

Case No.

1316

Application, Transcript,
Small Exhibits, Etc.

CASE 1316: Sun Oil Co. application for 80-
acre non-standard gas proration unit & unor-
thodox gas well location in Crosby-Devonian
Gas Pool, Lea County. 57

57-1-10-10

Enclosed for you are two copies of correspondence under the above subject and Mr. Buckley's conversation with Anderson and Pritchard.

Today Mr. J. E. Mier of the Midland office of Anderson and Pritchard called on me regarding a proposed well and their interest in the event of a gas well.

He stated that they were willing to go along with us on all of the conditions except that they were unwilling to pay their part of the cost of a well in the event of a dry hole since they would not participate in an oil well. In brief he stated the conditions as follows:

1. In the event of a gas well they would join a gas unit and pay their proportionate cost.
2. In the event of an oil well they would have no interest and pay no cost.
3. In the event of a dry hole they would be obligated to pay no cost.
4. In the event of a marginal gas well they would have the option of contributing no cost of drilling the well and reserve no returns from the sale of the gas until the well had paid out.

I told Mr. Mier I would pass this information along to you and Mr. Buckley but I made no comment nor commitment since the proposed agreement has already been started in your office.

Very truly yours,


S. B. Christy, Jr.

SBC:fs

cc: Mr. J. E. Buckley
Mr. Rex Alcorn

Mr. J. H. Wiet
P.O. Box 1000
Hollis, New Mexico

Mr. J. H. Wiet

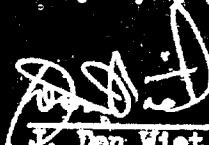
Gentlemen:

This refers to your recent request for a dry hole contribution in support of a Devonian Test well your company proposed to drill at a location in the NE/4 SW/4 Section 29, T-35-N, R-37-E, Lea County, New Mexico.

We have discussed this with our management and regret to advise we have no authority to make such a contribution. We feel this is a field or development well, therefore, a dry hole contribution could not be considered. For example, we are commencing operations for an extension well to the field with location in the NE/4 SW/4 Section 34 which offsets El Paso, Gulf and Western Natural none of whom are supporting the test well.

I am sorry we could not get together on this one but perhaps on some future deal we can lend you some support.

Very truly yours,



J. Den Wiet
District Landman

JHW/pag

Before Examiner J. H. H.

Oil Conservation Commission

Exhibit Case No. 1210

Ex 3

RECEIVED
SEP 20 1957
NATIONAL ARCHIVES
SAC, TEXAS

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. 1316
Order No. R-1070

APPLICATION OF SUN OIL COMPANY
FOR APPROVAL OF AN 80-ACRE NON-
STANDARD GAS PRORATION UNIT AND
AN UNORTHODOX GAS WELL LOCATION
IN THE CROSBY-DEVONIAN GAS POOL,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on September 24, 1957, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the New Mexico Oil Conservation Commission, hereinafter referred to as the "Commission", in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 16th day of October, 1957, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, and being fully advised in the premises,

FINDS:

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

(2) That the applicant is the owner and operator of an oil and gas lease covering the E/2 SE/4 of Section 20, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) That in Case No. 1098, Order No. R-859, dated August 30, 1956, the Commission granted the application of Sun Oil Company to drill its B. T. Lanehart Well No. 3 on an 80-acre tract at a point 330 feet from the South line and 330 feet from the East line of said Section 20, due to the fact that said well was projected as an oil well rather than a gas well.

(4) That the said B. T. Lanehart Well No. 3 was completed as a producing gas well in the Crosby-Devonian Gas Pool.

(5) That paragraph 3 of Order No. R-859 provided, "That in the event the said B. T. Lanehart Well No. 3 is completed as a gas well the applicant will make every reasonable effort to form a standard gas proration unit of 160 acres, and, should such efforts fail, make prompt application to the Commission for forced pooling or a non-standard gas proration unit."

-2-

Case No. 1316
Order No. R-1070

(6) That the applicant had not, at the time this case was heard, made every reasonable effort to form a standard gas proration unit by communitizing the SE/4 of said Section 20.

(7) That the applicant should not be permitted to form an 80-acre non-standard gas proration unit in the Crosby-Devonian Gas Pool for the aforementioned B. T. Lanehart Well No. 3 unless it can be shown at a subsequent hearing that the applicant has failed to form a standard gas proration unit after making every reasonable effort to do so.

