

Casa No.

23 File #1

Application, Transcript,
Small Exhibits, Etc.

ADDRESS ALL COMMUNICATIONS TO SECRETARY

HUGH L. JOHNSTON
PRESIDENT

C. J. DEXTER
VICE-PRESIDENT

FRED BRAINARD
SECRETARY-TREASURER

Loco Hills
Pressure Maintenance Association, Inc.

ARTESIA, NEW MEXICO

July 22, 1941

MEMBERS
BERT ASTON
EMERY CARPER
MARTIN YATES, JR.
J. M. MURRAY

New Mexico Oil Conservation Commission, Santa Fe
c/o Carl B. Livingston, Attorney
Santa Fe, New Mexico

Gentlemen:

Attached hereto please find copy of letter from Atwood & Malone such letter requesting us to forward you a certified copy of our resolution fixing July 1, 1941 as the effective date for the deduction of the 5¢ per barrel.

In answer to your letter of June 27, 1941 in which you asked us to advise you the date when the Loco Hills Pressure Maintenance Plan officially went into operation please refer to our letter of July 9, 1941 in which we advised that the plan officially went into operation July 1, 1941. However to complete Atwood & Malone's request we attach hereto copy of an exerpt from the minutes of a special meeting of the Directors of the Loco Hills Pressure Maintenance Association, Inc., such exerpt showing the official action taken by the Board in regard to same.

Yours very truly,


Fred Brainard
Secy-Treas.

JDH/me

Encl. 2.

July 18, 1941

Mr. Fred Brainard, Secretary
Loco Hills Pressure Maintenance Association, Inc.
Artesia, New Mexico

Dear Mr. Brainard:

As you know, the State Conservation Commission has under consideration the fixing of a proper date for the beginning of the oil allowable for the shut in gas wells in the Field which was provided for by appropriate action of the Commission several months ago. The Association, of course, has consented to the granting of such an allowable as the Commission may see fit to prescribe, such consent being contained in paragraph 8 (e) of the uniform operators' agreement.

The attitude of the Commission appears to be that the oil allowable should start at the same time that the assessment of five cents a barrel in favor of the Association becomes effective but there is nothing on file with the Commission to show such effective date. We would appreciate your forwarding to the Commission in care of Mr. Livingston, its attorney, the certified copy of the resolution of the Board of Directors which fixed July 1, 1941 as this date.

We represent Mr. R. W. Fair in this matter.

Yours truly,

ATWOOD & MALONE

By:

JDA/IH


cc: Mr. Fair
cc: Mr. Quail

EXERPT FROM MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS
OF LOCO HILLS PRESSURE MAINTENANCE ASSOCIATION, INC.

The following is an exerpt from the minutes of a special meeting of the Directors of Loco Hills Pressure Maintenance Association, Inc., which was held in its principal office July 8, 1941 in conformity with its by-laws:

".....It was moved by Emery Carper that the fifth motion of May 22, 1941 be rescinded and that the effective date of the commencement of the deduction of 5¢ per barrel be set as of July 1, 1941. Motion seconded by C. M. Pope, Jr. Motion carried."

I, Fred Brainard, Secretary of Loco Hills Pressure Maintenance Association, Inc., hereby certify that the above is an exact copy of a portion of the minutes of a special meeting of the Board of Directors of said corporation held on the date and at the place above shown.


Fred Brainard
Secy.-Treas.

ADDRESS ALL COMMUNICATIONS TO SECRETARY

HUGH L. JOHNSTON
PRESIDENT

C. J. DEXTER
VICE-PRESIDENT

FRED BRAINARD
SECRETARY-TREASURER

Loco Hills
Pressure Maintenance Association, Inc.

ARTESIA, NEW MEXICO

July 9, 1941

MEMBERS
BERT ASTON
EMERY CARPER
MARTIN YATES, JR.
J. M. MURRAY

Mr. John M. Kelly, Secretary
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Dear Mr. Kelly:

Re: Case # 23, Order # 339 Loco Hills Pressure Plan.

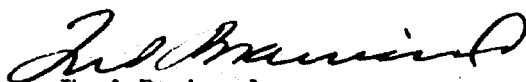
Your letter of June 27, 1941, to Mr. Hugh L. Johnston regarding the above number of case and order was referred to me for answer.

Please be advised that the Loco Hills Pressure Maintenance Plan officially went into operation July 1, 1941.

This date had been previously set as June 1, but due to complications arising out of connections being transferred in the area it was necessary to delay this date until July 1.

Yours very truly,

LOCO HILLS PRESSURE MAINTENANCE ASSOCIATION, INC.



Fred Brainard
Secy.-Treas.

FB/me

NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO

July 29, 1941

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Hon. H. L. Johnston, President
Loco Hills Pressure
Maintenance Association, Inc.
Hobbs, New Mexico

Re: Case No. 23, Order No. 339 - Loco Hills
Pressure Maintenance Plan.

Dear Mr. Johnston:

Reference is made to your letter of July 23rd.
Enclosed please find certified copy of the Commission's
Order No. 339, relating to the Loco Hills Pressure Maintenance
Plan.

This order approves the Plan in its general aspects
as set forth in the amended petition of the Loco Hills
Operators' Committee; authorizes the two shut-in gas wells
of R. W. Fair et al and Bassett & Birney, specified in
said petition--their allowable to be taken elsewhere on
their respective basic leases; authorizes the use of
producing oil wells as input wells for the purpose of
returning waste gas to the oil-bearing formation, and
permits the allowable for wells so used to be taken
from other wells located on the owner's lease.

In view of the fact that the Commission, in its
order above referred to, has already granted the use of
input wells it would not now be necessary to make an
application for permission to use wells for such purpose;
however, whatever wells are used as input wells should be
certified by the Association to the Commission in order
that the Commission in turn can officially notify the
Proration Umpire in order that the allowables of the in-
put wells may be taken elsewhere on the owner's lease.

Each well to be used as an input well should be
definitely described by name, legal sub-division, section,
township and range, and the well or wells on the owner's
lease through which the input well is to produce its

NEW MEXICO OIL CONSERVATION COMMISSION
HOBBE, NEW MEXICO

H. L. Johnston

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7-29-41

allowable in order that the Commission may accordingly officially inform the Proration Umpire.

The Commission requests that the Association furnish it a monthly report of operations stating in particular the well or wells used as input wells, the amount of input gas through each input well, the oil production by wells, estimated gas production by wells, estimated gas-oil ratio by wells, water production by wells; a report of periodic bottom hole pressure survey and periodic gas-oil ratio survey; also the producing characteristics of each well--that is, flowing, pumping or gas lift.

Very truly yours,

John M. Kelly
Secretary.

JMK:MS

cc - Glenn H. Haley
Fred Brainerd

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NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO

July 26, 1941

C
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Mr. H. L. Johnston, President
Loco Hills Pressure
Maintenance Association, Inc.
Hobbs, New Mexico

Dear Mr. Johnston:

This is to acknowledge receipt of your
letter of July 23rd, which will be brought to
the attention of the Commission.

Very truly yours,

Oil Conservation Commission

By: *Carl B. Livingston*
Carl B. Livingston
Chief Clerk & Legal Advisor

CBL:MS



CONTINENTAL OIL COMPANY

Hobbs, New Mexico
July 23, 1941

The New Mexico Oil and Gas Conservation Commission
Santa Fe, New Mexico

Attention: Mr. John M. Kelly, Secretary

Gentlemen:

The Loco Hills Pressure Maintenance Association, Inc., was organized and incorporated early in 1941. All operators of the Loco Hills pool, except Kleiner Bros., Roland Rich Wooley, and one other small interest have signed a contract with the Association. Briefly, the terms of the contract provide that the operator will deliver all waste gas produced to the Association, and the Association will return the gas to the formation for the purpose of maintaining pressures in the pool. Also, it is provided that the Association may use any well selected by the engineering committee of the Association for the purpose of returning gas to the formation. It is our understanding that the Commission will permit the operator on whose land a well may be selected for input purposes, to produce the allowable oil for such input well from other wells on the same basic lease belonging to the same operator.

The New Mexico Oil and Gas Conservation Commission

Page 2 - 7-23-41

All contracts with each operator have been properly ratified by all interests and filed of record in Eddy County, New Mexico.

The by-laws of the Association provide that only operators owning interests in the Loco Hills pool may participate in the operation of this pressure maintenance program. Also, it is provided that in order to pay the installation costs and operate the system, that 5¢ per barrel will be deducted by the purchaser of 7/8 of the crude oil produced by the pool, until such time as the cost of the plant is amortized. All crude oil purchasing Companies purchasing crude oil in the Loco Hills pool have been notified that July 1, 1941 is the effective date of the commencement of the plan.

Installation of concrete foundation for machinery is complete and 90% of the work of laying of necessary pipe lines is now completed. All pipe necessary for plant lines, gathering system, and return system has been received. The gas cooling system is in transit from the manufacturer. Machinery ordered from Worthington Pump and Machinery Company from Buffalo, New York was held up temporarily account of Federal Government priority. This matter however, has now been handled with the proper Government agencies, and we have been assured early delivery of this machinery. It is estimated

The New Mexico Oil and Gas Conservation Commission

Page 3 - 7-23-41

that construction work may be completed about October 1, 1941, at which time the actual operation of returning gas to the formation will commence.

Our engineering committee has made a thorough study of the pool and has tentatively recommended certain wells to be used for input wells.

In order that the Conservation Commission's requirements may be complied with, the Association will appreciate receiving information as to the proper form of application to be made to the Commission to obtain the Commission's approval of the plan, and the reports it will be necessary for the Association to make to the Commission.

It is suggested that the Association certify to the Commission that the plan for returning gas to the formation is now in effect and that contracts have been made with various operating members of the Association, to which can be attached a certified copy of the by-laws and charter of the Association, also a certified copy of the contract made with the various operating members and interests in the Loco Hills pool, together with a certificate outlining a description of the lands involved.

We believe it is desirable that the Association be required by the Commission to make application for the

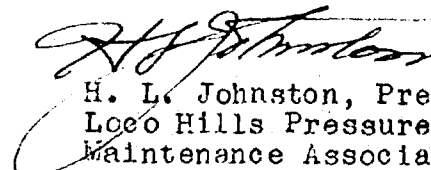
The New Mexico Oil and Gas Conservation Commission

Page 4 - 7-23-41

use of input wells rather than for the individual operator to be required to do so, in that, the terms of the contract provide that the Association may use any well covered by its contract with the operator for input purposes.

Your consideration and advice in this matter will be appreciated.

Very truly yours,


H. L. Johnston, President
Leco Hills Pressure
Maintenance Association, Inc.

HLJ-JL

cc: Mr. Glen Staley
Hobbs, New Mexico

cc: Mr. Fred Brainard
Artesia, New Mexico

CERTIFIED COPY OF
ORDER NO. 339 - CASE NO. 23

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

THE PETITION OF THE OPERATORS' COMMITTEE FOR
THE OPERATORS IN THE LOCO HILLS POOL IN EDDY
COUNTY, IN CONNECTION WITH THE PROPOSAL OF
A COLLECTIVE PRESSURE MAINTENANCE PROGRAM
FOR SAID POOL.

This is to certify that the attached copy of
Order No. 339 of the New Mexico Oil Conservation Commission
is a true copy of the original order promulgated by said
Commission and on file in the records of said Commission.

JOHN M. KELLY, SECRETARY
NEW MEXICO OIL CONSERVATION
COMMISSION.

NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO

July 26, 1941

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Hon. Glenn Staley
Proration Umpire
Hobbs, New Mexico

Re: Case 23, Order 339

Dear Mr. Staley:

At the Commission's Executive Meeting July 25th the following Executive action was taken:

In connection with the Loco Hills Pressure Maintenance Plan, in order for the Commission fully to determine all benefits that might accrue under such plan, the Commission ordered and directed that a complete oil, gas, and gas-oil ratio survey be made and completed as soon as possible.

The foregoing action of the Commission is your authority to proceed.

Very truly yours,

John M. Kelly
Secretary.

CRL:MS
cc H. L. Johnston
Fred Brainard

NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO

July 26, 1941

C
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Hon. Hugh E. Johnston, President
Loco Hills Pressure Maintenance Association, Inc.
Hobbs, New Mexico

Fred Brainard, Secretary-Treasurer
Loco Hills Pressure Maintenance Association, Inc.
Artesia, New Mexico

Hon. Glenn Staley
Proration Empire
Hobbs, New Mexico

Keith F. Quail, Esq.
Artesia, New Mexico

Ross Malone, Esq.
Roswell, New Mexico

Gentlemen:

Re: Case #23, Order #339

At its Executive meeting July 25th, 1941, the Commission took the following Executive action which is self-explanatory:

"In connection with the applications of the owners of the two shut-in wells, R. W. Fair, SM#324 10-103-204, and Bassett & Birney SM#324 11-103-204, for their respective oil allowables to be taken elsewhere on their same respective leases, pursuant to the provisions of Order No. 339, Case #23;

"WHEREAS, said applications having been taken under advisement by the Commission at its Executive meeting June 25, 1941;

"WHEREAS, the Commission having been informed by the Loco Hills Pressure Maintenance Association, Inc., through its Secretary-Treasurer, Mr. Fred Brainard, by letter under date of July 9, 1941, that the Loco Hills Pressure Maintenance Plan officially went into operation July 1, 1941;

NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO

Hugh L. Johnston

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"NOW THEREFORE, said applications are hereby granted effective as of July 1, 1941."

The foregoing is for your information.

Very truly yours,

John M. Kelly
Secretary.

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In connection with the applications of the owners of the two shut-in wells, R. W. Fair, 35¹/₂SE, 10-188-291 and Bassett & Birney NW¹/₄SE, 11-188-292, for their respective oil allowables to be taken elsewhere on their same respective leases, pursuant to the provisions of Order No. 339, Case #23;

WHEREAS, said applications having been taken under advisement by the Commission at its Executive meeting June 25, 1941;

WHEREAS, the Commission having been informed by the Loco Hills Pressure Maintenance Association, Inc., through its Secretary-Treasurer, Mr. Fred Brainard, by letter under date of July 9, 1941, that the Loco Hills Pressure Maintenance Plan officially went into operation July 1, 1941;

NOW THEREFORE, said applications are hereby granted effective as of July 1, 1941.

ADDRESS ALL COMMUNICATIONS TO SECRETARY

HUGH L. JOHNSTON
PRESIDENT

C. J. DEXTER
VICE-PRESIDENT

FRED BRAINARD
SECRETARY-TREASURER

Loco Hills
Pressure Maintenance Association, Inc.

ARTESIA, NEW MEXICO

July 9, 1941

MEMBERS
BERT ASTON
EMERY CARPER
MARTIN YATES, JR.
J. M. MURRAY

Mr. John M. Kelly, Secretary
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Dear Mr. Kelly:

Re: Case # 23, Order # 339 Loco Hills Pressure Plan

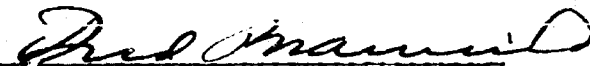
Your letter of June 27, 1941 to Mr. Hugh Johnston regarding the above number of case and order was referred to me for answer.

Please be advised that the Loco Hills Pressure Maintenance plan officially went into operation July 1, 1941.

This date had been previously set at June 1, but due to complications arising out of connections being transferred in the area it was necessary to delay this date until July 1, 1941.

Yours very truly,

LOCO HILLS PRESSURE MAINTENANCE ASSOCIATION, INC.

By 
Fred Brainard
Secy.-Treas.

FB/me

C O P Y

LAW OFFICES

ATWOOD & MALONE

J. P. WHITE BLDG.

ROSWELL, NEW MEXICO

July 18, 1941

Mr. Fred Brainard, Secretary
Loco Hills Pressure Maintenance Association, Inc.,
Artesia, New Mexico.

Dear Mr. Brainard:

As you know, the State Conservation Commission has under consideration the fixing of a proper date for the beginning of the oil allowable for the shut in gas wells in the Field which was provided for by appropriate action of the Commission several months ago. The Association, of course, has consented to the granting of such an allowable as the Commission may see fit to prescribe, such consent being contained in paragraph 8 (e) of the uniform operators' agreement.

The attitude of the Commission appears to be that the oil allowable should start at the same time that the assessment of five cents a barrel in favor of the Association becomes effective but there is nothing on file with the Commission to show such effective date. We would appreciate your forwarding to the Commission in care of Mr. Livingston, its attorney, the certified copy of the resolution of the Board of Directors which fixes July 1, 1941 as this date.

We represent Mr. R. W. Fair in this matter.

Yours truly,

ATWOOD & MALONE

By: J. D. Atwood

JDA:IH

cc: Mr. Fair
cc: Mr. Quail
cc: Mr. Bassett
cc: Mr. Carl Livingston

NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO

June 27, 1941

Mr. Hugh Johnston, President
Loco Hills Pressure Maintenance Inc.
Hobbs, New Mexico

Re: Case #23, Order #339, Loco Hills
Pressure Maintenance Plan.

Dear Mr. Johnston:

Please advise the Commission the date when
the Loco Hills Pressure Maintenance Plan officially
went into operation.

Very truly yours,

Oil Conservation Commission

By

John M. Kelly
Secretary

CRL:MS

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NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO

----- John Kelly

June 17, 1941

Mr. C. M. Bassett
State National Bank
El Paso, Texas

Mr. R. W. Fair
Artesia, New Mexico

Re: File #1, Case #23
R. W. Fair - 584554 Sec 10-13-29
Bassett & Birney 584554 Sec. 11-13-29

Gentlemen:

The Commission is holding an executive meeting on June 25th at 2 P.M., for the purpose of bringing before the Commission such matters that require executive action.

At that time you, or your representative, will be afforded an opportunity to present to the Commission the matter of allowable for the two shut-in gas wells noted in the caption.

Very truly yours,

Oil Conservation Commission

By

Carl B. Livingston
Chief Clerk

CBL:BS
cc Glenn Staley

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P.W. McAfee, Vice President
W.W. Scott, Vice President
Geo. G. Mathin, Vice President
Forrest M. Smith, Cashier

C.N. Bassett, President

P.H. Anderson, Asst. Cashier
E.G. Magruder, Asst. Cashier
W.L. Carton, Asst. Cashier
H.M. Daugherty Jr., Asst. Cashier

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THE STATE NATIONAL BANK

OF EL PASO

EL PASO, TEXAS

June 9, 1941

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SANTA FE, N.M.

Mr. Ray Rodgers,
The Conservation Committee,
Santa Fe, N. M.

Dear Mr. Rodgers:

On May 26, 1941, the Loco Hills Pressure Maintenance Association, Inc. asked that the Conservation Commission grant Mr. R. W. Fair and Bassett-Birney, et al the top allowable for these two wells.

I shall appreciate greatly any action you can take to facilitate our being granted the top allowable as soon as possible.

Yours very truly,

C.N. Bassett
PRESIDENT.

CNB:P

ADDRESS ALL COMMUNICATIONS TO SECRETARY

HUGH L. JOHNSTON

PRESIDENT

C. J. DEXTER

VICE-PRESIDENT

FRED BRAINARD

SECRETARY-TREASURER

Loco Hills
Pressure Maintenance Association, Inc.

ARTESIA, NEW MEXICO

MEMBERS

BERT ASTON

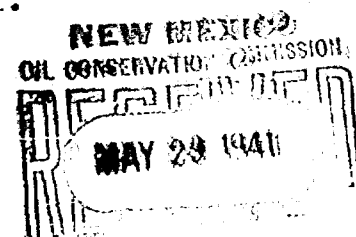
EMERY CARPER

MARTIN YATES, JR.

J. M. MURRAY

May 26 1941.

Conservation Commission,
Santa Fe,
N.M.



Gentlemen:

At a meeting of the Board of Directors of the Loco Hills Pressure Maintenance Assn. Inc., held in the Artesia Hotel, May 22, 1941, the following resolution was adopted.

" That the Secretary be instructed to contact the Chairman of the Engineering Committee and obtain a statement that it is now in order to grant top allowable to the following described gas wells;

R.W. Fair SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 10-18-29

Bassett & Birney NW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec 11-18-29

and that upon receipt of such statement that it be then submitted to the Oil & Gas Conservation Commission with a request that top allowable be granted these two wells in accordance with State of New Mexico Conservation Commission Order No. 339 Case No. 23 and be effective June 1, 1941."

Inclosed please find statement of the chairman of the engineering committee in accordance with the above resolution and will you please take the necessary steps to have the above two wells placed on the allowable sheet in accordance with the above resolution.

Yours very truly,

Loco Hills Pressure Maintenance Assn. Inc.,

by *Fred Brainard*
Fred Brainard
Secy-Treas.

Copies to: C.N. Bassett
R.W. Fair
Glenn Staley

ADDRESS ALL COMMUNICATIONS TO SECRETARY

HUGH L. JOHNSTON
PRESIDENT

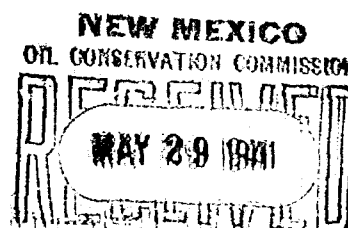
C. J. DEXTER
VICE-PRESIDENT

FRED BRAINARD
SECRETARY-TREASURER

Loco Hills
Pressure Maintenance Association, Inc.
ARTESIA, NEW MEXICO

MEMBERS
BERT ASTON
EMERY CARPER
MARTIN YATES, JR.
J. M. MURRAY

May 24, 1941



Mr. Fred Brainard, Sec'y
Loco Hills Pressure Maintenance Ass., Inc.

Dear Fred:

It is now in order for the Association to request the New Mexico Oil Conservation Commission to grant top allowables for the two gas wells in the Loco Hills Pool, i.e. R. W. Fair Brainard # 6 SE SE 10-18-29 and Bassett & Birney State # 6 B NW SE 11-18-29, as of June 1, 1941. The above is in conformance with case 23, order 339 of the New Mexico Oil Conservation Commission.

Sincerely,

Bert Aston
Bert Aston, Chairman

Engineering Committee
Loco Hills Pressure Maintenance Ass., Inc.

May 29, 1941.

Loco Hills Pressure Maintenance Assn., Inc.,
ATTENTION: Fred Brainerd,
Artesia, New Mexico.

Re: Case No. 22, Order No. 339
Bassett-Birney Gas well, ORDER 11-18-29E
and A.M. Fair Oil well ORDER 10-18-29E

Gentlemen:

Reference is made to your letter of May 26, transmitting
to the Commission the following:

- (1) Resolution adopted by your Board of Directors
at its meeting held at the Artesia Hotel, May
22, 1941, as follows:

"That the secretary be instructed to contact
the Chairman of the Engineering Committee and
obtain a statement that it is now in order to
grant top allowable to the following described
gas wells:

A.M. Fair ORDER 10-18-29
Bassett & Birney ORDER 11-18-29

and that upon receipt of such statement that it
be then submitted to the Oil and Gas Conservation
Commission with a request that top allowable be
granted these two wells in accordance with State
of New Mexico Conservation Commission Order No. 339
Case No. 22, and be effective June 1, 1941."

- (2) Statement of your Engineering Committee dated May
24, pursuant to the foregoing Resolution which is
as follows:

"It is now in order for the association to request
the New Mexico Oil Conservation Commission to grant
top allowables for the two gas wells in the Loco

Hills Pool, i.e. Fair Brainerd No. 1, SEOR
10-18-29 and Bassett and Birney State No. 1, NAGE
11-18-29, as of June 1, 1941. The above is
in conformance with Case 23, Order 339, of the
New Mexico Oil Conservation Commission.

These matters will be brought to the attention of the
Commission.

cc Glenn Staley,
Hobbs, N.M.
Roy Yarbrough,
Hobbs, N.M.
John Kelly,
Hobbs, N.M.
Ernest Hanson,
Roswell, N.M.

Very truly yours,

OIL CONSERVATION COMMISSION

By

Carl B. Livingston,
Attorney

Ans 23 - Order 332 - 4/4/41.

Jones & Yates

OIL PRODUCERS & OPERATORS - OIL LEASES & ROYALTIES - DRILLING BLOCK

Box 464 - Phones: Office 238, Res. 3

ARTESIA, NEW MEXICO

April 22, 1941

Mr. Carl Livingston
Oil Conservation Commission
Santa Fe, New Mexico

Dear Mr. Livingston:

I am in receipt of your letter of April 14 relative to an oil allowable for the two gas wells in Loco Hills as provided for by the Oil Conservation Commission Order.

If I understand your letter correctly, we will not be permitted to run any oil until the Pressure Maintenance Plant is in operation, but we will be permitted to run a back allowable as of Feb. 1, 1941 at that time. Will you kindly confirm this understanding.

Very truly yours,
Bassett & Birney et al
Martin Yates III
Martin Yates III

NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO

April 24, 1941

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Mr. Fred Brainard,
Secretary-Treasurer,
Loco Hills Pressure Maintenance Assn., Inc.,
Artesia, N.M.

RE: Loco Hills Pressure Maintenance
Association Plant Site acquisition
SM 1334 2-183-29%

My dear Mr. Brainard:

Reference is made to your inquiry of April 22, with
regard to the above captioned matter.

This will depend entirely upon what kind of title your
Association must have. Without knowing all of the facts
involved, the writer surmises that a business lease which
may be issued for a five year term would not alone be
sufficient. A purchase would seem to be appropriate for
your purpose, however, the consummation of a purchase takes
about three months because of the Enabling Act requirements
of advertising and offering at public auction. A business
lease could be issued pending the consummation of the pur-
chase. When the purchase is consummated, the business
lease could be relinquished.

However, the tract in question is under grazing lease to the
Diamond A Cattle Company of Roswell, which lease does not
expire until 1945. A relinquishment of this tract from the
grazing lease would be necessary. Your letter, together with
carbon copy of this letter is being placed on Commissioner
H.R. Rodgers' desk in order that he may have personal information
regarding your letter and in order that he may take up the matter
with you direct when he next calls at Artesia.

Very truly yours,

St. Louis
~~ALL INFORMATION CONTAINED HEREIN~~

By

Carl B. Livingston, Attorney

NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO

April 15, 1941.

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Bassett & Birney, et al,
ATTENTION: E.M. Perry, Auditor,
P.O. Box 464
Artesia, New Mexico.

Re: Case No.23, Order No.339

Bassett-Birney Gas Well,
Case 11-185-293 and
A.M. Fair et al, well Case
10-135-292

Gentlemen:

Reference is made to your letter of April 12, wherein you made inquiry as to the allowable for the two above captioned shut-in gas wells.

