: Most of it is, yes, however, we
11 saw considerable infill drilling in the Eumont Oil Pool a
12 number of years ago in which the second well was drilled on
13 the 40 with good reserves being obtained. They paid out.

14 THE EXAMINER: Any other questions?

15 We will take the case under advisement.
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dearnley, meier & mc cormick

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1 STATE OF NEW MEXICO)
2) ss
3 COUNTY OF BERNALILLO)

4 I, MARCIA J. HUGHES, a Court Reporter, in and for the
5 County of Bernalillo, State of New Mexico, do hereby certify
6 that the foregoing and attached Transcript of Hearing
7 before the New Mexico Oil Conservation Commission was
8 reported by me; and that the same is a true and correct record
9 of the said proceedings to the best of my knowledge, skill
10 and ability.

11 *Marcia J. Hughes*
12 COURT REPORTER
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Richard J. Hant
4507

dearnley, meier & mc cormick
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I N D E X

WITNESS:

PAGE

DANIEL S. NUTTER

Direct Examination by Mr. Hatch

3

Cross-Examination by Mr. Simmons

5

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION
ON ITS OWN MOTION FOR THE AMENDMENT
OF RULE 104 C. I OF THE COMMISSION
RULES AND REGULATIONS TO PERMIT THE
DRILLING OF DEVELOPMENT OIL WELLS AS
CLOSE AS 330 FEET TO ANOTHER WELL ON
THE SAME UNIT DRILLING TO OR CAPABLE
OF PRODUCING FROM THE SAME POOL.

CASE NO. 4807
Order No. R-4383

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 23, 1972,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 6th day of September, 1972, 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 Rule 104 C I of the New Mexico Oil Conservation
Commission Rules and Regulations prohibits the drilling of a
development well for a defined oil pool nearer than 660 feet
to the nearest well drilling to or capable of producing from
the same pool.

(3) That said Rule 104 C I should be amended to permit
development wells to be drilled as close as 330 feet to another
well on the same unit drilling to or capable of producing from
the same oil pool, provided, however, only tracts committed to
active secondary recovery projects shall be permitted more than
four wells.

(4) That amendment of Rule 104 C I as described in
Finding No. 3, above, will neither cause waste or violate
correlative rights.

-2-

CASE NO. 4807
Order No. R-4383

IT IS THEREFORE ORDERED:

(1) That Rule 104 C I of the New Mexico Oil Conservation Commission is hereby amended to read in its entirety as follows:

I. Oil Wells, All Counties

Unless otherwise provided in special pool rules, each development well for a defined oil pool shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U. S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than 330 feet to any boundary of such tract nor closer than 330 feet to the nearest well drilling to or capable of producing from the same pool, provided, however, only tracts committed to active secondary recovery projects shall be permitted more than four wells.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



Bruce King
BRUCE KING, Chairman

Alex J. Armijo
ALEX J. ARMIJO, Member

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

S E A L

dr/

Case 4807

Records
Center

Finds:

(1) That Rule 104 C I of the New Mexico Oil Conservation Commission Rules and Regulations prohibits the drilling of a development well for a defined oil pool nearer than 660 feet to the nearest well drilling to or capable of producing from the same pool.

(2) That ^{said} Rule 104 C I should be amended to permit a development well to be drilled as close as 330 feet to another well on the same unit drilling to or capable of producing from the same oil pool.

Ordered:

(1) That Rule 104 C 2 of the New Mexico Oil Conservation Commission is hereby amended to read in its entirety as follows:

put in Rule 104 C I as it now appears - except substitute 330 for 660.

(2) Juris -



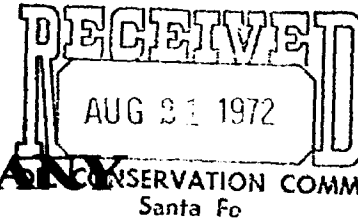
SKELLY OIL COMPANY

P. O. BOX 1650

TULSA, OKLAHOMA 74102

LAW DEPARTMENT
GEORGE W. SELINGER
SENIOR ATTORNEY

August 17, 1972



Re: Case No. 4807

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

Dear Mr. Porter:

On August 23 the Commission will conduct a hearing on its own motion for the amendment of Rule 104 C-1 of the Commission's Statewide Rules and Regulations to permit the drilling of development oil wells as close as 330 feet to another well on the same unit drilling to or capable of producing from the same pool, which would be applicable to oil wells in all counties throughout the State.