(8) That the unorthodox gas well location of the said B. T. Lanehart Well No. 3 at a point 330 feet from the South line and 330 feet from the East line of said Section 20 should be approved.

IT IS THEREFORE ORDERED:

(1) That the application of Sun Oil Company for the establishment of an 80-acre non-standard gas proration unit in the Crosby-Devonian Gas Pool comprising the E/2 of the SE/4 of Section 20, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, be and the same is hereby denied.

(2) That the unorthodox gas well location of the applicant's B. T. Lanehart Well No. 3 at a point 330 feet from the South line and 330 feet from the East line of said Section 20, be and the same is hereby approved.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

E. L. Mechem
EDWIN L. MECHEM, Chairman

M. E. Morgan
MURRAY E. MORGAN, Member

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



ir/

MAIN OFFICE OCC
S. M. GILBERT
T. F. HILL
August 22, 1957
8:33

SUN OIL COMPANY
SOUTHWEST DIVISION
RIO GRANDE NATIONAL BUILDING
DALLAS 2, TEXAS

August 22, 1957

New Mexico Oil Conservation Commission
Mabry Hall
Santa Fe, New Mexico

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

Gentlemen:

Sun Oil Company is in the process of completing its B. T. Lanehart Well No. 3 as a gas producer from the Crosby Devonian Gas Pool, Lea County, New Mexico. Sun Oil Company received approval to drill this well from the Commission under Order R-859, under Case No. 1098 after hearing was held on July 11, 1956, at Hobbs, New Mexico.

Sun Oil Company requests a hearing for the purpose of securing an un-orthodox gas proration unit of 80 acres, said 80 acres covering the E/2 of the SE/4 of Section 20, Township 25 South, Range 37 East NMPM, Lea County, New Mexico, as an exception to Rule 5 of Order R-639A, being order of the Commission promulgating gas proration rules in the Crosby Devonian Gas Pool in Lea County, New Mexico.

Since it has been determined that this well will be completed as a gas well rather than an oil well, applicant has made every reasonable effort to form a standard gas proration unit of 160 acres and hereby makes application for a hearing for the purpose of securing a non-standard gas proration unit.

Attached is a plat of the area showing the location of the well, and copy of this application and plat is being sent to all offset operators.

Also attached are three copies of Form C-128 as required by the New Mexico Rules and Regulations.

We shall appreciate your setting this matter for an early hearing.