The allowable for those two wells was provided for in the Order noted in the caption for the purpose of operating the Loco Hills Pressure Maintenance Plan. My information, however, is that the Plan has not as yet gone into operation. When it does go into operation, the wells should have their allowable as provided by the Order.

cc Glen Staley,
Hobbs N.M.
A. Andreas.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston,
Attorney

OFFICES: EL PASO, TEXAS
ARTESIA, NEW MEXICO

P. O. BOX 464
PHONE 236

BASSETT & BIRNEY, ET AL
OIL PRODUCERS AND OPERATORS

ARTESIA, NEW MEXICO

RECEIVED
STATE LAND OFFICE
APR 15 8 53 AM '41
SANTA FE, N.M.

Mr. Ray Rodgers, Secretary,
State Oil and Gas Commission,
Santa Fe, N. M.

Dear Ray:

At the time the Repressuring System was organized, it was agreed that we (Bassett and Birney et al) would be granted the monthly allowable on our gas, which is, State B6058, located in Section 11; Township 18; Range 29 E. effective around the 1st of February.

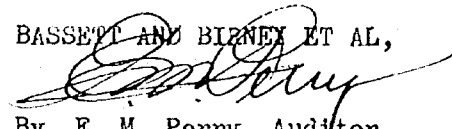
For some reason the Lea County Proration Office has not seen fit to place this well on proration. Mr. Staley has been contacted, he stated that he would not act, until he had a letter from the Oil and Gas Commission, instructing him to place this particular well on proration.

We would appreciate it very much if you would take this matter up with Mr. Staley, instructing him to place this well on proration schedule, from date of agreement.

Thanking you for your cooperation, we are,

Yours very truly,

BASSETT AND BIRNEY ET AL,


By E. M. Perry, Auditor

April 12th, 1941
cc Mr. A. Andres

NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO

April 14, 1941.

RE: Case No.23, Order No.339

Mr. Martin Yates III
Bassett & Birney, et al,
P.O. Box 464
Artesia, New Mexico.

Bassett-Birney Gas Well
NESE 11-18S-29E and
R.W. Fair et al well SESE
10-18S-29E

Dear Mr. Yates:

In reply to your letter of April 10, when you were in my office the other day and made inquiry as to the allowable for the two ~~above~~ captioned shut-in gas wells, I was under the impression that the Pressure Maintenance Program had gone into operation. The allowable for those two wells was provided for in the Order noted in the caption for the purpose of operating the Loco Hills Pressure Maintenance Plan.

I am informed that the Plan has not as yet gone into operation. When it does go into operation, the wells should have their allowable as provided by the Order.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston,
Attorney

C
O
P
Y

YATES & JONES
LEASES—ROYALTY—DRILLING BLOCKS

P. O. BOX 464
ARTESIA, N. MEX.

PH. OFF. 238
RES. 347 OR 126NR
April 10.1941

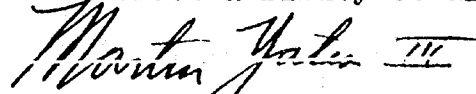
Mr. Carl Livingston
%Oil Conservation Commission
Santa Fe, New Mexico

Dear Mr. Livingston:

Several days ago I discussed with you the oil allowable for the Bassett and Birney gas well in the NWSE Sec.11-18-29 in the Loco Hills field. The Conservation Commission has issued an order allotting an allowable for this gas well, which ~~says~~ oil is to be produced from five other oil wells owned by Bassett and Birney et al on the same basic lease as the gas well. The order was executed on January 28, 1941, which would entitle us to an allowable starting on February 1st. Mr. Staley advises me that before he can give us an allowable for the gas well he will want a letter from the Oil Conservation Commission instructing him to give the gas well a top allowable to be produced from the other five wells.

Very truly yours,

Bassett & Birney et al


by Martin Yates III

mhy/kby

*base 23
Order 339*

NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO

April 14, 1941

C
O
P
Y

RE: Case No.23, Order No.339

Mr. Glenn Staley
Proration Umpire
Hobbs, N.M.

Bassett-Birney Gas Well
NESE 11-18S-29E and
R.F. Fair et al well,
SESE 1018S-29E

Dear Mr. Staley:

The enclosed carbon copy of my letter addressed to Martin Yates III, under date of April 14, regarding allowable for the two wells noted in the caption and in the Loco Hills is self-explanatory.

Very truly yours,

OIL CONSERVATION COMMISSION

By Carl B. Livingston,
Attorney

AGREEMENT AND ASSIGNMENT

The undersigned Loco Hills Pressure Maintenance Association, Inc., a New Mexico corporation, and the undersigned _____

do hereby agree:

1. This contract is executed in furtherance of a cooperative plan for the conservation of the reservoir energy in the Loco Hills Oil and Gas Field located in Eddy County, New Mexico by the installation of a pressure maintenance system and shall become effective and binding upon the parties when identical contracts have been executed by the owners of not less than 130 producing wells located in said Field as such Field is defined herein.

2. When used in this agreement:

(a) The term "Association" refers to the said Loco Hills Pressure Maintenance Association, Inc.

(b) The term "Operator" refers to the said _____

(c) The term "Field" refers to the said Loco Hills Oil and Gas Field and comprises the area specified in paragraph 3, as such area now exists or may hereafter exist through modification as authorized in said paragraph 3.

(d) The term "operators" refers to and includes persons, co-partnerships, and corporations who own the operating rights for oil and gas as defined herein in one or more tracts of land located in the Field whose operating rights have been committed to the conservation plan by the execution of agreements in this or in similar form.

(e) The "operating rights" in a tract of land included in the Field consist of the exploration, development, and production rights for oil and gas and other carboniferous substances granted by an oil and gas lease or other form of contract whereby the owner is entitled to produce oil and gas and other carboniferous substances from the land and to retain same to his own use and benefit subject to the payment of the prescribed royalties and overriding royalties, if any, and includes ownership and control of the producing well or wells located on the tract or tracts involved.

(f) The term "working interest" as used with reference to oil or gas wells shall be considered as equivalent to seven-eighths (7/8ths) of the amount of production from the well which is saved and marketed.

(g) By a "producing well" is meant a well in the Field from which crude oil, regardless of amount, is being or can be produced or from which natural gas only is capable of being produced from the oil bearing formation.

(h) The Board of Directors of the Association is referred to as "Directors" and the Engineering Committee of the Association is referred to as "Engineering Committee."

(i) By "Commission" is meant the State Conservation Commission of New Mexico or any person lawfully acting under direction of the Commission.

(j) By "Secretary" is meant the Secretary of the Interior or any person lawfully acting under his authority.

(k) The term "system" refers to the pressure maintenance system mentioned in paragraph 1 and which is more fully described in paragraph 6.

(l) The term "original incorporators" refers to all of the operators who execute this form of agreement prior to a date to be fixed by the Directors, which date shall be considered as the date of the commencement of the installation of the system.

(m) The term "subsequent participants" refers to all operators in the Field who are not included in the term "original incorporators."

(n) The term "gas" refers to the natural gas which is produced with the crude oil from the wells in the Field.

3. The Field comprises the area consisting of the following described tracts of land located in said Eddy County, New Mexico:

Township 17 South, Range 29 East: $S\frac{1}{2}S\frac{1}{2}$ of Section 32; $S\frac{1}{2}SW\frac{1}{4}$ of Section 35; and $S\frac{1}{2}$ of Section 36.

Township 17 South, Range 30 East: $NE\frac{1}{4}NE\frac{1}{4}$, $S\frac{1}{2}N\frac{1}{2}$ and $S\frac{1}{2}$ of Section 31; and $W\frac{1}{2}$, $W\frac{1}{2}E\frac{1}{2}$ of Section 32.

Township 18 South, Range 29 East: All of Sections 1, 2, 3, 4, 5, and $E\frac{1}{2}$ of Section 6; all of Sections 8, 9, 10, 11, $N\frac{1}{2}N\frac{1}{2}$, $S\frac{1}{2}NE\frac{1}{4}$ and $SE\frac{1}{4}$ of Section 12; $N\frac{1}{2}N\frac{1}{2}$ of Section 14; $NE\frac{1}{4}NE\frac{1}{4}$, $N\frac{1}{4}NW\frac{1}{4}$ of Section 15; $N\frac{1}{2}$ of Section 16; and $N\frac{1}{2}$ of Section 17.

Township 18 South, Range 30 East: $N\frac{1}{2}NW\frac{1}{4}$ of Section 5; all of Section 6; and $W\frac{1}{2}$ of Section 7.

Subsequent operations and development may disclose that some tracts included in the present limits of the Field should be excluded from the Field and that some tracts adjacent to the present limits of the Field should be included in and designated as a part of the Field. Such action may be taken by the Directors with the approval of the holders of a majority of the outstanding stock of the Association, provided, however, that no tract shall be excluded from the Field on which is located a producing well belonging to the Operator on account of which stock of the Association has been issued as provided herein, unless the Operator consents to the exclusion of such tract.

4. The Operator represents and warrants that he is the owner of the operating rights in the tracts of land described in sub-paragraph (a) below and that said operating rights are free and clear of liens and encumbrances and the lawful claims and interests of other persons therein excepting as shown in sub-paragraph (b) below.

(a) Said tracts of land and the producing wells located thereon are the following:

(b) The above described operating rights are subject to certain liens and encumbrances and the lawful claims and interests of other persons therein as follows:

5. The Association represents that it is a New Mexico corporation organized and existing on a non-profit basis, having a term of existence of fifty years commencing in the year 1941, and with its principal object the installation and maintenance of the system. In the management of its corporate affairs, the Association shall at all times comply with the following requirements:

(a) The authorized capital stock shall be Two Hundred Fifty Thousand (250,000) shares of common stock without any nominal or par value.

(b) The affairs of the Association shall be managed by a Board of Directors who shall be seven in number, and each director must be an operator owning the operating rights in one or more producing wells in the Field or must be an employee of a corporation or a member of a co-partnership owning such operating rights.

(c) The authorized capital stock of the Association and the number of directors may be increased or diminished by the vote of the holders of three-fourths (3/4ths) of the capital stock at a regular or at a special meeting called for such purpose.

(d) The by-laws shall be made and amended or repealed by the stockholders at a regular meeting or at a special meeting called for such purpose.

(e) All working committees, including the Engineering Committee and all employees, shall be appointed by the Board of Directors.

(f) No officer or director shall receive any compensation from the Association for his services as such.

(g) Each original incorporator shall be required to subscribe for the number of shares of the capital stock specified in paragraph 9 (c). Payment for the stock subscribed for shall be made in the manner specified in this agreement on the basis of One Dollar (\$1.00) per share. The shares of stock issued on account of each well shall be included in separate certificates and shall be delivered to the subscriber as provided in paragraph 9 (c). The initial certificate for ten shares provided for in said paragraph 9 (c) shall not be delivered to the subscriber until the approval by the title attorneys of the Association of the title to the operating rights in the producing well on account of which the stock is being issued. Certificates issued on account of wells thereafter completed shall not be delivered until evidence has been furnished of the acceptance of such well as a producing well by the Conservation authority having jurisdiction. The shares of stock represented by such certificates shall be considered as fully paid and non-assessable and the provisions in this agreement providing for the apportionment of operating expenses shall not be considered or construed as an assessment upon the stock of the Association.

(h) Any subsequent participant may be admitted to participation in the plan upon such reasonable terms and conditions as may be imposed by the Directors, provided, however, that such subsequent participant shall be required to execute an agreement with the Association containing the applicable provisions of this agreement and provided further that the shares of capital stock which may be issued to such subsequent participant on account of a producing well shall not be in excess of the number which would have been issued on account of such well if the subsequent participant had been an original incorporator and the amount which the subsequent participant shall be required to pay for the shares of stock issued to him shall not be less than One Dollar (\$1.00) per share.

(i) The ownership of the shares of the capital stock which are issued on account of a producing well must follow the ownership of the operating rights in such well and in the event of a transfer of the operating rights in a well the stock certificate issued on account of such well must be transferred to the new owner of such operating rights. If the operating rights in a well are owned by more than one person or corporation the stock certificate shall include the names of all such owners and in the event of a transfer of either the entire operating rights or an undivided interest in same, the new certificate will likewise contain the names of all of the owners of the operating rights in such well after such transfer.

(j) In the event of the abandonment of any well on account of which shares of the capital stock of the Association have been issued or have become issuable, the holder of such stock certificate shall not possess any voting rights with respect to the shares of stock represented by such certificate, excepting in matters pertaining to the dissolution of the Association.

(k) It is not contemplated that any profits shall inure to the Association by reason of its operations or that any dividends shall be paid to the stockholders excepting upon dissolution. The Directors shall maintain an operating fund not exceeding at any time the sum of Five Thousand Dollars (\$5,000.00) composed of monies received from the sources specified herein and of any other income received by the Association out of which operating fund payment shall be made for operating expenses, repairs, and replacements, and for such other purposes as are specified in this agreement. No mortgage or other encumbrance of the system other than the mortgages provided for herein shall be valid and binding upon the Association or a lien upon the system unless authorized by a vote of the holders of three-fourths (3/4ths) of the outstanding capital stock having voting rights.

(l) The Directors shall cause quarterly reports to be made to the stockholders reflecting the operations of the Association for the preceding three months and such reports shall contain complete statements of the receipts and disbursements of monies by the Association. The books and records of the Association, including the records and reports of all working committees, shall be open to inspection at all times by any stockholder. An annual audit of the books and accounts of the Association shall be made by a certified public accountant at the end of each fiscal year and a report of such audit shall be furnished to the stockholders.

(m) Any time after but not before the bank loan referred to in paragraph 7 is retired, the Association may be dissolved by a vote of the holders of two-thirds (2/3rds) of the issued capital stock.

6. The Association is obligated to construct and install and to maintain and operate an adequate pressure maintenance system in the Field in accordance with the following stipulations, conditions, and requirements:

(a) The plans and specifications for the system shall be prepared by the Engineering Committee and approved by the Directors.

(b) The cost of the system installed shall not exceed Two Hundred Fifty Thousand Dollars (\$250,000.00).

(c) The system will utilize the gas obtained from the operators in the Field by returning such gas to the oil bearing formations but in the furtherance of the conservation plan natural gas from other fields or from formations within the Field other than the oil bearing formations also may be utilized.

(d) The system shall be operated for the purpose of securing and maintaining within reasonable limits a state of equilibrium as to bottom hole pressure among the producing wells in the Field, but such result is not guaranteed by the Association.

(e) In order to avoid the expense of drilling wells for use in returning the gas to the oil bearing formations, producing oil wells in the Field may be used as input wells. Such input wells shall be changed at proper intervals as recommended by the Engineering Committee and approved by the Directors.

(f) Any owner of the operating rights in a producing well or wells who becomes dissatisfied for any reason on account of the operation of the system or any feature of such operation shall be entitled to submit his objections in writing to the Engineering Committee who shall grant a full and complete hearing upon such objections. Such operator also shall be entitled to appeal to the Directors from the decision of the Engineering Committee after such hearing and the decision of the Directors shall be final unless thereafter disapproved by the Commission if the well or wells involved are located on State land or privately owned land, or by the Secretary if the well or wells involved are located on Government lands, provided, however, that nothing contained in this sub-paragraph shall be construed as authorizing any action to be taken which will impair the obligation of either party under this agreement or the validity of any lien provided for herein.

7. It is contemplated that the funds for construction and installation of the system will be obtained by the Association through a bank loan with interest rate not in excess of four per centum per annum and that such loan will be secured by an assignment to the bank of the amounts which the Association is or shall be entitled to receive in payment for its capital stock and by a first mortgage upon the system and the rights, easements, and other privileges granted to the Association by the operator in this agreement and by the other operators in similar agreements. The Association shall execute to the bank making the loan its promissory note for the full amount of the loan with a maturity date not more than three years from the date of the notes provided, however, that if any amount of such loan remains unpaid at the maturity date, the Directors may negotiate such renewal or extension of the note as to such

unpaid balance as may be agreed upon with the bank, and to that end the Directors may execute a new note for such unpaid balance specifying such maturity date as may be agreed upon with the bank. In the event of any such renewal or extension or issuance of a new note for such unpaid balance, the lien of the mortgage provided for herein shall remain in force and unimpaired as security for such unpaid balance. The amount of such loan shall not exceed the amount required for the installation and construction of the system, provided, however, that a sum not to exceed Five Thousand Dollars (\$5,000.00) may be included in the amount of the loan, which said additional amount shall become a part of the operating fund provided for in paragraph 5 (m) above. All amounts received by the bank pursuant to the said assignment from the Association after deducting not more than one cent per barrel of the working interest oil for operating expenses shall be applied monthly toward the payment of the said promissory note, first to the payment of accrued interest and then to the payment of principal. If the amounts received by the bank pursuant to the assignment above mentioned shall be insufficient to pay the said loan at its maturity or at the expiration of any extension or renewal of the loan then the Directors are authorized to refinance the unpaid balance of said loan at the best interest rate obtainable by the execution of a promissory note and mortgage as provided for herein for the original loan and in that event the assignment of five cents per barrel of working interest oil provided for in paragraph 9 (a) herein shall continue in full force and effect until said refinanced loan is fully paid and discharged. The bank making the loan above authorized shall be entitled to rely upon a certificate of the President or other authorized officer of the Association showing the cost of the installation and construction of the system and any amount loaned on the basis of such certificate shall be a binding obligation of the Association, although such sum may be in excess of the actual cost of installation and construction plus the sum of Five Thousand Dollars (\$5,000.00) above mentioned.

8. The Operator is obligated as follows:

(a) The Operator at his own expense will prevent the escape of the gas, excepting such as may be unavoidably lost, which shall be produced from all of the producing wells which are or may hereafter be located upon the tracts of land described in paragraph 4. Such gas, excepting such as may be required for operating purposes, shall become the property of the Association and shall be delivered to the Association by the Operator on his lease without removal of the gasoline content and shall be transported to the pressure station by the Association at its own expense and through gathering lines laid by it. To effectuate orderly delivery of such gas, Operator will produce his wells according to such equitable time schedule as may be established by the Engineering Committee, provided, however, Operator shall not be required to produce any well at a time or in a manner detrimental to such well.

(b) The Operator hereby grants to the Association during the continuance of the operating rights of the Operator an easement over and upon the lands in the Field described in paragraph 4 (a) for the purpose of laying and maintaining gathering lines from Operator's wells and also from other wells in the Field and for the laying and maintaining of pressure lines to input wells whether such wells are located on Operator's lease or other leases in the Field and for the purpose of constructing, maintaining, and operating pressure stations and other structures and installations which may be required for the operation of the system, provided, however, that all lines, structures, or installations built or laid upon any lands of Operator in the Field shall be so constructed and laid as to avoid unnecessary interference with Operator's lease operations.

(c) The Operator hereby grants to the Association the right of ingress and egress with respect to all of Operator's said lands and to the producing wells located thereon insofar as may be necessary or convenient for the proper installation and maintenance of the system, provided, however, the Association shall save and keep harmless the Operator from all lawful claims and demands of other persons insofar as any such claim or demand results from the operations of the Association on the Operator's said lands or with reference to the Operator's said wells and provided further the Association shall be liable to the Operator for any damage resulting and resulting only from the negligence of the agents and employees of the Association while engaged in the performance of their duties as such. The Association shall at all times maintain for the protection of Operator adequate property damage and public liability insurance.

(d) The Association shall be entitled to use any well located upon Operator's said lands as an input well for the purpose of returning gas to the oil bearing formations or for the purpose of introducing natural gas from areas outside the Field or from other formations within the Field into the oil bearing formations of the Field. The use of such input wells may be continued for such periods of time as may be recommended by the Engineering Committee subject to the right of the Operator to appeal from the decision of the Engineering Committee in the manner provided in this agreement. The Operator shall be entitled to produce from other wells on his lease the amount of allowable production of oil which would have been produced from an input well during the time of its use as such if such well had remained on production, provided, however, if for any reason Operator is unable to produce such amount of allowable production from other wells located on his lease then he shall be entitled to reimbursement from the Association for all loss sustained by him on account of not being able to produce such allowable amount of oil for such time as such well is used as an input well. In computing such loss consideration shall be given to the expenses of operation which the Operator would have sustained if such well had been operated instead of being used as an input well. (So long as only one producing oil well is located upon the lands described in paragraph 4 (a) such well shall not be used as an input well without Operator's consent.)

(e) If the Operator is or becomes the owner of the operating rights in a well in the Field which produces from an oil bearing formation natural gas only whether such well be located upon the lands described in paragraph 4 or on other lands, Operator will not produce natural gas from said well without the consent of the Directors. With the consent of the Conservation authority having jurisdiction, Operator shall be entitled to produce from any oil well located on the lease during such time as a gas well on the lease is not producing under the provisions of this paragraph, an amount of oil equal to the largest amount which any producing oil well on the lease is permitted to produce.

(f) In the event the operating fund provided herein is not sufficient to defray the current and ordinary operating expenses of the Association at any time prior to the retirement of the loans provided for herein, the Directors shall have authority to make an assessment of not to exceed one cent per barrel of working interest oil against each producing well in the Field committed to the plan for such period of time as may be determined by the Directors, which said amount shall be collected in the same manner as the five cents per barrel of working interest oil shall be collected as provided herein, and the amounts thus received shall be paid into the operating fund. The pipe line company or other purchaser of the working interest oil is hereby authorized and directed to pay said amount thus assessed to the Association out of the proceeds from the sale of the working interest oil from Operator's said wells. After said loan or loans have been paid, an assessment of not to exceed two cents per barrel of working interest oil may be made for such expenses by the Directors, which said assessment shall be collected and paid to the Association as above provided. No expenditures for purposes other than expenditures authorized in this agreement shall be incurred by the Directors without approval of the holders of three-fourths of the outstanding capital stock of the Association.

(g) The Operator upon demand will furnish to the Association for examination by its title attorneys, all necessary abstracts of title and other evidences of title reflecting the title to the operating rights described in paragraph 4, but such abstracts of title and other instruments shall remain the property of the Operator and shall be furnished for examination purposes only. If any title defects are disclosed by the examination, Operator will make diligent effort to remedy same.

9. (a) The Operator hereby assigns, transfers, and sets over to the Association out of the proceeds from the sale of the working interest oil which shall be produced, saved, and marketed from and after the date of the commencement of the installation of the system from the producing wells above described and from each producing well which may be completed hereafter upon any of the above described tracts of land an amount equal to five cents for each barrel of such working interest oil until the loan provided for in paragraph 7 has been fully paid and discharged and Operator will execute such transfer orders as may be necessary to secure to the Association or to the said bank and its assigns the payment of said amount. This assignment shall become effective at 7:00 o'clock a. m. of the day on which the installation of the system is commenced, which date shall be the date fixed by the Directors as provided in paragraph 2 (l). Of said amount of five cents per barrel one cent per barrel may be retained by the Association as an operating fund and the remaining amount not so retained shall be applied as a credit toward the purchase price of the capital stock to which the Operator shall become entitled on account of the well from which the amount credited is received. For the purpose of this agreement oil produced as an allowable to the owner of a shut-in gas well or of an input well shall be considered as having been produced from such gas well or input well and shall be obligated to the payment of the five cents per barrel specified in this paragraph and the amounts thus received by the Association shall be applied as if the oil had been produced from the well for which the allowable was made.

(b) The provisions of the sub-paragraph next preceding (9 (a)) shall cease to be in force and effect upon the payment in full of the loan provided for in paragraph 7 and any loan made in substitution for same or any part thereof.

(c) The number of shares of the capital stock of the Association which the Operator shall become entitled to receive and for which such Operator hereby subscribes under the provisions of this agreement for each producing well owned by him or which may be completed by him on lands described in paragraph 4 (a) before the loan provided for in paragraph 7 has been fully paid shall be the number of shares equal to the number of dollars received by the Association out of the production from such well under the provisions of paragraph 9 (a) and credited toward the purchase price of such capital stock as provided in said sub-paragraph. Subject to the provisions of paragraph 5 (g) a certificate for ten shares of the capital stock shall be issued to the Operator for each producing well now existing upon the payment by the Operator of the prescribed price of One Dollar per share. The amount thus paid for each certificate shall be considered as an advance payment to be credited upon the amounts which shall become payable out of the production from such well under the provisions of paragraph 9 (a). On the first day of July, 1941 and semi-annually thereafter while any portion of the loans provided for herein remains unpaid there shall be issued to the Operator certificates representing the number of shares of capital stock for which payment has been received by the Association in the manner provided herein during the preceding six months period. When the said loan or loans are paid in full, the Operator shall receive certificates for the additional capital stock paid for by such Operator since the last day of the previous period for which stock has been issued. No voting rights shall attach to any shares of capital stock for which payment has been received by the Association but for which the Operator has not become entitled to receive certificates as provided in this sub-paragraph.

(d) Excepting as is provided in the sub-paragraph next preceding (9 (c)) none of the authorized capital stock of the Association remaining unissued when the above mentioned loan is fully paid shall be issued for any purpose or on any account other than in connection with the completion thereafter of producing wells in the Field on lands committed to the plan. The number and price of the shares issued shall be fixed by the Directors subject to the provisions of paragraph 5 (l) in the case of wells completed by subsequent participants.

10. The Operator hereby declares that the obligation to pay the above mentioned five cents per barrel of working interest oil which shall be produced from Operator's wells shall constitute a direct obligation of the Operator to the Association and to the above mentioned bank as its assignee which shall be unqualified and unconditional and not revocable for any cause whatsoever so long as the said obligation is held by the said bank or its assigns as security for the said loan.

11. The obligations imposed upon the Operator by this agreement shall be considered as covenants running with the land and shall be binding upon any person or corporation succeeding to the ownership of any or all of the above described operating rights and such succeeding owner shall be entitled to all the benefits and privileges accruing and to accrue to the Operator under this agreement, including the ownership of the shares of stock of the Association previously issued to the Operator on account of any producing well included in the transfer to such successor.

12. Nothing contained in this agreement shall be considered or construed as authorizing, requiring or permitting the performance of any act in violation of any valid rule, regulation or order of any regulatory body having jurisdiction in the premises.

IN WITNESS WHEREOF, this agreement has been signed in _____ by the parties on this the

_____ day of _____, A. D., 19_____

LOCO HILLS PRESSURE MAINTENANCE
ASSOCIATION, INC.

ATTEST:

By _____
President

Secretary

STATE OF _____ }
COUNTY OF _____ } ss.

On this the _____ day of _____, A. D., 19_____, before me personally appeared

_____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of Loco Hills Pressure Maintenance Association, Inc., and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on the day and year in this certificate first above written.

My commission expires _____

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

On this the _____ day of _____, A. D., 19____ before me personally appeared

_____, to me personally known, who, being by me duly sworn, did say that
_____ he _____ and that the seal affixed to the
foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in
behalf of said corporation by authority of its Board of Directors, and said _____
acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on the day and year in
this certificate first above written.