We believe this matter is of such serious nature that it should be considered very carefully by the operators, and in view of the shortness of the time that perhaps this matter should be continued for 30 or 60 days.

Rather than having this matter treated from a statewide view we believe that the rule should be left intact and should there be some pools that may need closer spacing that it be handled on a poolwide basis rather than a statewide basis so that whatever relief may be necessary to a particular pool that it so be without disturbing the entire state program.

Yours very truly,

GWS:br



Telegram

KA047

1972 AUG 18 PM 3 48

(0536P EDT) =

K CCA287 (SF 231CC208287)PD=CHEVRON DVR

0533P

EDT08/18/72 =ZCZC 004 DENVER, COLORADO =

NEW MEXICO OIL & GAS CONSERVATION COMMISSION = *Jan*

STATE LAND OFFICE BUILDING =SANTA FE, NEW MEXICO

CHEVRON OIL COMPANY RECOMMENDS THAT THE PROPOSAL TO
AMEND RULE =104C-1, TO BE HEARD AS CASE 4807 ON AUG.

23, 1972, SHOULD NOT BE =APPROVED. THE DENSE DRILLING
WHICH COULD RESULT UNDER THE PROPOSED =AMENDMENT
SHOULD NOT BE ADOPTED ON A STATE-WIDE BASIS. ==

=CHEVRON BELIEVES THAT THE COMMISSION SHOULD CONTINUE
ITS PRESENT =PRACTICE IN GRANTING EXCEPTIONS TO PRESENT
RULE 104 C-1 WHERE =IT CAN BE SHOWN THAT EXCEPTIONS

WU 1201 (R 5-69)



Telegram

ARE NECESSARY TO EFFICIENTLY DRAIN =A PARTICULAR POOL
OR UNITS WITHIN A POOL. ==

W.M. BALKOVATZ, ITS ATTORNEY =CHEVRON OIL COMPANY
=DENVER, COLORADO =

WU 1201 (R 5-69)



D. L. Ray
Division Engineer

August 21, 1972

File: JMB-986.51NM-3616

Re: Case No. 4807
Examiner Hearing
August 23, 1972

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

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

Gentlemen:

Case No. 4807 scheduled for Hearing on August 23, 1972, is for the Amendment of Rule No. 104 C I of the Commission Rules and Regulations to permit the drilling of development oil wells as close as 330' to another well on the same unit, drilling to or capable of producing from the same pool. The current regulation requires that such wells would be no closer than 660'.

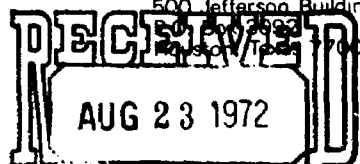
Amoco Production Company supports the Commission in this proposed Amendment.

Very truly yours,

DRC:as

Amoco Production Company

500 Jefferson Building



OIL CONSERVATION COMM.
Santa Fe

DOCKET: EXAMINER HEARING-- WEDNESDAY - AUGUST 23, 1972

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

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 4775: (Continued from the July 26, 1972 Examiner Hearing)

Application of Continental Oil Company for amendment of special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks amendment of the special rules and regulations governing the Blinebry Pool, Lea County, New Mexico, to provide for annual bottom-hole pressure, gas-oil ratio, and gas-liquid tests in the pool. Applicant further seeks the designation of oil areas and gas areas in the pool with allowables within each area equalized on a per-acre basis and total withdrawals from the gas area to be volumetrically equivalent to the total withdrawals from the oil area.

Applicant further seeks to extend the vertical limits of the Blinebry Pool down to the top of the Tubb Pool.