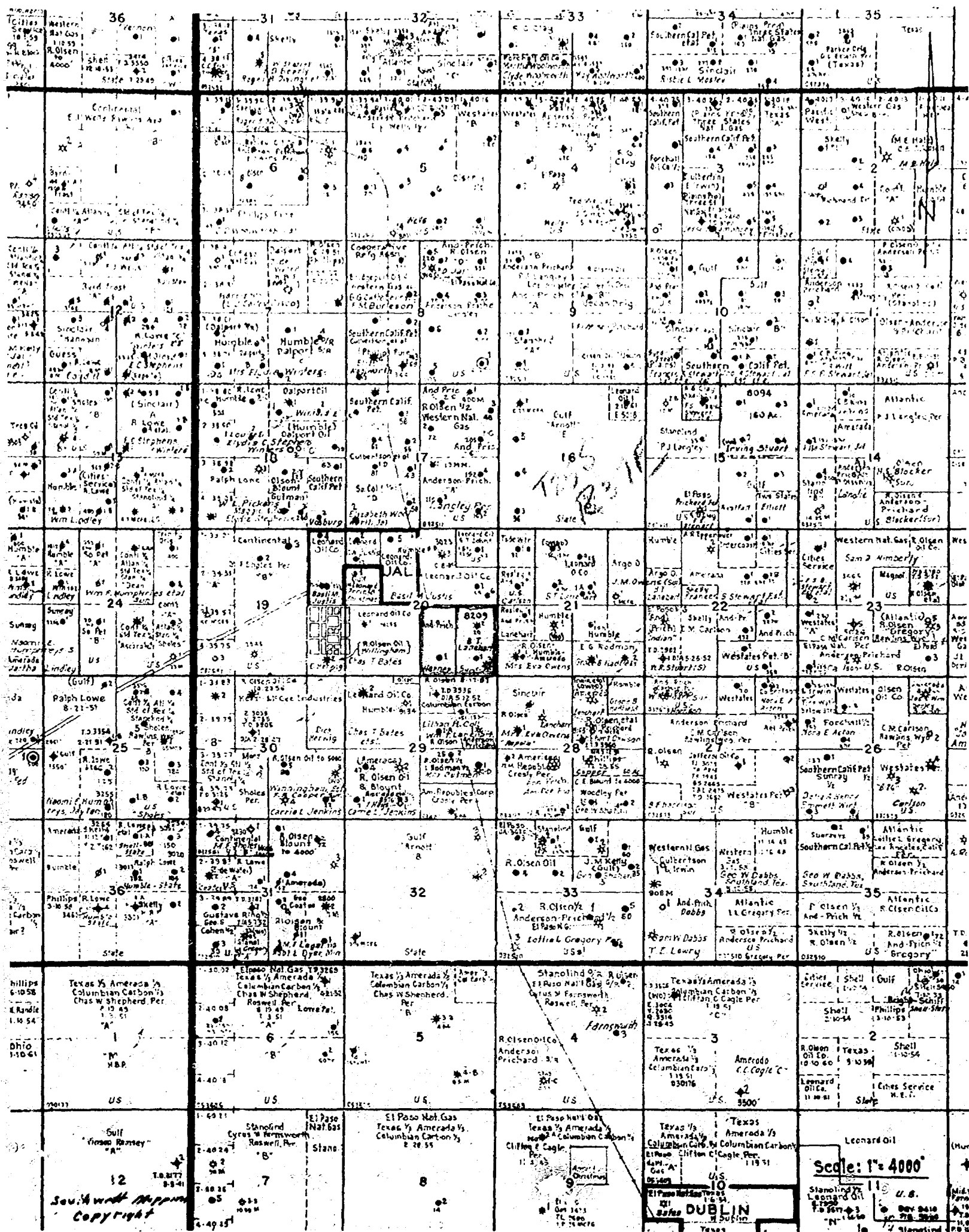
Very truly yours,

Sinclair Oil Company
Sinclair Building
Tulsa, Oklahoma

cc: Anderson Oil Company
Liberty Bank Bldg.
Oklahoma City 2, Oklahoma
Leonard Oil Company
Roswell, New Mexico
R. Olsen Company
Liberty Bank Bldg.
Oklahoma City 2, Oklahoma

8:20 am 9-6-57
Back out of office
talked to Mr. Harris
he will file amendment
to appl. seeking non-std
gas well proration by 10/1/57
today

well is located
330-230 out of
SE corner
Application must
be amended to
include location
of Crosby Dev.



NEW MEXICO OIL CONSERVATION COMMISSION
Well Location and Acreage Dedication Plat

Section A.

Date August 22, 1957

Operator Sun Oil Company Lease B. T. Lanehart
Well No. 3 Unit Letter P Section 20 Township 25-S Range 37E NMPM
Located 330 Feet From East Line, 330 Feet From South Line
County Lea C. L. Elevation 3,027 Dedicated Acreage 80 Acres
Name of Producing Formation Devonian Pool Crosby-Devonian

1. Is the Operator the only owner* in the dedicated acreage outlined on the plat below?
Yes X No .
2. If the answer to question one is "no," have the interests of all the owners been consolidated by communitization agreement or otherwise? Yes No . If answer is "yes," Type of Consolidation
3. If the answer to question two is "no," list all the owners and their respective interests below:

Owner

Land Description

Section B

Sun B. T. Lanehart No. 1 - Langley Mattix Pool Unit P-40-Ac. P-20-25-37			
Sun B. T. Lanehart No. 2 - Jalmat Gas Pool 80 Ac. Unit I-20-25-37			
		And. Prich.	Sun Oil Co.
		80 Ac.	B. T. Lanehart 80 Ac.

This is to certify that the information in Section A above is true and complete to the best of my knowledge and belief.

SUN OIL COMPANY

(Operator)

Box 2880, Dallas, Tex.
(Representative)

Address

This is to certify that the well location shown on the plat in Section B was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed 5-31-56

Vernon F. Watson
Registered Professional
Engineer and/or Land Surveyor.