My commission expires _____

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

On this the _____ day of _____, A. D., 19____ before me personally appeared

_____, to me personally known, who, being by me duly sworn, did say that
_____ he _____ and that the seal affixed to the
foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in
behalf of said corporation by authority of its Board of Directors, and said _____
acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on the day and year in
this certificate first above written.

My Commission expires _____

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

On this the _____ day of _____, A. D., 19____ before me personally appeared

_____ to me personally known to be the person _____ described in and who
executed the foregoing instrument, and acknowledged that _____ he _____ executed the same as _____ free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year in this certi-
ficate first above written.

My Commission expires _____

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

On this the _____ day of _____, A. D., 19____

_____ to me personally known to be the person _____ described in and who
executed the foregoing instrument, and acknowledged that _____ he _____ executed the same as _____ free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year in this certi-
ficate first above written.

My Commission expires _____

Notary Public

ADDRESS ALL COMMUNICATIONS TO SECRETARY

EMERY CARPER
CHAIRMAN GENERAL COMMITTEE

BERT ASTON
CHAIRMAN EXECUTIVE COMMITTEE

FRED BRAINARD
SECRETARY

Loco Hills Operators' Committee

ARTESIA, NEW MEXICO

MEMBERS

MARTIN YATES, JR.

C. M. POPE, JR.

HUGH JOHNSON

February 5, 1941.

Mr. Carl B. Livingston,
Santa Fe, N. Mex.

Dear Sir:

On January 22, we sent you a copy of the proposed Agreement and Assignment, a copy of the proposed Articles of Incorporation and copies of Ratification and Subordination Agreements, to be used in the Loco Hills Pressure Maintenance Program, with the suggestion that you study these with the view of making suggestions for change if you thought necessary, so that we might have a final meeting of all operators to ratify the contracts and form of organization at an early date.

ASSUMING THAT ALL OPERATORS HAVE HAD AMPLE TIME IN WHICH TO STUDY AND FAMILIARIZE THEMSELVES WITH THE CONTRACTS, THE ADVISORY COMMITTEE HEREBY ISSUES A CALL FOR A GENERAL MEETING OF ALL OPERATORS OF LOCO HILLS OR THEIR REPRESENTATIVES, WITH AUTHORITY TO ACT IN BEHALF OF THE OPERATOR AND TO VOTE IN THE NAME OF THE OPERATOR ON ALL MATTERS COMING BEFORE THE MEETING, INCLUDING PARTICULARLY THE APPROVAL OF THE PROPOSED CONTRACT BETWEEN THE OPERATORS AND THE ASSOCIATION. SUCH REPRESENTATIVE SHOULD HAVE PROPER CREDENTIALS TO BE FILED WITH THE SECRETARY OF THE ASSOCIATION. Said Meeting to be held in the Artesia Hotel, Artesia, New Mexico, at 9:00 A. M., Friday, February 14, 1941.

In connection with the above meeting, it is suggested that if you have any changes to suggest or there is anything in the proposed contracts, etc., that is not clear, that either yourself or your attorneys contact the firm of Atwood & Malone, of Roswell, New Mexico, prior to the date set for the general meeting. Some of the Operators have already done this.

Inclosed is a copy of a recent order of the New Mexico Conservation Commission, affecting the proposed program, which we are inclosing for your information.

In regard to the Pressure Maintenance Program for Loco Hills, the Directors wish to advise that the regulatory authorities of both the State and Government have not only been cooperative but have urged this installation as a true conservation measure, as evidenced by their statement in their order which reads, in Paragraph 2 of the findings, "as a proper and necessary plan", and we feel that unless we organize this program in our own way now, that sooner or later we will be required to do so, probably not on such favorable conditions as at the present time. We believe this is evidenced in the inclosed order.

Please give this matter your immediate attention and make every effort to be present at the meeting, with proper authority.

Yours very truly,

Loco Hills Operators Committee

By *Emery Carper*
Emery Carper, Chairman.

BEFORE THE OIL CONSERVATION
COMMISSION OF THE STATE
OF NEW MEXICO

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

CASE NO. 23

ORDER NO. 339

THE PETITION OF THE OPERATORS COMMITTEE
FOR THE OPERATORS IN THE LOCO HILLS
POOL IN EDDY COUNTY, IN CONNECTION WITH
THE PROPOSAL OF A COLLECTIVE PRESSURE
MAINTENANCE PROGRAM FOR SAID POOL.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at two o'clock P.M., December 11, 1940
at Santa Fe, New Mexico.

NOW, on this 28th day of January, 1941, the Commission having before
it for consideration the testimony adduced at the hearing of said case and
being fully advised in the premises, the Commission finds:

F I N D I N G S

1. That the Loco Hills oil and gas field in Eddy County, New Mexico,
which is referred to in the amended petition, should be re-defined as including
the following tracts of land:

Township 17 South, Range 29 East: S $\frac{1}{2}$ S $\frac{1}{2}$ of Section 32, S $\frac{1}{2}$ SW $\frac{1}{4}$ of Section
35, and S $\frac{1}{2}$ of Section 36.

Township 17 South, Range 30 East: NE $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ N $\frac{1}{2}$, and S $\frac{1}{2}$ of Section 31, and
W $\frac{1}{2}$, and W $\frac{1}{2}$ E $\frac{1}{2}$ of Section 32.

Township 18 South, Range 29 East: All of Sections 1, 2, 3, 4, 5 and E $\frac{1}{2}$ of
Section 6, all of Sections 8, 9, 10, 11, N $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ of Section 12,
N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 14, NE $\frac{1}{4}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 15, N $\frac{1}{2}$ of Section 16, and the
N $\frac{1}{2}$ of Section 17.

Township 18 South, Range 30 East: N $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 5, all of Section 6,
and W $\frac{1}{2}$ of Section 7.

2. That the plan for conserving the reservoir energy in the said Loco
Hills Field as proposed in the amended petition is a proper and necessary plan
in its general aspects for the prevention of waste and the conservation of the
natural resources of the State.

3. That in the operation of the said conservation plan it is advisable
that producing oil wells be used for the purpose of returning waste gas to the
oil-bearing formations. During the period of such use it will not be possible
for such wells to produce their allowable amount of oil and the owners of such
wells will be permitted to produce such lost allowable from any other well or
wells on owner's lease.

4. That the two gas wells referred to in the amended petition if permitted
to produce, would produce natural gas from an oil-bearing formation, and the
production of gas from such wells will therefore result in a decrease of
reservoir energy. It is essential to the success of the proposed conservation
plan that no wells capable of producing gas only should be permitted to produce
such gas if such production would come from an oil-bearing formation. On
account of the fact that the said wells were drilled prior to the formulation of
the proposed plan, the owners of said wells should be permitted to receive as
compensation for closing in such wells an allowable in oil equal to one hundred
per cent (100%) of the top allowable prevailing in the field and the owners of
each of such wells should be permitted to produce such allowable from any oil
wells located on owner's lease, which produce oil from the same horizon.

IT IS THEREFORE ORDERED:

1. That the Loco Hills oil and gas field, Eddy County, New Mexico, is hereby re-defined as consisting of and including the following described tracts of land:

Township 17 South, Range 29 East: $S\frac{1}{2}S\frac{1}{2}$ of Section 32, $S\frac{1}{2}SW\frac{1}{4}$ of Section 35, and $S\frac{1}{2}$ of Section 36.

Township 17 South, Range 30 East: $NE\frac{1}{4}NE\frac{1}{4}$, $S\frac{1}{2}N\frac{1}{2}$, and $S\frac{1}{2}$ of Section 31, and $W\frac{1}{2}$ and $W\frac{1}{2}E\frac{1}{2}$ of Section 32.

Township 18 South, Range 29 East: All of Sections 1, 2, 3, 4, 5 and $E\frac{1}{2}$ of Section 6, all of Sections 8, 9, 10, 11, $N\frac{1}{2}N\frac{1}{2}$, $S\frac{1}{2}NE\frac{1}{4}$, $SE\frac{1}{4}$ of Section 12, $N\frac{1}{2}N\frac{1}{2}$ of Section 14, $NE\frac{1}{4}NE\frac{1}{4}$, $N\frac{1}{2}NW\frac{1}{4}$ of Section 15, $N\frac{1}{2}$ of Section 16, and the $N\frac{1}{2}$ of Section 17.

Township 18 South, Range 30 East: $NE\frac{1}{4}NW\frac{1}{4}$ of Section 5, all of Section 6, and $W\frac{1}{2}$ of Section 7.

Any previous order of the Commission defining the said field as including other tracts of land or not including some of the above tracts of land is hereby modified accordingly. That portion of the area heretofore designated as the Loco Hills Area not included in the area hereinabove described is hereby designated as the Leo Area.

2. That the proposed plan for conserving the reservoir energy in the said field as set forth in the amended petition is hereby approved in its general aspects. Such plan shall hereafter be known as the Loco Hills Pressure Maintenance Plan.

3. That in the operation of the said Loco Hills Pressure Maintenance Plan producing oil wells may be used for the purpose of returning waste gas to the oil-bearing formations, and the allowable amount of oil which any well so used fails to produce during the period of such use may be produced by the owner of the input well from other wells located on owner's lease, and as long after the cessation of its use as the capacity of such well to produce oil has been impaired by its use as an input well. If the owner of such input well is the owner of more than one other producing oil well on his lease, the Commission may require, without further notice or hearing, that such lost allowable be apportioned on an equitable basis among owner's other wells on his lease. No well shall be used as an input well without the consent of the owner.

4. That during such period of time as either one or both of the two gas wells referred to in Paragraph 11 of the amended petition are not permitted to produce natural gas, the owner or owners of such well or wells shall be permitted to produce from oil wells owned by them on the same lease an allowable in oil equal to one hundred percent (100%) of the top allowable prevailing in the field, provided that such allowable oil be produced from the same horizon from which the natural gas from the closed well or wells would be produced.

In the case of the well owned by R. W. Fair, et al., located on the $SE\frac{1}{4}SE\frac{1}{4}$ of Section 10, T. 18 S., R. 29 E., N.M.P.M., the oil allowable shall be apportioned on an equitable basis among the other wells owned by the owners of the said gas well, which are located on the $E\frac{1}{2}$ of said Section 10.

In the case of the other gas well owned by Bassett and Birney, located on the $NE\frac{1}{4}SE\frac{1}{4}$ of Section 11, in said Township and Range, the oil allowable of such well shall be apportioned on an equitable basis among all of the other wells in the field belonging to said owners which are located on State Land.

5. That for the purpose of taking under further advisement, the Commission reserves herein for a supplemental order the matters in this petition insofar as they relate to the reallocation of back allowable oil in the field, which is present presented by Paragraph 9 of the amended petition.

OIL CONSERVATION COMMISSION

Sgd. John E. Miles, Governor
" H. R. Rodgers, Land Commissioner
" A. Andrews, State Geologist.

January 29, 1941

Mr. A. M. Crowell
Arkansas Oil and Gas Commission
El Dorado, Arkansas

Dear Mr. Crowell:

In reply to your letter of January 16th, the New Mexico Oil Conservation Commission does not have at this time any rules and regulations to govern a repressuring or pressure maintenance project, neither do we have anything on gas recycling.

It so happens that the Commission yesterday signed an order permitting one pressure maintenance program and one repressuring project. We will be glad to send you a copy of this order. This, however, does not go into detail of the operating plan, as it is our first experience in this type of project in New Mexico.

As soon as a plan is in operation, undoubtedly there will be a great many engineering phases and procedure that must be approved by the Commission. We will be glad to cooperate with you regarding these projects and would appreciate any suggestions you might have.

The repressuring project is a unitized project approved by the Department of the Interior. The pressure maintenance project is a project which has the approval of all the operators and involves 160 wells. This project will be started within the very near future.

With the kindest of personal regards, I am

Very truly yours,
OIL CONSERVATION COMMISSION

AA:CC

By:
State Geologist



ARKANSAS
OIL AND GAS COMMISSION
EL DORADO, ARKANSAS

O. C. BAILEY
CHAIRMAN

J. D. REYNOLDS
ED HOLLYFIELD
ROBERT J. SHORT

BASIL HOAG
EDWIN B. KEITH
R. S. WARNOCK, JR.

ALEC M. CROWELL
DIRECTOR

January 16, 1941

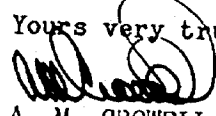
Mr. A. Andreas,
Oil Conservation Commission,
Santa Fe, New Mexico,

Dear Mr. Andreas:

The Arkansas Oil & Gas Commission contemplates the issuance of rules and regulations to govern (1) a gas repressuring project and (2) a gas recycling project.

Would you be kind enough to send us a copy of your rules and regulations covering these matters and also any detailed information you care to give us?

Yours very truly,


A. M. CROWELL

AMC:B

OIL CONSERVATION COMMISSION

January 30, 1941

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Honorable H. L. Johnston
Continental Oil Company
Hobbs, New Mexico

Re: Order No. 339, Case No. 23, in the
matter of the petition of the Operators'
Committee for the operators in the Loco
Hills Pool, Eddy County, in connection
with the proposal of a collective
pressure maintenance program for said
pool.

My dear Hugh:

Enclosed please find copy of the order of
the Commission in the above captioned matter.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Encl.

OIL CONSERVATION COMMISSION

January 30, 1941

Honorable James M. Murray, Sr.
Hobbs, New Mexico

Re: Order No. 339, Case No. 23, in the
matter of the petition of the Operators'
Committee for the operators in the Loco
Hills Pool, Eddy County, in connection
with the proposal of a collective
pressure maintenance program for said
pool.

My dear Jim:

Enclosed please find copy of the order of
the Commission in the above captioned matter.

Very truly yours,

OIL CONSERVATION COMMISSION

By Carl B. Livingston
Attorney

CBL:lk
Enc.

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OIL CONSERVATION COMMISSION

January 29, 1941

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Honorable Bert Aston
Roswell, New Mexico

Re: Order No. 339, Case No. 23, in the
matter of the petition of the Operators'
Committee for the operators in the Loco
Hills Pool, Eddy County, in connection
with the proposal of a collective
pressure maintenance program for said
pool.

My dear Bert:

Enclosed please find copy of the order of
the Commission in the above captioned matter.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CDL:lk
Enc.

OIL CONSERVATION COMMISSION

January 29, 1941

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Honorable J. D. Atwood
Roswell, New Mexico

Re: Order No. 339, Case No. 23, in the
matter of the Petition of the Operators'
Committee for the Operators in the Loco
Hills Pool, Eddy County, in connection
with the proposal of a collective
pressure maintenance program for said
pool.

My dear Colonel:

Enclosed please find copy of the order of
the Commission in the above captioned matter.

Very truly yours,

OIL CONSERVATION COMMISSION

By Carl B. Livingston
Attorney

CBL:ik
Enc.

OIL CONSERVATION COMMISSION

January 29, 1941

Honorable Glenn Staley
Proration Umpire
Hobbs, New Mexico

Re: Order No. 339, Case No. 23, in the
matter of the petition of the Operators'
Committee for the operators in the Loco
Hills Pool, Eddy County, in connection
with the proposal of a collective pressure
maintenance program for said pool.

Re: Order No. 340, Case No. 22, in the matter
of the petition of Anderson-Prichard Oil
Corporation and Stanolind Oil & Gas Company,
for themselves and for other operators
in the affected portion of the Langlie Pool
in Lea County.

My dear Glenn:

Enclosed please find copies of the orders of
the Commission in the above captioned matters.

Very truly yours,

OIL CONSERVATION COMMISSION

By Carl B. Livingston
Attorney

CBL:ik
Encls.

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OIL CONSERVATION COMMISSION

January 29, 1941

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Honorable Ernest O. Hanson
Supervisor, Oil & Gas Operations
U. S. Geological Survey
Roswell, New Mexico

Re: Order No. 239, Case No. 13, in the matter of the petition of the Operators' Committee for the operators in the Loco Hills Pool, Eddy County, in connection with the proposal of a collective pressure maintenance program for said pool.

Re: Order No. 340, Case No. 21, in the matter of the petition of Anderson-Prichard Oil Corporation and Stanolind Oil & Gas Company, for themselves and for other operators in the affected portion of the Langlie Pool in Lea County.

My dear Ernest:

Enclosed please find copies of the orders of the Commission in the above captioned matters.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Encls.

OIL CONSERVATION COMMISSION

January 29, 1941

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Honorable Harry Leonard
Roswell, New Mexico

Re: Order No. 339, Case No. 23, in the matter of the petition of the Operators' Committee for the operators in the Loco Hills Pool, Eddy County, in connection with the proposal of a collective pressure maintenance program for said pool.

Re: Order No. 340, Case No. 22, in the matter of the petition of Anderson-Prichard Oil Corporation and Stanolind Oil & Gas Company, for themselves and for other operators in the affected portion of the Langlie Pool in Lea County.

My dear Harry:

Enclosed please find copies of the orders of the Commission in the above captioned matters.

Very truly yours,

OIL CONSERVATION COMMISSION

By Carl B. Livingston
Attorney

CBL:ik
Encls.

OIL CONSERVATION COMMISSION

January 29, 1941

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Mr. Edgar Kraus
Atlantic Refining Company
Carlsbad, New Mexico

Re: Order No. 339, Case No. 23, in the matter of the petition of the Operators' Committee for the operators in the Loco Hills Pool, Eddy County, in connection with the proposal of a collective pressure maintenance program for said pool.

Re: Order No. 340, Case No. 22, in the matter of the petition of Anderson-Pritchard Oil Corporation and Stanolind Oil & Gas Company, for themselves and for other operators in the affected portion of the Langlie Pool in Lea County.

My dear Edgar:

Enclosed please find copies of the orders of the Commission in the above captioned matters.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Encls.

Artesia, New Mexico,
January 22, 1941.

To Operators in
Loco Hills Field.

Dear Sir:

Attached are mimeograph copies of proposed agreement between Operators in the proposed Loco Hills Pressure Maintenance program, Ratification Agreement for those that might have associates, Subordination Agreement for those that might have mortgages or oil payments, and Articles of Incorporation for the proposed set up.

The firm of Atwood & Malone, of Roswell, New Mexico, have drawn these instruments up after a great deal of study and thought, and have presented same to the Executive Committee of the Loco Hills Operators and after thorough discussion and some corrections we feel that these agreements and instruments afford all Operators ample protection who may care to enter into this cooperative.

The terms of the Agreement and Assignment have been approved and accepted by the Bank in Dallas where we propose to obtain our loan.

We would suggest that you give these instruments your close attention and study, or refer them to your attorney for approval, at the earliest date possible.

A great deal of time and thought and field work has been done in connection with our proposed Pressure Maintenance setup in Loco Hills and upon the attached instruments, and we cannot help but feel that they meet most of the objections that Operators in the field might have to the cooperative Pressure Maintenance program.

We propose to have a general meeting of all Operators in Loco Hills, to be held at Artesia, in the near future and if you are thoroughly conversive with these contracts at the time, all objections might be ironed out for the final draft.

You will be notified when our general meeting is held in ample time for you to make arrangements to be present and we would appreciate your making plans accordingly.

If you need any additional copies of these instruments, please advise us and they will be mailed promptly.

Very truly yours,

Loco Hills Operators
Committee.

By
Fred Brainard,
Secretary.

- AGREEMENT AND ASSIGNMENT -

The undersigned Loco Hills Pressure Maintenance Association, Inc., a New Mexico corporation, and the undersigned _____ do hereby agree:

1. This contract is executed in furtherance of a cooperative plan for the conservation of the reservoir energy in the Loco Hills Oil and Gas Field located in Eddy County, New Mexico, by the installation of a pressure maintenance system and shall become effective and binding upon the parties when identical contracts have been executed by the owners of not less than 130 producing wells located in said Field as such Field is defined herein.

2. When used in this agreement:

(a) The term "Association" refers to the said Loco Hills Pressure Maintenance Association, Inc.

(b) The term "Operator" refers to the said _____.

(c) The term "Field" refers to the said Loco Hills Oil and Gas Field and comprises the area specified in paragraph 3, as such area now exists or may hereafter exist through modification as authorized in said paragraph 3.

(d) The term "Operators" refers to and includes persons, co-partnerships, and corporations who own the operating rights for oil and gas as defined herein in one or more tracts of land located in the Field whose operating rights have been committed to the conservation plan by the execution of agreements in this or in similar form.

(e) The "Operating Rights" in a tract of land included in the Field consist of the exploration, development, and production rights for oil and gas and other carboniferous

substances granted by an oil and gas lease or other form of contract whereby the owner is entitled to produce oil and gas and other carboniferous substances from the land and to retain same to his own use and benefit subject to the payment of the prescribed royalties and overriding royalties, if any, and includes ownership and control of the producing well or wells located on the tract or tracts involved.

(f) The term "working interest" as used with reference to oil or gas wells shall be considered as equivalent to seven-eighths (7/8ths) of the amount of production from the well which is saved and marketed.

(g) By a "producing well" is meant a well in the Field from which crude oil, regardless of amount, is being produced or from which natural gas is capable of being produced from the oil bearing formation.

(h) The Board of Directors of the Association is referred to as "Directors" and the Engineering Committee of the Association is referred to as "Engineering Committee".

(i) By "Commission" is meant the State Conservation Commission of New Mexico or any person lawfully acting under direction of the Commission.

(j) By "Secretary" is meant the Secretary of the Interior or any person lawfully acting under his authority.

(k) The term "system" refers to the pressure maintenance system mentioned in paragraph 1 and which is more fully described in paragraph 6.

(l) The term "original incorporators" refers to all of the operators who execute this form of agreement prior to a date to be fixed by the Directors, which date shall be considered as the date of the commencement of the installation of the system.

(m) The term "subsequent participants" refers to all operators in the Field who are not included in the term "original incorporators".

(n) The term "waste gas" refers to the natural gas which is produced with the crude oil from the wells in the Field.

3. The Field comprises the area consisting of the following described tracts of land located in said Eddy County, New Mexico:

Township 17 South, Range 29 East: $S\frac{1}{2}S\frac{1}{2}$ of Section 32, $S\frac{1}{2}SW\frac{1}{4}$ of Section 35, and $S\frac{1}{2}$ of Section 36.

Township 17 South, Range 30 East: $NE\frac{1}{4}NE\frac{1}{4}$, $S\frac{1}{2}N\frac{1}{2}$, and $S\frac{1}{2}$ of Section 31, and $W\frac{1}{2}$ and $W\frac{1}{2}E\frac{1}{2}$ of Section 32.

Township 18 South, Range 29 East: All of Sections 1, 2, 3, 4, 5, and $E\frac{1}{2}$ of Section 6, all of Sections 8, 9, 10, 11, $N\frac{1}{2}N\frac{1}{2}$, $S\frac{1}{2}NE\frac{1}{4}$, and $SE\frac{1}{4}$ of Section 12, $N\frac{1}{2}N\frac{1}{2}$ of Section 14, $NE\frac{1}{4}NE\frac{1}{4}$, $N\frac{1}{2}NW\frac{1}{4}$ of Section 15, $N\frac{1}{2}$ of Section 16, and $N\frac{1}{2}$ of Section 17.

Township 18 South, Range 30 East: $N\frac{1}{2}NW\frac{1}{2}$ of Section 5; all of Section 6, and $W\frac{1}{2}$ of Section 7.

*Continued on
next page*

Subsequent operations and development may disclose that some tracts included in the present limits of the Field should be excluded from the Field and that some tracts adjacent to the present limits of the Field should be included in and designated as a part of the Field. Such action may be taken by the Directors without the consent of the Operator provided, however, that no tract shall be excluded from the Field on which is located a producing well belonging to the Operator on account of which stock of the Association has been issued as provided herein, unless the Operator consents to the exclusion of such tract.

4. The Operator represents and warrants that he is the owner of the operating rights in the tracts of land described in sub-paragraph (a) below and that said operating rights are free and clear of liens and encumbrances and the lawful claims and interests of other persons therein excepting as shown in sub-paragraph (b) below.

(a) Said tracts of land and the producing wells located thereon are the following:

*Summit
Ac. § 8 (6) & (C)*

(b) The above described operating rights are subject to certain liens and encumbrances and the lawful claim and interests of other persons therein as follows:

5. The Association represents that it is a New Mexico corporation organized and existing on a non-profit basis, having a term of existence of fifty years commencing in the year 1941, and with its principal object the installation and maintenance of the system. In the management of its corporate affairs the Association shall at all times comply with the following requirements:

(a) The authorized capital stock shall be Two Hundred Thousand (200,000) shares of common stock without any nominal or par value.

(b) The affairs of the Association shall be managed by a Board of Directors who shall be seven in number, and each director must be an operator owning the operating rights in one or more producing wells in the Field or must be an employee of a corporation or a member of a co-partnership owning such operating rights.

(c) The authorized capital stock of the Association and the number of directors may be increased or diminished by the vote of the holders of three-fourths (3/4ths) of the capital stock at a regular or at a special meeting called for such purpose.

(d) The by-laws shall be made and amended by the Directors but any by-law may be repealed by the stockholders at a regular meeting or at a special meeting called for such purpose.

(e) All working committees, including the Engineering Committee and all employees, shall be appointed by the Board of Directors.

(f) No officer or director shall receive any compensation from the Association for his services as such.

(g) Each original incorporator shall be required to subscribe for one thousand shares of the capital stock for each producing well in which the operating rights are owned by such operator. Payment for the stock subscribed for shall be made in the manner specified in this agreement on the basis of \$ _____ per share. The shares of stock issued on account of each well shall be included in a separate certificate and the certificate shall be delivered to the subscriber upon the approval by the title attorneys of the Association of the title to the operating rights in the producing well on account of which the stock is being issued. Certificates issued on account of wells hereafter completed shall not be delivered until evidence of the acceptance of such well as a producing well by the Conservation authority having jurisdiction has been furnished. The shares of stock represented by such certificate shall not be considered as fully paid shares until the said amount of \$ _____ per share, including interest on the unpaid balance at the rate of four per centum per annum has been fully paid.

(h) Any original incorporator who shall complete a producing well in the Field upon a tract of land described and included in his agreement with the Association after the installation of the system has commenced likewise shall be required to subscribe for one thousand shares of the capital stock on account of such additional well and such additional shares of stock shall be issued and paid for in the same manner and on the same basis as is provided for stock issued on account of existing wells.

✓ (i) Any subsequent participant may be admitted to participation in the plan under such reasonable terms and conditions as may be imposed by the Directors, provided, however, that such subsequent participant shall be required to execute an agreement with the Association containing the applicable provisions of this agreement and provided further that not more than one thousand shares of capital stock may be issued to such subsequent participant on account of a producing well and the total amount which the subsequent participant shall be required to pay for the shares of stock issued for a well shall not be less than \$ _____ with interest on the unpaid balance at the rate of four per centum per annum.