Also to be considered by the Commission on its own motion will be amendment of the special rules and regulations to require that intermediate- or low-pressure gas be charged against a well's allowable; elimination of the requirement to conduct bottom-hole pressure, gas-oil ratio, and gas-liquid tests; and to require that all gas production be reported on Form C-111.

CASE 4779: (Continued from the July 26, 1972, Examiner Hearing)

Application of Merrion & Bayless for a non-standard proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard gas proration unit comprising the SE/4 of Section 35, Township 30 North, Range 12 West, within one mile of Flora Vista-Mesaverde Pool, San Juan County, New Mexico, to be dedicated to its Carnahan Well No. 1 located in Unit P of said Section 35.

CASE 4798: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider revision of Rule 701 E of the Commission Rules and Regulations to provide for unrestricted allowables for water-flood projects and to eliminate the necessity of response for administrative approval of additional injection wells.

CASE 4799: In the matter of the hearing called by the Oil Conservation Commission on its own motion to amend Rule 306 of the Commission Rules and Regulations to incorporate therein the provisions of Order No. R-4070 which regulate the flaring or venting of casinghead gas.

CASE 4807: In the matter of the hearing called by the Oil Conservation Commission on its own motion for the amendment of Rule 104 C. I of the Commission Rules and Regulations to permit the drilling of development oil wells as close as 330 feet to another well on the same unit drilling to or capable of producing from the same pool.

CASE 4800: Application of Mobil Oil Corporation for waterflood expansion and capacity allowable, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to expand its Bridges State Waterflood Project, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico, by the addition of its Bridges State Wells Nos. 12 and 174 located, respectively, in Unit P of Section 26 and Unit J of Section 15, Township 17 South, Range 34 East.

Applicant further seeks the assignment of capacity allowable to said Well No. 12.

CASE 4801: Application of The Petroleum Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Parkway West Unit Area comprising 3840 acres, more or less, of State lands in Sections 20, 21, 22, 27, 28, and 29 of Township 19 South, Range 29 East, Eddy County, New Mexico.

CASE 4802: Application of Crown Central Petroleum Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Grayburg formation in the open-hole interval from 4011 feet to 4083 feet in its Fred Turner Well No. 2 located in Unit O of Section 6, Township 20 South, Range 38 East, Skaggs (Grayburg) Pool, Lea County, New Mexico.

CASE 4803: Application of Yates Petroleum Corporation to directionally drill and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to re-enter a dry hole having an unorthodox surface location 1980 feet from the North line and 660 feet from the East line of Section 25, Township 18 South, Range 25 East, Eddy County, New Mexico, and to directionally drill in such a manner as to bottom the well in the West Atoka-Morrow Gas Pool at an unorthodox bottom hole location 500 feet from the North line and 600 feet from the East line of said Section 25. The N/2 of said Section 25 to be dedicated to the well.

CASE 4804: Application of Dugan Production Corporation for downhole commingling and a non-standard proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks as an exception to Rule 303 of the Commission Rules and Regulations, authority to commingle oil production from the Amarillo-Gallup Oil Pool and gas from the

(Case 4804 continued)

Basin-Dakota Pool in the wellbore of its Fullerton Well No. 1 located 1850 feet from the North and West lines of Section 34, Township 28 North, Range 13 West, San Juan County, New Mexico. Applicant further seeks approval for a non-standard 160-acre gas proration unit for the Basin-Dakota Pool comprising the NW/4 of said Section 34 to be dedicated to the subject well.

CASE 4805: Application of W. C. Montgomery for a non-standard proration unit, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval for an 80-acre non-standard oil proration unit comprising the NE/4 NE/4 of Section 20 and the NW/4 NW/4 of Section 21, Township 8 South, Range 38 East, Bluit-San Andres Associated Pool, Roosevelt County, New Mexico, to be dedicated to a well to be drilled in the NE/4 NE/4 of said Section 20.

CASE 4806: Southeastern New Mexico nomenclature case calling for an order for the creation, extension, contraction and abolishment of certain pools in Lea, Chaves, Eddy and Roosevelt Counties, New Mexico.