Certificate No. 14162

(See instructions for completing this form on the reverse side)

INSTRUCTIONS FOR COMPLETION:

1. Operator shall furnish and certify to the information called for in Section A.
2. Operator shall outline the dedicated acreage for both oil and gas wells on the plat in Section B.
3. A registered professional engineer or land surveyor registered in the State of New Mexico or approved by the Commission shall show on the plat the location of the well and certify this information in the space provided.
4. All distances shown on the plat must be from the outer boundaries of Section.
5. If additional space is needed for listing owners and their respective interests as required in question 3, Section A, please use space below

* "Owner" means the person who has the right to drill into and to produce from any pool and to appropriate the production either for himself or for himself and another. (65-3-29 (e) NMSA 1953 Comp.)

NEW MEXICO OIL CONSERVATION COMMISSION
Well Location and Acreage Dedication Plat

Section A.

Date August 22, 1957

Operator Sun Oil Company Lease B. T. Lanehart
Well No. 3 Unit Letter P Section 20 Township 29-S Range 37E NMPM
Located 330 Feet From East Line, 330 Feet From South Line
County Log G. L. Elevation 3,927 Dedicated Acreage 50 Acres
Name of Producing Formation Devonian Pool Crosby-Devonian

1. Is the Operator the only owner* in the dedicated acreage outlined on the plat below?
Yes X No _____
2. If the answer to question one is "no," have the interests of all the owners been consolidated by communitization agreement or otherwise? Yes _____ No _____. If answer is "yes," Type of Consolidation _____
3. If the answer to question two is "no," list all the owners and their respective interests below:

Owner

Land Description

<u>Owner</u>	<u>Land Description</u>

Section B

Sun B. T. Lanehart No. 1 - Langley Mattix Pool Unit P-40 Ac. P-20-25-37		
Sun B. T. Lanehart No. 2 - Walnut Gas Pool 80 Ac. Unit I-20-25-37		
	And - Prich. 80 Ac.	<div style="text-align: center;">★²</div> <div style="text-align: center;">Sun Oil Co.</div>
	<div style="text-align: center;">1</div>	<div style="text-align: center;">B.T. Lanehart</div> <div style="text-align: center;">80 Ac.</div> <div style="text-align: center;">1</div>

This is to certify that the information in Section A above is true and complete to the best of my knowledge and belief.

SUN OIL COMPANY

Operator
Box 2830, Dallas, Tex.
(Representative)

Address

This is to certify that the well location shown on the plat in Section B was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed 5-31-56

Simon P. Utter
Registered Professional
Engineer and/or Land Surveyor.

Certificate No. 14162
(See instructions for completing this form on the reverse side)

0 370 640 910 1180 1450 1720 2000 2270 2540 2810 3080

INSTRUCTIONS FOR COMPLETION:

1. Operator shall furnish and certify to the information called for in Section A.
2. Operator shall outline the dedicated acreage for both oil and gas wells on the plat in Section B.
3. A registered professional engineer or land surveyor registered in the State of New Mexico or approved by the Commission shall show on the plat the location of the well and certify this information in the space provided.
4. All distances shown on the plat must be from the outer boundaries of Section.
5. If additional space is needed for listing owners and their respective interests as required in question 3, Section A, please use space below

* "Owner" means the person who has the right to drill into and to produce from any pool and to appropriate the production either for himself or for himself and another. (65-3-29 (e) NMSA 1953 Comp.)

NEW MEXICO OIL CONSERVATION COMMISSION
Well Location and Acreage Dedication Plat

Section A.

Date August 22, 1957

Operator Sun Oil Company Lease B. T. Lenehart
Well No. 3 Unit Letter P Section 20 Township 23-S Range 37E NMPM
Located 330 Feet From East Line, 330 Feet From South Line
County Lea G. L. Elevation 3,027 Dedicated Acreage 80 Acres
Name of Producing Formation Devonian Pool Crosby-Devonian