✓ (j) The ownership of the shares of the capital stock which are issued on account of a producing well must follow the ownership of the operating rights in such well and in the event of a transfer of the operating rights in a well the stock certificate issued on account of such well must be transferred to the new owner of such operating rights. If the operating rights in a well are owned by more than one person or corporation the stock certificate shall include the names of all such owners and in the event of a transfer of either the entire operating rights or an undivided interest in same, the new certificate will likewise contain the names of all of the owners of the operating rights in such well after such transfer.

(k) If any well on account of which capital stock has been issued is abandoned before the full amount of the purchase price of such stock has been paid, the stock certificate shall be surrendered and a new certificate

shall be issued in lieu of same representing the number of shares for which payment has been received. The shares represented by such certificate shall be considered fully paid shares of stock. If the holder of such certificate should subsequently complete a producing well in which he is the owner of the operating rights and such well is located upon a tract of land which has been committed to the plan in one of the methods specified herein, then such holder of such certificate may at his option apply such certificate as a credit toward the payment for the shares of stock subscribed for on account of such subsequent well, the amount of such credit to be fixed by the Directors upon a fair and reasonable basis.

(1) The holder of any stock certificate which represents shares of capital stock issued on account of a well which has subsequently been abandoned shall not possess any voting rights with respect to such shares of stock excepting in matters pertaining to the dissolution of the corporation, provided, however, that when any stock certificate is surrendered and credit obtained on another certificate in the manner provided in sub-paragraph (k) above, the voting power of the certificate to which such credit is applied shall not be impaired by reason of such credit.

(m) It is not contemplated that any profits shall inure to the Association by reason of its operations or that any dividends shall be paid to the stockholders excepting upon dissolution. The Directors in their discretion, however, may establish and maintain a reserve fund for repairs, replacements, and deficits in operating expenses. The Directors shall maintain an operating fund composed of monies received from the sources specified herein and of

Reserve & operating funds

any other income received by the Association out of which operating fund payment shall be made for operating expenses and for such other purposes as are specified in this

Ms. 11/24/1941 - agreement. No mortgage or other encumbrance of the system other than the mortgage provided for in paragraph 7 shall be valid and binding upon the Association or a lien upon the system unless authorized by a vote of the holders of three-fourths (3/4ths) of the outstanding capital stock having voting rights.

(n) The Directors shall cause quarterly reports to be made to the stockholders reflecting the operations of the Association for the preceding three months and such reports shall contain complete statements of the receipts and disbursements of monies by the Association. The books and records of the Association, including the records and reports of all working committees, shall be open to inspection at all times by any stockholder.

(o) Any time after but not before the bank loan referred to in paragraph 7 is retired, the Association may be dissolved by a vote of the holders of two-thirds (2/3rds) of the issued capital stock.

✓ 6. The Association is obligated to construct and install and to maintain and operate an adequate pressure maintenance system in the Field in accordance with the following stipulations, conditions, and requirements:

✓ (a) The plans and specifications for the system shall be prepared by the Engineering Committee and approved by the Directors.

(b) The cost of the system installed shall not exceed \$ _____ ?.

✓
h. 7 last
p. 10.

Association

(c) The system will utilize the waste gas obtained from the operators in the Field by returning such gas to the oil bearing formations but in the furtherance of the conservation plan natural gas from other fields or from formations within the Field other than the oil bearing formations also may be utilized.

Association

(d) The system shall be operated for the purpose of securing and maintaining within reasonable limits a state of equilibrium as to bottom hole pressure among the producing wells in the Field, but such result is not guaranteed by the Association.

*Conservation
Input wells
Sec 3(d)*

(e) In order to avoid the expense of drilling wells for use in returning the waste gas to the oil bearing formations, producing oil wells in the Field may be used as input wells. Such input wells shall be changed at proper intervals as recommended by the Engineering Committee and approved by the Directors.

*Intermediaries
operator*

(f) Any owner of the operating rights in a producing well or wells who becomes dissatisfied for any reason on account of the operation of the system or any feature of such operation shall be entitled to submit his objections in writing to the Engineering Committee who shall grant a full and complete hearing upon such objections. Such operator also shall be entitled to appeal to the Directors from the decision of the Engineering Committee after such hearing and the decision of the Directors shall be final unless thereafter disapproved by the Commission if the well or wells involved are located on State land or privately owned land, or by the Secretary if the well or wells involved are located on Government lands, provided, however, that

Commission

nothing contained in this sub-paragraph shall be construed as authorizing any action to be taken which will impair the obligation of either party under this agreement or the validity of any lien provided for herein.

Finance
7. It is contemplated that the funds for construction and installation of the system will be obtained by the Association through a bank loan with an interest rate not in excess of four per centum per annum and that such loan will be secured by an assignment to the bank of the amounts which the Association is or shall be entitled to receive in payment for its capital stock and by a first mortgage upon the system and the rights, easements and other privileges granted to the Association by the operator in this agreement and by the other operators in similar agreements. The Association shall execute to the bank making the loan its promissory note for the full amount of the loan with a maturity date so fixed that the payments on the stock subscriptions may be expected to retire the loan at or before the maturity date of such promissory note. The amount of such loan shall not exceed the amount required for the installation and construction of the system, provided, however, that a sum not to exceed Five Thousand Dollars (\$5,000.00) may be added to the cost of the system and included in the amount of the loan which said additional amount shall become a part of the operating fund provided for in paragraph 5 (m) above. All amounts received by the bank pursuant to the said assignment from the Association after deducting one *14 per cent* *for operating expenses* per barrel of the working interest oil for operating expenses shall be applied monthly toward the payment of the said promissory note. After the said promissory note has

been paid in full all other sums accruing as payments for capital stock shall be covered into the operating fund provided for in paragraph 5 (m) above, excepting such portion as the Directors may elect to retain in the reserve fund provided for in said paragraph 5 (m). If the amounts received by the bank pursuant to the assignment above mentioned shall be insufficient to repay the said loan at its maturity then the deficiency shall be treated and considered as an operating expense and shall be paid as such, or the Directors may agree with the bank to an extension or renewal of such deficiency.

*Amnt. of loan
see 4 (4)*

The bank making the loan above authorized shall be entitled to rely upon a certificate of the President or other authorized officer of the Association showing the cost of the installation and construction of the system and any amount loaned on the basis of such a certificate shall be a binding obligation of the Association, although such sum may be in excess of the actual cost of installation and construction plus the sum of \$5,000.00 above mentioned.

8. The Operator is obligated as follows:

*com
gas*

(a) The Operator at his own expense will prevent the escape of the waste gas, excepting such as may be unavoidably lost, which shall be produced from all of the producing wells which are or may hereafter be located upon the tracts of land described in paragraph 4. Such waste gas, excepting such as may be required for operating purposes, shall become the property of the Association and shall be delivered to the Association by the Operator on his lease without removal of the gasoline content and shall be transported to the pressure station by the Association at its own expense and through

gathering lines laid by it. To effectuate orderly delivery of such waste gas, Operator will flow his wells according to such schedule as may be established by the Engineering Committee.

(b) The Operator hereby grants to the Association during the continuance of the operating rights of the Operator an easement over and upon the lands in the Field described in paragraph 4 (a) for the purpose of laying and maintaining gathering lines from Operator's wells and also from other wells in the Field and for the laying and maintaining of pressure lines to input wells whether such wells are located on Operator's lease or other leases in the Field and for the purpose of constructing, maintaining, and operating pressure stations and other structures and installations which may be required for the operation of the system, provided, however, that all lines, structures, or installations built or laid upon any lands of Operator in the Field shall be so constructed and laid as to avoid unnecessary interference with Operator's lease operations.

(c) The Operator hereby grants to the Association the right of ingress and egress with respect to all of Operator's said lands and to the producing wells located thereon insofar as may be necessary or convenient for the proper installation and maintenance of the system, provided, however, the Association shall save and keep harmless the Operator from all lawful claims and demands of other persons insofar as any such claim or demand results from the operations of the Association on the Operator's said lands or with reference to the Operator's said wells and provided further the Association shall be liable to the Operator for

any damage resulting and resulting only from the negligence of the agents and employees of the Association while engaged in the performance of their duties as such. The Association shall at all times maintain for the protection of Operator adequate property damage and public liability insurance.

*Input wells
see 6(2)*

(d) The Association shall be entitled to use any well located upon Operator's said lands as an input well for the purpose of returning waste gas to the oil bearing formations or for the purpose of introducing natural gas from areas outside the Field or from other formations within the Field into the oil bearing formations of the Field. The use of such input wells may be continued for such periods of time as may be recommended by the Engineering Committee subject to the right of the Operator to appeal from the decision of the Engineering Committee in the manner provided in this agreement. The Operator shall be entitled to produce from other wells on his lease the amount of allowable production of oil which would have been produced from an input well during the time of its use as such if such well had remained on production. (If at the time this agreement becomes effective only one producing oil well is located upon the lands described in paragraph 4 (a), such well shall not be used as an input well without Operator's consent until another producing oil well is completed upon said lands.)

see 9

*Oil to be produced
in lease for which
gas well
producing
from oil
reservoir
see 11*

(e) If the Operator is or becomes the owner of the operating rights in a well in the Field which produces from an oil bearing formation natural gas only whether such well be located upon the lands described in paragraph 4 or on other lands, Operator will not produce natural gas from said well without the consent of the Directors. With the

consent of the Conservation authority having jurisdiction, Operator shall be entitled to produce from any oil well located on the lease during such time as a gas well on the lease is not producing under the provisions of this paragraph, an amount of oil equal to the largest amount which any producing oil well on the lease is permitted to produce.

Shares 1000 per well

(f) In compliance with paragraph 5 (g) the Operator hereby subscribes for one thousand shares of the capital stock of the Association for each of the producing wells above listed and for each producing well which shall hereafter be completed upon any of the above described lands while the existing operating rights therein remain in effect, said shares of capital stock to be issued and paid for as herein provided.

(g) The Operator agrees to pay to the Association for the shares of capital stock issued to him the agreed amount of \$_____ per share, together with interest on the unpaid balance at the rate of four per centum per annum, such payment to be made in the manner provided in paragraph 9.

Statement

(h) The Operator shall be liable to the Association for his proportionate part of the operating expenses of the system as apportioned by this agreement. In the event there is a deficit in the operating fund, the Directors may meet the deficit from the reserve fund or the deficit may be apportioned among the operators in the proportion which the production from wells owned by the Operator at the time bears to the total production from wells in the Field owned by the Operators. Statements showing such apportioned amounts shall be furnished to the operators and each operator

*Lien on
wells paid
to Assoc. covering
operating
expenses*

shall be required to pay to the Association the amount apportioned to him as shown by such statement within the calendar month in which such statement is received. The Operator hereby gives and grants unto the Association a lien upon the particular well and the production of working interest oil therefrom to secure the payment of Operator's apportioned amount of operating expenses allocated to such well as provided herein.

(i) The Operator upon demand will furnish to the Association for examination by its title attorneys all necessary abstracts of title and other evidences of title reflecting the title to the operating rights described in paragraph 4, but such abstracts of title and other instruments shall remain the property of the Operator and shall be furnished for examination purposes only. If any title defects are disclosed by the examination Operator will make diligent effort to remedy same.

*Assign. 9:05 pm 11/1
by Operator to
Assoc. to secure
payment of
shares & lease*

9. The Operator hereby assigns, transfers, and sets over to the Association out of the proceeds from the sale of the working interest oil which shall be produced, saved, and marketed from and after the date of the commencement of the installation of the system from the producing wells above described and from each producing well which may be completed hereafter upon any of the above described tracts of land an amount equal to five cents for each barrel of such working interest oil until payment in full has been received by the Association of the respective amounts which the Operator has obligated himself herein to pay to the Association for shares of the capital stock and Operator will execute such transfer orders as may be necessary to secure to

the Association the payment of said amount. Of said five cents per barrel an amount not to exceed one cent may be retained by the Association as an operating fund and the remaining amount not so retained shall be applied as a credit toward the purchase price of the capital stock issued to the Operator on account of the well from which the amount credited is received, such credits to be applied monthly, first to unpaid interest and then to principal. For the purpose of this agreement oil produced as an allowable to the owner of a non-producing gas well or input well shall be considered as having been produced from such gas well or input well and shall be obligated to the payment of the five cents per barrel provided above in this paragraph and the amounts thus received by the Association shall be applied as if the oil had been produced from the well for which the allowable was made.

✓
See 8(d)(2)

10. When the said five cents per barrel from a producing well less the amounts deducted or reserved for operating expenses shall equal the amount agreed to be paid by the Operator for the capital stock issued on account of such well, then the assignment provisions of the paragraph next preceding shall terminate as to such well, provided, however, that this paragraph shall not be construed as relieving any oil produced from such well as an allowable for a non-producing gas well or input well from the obligation to pay the five cents per barrel referred to in paragraph 9 above so long as any balance remains unpaid on any stock certificate which may have been issued on account of such gas well or input well.

✓
See 9

11. The Operator hereby declares that the

obligation to pay the above mentioned five cents per barrel of working interest oil which shall be produced from Operator's wells shall constitute a direct obligation of the Operator to the Association and to the above mentioned bank as its assignee which shall be unqualified and unconditional and not revocable for any cause whatsoever so long as the said obligation is held by the said bank or its assigns as security for the said loan.

Covenants running with land

12. The obligations imposed upon the Operator by this agreement shall be considered as covenants running with the land and shall be binding upon any person or corporation succeeding to the ownership of any or all of the above described operating rights and such succeeding owner shall be entitled to all the benefits and privileges accruing and to accrue to the Operator under this agreement, including the ownership of the shares of stock of the Association previously issued to the Operator on account of any producing well included in the transfer to such successor.

IN WITNESS WHEREOF, this agreement has been signed in duplicate by the parties on this the _____ day of January, A. D., 1941.

LOCO HILLS PRESSURE MAINTENANCE
ASSOCIATION, INC.

By _____
President.

ATTEST:

Secretary.

STATE OF NEW MEXICO X
 X ss.
COUNTY OF EDDY X

On this the ____ day of January, A. D., 1941,
before me personally appeared _____
to me personally known, who, being by me duly sworn, did say
that he is the _____ President of Loco Hills Pressura
Maintenance Association, Inc. and that the seal affixed to
the foregoing instrument is the corporate seal of said
corporation, and that said instrument was signed and sealed
in behalf of said corporation by authority of its Board of
Directors, and said _____
acknowledged said instrument to be the free act and deed of
said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand
and affixed my official seal on the day and year in this
certificate first above written.

My commission expires _____

Notary Public.

OIL CONSERVATION COMMISSION

December 30, 1940

C
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P
Y

Honorable Ernest A. Hanson
Oil & Gas Supervisor
Department of the Interior
Roswell, New Mexico

Re: Cases Nos. 21-B, 22, 23, 24 and 25.

My dear Mr. Hanson:

Under separate cover you are being sent the transcripts in the hearings held recently in the above captioned cases.

With kindest personal regards,

Cordially yours,

Carl B. Livingston
Attorney

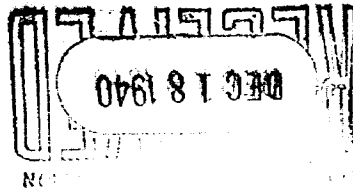
CBL:ik

ATWOOD & MALONE
LAWYERS

JEFF D. ATWOOD
ROSS L. MALONE, JR.

J. P. WHITE BUILDING
ROSWELL, NEW MEXICO

December 17, 1940



State Conservation Commission,
Santa Fe,
New Mexico.

Gentlemen:

We had expected to mail to you today the amended application of the Loco Hills Operators' Committee but on account of delay in getting the necessary information for defining the limits of the field, we have not been able to complete the application. This information should reach us by early air mail tomorrow and if received we expect to get the amended application in tomorrow's mail. The original will be mailed to Santa Fe with a copy to the Hobbs office, both by air mail.

Yours truly,

ATWOOD & MALONE

By: 

JDA:IH

cc: State Conservation Commission,
Hobbs, New Mexico.

STATE OF NEW MEXICO
DEPARTMENT OF JUSTICE

E. K. NEWMANN
ATTORNEY GENERAL

Santa Fe
February 1, 1934.

Honorable Frank Vesely,
Commissioner of Public Lands,
Santa Fe, New Mexico.

Dear Sir:

Your letter of January the 31st, raises the question as to whether or not the Commissioner of Public Lands has the power to enter into agreements which will have the effect of placing in operation the unit plan for development of oil fields in this State, this plan being commonly referred to as unitization.

Sections 97-601 and 97-602 of the 1929 Compilation are as follows:

"Agreements made in the interest of conservation of oil and gas, or the prevention of waste, between and among operators owning separate holdings in the same oil and gas pool, or in an area that appears from geological or other data to be underlaid by a common accumulation of oil or gas, or both, or between and among such operators and royalty owners therein for the purpose of bringing about the development and operation of said pool, or area, or any part thereof, as a unit or establishing and carrying out a plan for the co-operative development and operation thereof, when such agreements are approved by the state geologist, are hereby authorized and shall not be held or construed to violate any of the statutes of this state, relating to monopolies or contracts and combinations in restraint of trade."

"When such agreements as are described in Section 1 (97-601) of this act relate to an oil and gas pool wherein are situated lands in which the state owns mineral or royalty interests the commissioner of public lands is hereby authorized to enter into such agreements as a party thereto, on behalf of the state, when in his judgment the best interests of the state will be served thereby."

Under these provisions, it has been held by this office, in Opinion No. 203, that the land commissioner has the power to enter into agreements in the interest of conservation of oil and gas and which

Hon. Frank Vesely #2.

2-1-34.

agreements pertain to the other matters set forth in these sections and that such agreements, in order to give them force, must carry the approval of the State Geologist.

However, this leads us to give consideration to section 10 of the Enabling Act, wherein it is provided as follows:

"That it is hereby declared that all lands hereby granted, including those which, having been heretofore granted to the said territory, are hereby expressly transferred and confirmed to the said state, shall be by the said state held in trust, to be disposed of in whole or in part only in manner as herein provided and for the several objects specified in the respective granting and confirmatory provisions, and that the natural products and money proceeds of any of said lands shall be subject to the same trusts as the lands producing the same.

"Disposition of any of said lands, or of any money or thing of value directly or indirectly derived therefrom, for any object other than that for which such particular lands, or the lands from which such money or thing of value shall have been derived, were granted or confirmed, or in any manner contrary to the provisions of this act, shall be deemed a breach of trust."

Apparently, therefore, under the Enabling Act, the Commissioner of Public Lands would have no right to enter into any agreement which by the terms thereof would have the effect of reducing the proceeds which would otherwise accrue to the State of New Mexico.

✓ We have in mind particularly the question of royalties upon oil and gas produced upon state owned lands. In other words, under the unit plan, if a well should be drilled upon state lands which produces a thousand barrels of oil, such oil is prorated among the other signers of the unitization agreement. It must be made clear that the state cannot waive its right to any royalties upon oil and gas produced upon state owned land.

We see no reason, however, why the commissioner, with the approval of the state geologist, could not enter into such an agreement provided same carries an exception in so far as royalties are concerned, and we would suggest that under this plan it be made clear in the agreement that the royalty upon oil and gas produced on state owned land must be paid in accordance with the actual amounts of production and before division or proration among other signers of the agreements.

Hon. Frank Vesely

#3

2-1-34.

COPY

To enter into a straight unit plan agreement without taking the question of royalty due the state into consideration would, in our opinion, be repugnant to the above provisions of our Enabling Act.

Trusting the above sufficiently advises you as to your inquiry, I am

Very truly yours,

E. K. NEWMAN
ATTORNEY GENERAL

By FRANK H. PATTON
ASSISTANT ATTORNEY GENERAL.

FHP-KR



SKELLY OIL COMPANY

TULSA, OKLAHOMA

PRODUCTION DEPARTMENT
H. M. STALCUP, VICE PRESIDENT
J. S. FREEMAN, ASSISTANT

December 2, 1940

Oil Conservation Commission
Santa Fe, New Mexico

Case No. 23 - Loco Hills Repressuring

Gentlemen:

We would like to have this letter considered by the Oil Conservation Commission in relation to Case No. 23, to be heard at 2 p.m. on December 11, 1940.

The Skelly Oil Company feel that the Commission should encourage experimental repressuring, which will determine the economic or profitable results of said gas injection. There are various unknown factors such as profitable results of such work, which may result in greater ultimate recovery but no additional profit owing to the low permeability of New Mexico sands.

We feel that the Commission should allow the present daily oil allowable of each gas input well to be transferred to other wells on the same lease, which is similar to policy of the Department of the Interior in the South Burbank pressure maintenance pool, Oklahoma. After a year of gas input, it may be advisable at that time to allow oil allowables of 160-acre tracts to be produced from any wells on the tract, in order that certain wells may be shut in to avoid gas channeling.

However, we strongly support a fair, equitable distribution of the statewide allowables between pools in New Mexico on a unit basis, similar to the State's policy in past years. It is a great credit to New Mexico, and has eliminated special privilege. For that reason we believe that the regular daily allowables for all wells, including the input wells, are sufficient reward at this time for experimental repressuring.

Very truly yours,

SKELLY OIL COMPANY

By

Colin C. Rae.

CCR/mb
cc-Mr. Dunlavey

SINCLAIR PRAIRIE OIL MARKETING COMPANY

NATIONAL BANK OF TULSA BUILDING

TULSA, OKLAHOMA

RECEIVED
STATE LAND OFFICE

DEC 6 9 12 AM '40

SANTA FE, N. M.

N. K. MOODY
PRESIDENT

December 4, 1940.

Oil Conservation Commission,
State of New Mexico,
Santa Fe, N. M.

Gentlemen:-

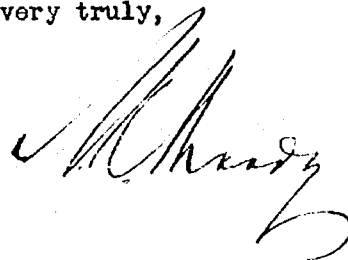
Attention: Mr. Frank Worden,
Commissioner of Public Lands.

We are in receipt of copy of an order dated November 25, 1940, giving notice of a public hearing on Case No. 23 to be held in Santa Fe at 2:00 p. m. December 11, 1940. This hearing is to consider the petition of the Operators' Committee for the operators in the Loco Hills Pool of Eddy County, New Mexico, in connection with the proposal of a collective pressure maintenance program for said pool, and for an order from the Commission permitting a 10% increase over and above the normal allowable for each month until the principal investment in said pressure maintenance program has been amortized.

I believe this Company is the largest purchaser of crude oil produced in the Loco Hills Pool, and, while we are heartily in sympathy with a project for repressuring of producing horizons for the purpose of maintaining the bottom hole pressure of the wells, I feel, in connection with this particular proposal, that we should state clearly that we are not in a position at this time to buy any additional oil in Loco Hills, or anywhere else in New Mexico. As a matter of fact, we are now purchasing a substantial amount of oil in New Mexico in excess of our present outlet for this oil.

As neither Mr. Marlow or myself will be able to attend this hearing, we feel that this information should be clearly stated to your Commission, and through them to the operators concerned, who will no doubt look to us to take the increase from their properties if it is allowed, and I am writing this letter as a means of doing so.

Yours very truly,



NKM-S

OIL CONSERVATION COMMISSION

December 6, 1940

C
O
P
Y

Mr. Fred Brainard, Secretary
Loco Hills Operators' Committee
Artesia, New Mexico

My dear Mr. Brainard:

Reference is made to your letter of December 4th.

I shall be happy to pass your letter on to the attention of Mr. Worden and others of the Commission at the first opportunity. However, as you will recall from the schedule of hearings sent you on November 27, the Commission has in the forenoon of the 11th, beginning with 9:00 A. M., Case No. 22, which is the petition of the operators of a portion of the Langlie Pool in Lea County regarding a proposed unitization and repressuring plan which seems to be the type used by the Department of the Interior.

As you will note, according to the schedule referred to, both the 11th and 12th are well booked up for hearings before the Commission.

Very truly yours,

OIL CONSERVATION COMMISSION

By Carl B. Livingston
Attorney

CBL:ik

ADDRESS ALL COMMUNICATIONS TO SECRETARY

EMERY CARPER
CHAIRMAN GENERAL COMMITTEE

BERT ASTON
CHAIRMAN EXECUTIVE COMMITTEE

FRED BRAINARD
SECRETARY

Loco Hills Operators' Committee

ARTESIA, NEW MEXICO

MEMBERS
MARTIN YATES, JR.
C. M. FOPE, JR.
HUGH JOHNSON

December 4 1940.

Mr. Carl Livingston, Att'y.,
State Land Commission,
Santa Fe,
N.M.

Dear Mr. Livingston;

The Operators of Loco Hills will
be represented before the Conservation Commission in the
hearings on December 11th and 12th.

The Executive Committee of the Loco
Hills Operators, at a meeting last night, decided to have
a meeting at the La Fonda Hotel on the morning of December
11 at 10:00 A.M. to discuss our requests, which have been
changed somewhat, in the light of recent developments.

We would appreciate your inviting
the Conservation Commission as well as yourself, to attend
this meeting.

Please advise me if it is possible
for the Commission to meet with us.

Yours very truly,

Loco Hills Operators Committee

Fred Brainard
Sec.

ARTICLES OF INCORPORATION
OF
LOCO HILLS PRESSURE MAINTENANCE
ASSOCIATION, INC.

The undersigned, who are all of lawful age and are citizens of the United States of America and citizens and residents of the State of New Mexico, do hereby form a corporation under the laws of the State of New Mexico in accordance with the following declarations and provisions and do hereby certify:

I.

The name of the corporation shall be Loco Hills Pressure Maintenance Association, Inc.

II.

The principal office of the corporation in the State of New Mexico shall be located at Artesia in Eddy County. The name of the agent of the corporation in said office and in charge thereof upon whom process against the corporation may be served is Fred Brainard and his Post Office address is Artesia, New Mexico.

III.

The principal object for which the corporation is formed is to construct, maintain, and operate a pressure

maintenance system in the Loco Hills Oil and Gas Field in Eddy County, New Mexico in furtherance of proper conservation of the reservoir energy in said oil and gas field. To that end the corporation shall have power to do and perform any act, transaction, or undertaking which in the opinion of its Board of Directors is expedient, necessary, or conducive to the furtherance of said principal object, including the acquisition, holding, and disposing of real and personal property and interests therein or pertaining thereto, the borrowing of money, the pledging or encumbering of the assets of the corporation as security for money borrowed or debts owed by the corporation, and the acquisition, holding, and disposing of shares of the capital stock of the corporation, provided, however, that transactions by the corporation with reference to shares of the capital stock of the corporation acquired by it shall be subject to the provisions of Section VIII. The corporation also shall have the power to own and operate oil and gas properties and to construct, own, and operate natural gasoline plants.