(a) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Cisco production and designated as the Boyd-Cisco Gas Pool. The discovery well is the David Fasken Arco "9" Morrison No. 1 located in Unit B of Section 9, Township 19 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM
SECTION 9: N/2

(b) Create a new pool in Chaves County, New Mexico, classified as an oil pool for Queen production and designated as the South Lucky Lake-Queen Pool. The discovery well is the Dalport Oil Corporation Todhunter Federal No. 1 located in Unit F of Section 22, Township 15 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM
SECTION 22: SE/4 NW/4

(c) Create a new pool in Lea County, New Mexico, classified as a gas pool for Devonian production and designated as the East Ranger Lake-Devonian Gas Pool. The discovery well is the Union Texas Petroleum Corporation Shell State Com No. 1 located in Unit E of Section 6, Township 13 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 13 SOUTH, RANGE 35 EAST, NMPM
SECTION 6: W/2

(d) Abolish the Penrose Skelly-Grayburg Pool in Lea County,
New Mexico, described as:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM

SECTION 13: E/2
SECTION 24: E/2
SECTION 25: NE/4 and E/2 SE/4

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

SECTION 4: Lots 3, 4, 5, 6, 11, 12
13, 14 and SW/4
SECTION 7: S/2
SECTION 8: S/2 and NE/4
SECTION 9: W/2
SECTION 16: S/2 and NW/4
SECTION 17: All
SECTION 18: All

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

SECTION 19: All
SECTION 20: All
SECTION 21: All
SECTION 27: All
SECTION 28: All
SECTION 29: All
SECTION 30: All
SECTION 31: All
SECTION 32: All
SECTION 33: All
SECTION 34: All
SECTION 35: All

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM

SECTION 2: All
SECTION 3: All
SECTION 4: All
SECTION 5: All
SECTION 6: E/2
SECTION 7: NE/4
SECTION 8: All
SECTION 9: All
SECTION 10: All
SECTION 11: All
SECTION 14: All
SECTION 15: All
SECTION 16: All
SECTION 17: E/2

(Case 4806 continued)

(e) Extend the vertical limits of the Langlie-Mattix Pool in Lea County, New Mexico, to include the Grayburg formation. Also, extend said Langlie Mattix Pool to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM

SECTION 13: E/2

SECTION 24: E/2

SECTION 25: NE/4 and E/2 SE/4

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

SECTION 4: Lots 3, 4, 5, 6, 11, 12,
13, 14 and SW/4

SECTION 7: S/2

SECTION 8: S/2 and NE/4

SECTION 9: W/2

SECTION 16: S/2 and NW/4

SECTION 17: All

SECTION 18: All

SECTION 19: All

SECTION 20: All

SECTION 21: All

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

SECTION 27: All

SECTION 28: All

SECTION 29: All

SECTION 30: All

SECTION 31: All

SECTION 32: All

SECTION 33: All

SECTION 34: All

SECTION 35: All

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM

SECTION 2: All

SECTION 3: All

SECTION 4: All

SECTION 5: All

SECTION 6: E/2

SECTION 7: NE/4

SECTION 8: All

SECTION 9: All

SECTION 10: All

SECTION 11: All

SECTION 14: All

SECTION 15: All

SECTION 16: All

SECTION 17: E/2

(f) Contract the Bagley-Pennsylvanian Pool in Lea County, New Mexico, by the deletion of the following described area:

TOWNSHIP 11 SOUTH, RANGE 33 EAST, NMPM
SECTION 35: N/2 NW/4

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

TOWNSHIP 11 SOUTH, RANGE 33 EAST, NMPM
SECTION 35: N/2 NW/4

(h) Contract the Bough-Permo Pennsylvanian Pool in Lea County, New Mexico, by the deletion of the following described area:

TOWNSHIP 9 SOUTH, RANGE 36 EAST, NMPM
SECTION 17: NW/4

(i) Extend the North Benson Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM
SECTION 26: S/2 SW/4

(j) Extend the Bluitt-San Andres Associated Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 38 EAST, NMPM
SECTION 8: NW/4