The corporation shall have the right and power to use its profits, surplus or reserve in the acquisition of property, including its own capital stock, as the Board of Directors may see fit and such property or capital stock shall not be regarded as profits for the declaration or

payment of dividends unless so determined by the Board of Directors.

The enumeration of a specific power herein shall not be considered as excluding other powers not mentioned herein and which in the opinion of the Board of Directors are necessary, expedient, or convenient in the carrying on of the business of the corporation.

IV.

The total authorized capital stock of the corporation that may be issued by it shall consist of 200,000 shares of common stock without nominal or par value and the number of shares with which the corporation will commence business is 3,000 shares. The value of the entire authorized capital stock will not exceed \$250,000.00.

V.

The names of the incorporators and their respective Post Office addresses and the number of shares of the capital stock of the corporation respectively subscribed for by each are:

Bert Aston, Smith, New Mexico.	1,000 shares
Martin Yates, Jr., Artesia, New Mexico . . .	1,000 shares
Fred Brainerd, Artesia, New Mexico	1,000 shares

VI.

The term of the existence of the corporation shall be fifty years.

VII.

The Board of Directors shall be seven in number and shall have power to make and alter the by-laws of the corporation. It shall not be necessary for a director to be a stockholder or a resident of the State of New Mexico. The vote of a majority of the directors shall be required to constitute an act of the Board, provided, however, that the Board may delegate to an executive committee composed of members of the Board such authority and duties as the Board may prescribe. Unless required by the by-laws, the directors shall not be elected by ballot but shall be elected upon motion at the annual meeting of the stockholders, provided, however, that vacancies in the Board shall be filled and the number of directors may be changed as prescribed by the by-laws.

VIII.

Notwithstanding the corporation is not being organized on a cooperative basis as such term is defined by New Mexico law, it is contemplated that the corporation will not be operated for profit to the stockholders through the declaration of dividends, but that the benefits which the stockholders will receive will result from the co-operation by the owners of producing oil and gas wells in the said oil and gas field in furthering the plan for the

conservation of the reservoir energy in said field. To that end it is considered essential that the ownership of the capital stock of the corporation be limited to the owners of producing oil and gas wells in said field and the ownership of the shares of capital stock issued on account of a producing well shall follow the ownership of such well and any attempted ownership, control, or transfer of any of the capital stock of the corporation in violation of the restrictions upon stock ownership imposed by this section shall be null and void. In the event a well is abandoned, any shares of capital stock previously issued on account of such well shall cease to carry voting rights, excepting in matters pertaining to the dissolution of the corporation.

IX.

The capital stock of the corporation shall be issued and disposed of for such consideration and upon such terms as may be fixed by the Board of Directors and the Board may authorize the issuance of such shares upon a deferred payment basis instead of for cash, provided the deferred payments are secured in a manner satisfactory to the Board. The certificates representing shares of the capital stock sold on a deferred payment basis may be

delivered upon the acceptance by the Board of the required security, but the corporation shall have a lien on such certificates for the unpaid balance of the purchase price for same until payment in full of the purchase price has been received.

X.

The Board of Directors shall not be required in January in each year or at any other time to declare a dividend among its stockholders of the whole or of any part of its accumulated profits but the Board in its discretion may cover such accumulated profits into an operating fund or a reserve fund or both, as may be provided in the by-laws.

STATE OF NEW MEXICO I
County of Eddy ss.

On this the _____ day of January, A. D., 1941,
before me personally appeared Bert Aston, Martin Yates,
Jr., and Fred Brainard to me personally known to be the
persons described in and who executed the foregoing in-
strument, and acknowledged that they executed the same as
their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand
and official seal on the day and year in this certificate
first above written.

Notary Public

My commission expires:

- SUBORDINATION AGREEMENT -

KNOW ALL MEN BY THESE PRESENTS: That,

WHEREAS, on the _____ day of January, A. D.,
1941 _____, hereinafter referred to as
mortgagor, was the owner of the operating rights for oil
and gas in the following described tracts of land located
in Eddy County, New Mexico:

and,

WHEREAS, on said date the mortgagor as the operator
entered into a certain agreement in writing with Loco Hills
Pressure Maintenance Association, Inc., hereinafter styled
Association, affecting said operating rights in said tracts
of land and the producing oil and gas wells located thereon
and the production of oil and gas therefrom, to which agree-
ment in writing reference is hereby made for the full terms
and provisions of same; and,

WHEREAS, on the _____ day of _____, A. D.,
19____ the mortgagor did execute and deliver to the under-
signed _____ as the mortgagee that certain
mortgage affecting certain of the said described tracts of
land and of the said producing oil and gas wells and the

production therefrom which said mortgage was recorded on the ____ day of _____, 19____ in Book ____ at page ____ of the Mortgage Records of said Bury County, New Mexico; and,

WHEREAS, the undersigned mortgagee represents that he is the owner of the lien created by the said mortgage and of the indebtedness secured by same and is willing that the lien of the said mortgage be subordinated to the terms and provisions of the above mentioned written agreement;

NOW THEREFORE, the mortgagee for and in consideration of the sum of One Dollar and other valuable considerations to him in hand paid by the Association, the receipt whereof is hereby acknowledged, does hereby agree and declare that the lien of the above described mortgage be and the same hereby is made subject and inferior to the terms and provisions of the said written agreement to the same extent and effect as if the said written agreement had been executed and recorded prior to the execution and recording of the said mortgage, provided, however, that nothing contained herein shall be construed as modifying, changing, or altering the obligation and liability of the mortgagor to the mortgagee as set forth and fixed by the said mortgage and by the promissory note or other evidence of indebtedness secured by same.

IN WITNESS WHEREOF, mortgagor has signed his
name hereunder on this the _____ day of January, A. D.,
1941.

STATE OF _____ ss.
COUNTY OF _____

On this the _____ day of January, A. D., 1941,
before me personally appeared _____
to me personally known to be the person described in and
who executed the foregoing instrument, and acknowledged
that he executed the same as his free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand
and official seal on the day and year in this certificate
first above written.

Notary Public

My commission expires

- RATIFICATION AGREEMENT -

KNOW ALL MEN BY THESE PRESENTS: That

WHEREAS, on the _____ day of January, A. D.,
1941, _____,
hereinafter referred to as Operator, was the owner of the
operating rights for oil and gas in the following described
tracts of land located in Eddy County, New Mexico:

and

WHEREAS, on said date the Operator entered into
a certain agreement in writing with Loco Hills Pressure
Maintenance Association, Inc., hereinafter styled
Association, affecting said operating rights in said
tracts of land and the producing oil and gas wells located
thereon and the production of oil and gas therefrom, said
agreement having been recorded on February _____, 1941,
in Book _____ at page _____ of the _____
Records of Eddy County, New Mexico, to which agreement and
the said record thereof reference is hereby made for the
full terms and provisions of such agreement, and

WHEREAS, on the _____ day of _____,
A. D., 19____, the Operator did enter into a certain agree-
ment in writing with the undersigned _____
_____, hereinafter styled the Payee,
providing for the payment to the Payee of the sum of
\$ _____ to be paid out of the proceeds from the sale
of _____ of the working interest oil and
gas produced from those certain oil and gas wells located
on the above described tracts of land and more particularly
described as follows:

and

WHEREAS, by the terms of the agreement between
the Operator and the Association, it is provided that the
Operator shall pay to the Association an amount equal to
five cents per barrel of the working interest oil which
shall be produced from each of said described wells until
the amount so paid from each well, less deductions for
operating expenses, shall amount to the total sum of
\$ _____ with interest at the rate of four per cent
per annum on the unpaid balance, and

WHEREAS, Payee is willing that said sum of five
cents per barrel be deducted and paid to the Association

from so much of the oil produced from the above described wells, the proceeds from which Payee is entitled to have applied to the oil payment above described, subject, however, to the terms and conditions hereinafter stated:

NOW, THEREFORE, the undersigned _____, the said Payee, for and in consideration of the sum of One Dollar (\$1.00) and other valuable considerations to _____ in hand paid by said Association and the said Operator, the receipt whereof is hereby acknowledged, does hereby consent and agree that there shall be paid to the Association out of the proceeds from the sale of so much of the oil produced from the above described wells and allocated to the payment of the above mentioned oil payment, the said sum of five cents per barrel until said sum, together with other sums received by the Association from each of said wells, shall equal the said amount of \$_____ per well with interest as stated, all as more particularly provided by the terms of the said agreement dated January ____, 1941, which is hereby ratified and approved by Payee to the extent his interest in said wells and the production therefrom is affected. Upon receipt by the Association of said amount out of the production from any well, then this consent and agreement as to such well shall terminate.

It is specifically understood and this consent and agreement is upon the condition that nothing contained herein shall be construed as reducing the amount which the

Payee is entitled to receive from the Operator under the terms of the said oil payment contract and that the terms and provisions of said oil payment contract shall remain in full force and effect, excepting as modified herein.

IN WITNESS WHEREOF, the Payee has signed hereunder on this the _____ day of February, A. D., 1941.

STATE OF NEW MEXICO }
County of Eddy } ss.

On this _____ day of February, A. D., 1941,
before me personally appeared _____,
to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed the same as _____ free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on the day and year in this certificate first above written.

Notary Public

My commission expires:

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION

1201

SYMBOLS

DL = Day Letter
NT = Overnight Telegram
LC = Deferred Cable
NLT = Cable Night Letter
Ship Radiogram

R. B. WHITE
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

The time shown in the data line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination.

DBA2 53 NT 4 EXTRA=OKLAHOMACITY OKLA 16 VIA SANTAFE NMEX 17
A ANDREAS=

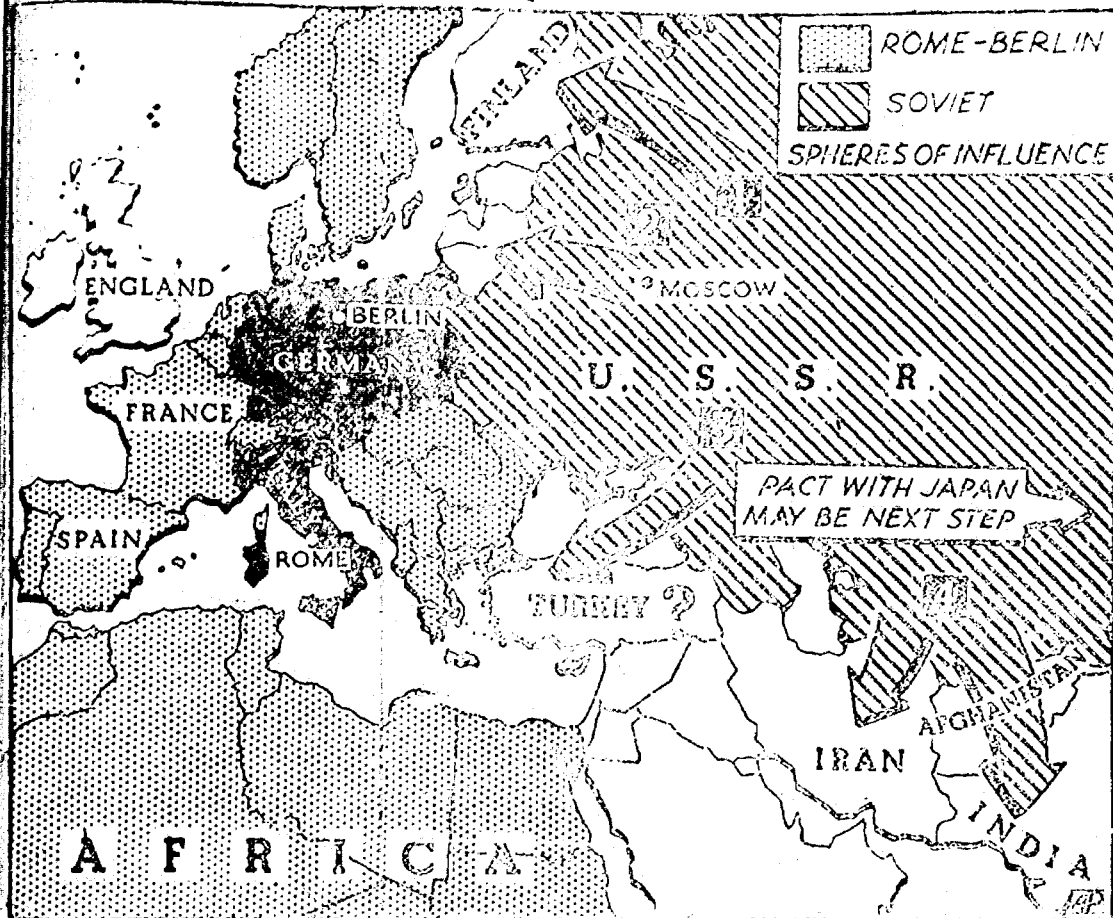
CARE OIL CONSERVATION COMM HOBBS NMEX=

AIR MAILED REPORTS TODAY. INDIVIDUAL COPIES TO GOVERNOR
MILES, WORDEN AND LIVINGSTON. YOUR LARGER COPY WILL BE
MAILED THE LATTER PART OF THIS WEEK. PLEASE USE GOVERNORS
COPY UNTIL THEN AS I DO WANT TO COMPLETE YOURS. BENNETTS
REPORT WILL BE MAILED DIRECT FROM PONCACITY LATER THIS
WEEK REGARDS=

CHUCK ASTON.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

Axis-Moscow 'Deal' As Pictured By Reports From Berlin



Unofficial reports from Berlin drew this picture of "spheres of interests" created by their recent Hitler-Molotoff negotiations. Russia is to have her vast region of domination (diagonal lines) lying between Japan and Axis dominated Europe. All of Africa and dotted portion of Europe shall

be under control of Axis (black area). Russia has gained territory recently in Finland (1), and the Baltic states (2), but the Dardanelles (3) will remain untouched if Turkey "behaves." Russia has Axis permission to gain access to the world's oceans via Iran or Afghanistan and British India.

thing O. K. Contact me (your wife). Leilla.
"K. T.—Real estate agent en route to Florida to look over our property. Communicate with Uncle Harry. Hold out for \$5,000. L. C."

The more I look through these notices the more I am convinced O. Henry himself was an agony column fan. All the old Four Million are here (they're 7,000,000 now). . . The Cabbages and Kings. Boy meets girl. . . Dog bites girl. . . Boy loses girl. . . Come home, all forgiven. . . I won't pay my wife's debts. . . We can work out our problems, honey. I know we can, if you will meet me at mother's.

In some of these notices you will find material for a sermon or a play. If Johnny hasn't got his birth certificate, they won't issue him a driver's license. This may seem funny to you, but not to Johnny.

Rodents Are Enemy

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACTS OF CONGRESS OF AUGUST 24, 1912, AND MARCH 3, 1933

Of daily Current-Argus published daily at Carlsbad, N. M., on September 30, 1940.

STATE OF NEW MEXICO

COUNTY OF EDDY

Before me, a Notary Public in and for the State and county aforesaid, personally appeared F. B. Rigdon, who, having been duly sworn according to law, deposes and says that he is the Publisher of the Daily Current-Argus and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, as amended by the Act of March 3, 1933, embodied in section 537, Postal Laws and Regulations, printed on the reverse of this form, to-wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are:

Publisher F. B. Rigdon, Carlsbad, New Mexico.

Editor Kenneth Dixon, Carlsbad, New Mexico.

2. That the owner is: If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding one per cent or more of total amount of

than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stocks, bonds, or securities than as so stated by him.

5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the twelve months preceding the date shown above is 2,555 (This information is required from daily publications only.)

F. B. RIGDON, Publisher.

Sworn to and subscribed before me this 20th day of Nov. 1940.

ETHEL M. HIGGINS.

(My Commission expires 4-25, 1940)

(SEAL)

He Engineered His Way Into Jail House

HUTCHINSON, Kas. — (AP) — When the inmates at Kansas state reformatory here feel like discussing big "jobs," they call first on a new arrival from Kansas City.

He "lifted" a freight train complete with four cars and herded it without mishap over 40 miles of track between Kansas City and Lawrence, Kas. Pursuing officers stopped the train by severing an air hose connection between cars with bullets.

Eagles are found in all parts of the globe except arctic and antarctic regions.

Current-Argus Want Ads Click!

Buy Your Radios At Sears And Save

You have 40 models to select from at Sears, and each Silver-tone, is guaranteed.

5 Tube table model, built in aerial, instamatic tuning, automatic volume control, super-heterodyne circuit, \$9.95. Use Sears easy payment plan.

H. C. BOHANNON

Representative
SEARS, ROEBUCK & CO.
625 S. Canal
PHONE 630

Give Us Your Mail Orders

XMAS 1940 YOUR PHOTOGRAPH

The Only Gift--
That Only You--
Can Give

RAY V. DAVIS
Photographer

NOTICE OF SALE

OF REAL PROPERTY ON WHICH TAXES ARE DELINQUENT TO

Harry Leonard
Roswell, New Mexico

November 27, 1940

Mr. Carl B. Livingston
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Dear Mr. Livingston:

I wish to thank you for notice of the hearings
to be held in Santa Fe on December 11 and 12.

Yours very truly,


Harry Leonard

hl-bv

November 27, 1940

Honorable Fred Brainard, Secretary
Loco Hills Operators' Committee
Artesia, New Mexico

Dear Mr. Brainard:

Enclosed please find calendar giving
consecutive order of hearings set by the Commis-
sion. All interested parties are requested to
be ready.

Very truly yours,

OIL CONSERVATION COMMISSION

By

Carl B. Livingston
Attorney

CBL:ik
Enc.

November 27, 1940

Honorable Bert Aston
607 Franklin Building
Oklahoma City, Oklahoma

My dear Mr. Aston:

Enclosed please find calendar giving
consecutive order of hearings set by the Commis-
sion. All interested parties are requested to
be ready.

Very truly yours,

OIL CONSERVATION COMMISSION

By Carl B. Livingston
Attorney

CBL:lk
Enc.

ADDRESS ALL COMMUNICATIONS TO SECRETARY

EMERY CARPER
CHAIRMAN GENERAL COMMITTEE
BERT ASTON
CHAIRMAN EXECUTIVE COMMITTEE
FRED BRAINARD
SECRETARY

Loco Hills Operators' Committee

ARTESIA, NEW MEXICO

MEMBERS
MARTIN YATES, JR.
C. M. POPE, JR.
HUGH JOHNSON

November 16 1940

Mr. A. Andreas,
State Geologist,
Santa Fe,
N.M.

Dear Sir;

Some two weeks ago I wrote the Conservation Commission a letter requesting a hearing be held in regard to the 10% additional allowable and other matters as discussed in our meeting here, at which you were present.

I have had no acknowledgement of the receipt of this letter and presume that it has been mislaid or pigeon-holed.

We would greatly appreciate it if you would call the attention of the commission to this request with a view of having this hearing at an early date as possible.

We have completed all of our other preliminary work, even to having it financed and are only waiting on the Commission's order as to the above matter.

Yours very truly,

Loco Hills Operator's Committee

by *Fred Brainard*
Fred Brainard Sec.

*Conf. This answered
by tele. previous Sunday
was answered by telegram
of the matter. I intended to get the
approval of State for public hearing
and day*

OIL CONSERVATION COMMISSION

November 25, 1940

C
The Artesia Advocate
Artesia, New Mexico

Gentlemen:

O
There is enclosed herewith a Notice for Publication, which you are kindly requested to publish once immediately. You are also requested to furnish this Commission with a copy containing this publication.

P
Immediately upon completion of the publication, be sure to transmit to the Oil Conservation Commission your affidavit of publication.

Y
Upon sending to the Commission your affidavit of publication, please send your statement in duplicate and enclosed purchase voucher also in duplicate.

Very truly yours,

OIL CONSERVATION COMMISSION

By Carl B. Livingston
Attorney

CBL:ik
Encls.

OIL CONSERVATION COMMISSION

November 25, 1940

C
The Current-Argus
Carlsbad, New Mexico

Gentlemen:

O
There is enclosed herewith a Notice for Publication, which you are kindly requested to publish once immediately. You are also requested to furnish this Commission with a copy containing this publication.

P
Immediately upon completion of the publication, be sure to transmit to the Oil Conservation Commission your affidavit of publication.

Y
Upon sending to the Commission your affidavit of publication, please send your statement in duplicate and enclosed purchase voucher also in duplicate.

Very truly yours,

OIL CONSERVATION COMMISSION

By Carl B. Livingston
Attorney

CBL:ik
Encls.

OIL CONSERVATION COMMISSION

November 25, 1940

C
O
P
Y

Santa Fe New Mexican
Santa Fe, New Mexico

Gentlemen:

There is enclosed herewith a Notice for Publication, which you are kindly requested to publish once immediately. You are also requested to furnish this Commission with a copy containing this publication.

Immediately upon completion of the publication, be sure to transmit to the Oil Conservation Commission your affidavit of publication.

Upon sending to the Commission your affidavit of publication, please send your statement in duplicate and enclosed purchase voucher also in duplicate.

Very truly yours,

OIL CONSERVATION COMMISSION

By Carl B. Livingston
Attorney

CBL:ik
Encls.

VICE
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(18)

WESTERN UNION

1201

SYMBOLS	
DL	Day Letter
NT	Overnight Telegram
LC	Deferred Cable
NLT	Cable Night Letter
Ship Radiogram	

R. B. WHITE
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

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E31 36 DL 1 EXTRA XC=ARTESIA NMEX 7 919A 1941 JAN 7 AM 10 23
A ANDREAS STATE GEOLOGIST=

WILL HAVE MEETING OF LOCO HILLS OPERATORS EVENING OF JAN
EIGHTH TO DISCUSS PRELIMINARY DRAFT OF CONTRACTS PERIOD.
WOULD IT BE POSSIBLE FOR US TO HAVE A DECISION FOR
PRESENTATION TO DIRECTORS AT THAT TIME=
LOCO HILLS OPERATORS COMM FRED BRAINARD SEC.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE
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WESTERN UNION (152)

1201

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Ship Radiogram

R. B. WHITE
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

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RX VE133 11 GOVT XC=ROSWELL NMEX 28 338P

1941 JAN 28 PM 3 54

A ANDREAS=

OIL CONSERVATION COMMISSION SF=

NO OBJECTION TO 100 PERCENT ALLOWABLE IF OPERATORS ARE
IN AGREEMENT=

ERNEST A HANSON.

100.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

(16)

WESTERN UNION

1201

SYMBOLS

DL = Day Letter
NT = Overnight Telegram
LC = Deferred Cable
NLT = Cable Night Letter
Ship Radiogram

R. B. WHITE
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination.

VE113 50 DL 11 EXTRA=ARTESIA NMEX 28 141P

NEWMEXICO OIL CONSERVATION COMMISSION=

"IN SESSION" SF=

WE THE MEMBERS OF THE LOCO HILLS EXECUTIVE COMMITTEE SUPPORT THE RECOMMENDATION OF OUR ENGINEERING COMMITTEE TO GRANT TO BASSETT AND BIRNEY AND WALTER FAIR FULL OIL ALLOWABLE FOR SHUTTING IN THEIR GAS WELLS FOR THE PRESSURE MAINTENANCE PROGRAM=

EMERY CARPER MARTIN YATES JR FRED BRAINARD BERT
ASTON C M POPE JR.

Hugh L. Johnston

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

COPY

March 19, 1941.

Mr. Fred Brainard, Secretary
Loco Hills Operators' Committee
Artesia, New Mexico

RE: Case #23 - Loco Hills
Pressure Maintenance
Plan Order No. 339

Dear Mr. Brainard:

Reference is made to your letter of March 12, enclosing two copies of the Contract and Agreement between the Operators and the Loco Hills Pressure Maintenance Association Inc., with request for approval by the New Mexico Oil Conservation Commission.

It was not the purpose of the Commission in the case heard, to approve in all of the details any specific Contract in which the Loco Hills Operators may enter into with the Corporation which said Operators contemplated forming for the purpose of conducting the administrative affairs of the Loco Hills Pressure Maintenance Plan. The Plan as presented in the Operators' Amended Formal Petition was approved in its general aspects by the Commission in its Order, a copy of which is herewith enclosed. Details of the Contract were left to the Operators.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Attorney

cc Col. J. D. Atwood
Roswell, N.M.

Case 23 - 411

ADDRESS ALL COMMUNICATIONS TO SECRETARY

EMERY CARPER
CHAIRMAN GENERAL COMMITTEE

BERT ASTON
CHAIRMAN EXECUTIVE COMMITTEE

FRED BRAINARD
SECRETARY

Loco Hills Operators' Committee

ARTESIA, NEW MEXICO

MEMBERS

MARTIN YATES, JR.

C. M. POPE, JR.

HUGH JOHNSON

March 12 1941

Mr. Ray Rodgers,
State Land Commissioner,
Santa Fe,
N.M.

Dear Mr. Rodgers;

I am inclosing two copies of our
Contract and Agreement between Operators and the
Assn. in the Loco Hills Pressure Maintenance Installation.

We have applied for our charter and are ready
for the operators to sign contracts in their final form.
We would like the approval of the Conservation Commission
with respect to the contract to be used, and would appreciate
this approval at the earliest date possible.

I might say that we are to day submitting
several copies to the U.S.G.S. for their approval also.

Yours very truly,

Loco Hills Pressure Maintenance Assn.,

by *Fred Brainard*
Fred Brainard

FINDINGS

In the matter of the petition of the Loco Hills Pressure Maintenance Association.

1. The Loco Hills oil and gas field in Eddy County, New Mexico which is referred to in the amended petition should be defined as including the following tracts of land:

o o o o o o o

a. Any previous order of the Commission defining the said field as including other tracts or not including some of the above tracts of land ^{as hereby} ~~should be~~ modified accordingly.

2. The plan for conserving the reservoir energy in the said Loco Hills Field as proposed in the amended petition is a proper and necessary plan in its general aspects for the prevention of waste and the conservation of the natural resources of the State.

3. In the operation of the said conservation plan it is advisable and economical that producing oil wells be used for the purpose of returning waste gas to the oil-bearing formations. During the period of such use it will not be possible for such wells to produce their allowable amount of oil and the owners of such wells will be ^{permitted} ~~entitled~~ to produce such lost allowable from any other well or wells on owner's lease.

4. The two gas wells referred to in the amended petition, if permitted to produce, would produce ^{nitrogen} ~~nitro~~ gas from an oil-bearing formation, and the production of gas from such wells ^{will} ~~therefore is conducive to a lessening~~ ^{result in a decrease} of reservoir energy. It is essential to the success of the proposed conservation

plan that no wells capable of producing gas only should be permitted to produce such gas if such production would come from an oil bearing formation. On account of the fact that the said wells were drilled prior to the formulation of the proposed plan, the owners of said wells should be permitted to receive as compensation for closing in such wells an allowable in oil equal to ^{percent of} the top allowable prevailing in the field and the owners of each of such wells should be permitted to produce such allowable from any ~~other-producing~~ oil wells located on owner's lease, ^{which are} ~~such well producing~~ oil from the same horizon.

~~5. Findings on this point which has to do with the proration of back allowables is held in abeyance pending action by the State Proration Office.~~

JPP

ORDER NUMBER _____

IT IS ORDERED THAT:

1. The Loco Hills oil and gas field, B&O County, New Mexico, is hereby determined as consisting of and including the following described tracts of land:

Township 17 South, Range 29 East: S $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 28, S $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 29, and S $\frac{1}{2}$ of Section 30.

Township 17 South, Range 30 East: NE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$, and S $\frac{1}{2}$ of Section 31, and NE $\frac{1}{4}$ and NE $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 32.

Township 18 South, Range 29 East: All of Sections 1, 2, 3, 4, 5, and NE $\frac{1}{4}$ of Section 6, all of Sections 8, 9, 10, 11, NE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ of Section 12, NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 14, NE $\frac{1}{4}$ SW $\frac{1}{4}$, NE $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 15, NE $\frac{1}{4}$ of Section 16, and the NE $\frac{1}{4}$ of Section 17.

Township 18 South, Range 30 East: NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 5, all of Section 6, and NE $\frac{1}{4}$ of Section 7.

Any previous order of the Commission defining the said field as including other tracts of land or not including some of the above tracts of land is hereby modified accordingly. *That portion of the area heretofore designated as the Loco Hills area, not included in the area hereinabove described is hereby designated as the Res-Area.*

2. The proposed plan for conserving the reservoir energy in the said field as set forth in the amended petition is hereby approved in its general aspects. Such plan shall hereafter be known as the Loco Hills Pressure Maintenance Plan.

3. In the operation of the said Loco Hills Pressure Maintenance Plan producing oil wells may be used for the purpose of returning waste gas to the oil-bearing formations, and the allowable amount of oil which any well so used fails to produce during the period of such use may be produced by the owner of the input well from other wells located on owner's lease. *and in any of the cases of a well as the capacity of such well to produce oil is improved by the use of such well.* If the owner of such input well is the owner of more than one other producing oil well on his lease, the Commission may require, without further notice or hearing, that such lost allowable be apportioned on an equitable basis among owner's other wells on his lease. The well shall be used as an input

well without the consent of the owner.

4. During such period of time as either one or both of the two gas wells referred to in paragraph 11 of the amended petition are not permitted to produce natural gas, the owner or owners of such well or wells shall be permitted to produce from oil wells owned by them on the same lease an allowable in oil equal to 75% per cent of the top allowable prevailing in the field, provided that such allowable of oil be produced from the same horizon from which the natural gas from the closed well or wells would be produced.

In the case of the well owned by R. W. Fair, et al, located on the SE₁SE₂ of Section 10, T. 18 S., R. 8 E., N. 1. P. M., the oil allowable shall be apportioned on an equitable basis among the other wells owned by the owners of the said gas well, which are located on the E₁ of said Section 10.

In the case of the other gas well owned by Bassett and Birney, located on the NW₁SE₂ of Section 11, in said Township and Range, the oil allowable of such well shall be apportioned on an equitable basis among all of the other wells in the field belonging to said owners which are located on State land.

5. For the purpose of taking under further advisement, the Commission reserves herein for a supplemental order the matters in this petition insofar as they relate to the reallocation of back allowable oil in the field, which is presented by paragraph 9 of the amended petition.

BEFORE THE OIL CONSERVATION
COMMISSION OF THE STATE
OF NEW MEXICO

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

CASE NO. 23.

ORDER NO. 339.

THE PETITION OF THE OPERATORS' COMMITTEE FOR
THE OPERATORS IN THE LOCO HILLS POOL IN EDDY
COUNTY, IN CONNECTION WITH THE PROPOSAL OF
A COLLECTIVE PRESSURE MAINTENANCE PROGRAM
FOR SAID POOL.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at two o'clock P. M., December 11, 1940, at Santa Fe, New Mexico.

NOW, on this 28th day of January, 1941, the Commission having before it for consideration the testimony adduced at the hearing of said case and being fully advised in the premises, the Commission finds:

F I N D I N G S

1. That the Loco Hills oil and gas field in Eddy County, New Mexico, which is referred to in the amended petition, should be re-defined as including the following tracts of land:

Township 17 South, Range 29 East: $S\frac{1}{2}S\frac{1}{2}$ of Section 32, $S\frac{1}{2}SW\frac{1}{4}$ of Section 35, and $S\frac{1}{2}$ of Section 36.

Township 17 South, Range 30 East: $NE\frac{1}{4}NE\frac{1}{4}$, $S\frac{1}{2}N\frac{1}{2}$, and $S\frac{1}{2}$ of Section 31, and $W\frac{1}{2}$ and $W\frac{1}{2}E\frac{1}{2}$ of Section 32.

Township 18 South, Range 29 East: All of Sections 1, 2, 3, 4, 5, and $E\frac{1}{2}$ of Section 6, all of Sections 8, 9, 10, 11, $N\frac{1}{2}N\frac{1}{2}$, $S\frac{1}{2}NE\frac{1}{4}$, $SE\frac{1}{4}$ of Section 12, $N\frac{1}{2}N\frac{1}{2}$ of Section 14, $NE\frac{1}{4}NE\frac{1}{4}$, $N\frac{1}{2}NW\frac{1}{4}$ of Section 15, $N\frac{1}{2}$ of Section 16, and the $N\frac{1}{2}$ of Section 17.

Township 18 South, Range 30 East: $N\frac{1}{2}NW\frac{1}{4}$ of Section 5, all of Section 6, and $W\frac{1}{2}$ of Section 7.

2. That the plan for conserving the reservoir energy in the said Loco Hills Field as proposed in the amended petition is a proper and necessary plan in its general aspects for the prevention of waste and the conservation of the natural resources of the state.

3. That in the operation of the said conservation plan it is advisable that producing oil wells be used for the purpose of returning waste gas to the oil-bearing formations. During the period of such use it will not be possible for such wells to produce their allowable amount of oil and the owners of such wells will be permitted to produce such lost allowable from any other well or wells on owner's lease.

4. That the two gas wells referred to in the amended petition if permitted to produce, would produce natural gas from an oil-bearing formation, and the production of gas from such wells will therefore result in a decrease of reservoir energy. It is essential to the success of the proposed conservation plan that no wells capable of producing gas only should be permitted to produce such gas if such production would come from an oil-bearing formation. On account of the fact that the said wells were drilled prior to the formulation of the proposed plan, the owners of said wells should be permitted to receive as compensation for closing in such wells an allowable in oil equal to one hundred per cent (100%) of the top allowable prevailing in the field and the owners of each of such wells should

be permitted to produce such allowable from any oil wells located on owner's lease, which produce oil from the same horizon.

IT IS THEREFORE ORDERED:

1. That the Loco Hills oil and gas field, Eddy County, New Mexico, is hereby re-defined as consisting of and including the following described tracts of land:

Township 17 South, Range 29 East: $S\frac{1}{2}S\frac{1}{2}$ of Section 32, $S\frac{1}{2}SW\frac{1}{4}$ of Section 35, and $S\frac{1}{2}$ of Section 36.

Township 17 South, Range 30 East: $NE\frac{1}{4}NE\frac{1}{4}$, $S\frac{1}{2}N\frac{1}{2}$, and $S\frac{1}{2}$ of Section 31, and $W\frac{1}{2}$ and $W\frac{1}{2}E\frac{1}{2}$ of Section 32.

Township 18 South, Range 29 East: All of Sections 1, 2, 3, 4, 5, and $E\frac{1}{2}$ of Section 6, all of Sections 8, 9, 10, 11, $N\frac{1}{2}N\frac{1}{2}$, $S\frac{1}{2}NE\frac{1}{4}$, $SE\frac{1}{4}$ of Section 12, $N\frac{1}{2}N\frac{1}{2}$ of Section 14, $NE\frac{1}{4}NE\frac{1}{4}$, $N\frac{1}{2}NW\frac{1}{4}$ of Section 15, $N\frac{1}{2}$ of Section 16, and the $N\frac{1}{2}$ of Section 17.

Township 18 South, Range 30 East: $N\frac{1}{2}NW\frac{1}{4}$ of Section 5, all of Section 6, and $W\frac{1}{2}$ of Section 7.

Any previous order of the Commission defining the said field as including other tracts of land or not including some of the above tracts of land is hereby modified accordingly. That portion of the area heretofore designated as the Loco Hills Area not included in the area hereinabove described is hereby designated as the Leo Area.

2. That the proposed plan for conserving the reservoir energy in the said field as set forth in the amended petition is hereby approved in its general aspects. Such plan shall hereafter be known as the Loco Hills Pressure Maintenance Plan.

3. That in the operation of the said Loco Hills Pressure Maintenance Plan producing oil wells may be used for the purpose of returning waste gas to the oil-bearing formations, and the allowable amount of oil which any well so used fails to produce during the period of such use may be produced by the owner of the input well from other wells located on owner's lease, and as long after the cessation of its use as the capacity of such well to produce oil has

been impaired by its use as an input well. If the owner of such input well is the owner of more than one other producing oil well on his lease, the Commission may require, without further notice or hearing, that such lost allowable be apportioned on an equitable basis among owner's other wells on his lease. No well shall be used as an input well without the consent of the owner.

4. That during such period of time as either one or both of the two gas wells referred to in Paragraph 11 of the amended petition are not permitted to produce natural gas, the owner or owners of such well or wells shall be permitted to produce from oil wells owned by them on the same lease an allowable in oil equal to one hundred per cent (100%) of the top allowable prevailing in the field, provided that such allowable of oil be produced from the same horizon from which the natural gas from the closed well or wells would be produced.

In the case of the well owned by R. W. Fair, et al., located on the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 10, T. 18 S., R. 29 E., N.M.P.M., the oil allowable shall be apportioned on an equitable basis among the other wells owned by the owners of the said gas well, which are located on the E $\frac{1}{2}$ of said Section 10.

In the case of the other gas well owned by Bassett and Birney, located on the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 11, in said Township and Range, the oil allowable of such well shall be apportioned on an equitable basis among all of the other wells in the field belonging to said owners which are located on State land.

5. That for the purpose of taking under further advisement, the Commission reserves herein for a supplemental order the matters in this petition insofar as they relate to the reallocation of

back allowable oil in the field, which is presented by Paragraph 9
of the amended petition.

OIL CONSERVATION COMMISSION

By John E. Miles
Governor

By H. R. Rodgers
Commissioner of Public Lands

By A. Andrew
State Geologist

ATWOOD & MALONE
LAWYERS

JEFF D. ATWOOD
ROSS L. MALONE, JR.

RECEIVED
STATE LAND OFFICE

J. P. WHITE BUILDING
ROSWELL, NEW MEXICO

December 19, 1940

DEC 21 9 09 AM '40

SANTA FE, N. M.

State Conservation Commission,
Santa Fe,
New Mexico.

Attention: Mr. Carl Livingston
Attorney

Dear Mr. Livingston:

Enclosed please find the amended petition which we were to file in the Loco Hills matter. The delay in filing this amended petition has been caused by waiting for necessary information and particularly the information as to the limits of the field. At the suggestion of Mr. Andreas we will send a copy of the petition to the Hobbs office.

Yours truly,

ATWOOD & MALONE

By: 

JDA:IH

BEFORE THE STATE CONSERVATION
COMMISSION OF NEW MEXICO

IN THE MATTER OF THE
PETITION OF LOCO HILLS
OPERATORS' COMMITTEE

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Case No. _____.

- AMENDED PETITION -

Petitioners pursuant to permission granted by the Commission submit herewith their amended petition in this matter and request that this amended petition be given the same consideration and effect as if it had been filed on the date the original petition herein was filed. For their amended petition, petitioners respectfully submit:

1. Petitioners are a committee composed of operators in the Loco Hills Oil and Gas Field in Eddy County, New Mexico who have heretofore been selected by the operators of the said Field and authorized by such operators to represent them in presenting this petition. The officers and the executive committee of the committee are:

Emery Carper, General Chairman,
Bert Aston, Chairman of the Executive
Committee,
Fred Brainard, Secretary,
Martin Yates, Jr., C. M. Pope, Jr., and
Hugh L. Johnston, Executive Committee.

2. As used in this petition Loco Hills Oil and Gas Field is defined as including the following tracts of land:

Township 17 South, Range 29 East: $S\frac{1}{2}S\frac{1}{2}$ of Section 32, $S\frac{1}{2}SW\frac{1}{4}$ of Section 35, and $S\frac{1}{2}$ of Section 36.

Township 17 South, Range 30 East: $NE\frac{1}{4}NE\frac{1}{4}$, $S\frac{1}{2}N\frac{1}{2}$, and $S\frac{1}{2}$ of Section 31, and $W\frac{1}{2}$ and $W\frac{1}{2}E\frac{1}{2}$ of Section 32.

Township 18 South, Range 29 East: All of Sections 1, 2, 3, 4, 5, and $E\frac{1}{2}$ of Section 6, all of Sections 8, 9, 10, 11, $N\frac{1}{2}N\frac{1}{2}$, $S\frac{1}{2}NE\frac{1}{4}$, and $SE\frac{1}{4}$ of Section 12, $N\frac{1}{2}N\frac{1}{2}$ of Section 14, $NE\frac{1}{4}NE\frac{1}{4}$, $N\frac{1}{2}NW\frac{1}{4}$ of Section 15, $N\frac{1}{2}$ of Section 16, and $N\frac{1}{2}$ of Section 17.

Township 18 South, Range 30 East: $N\frac{1}{2}NW\frac{1}{4}$ of Section 5, all of Section 6, and $W\frac{1}{2}$ of Section 7.

Insofar as the said $S\frac{1}{2}S\frac{1}{2}$ of Section 32, Township 17 South, Range 29 East, approximately the $W\frac{1}{2}$ of said Section 4, all of said Section 5, $E\frac{1}{2}$ of said Section 6, approximately all of said Section 8, and the $NW\frac{1}{4}$ of said Section 17, Township 18 South, Range 29 East are concerned, the inclusion of said tracts as being within the limits of said field is tentative and subject to later determination. Subsequent drilling operations also may disclose that tracts adjacent to the present limits of said field as defined herein may properly be included in and designated as a part of the field.

3. In said field are approximately 160 producing wells of which number approximately 30 are what is known as

marginal wells, or wells which now are not capable of producing the amount of oil ordinarily allotted to wells within the field. Not all of the said marginal wells were marginal in character at the time of completion but have become such by decline in productive capacity from various causes since completion.

4. The discovery well in the field was drilled some two years ago but the first production of oil from said field in considerable amounts was obtained in January, 1940, at which time the bottom hole pressure in the field averaged 950 pounds. In September, 1940 this pressure had declined to an average of 737 pounds. The average depth of the wells is from 2500 feet to 2900 feet. The reservoir energy is from gas in solution in the oil. The present allowable for the field is approximately 6,000 barrels of oil daily and it is estimated that approximately 3,500,000 cubic feet of natural gas is produced with this oil. This gas is referred to in this petition as waste gas.

5. The operators in the field through this committee have heretofore caused a survey of the field to be made by a committee of engineers and such committee has prepared a complete report of its work, copies of which will be furnished to the Commission for its information and files. From such report it appears that the decline in bottom hole pressure which has already occurred in the field is due to the production of gas from the reservoir

in solution in the oil produced and that the decline will continue until the pressure in the reservoir is so reduced that it will be necessary to install pumping equipment on practically all of the wells in the field.

6. Said committee of engineers has recommended to the operators that immediate steps be taken to install a pressure maintenance system in the field which will recover the waste gas and return it to the oil bearing formation under high pressure, and that producing oil wells be used as input wells for the return of the gas so as to avoid the necessity and expense of drilling any wells for such purposes. In the opinion of such committee the immediate installation of such a system will prevent to a considerable degree further decline in the bottom hole pressure in the field and also will result in increasing the ultimate recovery of oil in the field approximately one hundred per cent.

7. The operators at several meetings have considered the recommendations of the said committee of engineers and have authorized this committee to proceed with the formulation of plans for the installation of the system recommended by such committee. Pursuant to such authorization estimates of the expense of the installation of the proposed system were obtained and tentative arrangements for the financing of the installation were made. At

a meeting of the operators held at Artesia, New Mexico December 14, 1940 this information was reported by this committee to the operators and thereupon the operators adopted tentative plans for the installation of the system and for obtaining the necessary funds and for the amortization of the investment. The principal features of the proposed plan are:

(a) A corporation will be formed under the laws of the State of New Mexico entitled "Loco Hills Cooperative Pressure Maintenance Association, Inc.". Its capital stock will be 200,000 shares of no par value. Each operator joining in the plan will be issued stock at the rate of 1,000 shares for each producing well. Ownership of stock must follow ownership of wells. Payment for stock issued shall be made by assigning to the corporation not to exceed five and one-half cents per barrel out of the proceeds of the working interest oil produced from the well to which the stock is appurtenant. After payment in full for the stock the assessment against the well will be reduced to its proportionate part of the operating expenses of the system. Additional wells drilled by original subscribers to the corporate plan will likewise entitle the owner to an issue of 1,000 shares of stock to be paid for in the same manner as provided for present wells. Other operators subsequently subscribing to the plan will be admitted upon fair and

equitable terms to be prescribed by the Board of Directors.

(b) Each operator will be required to enter into a contract with the corporation agreeing to deliver to the corporation all gas produced on his lease, except such as may be used for lease operations and to assign by division order not more than five and one-half cents per barrel from all working interest oil produced from his lease until the stock appurtenant to the wells on the lease is paid for. Out of such amount it is anticipated that one cent will be allotted to operating and maintenance expenses and the remainder credited on the stock subscription. Working interest oil will be considered as seven-eighths of the gross production. If the working interest oil from the lease is subject to existing liens or contracts which would prevent the assessment to the corporation being a first charge against the working interest, then proper subordination agreements must be obtained by the operator from the owner or holder of such lien or contract.

(c) The contract between the operator and the corporation will obligate the corporation to finance and install the system and to operate and maintain same thereafter.

(d) Provision is made for submitting the contract between the corporation and the operators for the approval of both State and Federal conservation authorities.

(e) The installation of the system is to be financed by a bank loan made to the corporation at a low rate of interest which loan will be retired by the corporation out of the proceeds received from the stock subscriptions. An appropriate contract with the bank will be executed by the corporation.

8. The undersigned counsel for petitioners were directed and authorized by the operators present at the said meeting to proceed with the incorporation of the proposed corporation and the preparation of the proposed contract between the corporation and the operators. At a later meeting of the operators the form of contract will be submitted for approval and when finally approved by the operators will then become the contract which all operators who participate in the plan will be required to execute.

9. It has developed that a number of the operators have hypothecated considerable amounts of their future oil runs for the purpose of obtaining developing and operating capital and that in some cases the operator's actual working interest is reduced to three-fourths of the gross production by reason of royalties payable over and above the royalties to the lessor. Since the proposed plan imposes the assessment upon all working interest oil and defines such interest to be seven-eighths of the gross, some of the operators will be compelled to pay the assessment imposed against the overriding royalty as

it cannot be expected that the royalty owners will agree to the assessment. In consequence a hardship will be imposed upon a number of the operators by the assessment and the committee proposes to the Commission that in order to relieve such situations and also to encourage cooperation on the part of all of the operators in carrying through the proposed plan, there be re-allocated to the so-called top allowable wells in the field the back allowable of production which has heretofore accrued from various causes in favor of marginal wells which no longer are capable of making up such back allowable. It is estimated that the back allowable which has accrued to these marginal wells is approximately 137,000 barrels. In the re-allocation of such back allowable it is proposed that it be distributed over a period of not less than ten months and that no deduction be made from the State allowable or the future allowable for the field by reason of such re-allocation.

10. Since the use of existing oil wells as input wells will deprive the owner of such well of his allowable production of oil for the period during which said well is so used, it is proposed by petitioners that the owners of such wells nevertheless be granted the usual allowable for such well and that such owner be permitted to produce such allowable from other wells on his lease. The engineering plan contemplates that the input wells will be changed from time to time so as to effectively equalize over the

field the return of the waste gas to the formations.

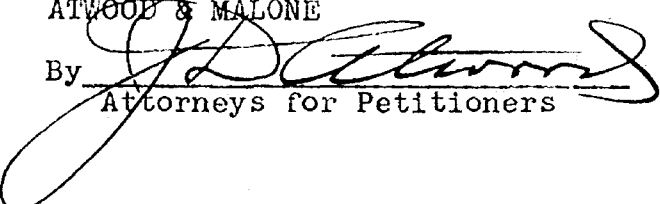
11. In the said field are two gas wells which are capable of producing substantial quantities of gas. One of these wells is the property of R. W. Fair and is located on the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 10, Township 18 South, Range 29 East and the other of said wells is the property of Bassett and Birney and is located on the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 11 in said Township and Range. These wells are shut in and the owners and operators of same are willing for the wells to remain closed if they can be compensated by receiving an oil allowable for such wells to be produced out of other wells which the operators own on the said leases. Petitioners are of the opinion that it would be of decided advantage in maintaining the reservoir energy in the field if these gas wells should not be produced.

Petitioners therefore respectfully request that the Commission after a proper hearing and due consideration enter its order herein approving in its general aspects the proposed plan for conserving the reservoir energy in said field as a proper and necessary plan for the prevention of waste and the conservation of natural resources of the State, and that as a matter of encouragement to the operators in said field and in recognition of the hardships which may result to some of the operators and to facilitate the financing of the proposed plan, the Commission authorize the re-allocation of back allowable from the marginal wells proposed above herein, and that the Commission specifically

authorize the allowables for the input wells and gas wells as proposed above herein, and that the Commission make such further orders in the premises as may be fair and just and equitable among all concerned. It is further requested that the order of the Commission in the premises retain jurisdiction of this matter for the approval of the contracts between the operators and the proposed corporation and for the taking of any and all action which may become necessary or proper in the furtherance of the said proposed plan of conservation.

ATWOOD & MALONE

By


Attorneys for Petitioners

PHONE ARTESIA OIL FIELD 1711



AinCEE

COMPLETE GEOLOGICAL SERVICE

CHAS. A. ASTON, CHIEF GEOLOGIST

Box 218, SMITH, NEW MEXICO

RECEIVED
STATE LAND OFFICE

DEC 30 8 39 AM '40

SANTA FE, N. M.

607 Franklin Building
Oklahoma City, Oklahoma
December 26, 1940

Hon. Frank Worden
State Land Commissioner
Santa Fe, New Mexico

Dear Mr. Worden:

Just today received from Mr. E. O. Bennett,
Chief Engineer of the Continental Oil Com-
pany his supplemental report on the Loco
Hills Pressure Maintenance Project.

Please insert this in the report which I
mailed you under date of December 16th.

Yours truly,

CHUCK ASTON

CA:LL
enc.

RECEIVED
STATE LAND OFFICE

DEC 30 8 39 AM '40

LOCO HILLS PRESSURE MAINTENANCE PROJECT

SANTA FE, N. M.

The proven acreage of the Loco Hills oil field is approximately 6,500 acres. The main producing zone is a sand body which pinches out to the north, and is somewhat lensing in character. The sand grains are rounded indicating a lagunal or shore line deposition.

An analysis of logs and drilling records indicates the average sand thickness for the pool to be approximately 20 feet. The porosity will average 20 per cent. The connate water content is believed to vary from 15 to 25 per cent. The total pore space per acre is 31,000 barrels. Deducting 15 per cent for connate water, the oil per acre at 100 per cent saturation is 26,400 barrels. For 25 per cent connate water, the oil at 100 per cent saturation is 23,200 barrels.

The average oil content in place per acre-foot is:

15% connate water	1,310 bbl.
25% connate water	1,160 bbl.

Under conventional recovery methods of flowing and pumping, the oil produced per acre is estimated to be approximately 17 per cent of that in place. With the low connate water content, the recovery will be 4,480 barrels. With the same recovery, the oil produced per well would be 179,200 barrels. With the 25 per cent connate water content, the recovery will be 158,000 barrels per well.

The return of all gas available to the producing zone is estimated, at a minimum, to double the total oil recoverable over the life of the field. The expected recoveries per acre would then be with:

15% connate water	8,960 bbl.
25% connate water	7,900 bbl.

The estimated normal recovery for the Loco Hills field under the above average conditions is estimated to be:

	15% Water	25% Water
Normal Recovery	29,120,000	25,675,000
Pressure Maintenance	58,240,000	51,350,000

The recoveries under pressure maintenance will be proportionately higher in Loco Hills than in many other pools on account of the extremely wide spacing.

From results obtained with pressure maintenance operations in existing pools, it is believed that the maximum ultimate recovery of Loco Hills under proper control and operation may exceed 80,000,000 barrels.

Elmer

PHONE ARTESIA OIL FIELD 1711



AinCEE

COMPLETE GEOLOGICAL SERVICE

CHAS. A. ASTON, CHIEF GEOLOGIST

BOX 218, SMITH, NEW MEXICO

607 Franklin Building
Oklahoma City, Oklahoma
December 27, 1940

Mr. A. Andreas, State Geologist
Santa Fe, New Mexico

Dear Andy:

Enclosed find the report made by
E. O. Bennett, Chief Engineer of
the Continental Oil Company, on the
Loco Hills Pressure Maintenance
Project.

Please insert this supplemental
report in the report which I mailed
you.

Yours truly,

CHUCK ASTON

CA:LL
enc.

LOCO HILLS PRESSURE MAINTENANCE PROJECT

The proven acreage of the Loco Hills oil field is approximately 6,500 acres. The main producing zone is a sand body which pinches out to the north, and is somewhat lensing in character. The sand grains are rounded indicating a lagunal or shore line deposition.

An analysis of logs and drilling records indicates the average sand thickness for the pool to be approximately 20 feet. The porosity will average 20 per cent. The connate water content is believed to vary from 15 to 25 per cent. The total pore space per acre is 31,000 barrels. Deducting 15 per cent for connate water, the oil per acre at 100 per cent saturation is 26,400 barrels. For 25 per cent connate water, the oil at 100 per cent saturation is 23,200 barrels.

The average oil content in place per acre-foot is:

15% connate water	1,310 bbl.
25% connate water	1,160 bbl.

Under conventional recovery methods of flowing and pumping, the oil produced per acre is estimated to be approximately 17 per cent of that in place. With the low connate water content, the recovery will be 4,480 barrels. With the same recovery, the oil produced per well would be 179,200 barrels. With the 25 per cent connate water content, the recovery will be 158,000 barrels per well.

The return of all gas available to the producing zone is estimated, at a minimum, to double the total oil recoverable over the life of the field. The expected recoveries per acre would then be with:

15% connate water	8,960 bbl.
25% connate water	7,900 bbl.