(k) Extend the South Carlsbad-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 27 EAST, NMPM
SECTION 7: W/2
SECTION 18: N/2

(l) Extend the South Carlsbad-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 27 EAST, NMPM
SECTION 7: S/2
SECTION 18: N/2

(m) Extend the Dos Hermanos-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 30 EAST, NMPM
SECTION 22: All
SECTION 27: All

(n) Extend the South Empire-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
SECTION 5: S/2

(o) Extend the Fowler-Upper Yaso Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM
SECTION 10: SE/4
SECTION 11: SW/4

(p) Extend the Golden Lane-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 29 EAST, NMPM
SECTION 4: Lot 9, 10, 11, 12, 13, 14,
15 and 16

(q) Extend the Grayburg-Jackson Pool in Eddy County New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM
SECTION 9: S/2

(r) Extend the Hardy-Blinbry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
SECTION 2: SW/4

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

TOWNSHIP 13 SOUTH, RANGE 36 EAST, NMPM
SECTION 33: SE/4

(t) Extend the Sand Dunes-Cherry Canyon Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM
SECTION 26: NW/4 NE/4

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

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM
SECTION 27: SE/4 SE/4
SECTION 34: NE/4 NE/4

(v) Extend the Vada-Pennsylvanian Pool in Roosevelt County, New Mexico, to include therein:

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

(w) Extend the Vest Ranch-Queen Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 30 EAST, NMPM
SECTION 21: SE/4

(x) Extend the Washington Ranch-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 25 SOUTH, RANGE 24 EAST, NMPM
SECTION 27: All
SECTION 35: W/2

TOWNSHIP 26 SOUTH, RANGE 24 EAST, NMPM
SECTION 3: All
SECTION 4: E/2

CASE 47861 (Continued from August 9, 1972, Examiner Hearing).

Application of Highland Production Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Delaware formation in the open-hole interval from 4378 feet to 4418 feet in its Russell Federal Well No. 6 located in Unit K of Section 20, Township 26 South, Range 32 East, East Mason-Delaware Pool, Lea County, New Mexico.

DRAFT

GMH/dr

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:

(RECORDS CENTER)

CASE NO. 4807

Order No. R-4383

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION ON
ITS OWN MOTION FOR THE AMENDMENT OF
RULE 104 C. 1 OF THE COMMISSION RULES
AND REGULATIONS TO PERMIT THE DRILLING
OF DEVELOPMENT OIL WELLS AS CLOSE AS 330
FEET TO ANOTHER WELL ON THE SAME UNIT
DRILLING TO OR CAPABLE OF PRODUCING FROM THE SAME POOL.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 23, 1972,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this September day of August, 1972, 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 Rule 104 C 1 of the New Mexico Oil Conservation
Commission Rules and Regulations prohibits the drilling of
a development well for a defined oil pool nearer than 660 feet
to the nearest well drilling to or capable of producing from
the same pool.

(3) That said Rule 104 C I should be amended to permit
~~a~~ development well, to be drilled as close as 330 feet to another
well on the same unit drilling to or capable of producing from
the same oil pool, *provided, however, only tracts committed to active secondary recovery projects shall be permitted more than four wells.*

IT IS THEREFORE ORDERED:

(1) That rule 104 C I of the New Mexico Oil Conservation
Commission is hereby amended to read in its entirety as follows:

I. Oil Wells, All Counties

Unless otherwise provided in special pool rules,
each development well for a defined oil pool shall be located on
a tract consisting of approximately 40 surface contiguous acres
substantially in the form of a square which is a legal subdivision
of the U. S. Public Land Surveys, or on a governmental quarter-
quarter section or lot, and shall be located not closer than 330
feet to any boundary of such tract nor closer than 330 feet to the
nearest well drilling to or capable of producing from the same pool,
provided, however, only tracts committed to active secondary recovery projects shall be permitted more than four wells.

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

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

*(4) That amendment of Rule 104 C I as described
in finding No. 3, above, will not cause
violation of correlative rights.*