The estimated normal recovery for the Loco Hills field under the above average conditions is estimated to be:

	15% Water	25% Water
Normal Recovery	29,120,000	25,675,000
Pressure Maintenance	58,240,000	51,350,000

The recoveries under pressure maintenance will be proportionately higher in Loco Hills than in many other pools on account of the extremely wide spacing.

From results obtained with pressure maintenance operations in existing pools, it is believed that the maximum ultimate recovery of Loco Hills under proper control and operation may exceed 80,000,000 barrels.

Elmer

PHONE ARTESIA OIL FIELD 1711



AinCEE

COMPLETE GEOLOGICAL SERVICE

CHAS. A. ASTON, CHIEF GEOLOGIST

Box 218, SMITH, NEW MEXICO

607 Franklin Building
Oklahoma City, Oklahoma
December 26, 1940

Mr. Carl Livingston
State Land Office
Santa Fe, New Mexico

Dear Carl:

Just today received from Mr. E. O. Bennett
Chief Engineer of the Continental Oil Com-
pany his supplemental report on the Loco
Hills Pressure Maintenance Project. Please
insert this in the report which I mailed
you under date of December 16th.

Yours truly,

CHUCK ASTON

CA:LL
enc.

LOCO HILLS PRESSURE MAINTENANCE PROJECT

The proven acreage of the Loco Hills oil field is approximately 6,500 acres. The main producing zone is a sand body which pinches out to the north, and is somewhat lensing in character. The sand grains are rounded indicating a lagunal or shore line deposition.

An analysis of logs and drilling records indicates the average sand thickness for the pool to be approximately 20 feet. The porosity will average 20 per cent. The connate water content is believed to vary from 15 to 25 per cent. The total pore space per acre is 31,000 barrels. Deducting 15 per cent for connate water, the oil per acre at 100 per cent saturation is 26,400 barrels. For 25 per cent connate water, the oil at 100 per cent saturation is 23,200 barrels.

The average oil content in place per acre-foot is:

15% connate water	1,310 bbl.
25% connate water	1,160 bbl.

Under conventional recovery methods of flowing and pumping, the oil produced per acre is estimated to be approximately 17 per cent of that in place. With the low connate water content, the recovery will be 4,480 barrels. With the same recovery, the oil produced per well would be 179,200 barrels. With the 25 per cent connate water content, the recovery will be 158,000 barrels per well.

The return of all gas available to the producing zone is estimated, at a minimum, to double the total oil recoverable over the life of the field. The expected recoveries per acre would then be with:

15% connate water	8,960 bbl.
25% connate water	7,900 bbl.

The estimated normal recovery for the Loco Hills field under the above average conditions is estimated to be:

	<u>15% Water</u>	<u>25% Water</u>
Normal Recovery	29,120,000	25,675,000
Pressure Maintenance	58,240,000	51,350,000

The recoveries under pressure maintenance will be proportionately higher in Loco Hills than in many other pools on account of the extremely wide spacing.

From results obtained with pressure maintenance operations in existing pools, it is believed that the maximum ultimate recovery of Loco Hills under proper control and operation may exceed 80,000,000 barrels.

El R. Smith

PROOF OF PUBLICATION

STATE OF NEW MEXICO }
County of Eddy ss.

A. L. Bert, editor
O. R. BLOOMER, being duly sworn deposes and says that he is the publisher
of THE ARTESIA ADVOCATE, a newspaper published in Artesia, Eddy
County, New Mexico, that the notice of/ for Publication

a copy of which is hereto attached was first published in said newspaper
in its issue dated Nov. 28, 1940,
and was published in the weekly issue of said newspaper, and not in
any supplement, thereafter for the full period of one only con-
secutive weeks, the last publication thereof being in the issue dated
Nov. 28, 1940.

Subscribed and sworn to before me on Nov. 29, 1940.

Notary Public

My Commission Expires December 23, 1941.

Publishers Fees

\$6.64

NOTICE FOR PUBLICATION STATE OF NEW MEXICO OIL CONSERVATION COMMISSION

The Oil Conservation Commission, by law invested with jurisdiction as the oil and gas regulatory body of the State of New Mexico, hereby gives notice of the following public hearings to be held at the Capitol, Santa Fe, New Mexico:

CASE NO. 23.

The petition of the Operators' Committee for the operators in the Loco Hills Pool in Eddy County, in connection with the proposal of a collective pressure maintenance program for said Pool, for an order from the Commission permitting a ten percent increase over and above the normal allowable for each month until the principal investment in said pressure maintenance program has been amortized; the production of the monthly allowable of wells selected as input wells from another well or wells owned by the operator, preferably on the same basic lease, in order to preclude the penalizing of operators whose wells are used as input wells—with special reference to the following wells proposed to be so used: R. W. Fair-Brainard No. 6, and Bassett & Birney No. 6B-State. This case is set for 2:00 P. M., December 11, 1940.

CASE NO. 24.

The petition of R. W. Fair, Bert Aston, Charles A. Scheurich, Carl A. Hatch, J. R. Cole, Sidney Johnson and Anna Franklin, for a location for a well for oil and gas in the northwest corner of the NE $\frac{1}{4}$ SW $\frac{1}{4}$, Section 82, T. 17 S., R. 30 E., (Loco Hills), for structural reasons, at a point closer to the boundary line of said 40-acre tract than is permitted by present rules of the Commission. This case is set for 9:00 A. M., December 12, 1940.

CASE NO. 21-B (GAS-OIL RATIO).

The adoption of a final gas-oil ration order for the producing fields in Eddy County and other areas in New Mexico except Lea County, recessed in Case No. 21 from the hearing of August 29, 1940, to November 15, 1940, and not heard at said latter date, is now set for hearing on December 12, 1940, at 2:00 P. M.

Any person having any interest in the subject of the said hearings shall be entitled to be heard.

Given under the seal of said Commission at Santa Fe, New Mexico, on November 25, 1940.
(SEAL)

OIL CONSERVATION COMMISSION

By (Sgd.) FRANK WORDEN
Commissioner of Public Lands
By (Sgd.) A. ANDREAS
State Geologist.

**NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION
COMMISSION**

The Oil Conservation Commission, by law invested with jurisdiction as the oil and gas regulatory body of the State of New Mexico, hereby gives notice of the following public hearings to be held at the Capitol, Santa Fe, New Mexico:

Case No. 23.

The petition of the Operators' Committee for the operators in the Loco Hills Pool in Eddy County, in connection with the proposal of a collective pressure maintenance program for said Pool, for an order from the Commission permitting a ten per cent increase over and above the normal allowable for each month until the principal investment in said pressure maintenance program has been amortized; the production of the monthly allowable of wells selected as input wells from another well or wells owned by the operator, preferably on the same basic lease, in order to preclude the penalizing of operators whose wells are used as input wells—with special reference to the following wells proposed to be so used: R. W. Fair-Brainard No. 6, and Bassett & Birney No. 6B-State. This case is set for 2:00 P. M., December 11, 1940.

Case No. 24.

The petition of R. W. Fair, Bert Aston, Charles A. Scheurich, Carl A. Hatch, J. R. Cole, Sidney Johnson and Anna Franklin, for a location for a well for oil and gas in the north-west corner of the NE $\frac{1}{4}$ SW $\frac{1}{4}$, Section 32, T. 17 S., R. 30 E., (Loco Hills) for structural reasons, at a point closer to the boundary line of said 40-acre tract than is permitted by present rules of the Commission. This case is set for 9:00 A. M., December 12, 1940.

Case No. 21-B (Gas-Oil Ratio).

The adoption of a final gas-oil ratio order for the producing fields in Eddy County and other areas in New Mexico except Lea County, recessed in Case No. 21 from the

hearing of August 20, 1940, to November 15, 1940, and not heard at said latter date, is now set for 9:00 A. M., December 12, 1940, 2:00 P. M.

Any person having any interest in the subject of the said hearings shall be entitled to be heard.

Given under the seal of said Commission at Santa Fe, New Mexico, on November 25, 1940.

**OIL CONSERVATION
COMMISSION.**

By Frank Worden,
Commissioner of Public
Lands.

By A. Andreas,
State Geologist.

(SEAL)

Publish Nov. 26, 1940.

Affidavit of Publication

State of New Mexico, }
County of Santa Fe } ss.

I, C. B. Floyd, being first duly sworn, declare and say that I am the (Business Manager) (Editor) of the Santa Fe New Mexican, a daily newspaper, published in the English Language, and having a general circulation in the City and County of Santa Fe, State of New Mexico, and being a newspaper duly qualified to publish legal notices and advertisements under the provisions of Chapter 167 of the Session Laws of 1937; that the publication, a copy which is hereto attached, was published in said paper once each week for 1 consecutive weeks, and on the same day of each week in the regular issue of the paper during the time of publication, and that the notice was published in the newspaper proper, and not in any supplement, once each week for 1 weeks consecutively, the first publication being on the 26th day of November, 1940, and the last publication on the day of , 19 ; that payment for said advertisement has been (duly made), or (assessed as court costs); that the undersigned has personal knowledge of the matters and things set forth in this affidavit.

[Signature]

Manager.

Subscribed and sworn to before me, this 28th day of November, A. D., 1940.

Anna K. Ormabee

Notary Public.

My Commission expires

June 7, 1941

Receive

By

Affidavit of Publication

State of New Mexico,
County of Eddy, ss.

F. B. Rigdon, being first duly sworn,
on oath says:

That he is publisher of the Daily Current-Argus, a newspaper published daily at the city of Carlsbad, in said county of Eddy, State of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of this state wherein legal notices and advertisements may be published; that the printed notice attached hereto was published in the regular and entire edition of said newspaper and not in a supplement thereof on the dates as follows, to wit:

.....November 27....., 19 40
....., 19.....
....., 19.....
....., 19.....

that the cost of publication is \$ 6.16
and that payment therefor has been made
and will be assessed as court costs.

Subscribed and sworn to before me this
.....28..... day of Nov., 1940

E. M. H. H. H. H. H.
Notary Public.

My commission expires 4-11-43

(Published Nov. 27, 1940)
NOTICE OF PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

The Oil Conservation Commission, by law invested with jurisdiction as the oil and gas regulatory body of the State of New Mexico, hereby gives notice of the following public hearings to be held at the Capitol, Santa Fe, New Mexico:

CASE NO. 23

The petition of the Operators' Committee for the operators in the Loco Hills Pool in Eddy County, in connection with the proposal of a collective pressure maintenance program for said Pool, for an order from the Commission permitting a ten percent increase over and above the normal allowable for each month until the principal investment in said pressure maintenance program has been amortized; the production of the monthly allowable of wells selected as input wells from another well or wells owned by the operator, preferably on the same basic lease, in order to preclude the penalizing of operators whose wells are used as input wells—with special reference to the following wells proposed to be so used: R. W. Fair-Brainard No. 6, and Bassett & Birney No. 6B-State. This case is set for 2:00 P. M., December 11, 1940.

CASE NO. 24.

The petition of R. W. Fair, Bert Aston, Charles A. Scheurich, Carl A. Hatch, J. R. Cole, Sidney Johnson and Anna Franklin, for a location for a well for oil and gas in the northwest corner of the NE $\frac{1}{4}$ SW $\frac{1}{4}$, Section 32, T. 17 S., R. 30 E., (Loco Hills), for structural reasons, at a point closer to the boundary line of said 40-acre tract than is permitted by present rules of the Commission. This case is set for 9:30 A. M., December 12, 1940.

CASE NO. 21-B (Gas-Oil Ratio).

The adoption of a final gas-oil ratio order for the producing fields in Eddy County and other areas in New Mexico except Lea County, recessed in Case No. 21 from the hearing of August 29, 1940, to November 15, 1940, and not heard at said latter date, is now set for hearing on December 12, 1940, at 2:00 P. M.

Any person having any interest in the subject of the said hearings shall be entitled to be heard.

Given under the seal of said Commission at Santa Fe, New Mexico, on November 25, 1940.

OIL CONSERVATION COMMISSION.

By (Sgd.) FRANK WORDEN,
Commissioner of Public Lands.

By (Sgd.) A. ANDREAS, State
logist.

NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

The Oil Conservation Commission, by law invested with jurisdiction as the oil and gas regulatory body of the State of New Mexico, hereby gives notice of the following public hearings to be held at the Capitol, Santa Fe, New Mexico:

Case No. 23.

The petition of the Operators' Committee for the operators in the Loco Hills Pool in Eddy County, in connection with the proposal of a collective pressure maintenance program for said Pool, for an order from the Commission permitting a ten percent increase over and above the normal allowable for each month until the principal investment in said pressure maintenance program has been amortized; the production of the monthly allowable of wells selected as input wells from another well or wells owned by the operator, preferably on the same basic lease, in order to preclude the penalizing of operators whose wells are used as input wells -- with special reference to the following wells proposed to be so used: R. W. Fair-Brainard #6, and Bassett & Birney #6B-State. This case is set for 2:00 P. M., December 11, 1940.

Case No. 24.

The petition of R. W. Fair, Bert Aston, Charles A. Scheurich, Carl A. Hatch, J. R. Cole, Sidney Johnson and Anna Franklin, for a location for a well for oil and gas in the northwest corner of the NE $\frac{1}{4}$ SW $\frac{1}{4}$, Section 32, T. 17 S., R. 30 E., (Loco Hills), for structural reasons, at a point closer to the boundary line of said 40-acre tract than is permitted by present rules of the Commission. This case is set for 9:00 A. M., December 12, 1940.

Case No. 21-B (Gas-Oil Ratio).

The adoption of a final gas-oil ratio order for the producing fields in Eddy County and other areas in New Mexico except Lea County, recessed in Case No. 21 from the hearing of August 29, 1940, to November 15, 1940, and not heard at said latter date, is now set for hearing on December 12, 1940, at 2:00 P. M.

Any person having any interest in the subject of the said hearings shall be entitled to be heard.

Given under the seal of said Commission at Santa Fe, New Mexico, on November 25, 1940.

OIL CONSERVATION COMMISSION

By Franklin
Commissioner of Public Lands

By A. Anderson
State Geologist

ADDRESS ALL COMMUNICATIONS TO SECRETARY

EMERY CARPER
CHAIRMAN GENERAL COMMITTEE

BERT ASTON
CHAIRMAN EXECUTIVE COMMITTEE

FRED BRAINARD
SECRETARY

Loco Hills Operators' Committee

ARTESIA, NEW MEXICO

MEMBERS

MARTIN YATES, JR.

C. M. POPE, JR.

HUGH JOHNSON

October 30 1940.

State Conservation Commission,
Santa Fe,
N.M.

Gentlemen;

Whereas, the Loco Hills Operators, in duly assembled meeting, believe that a pressure maintenance program is the ultimate in conservation, and whereas, they propose to enter into a collective pressure maintenance program for the Loco Hills Field, now, therefore, through their executive committee, we respectfully petition the New Mexico Oil Conservation Commission for a hearing, at an early date, on the following issues, which have arisen in regard to the program.

1. We respectfully ask a ten percent increase over and above the normal allowable for each month, until the principle investment in this program has been amortized. Such a request is necessitated by the fact that many of the operators have been financed on such a basis that assignments of income have been made to mortgagees which will preclude the participation by the involved operators in this project, otherwise. Such an increase in allowable should prove to be an incentive toward additional conservation programs of this type in other New Mexico Fields.

2. We respectfully ask a reallocation of allowables monthly assigned to input wells. In order to avoid penalizing operators whose wells are selected for use as input wells, it is believed that an operator should be compensated by permitting him to produce the allowable monthly assigned to such well, from another well or wells owned by the operator, preferable on the same basic lease.

3. It is mutually satisfactory and is hereby recommended by the Loco Hills Operators, that the operators owning two gas wells, that is, R.W. Fair-Brainard # 6, & Dasset & Birney, #6B State, be compensated for keeping said wells shut in, by permitting them to produce an allowable for each gas well, prorated from other wells, preferably on the same basic lease.

Yours very truly,

Loco Hills Operators Committee

by 
Fred Brainard Sec.

CASE NO. 23

Meeting of Loco Hills Field Operators held Dec. 11, 1940
at La Fonda Hotel in Santa Fe

Moved by Hugh L. Johnston, seconded by Sam Sanders, that the Operators of the Loco Hills Field in Eddy County withdraw from the petition heretofore filed request numbered 1, asking for ten per cent increase in allowable from said field to amortize the cost of installation of a pressure maintenance program in said field, and that there be substituted therefor the following:

1. That all underproduction of marginal wells in the Loco Hills Field of Eddy County, heretofore or hereafter accrued, be reallocated to the top allowable wells in said field, on the basis of an increase of ten per cent to each top allowable well, over and above the normal allowable to said well, said increase in allowable to continue from month to month until all such underproduction or "shortage" of said marginal wells shall have been made up; and that a production test be made monthly of all wells in said field, under the supervision of the Commission to determine which wells in said field are top allowable wells and which wells are marginal wells.

Motion carried by unanimous vote.

CASE 23
COMMITTEE OF LOCO HILLS OPERATORS
COMMITTEE - Representing Matter.

File # 2

Enclosure - 11. Pressing matter.

12

Case No.

23

Application, Transcript,
Small Exhibits, Etc.

CASE N o. 23

BEFORE THE OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO

DECEMBER 11, 1940

I N D E X

Name	Direct	Cross
Aston, Bert	4	
Aston, Charles	7	
Hanson, Ernest A.	13	
Franklin, Wirt	17	

CASE NO. 23

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

THE PETITION OF THE OPERATORS' COMMITTEE FOR THE OPERATORS IN THE LOCO HILLS POOL IN EDDY COUNTY, IN CONNECTION WITH THE PROPOSAL OF A COLLECTIVE PRESSURE MAINTENANCE PROGRAM FOR SAID POOL, FOR AN ORDER FROM THE COMMISSION PERMITTING A TEN PER CENT INCREASE OVER AND ABOVE THE NORMAL ALLOWABLE FOR EACH MONTH UNTIL THE PRINCIPAL INVESTMENT IN SAID PRESSURE MAINTENANCE PROGRAM HAS BEEN AMORTIZED; THE PRODUCTION OF THE MONTHLY ALLOWABLE OF WELLS SELECTED AS INPUT WELLS FROM ANOTHER WELL OR WELLS OWNED BY THE OPERATOR, PREFERABLY ON THE SAME BASIC LEASE, IN ORDER TO PRECLUDE THE PENALIZING OF OPERATORS WHOSE WELLS ARE USED AS INPUT WELLS -- WITH SPECIAL REFERENCE TO THE FOLLOWING WELLS PROPOSED TO BE SO USED: R. W. FAIRBRAINED NO. 6, AND BASSETT & BIRNEY No. 6B-STATE.

TRANSCRIPT OF PROCEEDINGS AT HEARING IN
THE CITY HALL BUILDING
SANTA FE, NEW MEXICO
DECEMBER 11, 1940

Pursuant to order of the Commission, duly made and entered, setting December 11, 1940, at two o'clock P. M., for hearing in the above entitled matter, said hearing was convened at two o'clock P. M. of December 11, 1940, in the City Hall Building, Santa Fe, New Mexico, the Commission sitting as follows:

HON. FRANK WORDEN, Commissioner of Public Lands, Secretary
HON. A. ANDREAS, State Geologist, Member
HON. CARL B. LIVINGSTON, Attorney for the Commission.

APPEARANCES:

<u>NAME</u>	<u>COMPANY</u>	<u>ADDRESS</u>
Chas. A. Aston	Aston & Fair	Smith, N.M.
Wirt Franklin	Anna Franklin	Ardmore, Okla.
C. A. Scheurich	" "	Clovis, N.M.
G. H. Card	Stanolind	Ft. Worth, Texas
Ed. Downing	Magnolia Pet. Co.	Kermit, Texas
Edgar Kraus	Atlantic Rfg. Co.	Carlsbad, N.M.
D. R. McKeithan	Phillips Pet. Co.	Bartlesville, Okla.
C. A. Daniels	" " "	Amarillo, Texas
Glenn Staley	Proration Office	Hobbs, N. M.
A. E. Willig	The Texas Co.	Ft. Worth, Texas
Carl A. Hatch	Attorney	Clovis, N.M.
Bert Aston		Smith, N. M.

The hearing was called to order by Mr. Frank Worden, who thereupon requested Mr. Livingston to read the call of the hearing as follows:

"NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

The Oil Conservation Commission, by law invested with

jurisdiction as the oil and gas regulatory body of the State of New Mexico, hereby gives notice of the following public hearings to be held at the Capitol, Santa Fe, New Mexico:

Case No. 23.

The petition of the Operators' Committee for the operators in the Loco Hills Pool in Eddy County, in connection with the proposal of a collective pressure maintenance program for said Pool, for an order from the Commission permitting a ten percent increase over and above the normal allowable for each month until the principal investment in said pressure maintenance program has been amortized; the production of the monthly allowable of wells selected as input wells from another well or wells owned by the operator, preferably on the same basic lease, in order to preclude the penalizing of operators whose wells are used as input wells -- with special reference to the following wells proposed to be so used: R. W. Fair-Brainard No. 6, and Bassett & Birney No. 6B-State. This case is set for 2:00 P. M., December 11, 1940.

Any person having any interest in the subject of the said hearings shall be entitled to be heard.

Given under the seal of said Commission at Santa Fe, New Mexico, on November 25, 1940.

OIL CONSERVATION COMMISSION

By (Sgd.) FRANK WORDEN
Commissioner of Public Lands

By (Sgd.) A. ANDREAS
State Geologist."

BY MR. WORDEN: The Commission is ready to proceed now with the evidence.

BY COL. J. D. ATWOOD: Mr. Chairman, I desire to be entered as attorney of record of the Loco Hills Operators' Committee. We request permission of the Commission to present witnesses and testimony in support of the request which has been heretofore filed with the Commission. Before proceeding with the hearing, I desire to read into the record a motion adopted by the Operators' Committee at a meeting this forenoon, the effect of which is a withdrawal of the first paragraph of the petition, and to substitute therefor a different request. With the permission of the Commission, I will read this:

"Moved by Hugh L. Johnston, seconded by Sam Sanders, that the Operators of the Loco Hills Field in Eddy County withdraw from the petition heretofore filed request numbered 1, asking for ten per cent increase in allowable from said field to amortize the cost of installation of a pressure

maintenance program in said field, and that there be substituted therefor the following:

1. That all underproduction of marginal wells in the Loco Mills Field of Eddy County, heretofore or hereafter accrued, be reallocated to the top allowable wells in said field, on the basis of an increase of ten per cent to each top allowable well, over and above the normal allowable to said well, said increase in allowable to continue from month to month until all such under-production or 'shortage' of said marginal wells shall have been made up; and that a production test be made monthly of all wells in said field, under the supervision of the Commission to determine which wells in said field are top allowable wells and which wells are marginal wells.

Motion carried by unanimous vote."

I would also request permission to introduce two members of the Bar, one from Oklahoma and one from New Mexico, Senator Carl Hatch, of Clovis, and Wirt Franklin, from Oklahoma City.

BY MR. WORDEN: Did I understand, in your reading, this increase would be added to the top allowable wells and not to the others?

BY COL. ATWOOD: The marginal wells cannot make what is allocated to them, so they can't make it up in the future., Instead of asking for an increase in allowable to, in effect, amortize the investment. While this would not do it, the one hundred to one hundred and fifty thousand barrels, it would not go very far toward financing the investment, it would be that much. This would be a conservation measure.

BY MR. ANDREAS: In other words, it is oil that has been allocated to wells that could not produce it anyway?

BY COL. ATWOOD: In some cases. It arises from different causes. In some cases the well could have made top allowable except for pipe line proration, and so they have declined so that they cannot make it up now. In other cases the wells failed to meet expectations, the producer believing he was going to make it, and did not; and in other cases there were mechanical difficulties and shut-downs. And this applies only to accumulations credited to marginal wells. There will not be very much of that in the future, because when the wells are checked up now, under this suggestion here, that would determine what its actual capacity is, and you would have in the future only mechanical lapses or unexpected decline in marginal wells.

As I understand, take a marginal well, when it acquires the identity as such, and you give what it will actually make, and that is added on the amount for the top allowable well. That is the plan. You would not be taking anything away from the owner of a marginal well. They feel, if they get the re-pressure system in, they will get more benefit from it than the top allowable well; they really have more at stake. They will tax themselves to pay for the improvement. The operators propose to tax themselves so much a barrel. The marginal well will only pay what it actually produces. That will again require an accurate check.

BY MR. WORDEN: Do they have figures segregated for the back allowable, whether it is due to pipe line or mechanical trouble?

BY COL. ATWOOD: I don't think they have. I think the committee has some figures, showing the figures on back allowable and top allowable. In the case of top allowable, the back allowable is not due to the pipe lines -- some of it is due to shut-downs, or something that has prevented that well being on full production part of the time. That has accumulated, and when the pipe line company can take that, that can still be run. I don't think any attempt, - any report has been made by the operators to show it was due to one cause or another.

BY MR. WORDEN: Proceed.

BERT ASTON,

being called as a witness on behalf of the petitioners, and being first duly sworn, was examined by Col. Atwood, and testified as follows:

DIRECT EXAMINATION

Q State your name, please.

A Bert Aston.

Q Where do you reside?

A Smith, New Mexico.

Q Where is that?

A A wide highway out of Artesia, 24 miles.

Q What is your business?

A Oil business, production.

Q In what companies, and so on, are you interested?

A The Franklin Petroleum Corporation and Aston & Fair.

Q Have you any connection with the Loco Hill Operators Committee?

A Chairman of the Executive Committee.

Q State briefly to the Commission what your committee proposes to do with reference to a pressure maintenance system, referred to in their petition on file?

A After an exhaustive study by a committee of engineers, selected by the Executive Committee, consisting of five outstanding engineers of Southeastern New Mexico, we try, on the grounds of their findings, to put back into the formation all of the gas as it was taken from the Loco Hill field, by the method of compressing and forcing it back into the formation. That report revealed to us that the field was probably adapted to that sort of a conservation measure, and we realize, from their report, that our bottom hole pressure is dangerously near the point at which the gas could come out of solution. As it so happens, the gas is almost one hundred per cent in solution, and the results obtained thereby, would, in our opinion, be good. The committee feels it is a true conservation measure.

Q Have your plans reached a point where finances for the system have been arranged?

A We have the program entirely outlined. I understand from the consulting engineer, who is E. A. Bennett, Chief Engineer for the Continental, acting as consulting engineer, and I am advised he has gone so far as to have the plans even to the point of asking for bids on equipment out. As to the finances, we have consummated a tentative plan for the cash to put the plan in immediately.

Q Going back to your reference to the engineering committee who have made the survey of the field, who composes that committee?

A My son, Chuck Aston, Mr. Keeler, Mr. Staley and Mr. Barnett --
BY MR. WORDEN: Of the U. S. Geological Survey?

A Of the U. S. Geological Survey.

BY MR. WORDEN: Mr. Staley is the proration umpire?

A Right -- and Mr. Harvey Gates.

BY COL. ATWOOD:

Q Have they prepared a report?

A They have, a very complete one.

BY COL. ATWOOD: I might state to the Commission, it has not yet reached the point where copies can be furnished. The original is available, and they propose to furnish you copies to retain in your file.

Q In general, what does the plan contemplate?

A The plan contemplates the immediate installation of 1000 to 1200 horse power unit, being a battery of compressors, to be installed centrally in the field. The field is long and narrow. The central location makes it advantageous from the standpoint of a gathering line, and to use wells which have already been drilled, as input wells, and gathering through a gathering system all the gas as it comes from the various traps throughout the field, gathering from atmospheric pressure from ten to twenty-five, depending on the well. In addition we will probably pick up addition gas, a million feet. The 1000 to 1200 horse power unit will handle about four million feet, and the original sources of gas,-- some are in our own field, there will be approximately three million feet, we anticipate, ultimately, and we will pick up an additional million feet through the gas area, and re-inject it, along with our own gas, into the formation.

Q In short, you propose to stop the waste of gas, recapture gas as it escapes with the oil, and return it to the reservoir?

A That is correct.

Q What can you tell the Commission with reference to the attitude of the operators generally in the pool?

A Their indorsement of the plan has been 100%.

Q That is, all operators --

A (Interrupting) We have had a number of meetings. At those meetings every time, the operators have been there or are re-

presented by some representative, and that representation has voted unanimously in every case.

Q How will the investment be amortized?

A The amortization basis of the plan is a five cent tax per barrel on every barrel saved and marketed.

Q That does not contemplate a tax on state royalties and federal royalties?

A That will be on the working interests.

Q Who will own the plant?

A The operators -- it will be a cooperative.

Q As the investment is retired, the plant will still continue to operate, and be owned by the operators in the field?

A Absolutely.

Q Is there anything further you wish to state.

A Nothing further.

Witness dismissed.

BY COL. ATWOOD: Gentlemen of the Commission, any witness we produce, of course you understand that any person present may question them.

BY MR. WORDEN: Anybody present wish to ask this witness any questions?

(No answer).

CHARLES ASTON,

being called as a witness on behalf of the operators' and being first duly sworn, was examined by Col. Atwood, and testified as follows:

DIRECT EXAMINATION

Q State your name.

A Charles Aston.

Q Where do you reside?

A Smith, New Mexico.

Q What business are you engaged in?

A Consulting geologist.

Q What education have you had to fit you for that occupation?

A I attended Oklahoma University.

Q What is your connection with the Loco Hills Operators Committee?

A I was retained by them to make a preliminary survey.

Q You were employed by the engineers committee testified about?

A Yes, sir.

Q What, generally, is the location of the Loco Hills Pool?

A Township 18 S., Ranges 29 and 30 East, Eddy County.

Q About how many wells are there in the field?

A Approximately 160.

Q When was the first well drilled in?

A December, of 1938.

Q Is any considerable portion of this pool privately owned land?

A Not a considerable portion. There is a very small portion of fee land.

Q How much is state land?

A About 25%.

Q And the remainder?

A Federal land.

Q Covered by federal leases?

A That is right.

Q What is the usual depth of wells?

A Ranging from 2500 to 2900 feet.

Q Is there more than one pay strata?

A Not in the Loco Hills proper. However a lower pay zone is found in the north west part of the field.

Q What is the average thickness of the pay?

A Approximately 20 feet.

Q What is the type of oil-gas reservoir?

A It is -- --

Q Perhaps my question is not framed properly.
Is this a gas drive or a water drive field?

A Gas drive.

Q There is some water?

A There is some water present. It has been proven to be pocket water.

Q Is it correct to state that water pressure cannot be depended

upon to maintain reservoir pressure?

A That is true.

Q Pressure now comes from the gas?

A Yes, sir.

Q You have just heard your father state the gas is almost one hundred percent in solution in the oil?

A That is true.

Q However, there are some gas caps in the field that are not in solution?

A There is what is known as the local gas caps, on the lower side of the structure, they have been proven by analysis and correlation to be in the same stratigraphic field, but on the lower side of the stratigraphic tract, and for that reason must be very local in character.

Q But the largest proportion is in solution in the oil?

A Yes, sir.

Q And it is impossible to produce the oil without producing the gas?

A Yes, sir.

Q What becomes of the gas produced in the oil?

A It is wasted in the air.

Q The allowable basis at present is how much?

A Approximately six thousand barrels per day.

Q And how much gas, approximately?

A 359000 cubic feet.

Q That is gone, never to return?

A That is true.

Q Is it the plan here to recapture that gas and return it to the reservoir?

A That is true.

Q That is the idea of the pressure system. Your engineering committee made -- I will ask you this first: What is the gas-oil ratio?

A On an average it is 512 cubic feet per barrel.

Q That is not in any way a high ratio?

A No, but a few wells are high. That is the average.

Q Has your engineering committee ascertained any facts with reference to the bottom hole pressure? What was the bottom hole pressure, on an average, when you first opened the field?

A The original pressure was 950 pounds.

Q What is it now?

A In September, 1940, on a complete survey of the field, it was 737 pounds.

Q It has declined a little over 200 pounds already, the bottom hole pressure? What do you estimate the rate of decline to be?

A I imagine -- all wells where we have complete information, has been at the rate of about five pounds per quarter period; that is, wells we have accurate information on.

Q At that rate, how long would it be before the wells have to go on pumps?

A It would not be very long. By the time it reaches 700 pounds the gas begins to come out of solution rapidly, and when the gas begins to come out of solution rapidly, the wells will have to go on pumps.

Q If that repressure system is not installed, is it your opinion that within the next few months the wells will go on pump at Loco Hills?

A Yes, sir.

Q About what expense would that involve?

A The pump equipment will run approximately \$1500.00 per well.

Q The cost of installing pump equipment alone would pay --

A More than pay for the repressure system.

Q Besides saving the cost of pump equipment, and operation thereafter, what other advantage is there from installing this system?

A In my opinion, the system will increase the total production from 31,000,000 barrels to 60,000,000 barrels.

Q What estimate did your committee make as to the oil in place?

A Approximately 185,000,000 barrels.

Q Of that amount, what percentage would be recovered by the method now in use?

I mean, to let the wells flow until the pumps had to be installed, and thereafter on pump?

A Conservatively, 17%.

Q Not over 17%?

A I certainly think so. That is the experience in the so-called old Artesia Field.

Q Is that field somewhat similar to this field?

A Yes, sir.

Q And was produced by the method just described?

A That is true.

Q If the repressure system is established in the near future, what percentage of oil recovery does the committee estimate?

A It estimates we will have at least 100% additional, or about 37% of the total oil in place, rather than 17%.

Q That figure is what you might call conservative?

A Very conservative.

Q Then is it a fair statement that the State, disregarding its royalty benefits, just in the matter of taxes alone, would probably be able to obtain twice its assessments in the way of tax recovery, under the proposed method of operating the field?

A Yes, sir.

Q I have made reference to the Commission of the report which your committee has prepared, and have stated to them copies of this report will be available for the files of the Commission at a later time.

A Yes, sir.

Q Do you have that report with you so that it can be exhibited to the Commission?

A Yes, sir.

Q I wish you would do that.

A Alright, sir. (Witness gets report.) Gentlemen, this is the report, broken down on a per well basis for each well. We have tried to give all the information available concerning the wells, with the tabulation of the bottom hole pressure survey we made -- the reservoir space, the voidage worked out -- one showed a voidage of 1.49 of space for each barrel

of oil produced. We have a number of analysis taken throughout the field of the porosity, permeability and saturation, and have a general map of the field and a series of cross sections, which show the structure, as well as the relationship of the producing horizons structure markers. Also is included a map, on top of the red sand, the outstanding correlation markers, including the operations in that part of the country; also on the pay sand itself. Then the cross section, which shows the relationship between the northwest part of the field, which seemingly produces in this zone, and we try to show the continuity of those sands across the field. That is all the data on the field gas-oil ratio, as taken and broken down on a feet basis to get the total gas produced per day. That is about the gist of the information in the report.

BY MR. BERT ASTON: Assuming that this plan could be put in operation within a relatively short period of time, and the bottom hole pressure generally in the field declined to 700 ~~xxx~~ hundred pounds at the time the system is installed. Would the decline which has heretofore been shown -- it is the opinion of your committee that the decline would then be arrested?

A Yes, sir.

Q So that there will be very little decline thereafter?

A No decline at all. In fact, with that pressure set up there will probably be some gas put back in solution and maintain what is in solution now and ultimately put some back. Of course, it is very difficult to say what the effect will be.

BY MR. DEXTER: Are we going to ask for the 10% increase in allowable?

BY COL. ATWOOD: I don't think you were in the room, but the request for the ten per cent increase in allowable was withdrawn, and in lieu of that, request that the back allowable that has accumulated be permitted to be re-allocated among the top allowable wells.

BY MR. BORDEN: Does that mean to deduct from some other field in Eddy County?

A No.

BY COL. ATWOOD: I might say to the Commission, a further study of the proposal of the 10% increase brought up this situation: While the Commission could arbitrarily add the ten per cent to the top allowable, it would be difficult to convince some operators in other pools that they were not making up that increase. Rather than have that feeling, the operators here decided that by following this plan it could not have any repercussions at all.

Q What is the present allowable per well?

A 44 barrels.

Witness dismissed.

ERNEST A. HANSON,

being called as a witness on behalf of the petitioners, and being first duly sworn, was examined by Col. Atwood, and testified as follows:

DIRECT EXAMINATION

Q State your name.

A Ernest A. Hanson.

Q Where do you reside?

A Roswell, New Mexico.

Q What is your official position with the United States Geological Survey?

A Supervisor and engineer in charge of oil and gas operations.

Q What territory do you cover?

A New Mexico, Arizona, the southwestern part of Colorado and the southeastern part of Utah.

Q Does that include the Loco Hills pool in Eddy County?

A Yes, sir, about 75% of the lands are government owned.

Q Of that 75% of land belonging to the United States, I believe all is under lease of one form or another?

A Yes, sir.

Q And all operations in connection with the same are governed by federal regulations?

A Yes, sir.

Q Mr. Hanson, have you given any thought to the proposed plan

to repressure Loco Hills?

A Yes, I have met several times with the operators to consider the practical side, also the regulatory side of the proposed plan.

Q Stated generally, do you think a plan of this kind, a general plan of this kind, is a form of conservation which is in line with the policies of the federal government?

A Yes, from my part in the picture I would say they have an excellent plan and an excellent idea, and might have reasonable expectations to improve recovery to such an extent that it might be equivalent to the discovery of a new field, in terms of production.

Q The effect of this system, carried over a period of years, so far as the public is concerned, would be the equivalent of bringing in another Loco Hills pool?

A Yes, sir. I would recommend it for approval by the Department.

Q As to the rate of decline, if the rate of decline is as has been reported by the Engineering Committee of Loco Hills, - if the reservoir energy is declining at that rate, would you say that a system of this kind is essential to prevent undue waste, assuming the rate of decline is four or five pounds quarterly?

A Well, from the engineering point of view I would say that this type of plan is the only clean cut solution that could be worked at this time that I know of.

Q Where is the greatest waste committed in oil fields in New Mexico, in an average pool? What form of waste, in your opinion, is greatest?

A I would speak only on my own concern and the concern of those working directly under me, and that is almost wholly, with few exceptions, in regard to gas waste.

Q The production of gas not utilized in any way is a form of waste?

A Yes, sir.

Q No oil going to waste?

A No, very little.

Q All oil produced, except in case of accident, is consumed?

A Yes, sir.

Q Gas that goes off in the air is not recovered?

A That is right.

Q If a system of this kind is properly installed and operated, is it a fact, even after all of the oil possible of recovery has been recovered, you still have a gas reservoir which has some value?

A That is a very good point, and that expectation, I am sure, can be reasonably anticipated.

Q For example, if by this system, it should produce for fifty years, and at that time all of the oil that could be profitably produced had been recovered, all of the gas heretofore wasted into the air would still be available for piping for industrial purposes?

A Yes, sir.

BY MR. LIVINGSTON: Mr. Hanson, inasmuch as no proposed written plan has been submitted as yet in all details, is not this plan a repressure maintenance plan, and not the typical unitization plan that is sometimes recommended by the Department of the Interior, or to the Department of the Interior?

A A plan of this type, which is essentially a cooperative agreement, might be handled in one of at least three ways. As to the form of that particular agreement, so long as it is in accord with state and federal laws, I don't believe it would make a great deal of difference. There are certain advantages to using one legal form as compared to another, very much as it would be in business: you might have a partnership in one case, a corporation in another, or a trust agreement in another case. I don't believe they contemplate the so-called unit plan, based on a stipulated plan, which we call, in our work, Form A.

BY MR. LIVINGSTON: The purpose of the inquiry just addressed to you is because it has been shown there is about 25% of this land is state land, and there might be some danger of royalty difficulties with the Enabling Act, which is the reason I made the inquiry.

A I am sure, even with the limited knowledge I have of the details of these agreements,- cooperative arrangements, that could be worked out alright.

Witness dismissed.

BY COLONEL ATWOOD: I might say the proposal is that a corporation be formed to own and operate the repressure system, in which the operators would be stockholders. It is contemplated that every operator will sign up because of the fact it will be beneficial to him. The financing of the plan, that, of course, will be handled by all, an order signed by all operators. There may be some difficulties with respect to over-riding royalties. It is not contemplated the original royalty owners, the State and the United States that would be, would be assessed anything on royalty on oil. But some individuals carry over-riding royalties. They would be benefitted, but if they refuse to do it, the alternative would be to come before you and ask you to order in a pressure maintenance system in Loco Hills, which, I think, there is no question you have the power to do as a conservation measure. That would have involved difficulties. In view of the fact that sentiment seems to be overwhelmingly in favor of the plan, the operators thought it would be better to have a voluntary plan; as a preliminary to getting the plan signed up, they ought to be able to show some amount of back allowable given to carry part of the burden of the plant. Any question on that? I want to get the picture before you as closely as possible without taking up a lot of time unduly.

I take it that the files of the Conservation Commission show, as a matter of record, there are back allowables due marginal wells in Loco Hills, the exact amount to be rechecked and investigated. I will let that stand on what the record shows.

On the matter of this request for the back allowable, we would like to have the order of the Commission, if they should grant the request, show it is a reward to the operators

or a premium for the installation of modern conservation methods, and that therefore this back allowable be allocated among the top allowable wells, which are part of the plan. If some operator should say "Why should I go in? They can't repressure the pool without repressuring me", at least he ought not to have any reward. This Commission gives that to those spending the money. The plan contemplates, as the Commission knows, for certain wells to be designated as input wells for that return gas to the reservoir; it is better to use a well already drilled than spend money drilling a new one. The operator who has to give up that well -- he cannot use it for oil -- we ask that that operator be permitted to make that allowable from other wells on his lease. It does not increase the amount of oil. We think that would be a very fair plan. There are two gas wells, referred to in the petition, that produce no oil. Those operators are highly in favor of this plan, and they are willing for those wells to be kept closed in. I think it would be a very fine thing if those wells never be put on a gas pipe line. That gas can be kept in the reservoir, and to compensate them for that, the plan is to give the allowable oil from that gas well that is kept closed in, and certainly the benefit of keeping those wells closed in is worth more than what little little detriment might result from giving them 40 barrels of oil.

In closing the testimony, I want to ask Mr. Wirt Franklin, who is pretty generally known in New Mexico as the discoverer of the Oklahoma City Pool, and let Mr. Franklin tell what he thinks of this plan.

WIRT FRANKLIN,

being called as a witness on behalf of the petitioners, and being first duly sworn, upon request, made the following statement:

My name is Wirt Franklin. I live at Ardmore, Oklahoma. There is one phase of this case I would like to cover. I think it has been generally pretty well covered in every other way, and that is the question raised by different ones in the

meeting of the operators this morning, and raised by Mr. Dexter a while ago, that some operators in other pools might consider they are discriminated against if this back allowable of marginal wells should be assigned to top allowable wells as a measure of compensation to the operators at Loco Hills for installing a pressure maintenance program early in the life of the field at a time when it will accomplish real conservation. The question was raised that this might constitute a precedent for other pools in New Mexico to ask for the same kind of treatment. Now, I think that can be differentiated. In this case this is asked for the reason that this great conservation movement is being undertaken, and it is a precedent which might well be established for all cases of like character. If action of the Commission of this sort results in a promotion of conservation in all fields of this state, whether now existent or hereafter discovered, whereby the ultimate yield of any such field is doubled or trebled, certainly that is a precedent that might well be established with the best of judgment, and would be a wise one, in my opinion, so that if the operators in any other pool should commence a program of this character, the back allowable on marginal wells, on proper request, could be transferred over and given to top allowable wells; and if they had no such plan and should come in and ask that this be done, then the question could come back from the Commission, "What plan of conservation do you propose?" In that case, and if they had no plan of conservation, this precedent would not be one to apply to such field. I want to call that point to the attention of the Commission because it has been raised in the meeting of the operators, and has been raised by other operators in New Mexico and by operators at Loco Hills.

BY MR. ANDREAS: Do you think there should be a time limit on the back allowable of these marginal wells?

BY MR. FRANKLIN: The time limit suggested was at a certain rate from month to month until such time as the under production or shortage of the marginal well should have been made up.

BY MR. ANDREAS: But the proposal is merely that roughly 150 thousand barrels of back allowable, which is to be accredited to the pool as soon as this pressure maintenance program is started. It seems to me there should be a limit in crediting this back allowable. You would not say, if such a program should be started, say in 1949, that they should take that back allowable all the way back to 1935?

BY MR. FRANKLIN: Each individual case would have to stand on its own merits.

BY MR. ANDREAS: But in establishing a precedent there should be some fairly permanent standard.

BY MR. FRANKLIN: I am not familiar with the time in which this back allowable has accumulated in this field.

BY MR. ANDREAS: In Loco Hills it is not very long for the field is comparatively young.

BY MR. FRANKLIN: That was my understanding that it covered a comparatively short period. Of course, as you say, to go back and undertake to build up back allowable over a period of years -- I think that is a question that could well be left to be decided when it is raised.

BY MR. ANDREAS: In this particular case you are establishing a precedent of two years, and the field has been on proration a little over a year.

BY MR. FRANKLIN: Well, if the Commission can hold out to operators in other pools, or pools hereafter discovered that from inception they will be rewarded for conservation from the beginning, it would be the wisest conservation measure that could be made. That is the reason I think the precedent a wise one, and if it is established it ought to be applied to all cases as a reward.

BY MR. ANDREAS: Yes, but within reason there ought to be a time limit.

BY COL. ATWOOD: There is a great difference between a new field where the pressure has not yet gone so low that a pressure maintenance program would be effective, and a field where a repressure plan would have to be undertaken.

BY MR. FRANKLIN: I admit that here is a case where pressure maintenance in a new field is much simpler operation to maintain that.

BY MR. J. B. KENNEDY:

Q The purpose of the 10% back allowable is to amortize the plant?

A Yes.

Q How much will the plant cost?

A The entire installation will run between \$150,000 and \$175,000.

Q Including the gathering lines?

A The whole thing.

Q And you have 150,000 of back allowable?

A The statement Mr. Staley had this morning showed a little over 135,000 barrels.

Q This ten per cent, what additional allowable would that give you?

A We are getting 6,000 barrels a day now.

Q How much a day would that make you?

A Take it at the rate of ten per cent on the top allowable wells will --

Q What does it figure for the field per day?

A 4.4 barrels per well of the top allowable wells.

Q How many top allowable wells have you got?

A This list shows 123.

Q That would be about 500 barrels on the ten per cent increase in allowable for the field? You would get 65,000 instead of 6,000?

A Only for such period of time as the oil already allocated to the field is made up.

Q Your marginal wells will increase under this program -- the marginal wells would tend to increase in ability to produce?

A I am inclined to believe a little.

Q Since this thing is establishing a precedent, I do want to comment on intentions -- I think it is fine, I think it is going to increase the ultimate recovery, it will increase the ability to produce after this thing gets under way. I don't know about granting back allowable -- it might have repercussions.

A It is not granting a new allowable; it is not a special allowable. It is simply transferring from one set of wells to another

set of wells the allowable already accumulated.

BY MR. ANDREAS: Even though marginal wells do increase by this pressure maintenance, the increase in allowable in wells all over the field will never be greater than 150,000 barrels.

BY MR. KENNEDY: I see your point. I don't know, where they have had such things outside of the state we have had enough reward on the success in putting in the pressure maintenance system to well pay for it without going to the expense of getting additional -- perhaps jeopardizing the plan.

BY MR. DEXTER: Have we made any plans to get anybody to take this oil? It seems to me they would have to have a market. Another question I would like to ask: In using the two gas wells, would it be the plan of the engineers that the allowable on those wells would be given over to other wells?

A You had a man on the stand who is a member of the engineering committee. I was not. I will not undertake to answer a question of that character.

Q As they are gas wells, will the gas finally find its way to the oil horizons. If it does, it seems to me you would have to check them --

A (Interrupting) Are you referring to gas wells to be shut in? Those wells that make only gas are shut in.

Q I thought you were to use those for repressuring?

A No, they are to be shut in to maintain that in the reservoir, if they are making only gas.

Q They are shut in?

A Shut in to keep the gas in the field, and in lieu of that, allowing them to produce gas, they are to be given an allowable to be taken out of other wells on the basic lease. That is my understanding of the plan.

BY COLONEL ATWOOD: That is correct. The statement was made to the Commission that those wells are to be kept shut in, and that in lieu of the gas, they be given an allowable from other wells on the lease.

BY MR. WORDEN: Do you want to ask that question of Mr. Dexter?

A I was mistaken. I thought they were going to use those gas wells for repressuring.

CHARLES ASTON,

being recalled as a witness, was examined by Col. Atwood, and testified as follows:

DIRECT EXAMINATION

Q Is it part of your plan that from time to time you will change the input wells so as to make certain the gas will permeate the oil bearing formations throughout the pool?

A They will be varied as the engineering results show they should be varied.

Q Another question, approximately how much acreage is in the Loco Hills pool, as it has now been defined?

A Approximately 7,000 acres.

Witness dismissed.

BY MR. WILLIG: The Texas Company does not own property in Eddy County, in the Loco Hills Field, but in so far as it might effect the picture as a whole in New Mexico, I think from the evidence the Loco Hills operators are to be commended on their plan of conservation in that field; and, as the evidence also shows, the conservation measures they propose to undertake will reward them without any special consideration on allowable. It may not appear that 500 barrels per day is much, but it is a precedent, and although it has been stated, this so-called reward is a legitimate back allowable for certain wells, it is not credited in other areas. I have had considerable experience with Texas proration, and I would suggest caution in a matter of this kind; where something of this sort was done, we have had a hard time distributing that oil, on back allowables, in addition to the regular allowable. It is a fixed market, and while the proposition of 500 barrels a day would not hurt, I would suggest extreme caution.

BY MR. ASHTON: Is it not a fact, in your referring to Texas, there have been very, very many interests and have been precedents set for just this sort of allowable?

BY MR. WILLIG: No, on the contrary. I am not familiar with those -- we have quite a number of repressure projects in Texas, and we

have not received any back allowable.

BY MR. ASHTON: You know for a fact there have been no such cases?

BY MR. WILLIG: No, the State of Texas is big, and I don't know.

BY MR. ASHTON: Isn't it true that some fields were virtually shut in until they did repressure?

BY MR. WILLIG: Yes.

BY MR. ASHTON: And then they were allowed allowable as a recompense?

BY MR. WILLIG: Not any special allowable or allowables.

BY MR. ASHTON: They have received allowable for doing what ~~ix~~ we are planning to do?

BY MR. WILLIG: The wells received some allowables, but no special allowables.

BY MR. ASHTON: In Texas they didn't call them special allowables, but they were allowables?

BY COL. ATWOOD: I might state, gentlemen, the reason we must come to you for this order, we assume the ~~pipe~~ pipe line company will be willing to take a reasonable amount of oil over a period of time, because the pipe line company is definitely interested in seeing this proposal go over. We anticipate there will be no difficulty if we do not load them down unduly, but we must show the pipe line company we have permission to run the oil.

BY MR. KRAUS: I don't know whether it was testimony or argument of Mr. Franklin. There has been talk of a reward for conservation. I feel the Loco Hills operators are doing a good job. I feel, if the Commission thinks there is good reason to switch oil from marginal wells to top allowable wells, it is within the province of the Commission to do so by this conception or this precedent of rewarding an operator for conservation. But after all, as I have frequently expressed myself, conservation is its own reward to the state government and the operator, and there is no use fooling ourselves on this score, there would be no repressure plan in New Mexico, or any place else, if the operator didn't think that ultimately he would gain and benefit by it. It has been the practice in New Mexico in the past to try to make sure that the operator who does anything

towards conservation be not penalized by the fact that his well is shut in for any remedial work. This is the first time I can remember of anybody suggesting he be rewarded. Conservation goes back a little further than merely repressure. One of the steps before you begin to repressure is to save the gas you have. We have been setting a lot of packers, and nobody has asked to be amortized for that cost. How far will they carry this matter of reward for conservation? There would be no stop -- every well that is completed properly should have a reward against one that is completed improperly. I don't see where it will end.

BY COL. ATWOOD: I would like to say this in reply. I think the operator who completes a well properly should be rewarded, as against one who completes a well improperly. In the matter of reward to the operators for conservation is the very essence of the Interior Department regulations. From the very beginning they have encouraged conservation and offered special inducements to the operators who would apply special conservation measures by giving them longer leases and extend them indefinitely and getting concessions in royalties, all of which the Secretary of the Interior can do as a reward to you for engaging in proper conservation methods. Certainly there should be a distinction between operators who continue to practice conservation as against those who do not.

That is all we have to offer.

B MR. WORDEN: Any other operators present who have anything further to say or any testimony to offer in this case? (No answer)

Gentlemen, the Commission will take this case under advisement. Col. Atwood has said they will furnish us with those documents so that we can go into them. This closes Case No. 23.

C E R T I F I C A T E

I hereby certify that the foregoing and attached twenty-four pages of typewritten matter are a true, correct and complete transcript of the shorthand notes taken by me in Case No. 23, before the Oil Conservation Commission of New Mexico on the 11th day of December, 1940.

Witness my hand this 23rd day of December, 1940

Esther Barton

Case # 24.

CASE 24

PETITION OF R. W. FAIR, BERT ASTON,

~~Chas. A. Scheurick~~, Carl A. Hatch, J. R. Cole, ~~2~~ *Chas. A.*

Sidney Johnson & Anna Franklin-morphox well location.

Scheurick, see above

Anna & Franklin - morphox well location.