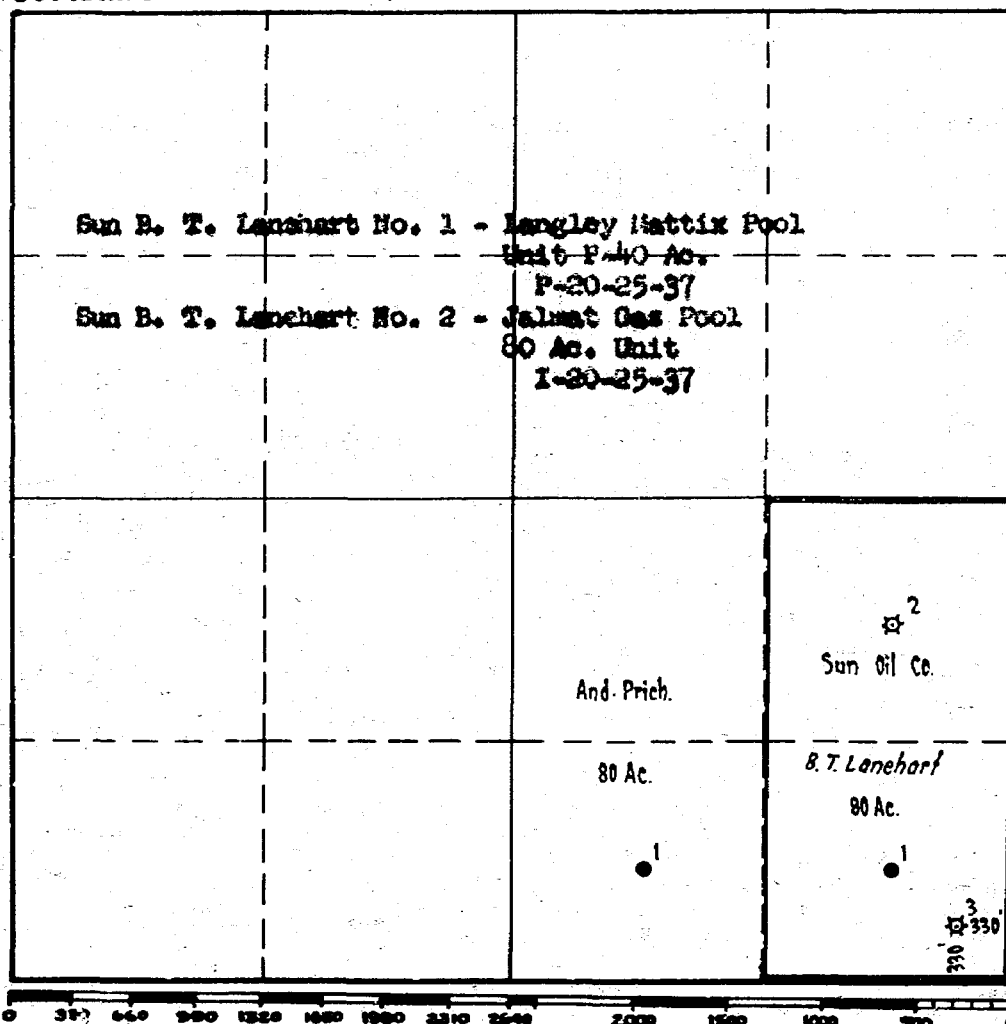
1. Is the Operator the only owner* in the dedicated acreage outlined on the plat below?
Yes X No .
2. If the answer to question one is "no," have the interests of all the owners been consolidated by communitization agreement or otherwise? Yes No . If answer is "yes," Type of Consolidation
3. If the answer to question two is "no," list all the owners and their respective interests below:

Owner

Land Description

<u>Owner</u>	<u>Land Description</u>

Section B



This is to certify that the information in Section A above is true and complete to the best of my knowledge and belief.

SUN OIL COMPANY

Operator

Box 2880, Dallas, Tex.
(Representative)

Address

This is to certify that the well location shown on the plat in Section B was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed 5-31-56

Registered Professional Engineer and/or Land Surveyor.

Certificate No. 14162
(See instructions for completing this form on the reverse side)

INSTRUCTIONS FOR COMPLETION:

1. Operator shall furnish and certify to the information called for in Section A.
2. Operator shall outline the dedicated acreage for both oil and gas wells on the plat in Section B.
3. A registered professional engineer or land surveyor registered in the State of New Mexico or approved by the Commission shall show on the plat the location of the well and certify this information in the space provided.
4. All distances shown on the plat must be from the outer boundaries of Section.
5. If additional space is needed for listing owners and their respective interests as required in question 3, Section A, please use space below

* "Owner" means the person who has the right to drill into and to produce from any pool and to appropriate the production either for himself or for himself and another. (65-3-29 (e) NMSA 1953 Comp.)

Case 1376
ANDERSON-PRICHARD OIL CORPORATION

OFFICE OCC
1957 AUG 30 PM 1:34



LIBERTY BANK BUILDING
OKLAHOMA CITY 2, OKLAHOMA

August 29, 1957

New Mexico Oil Conservation Commission
Mabry Hall
Santa Fe, New Mexico

ATTENTION: MR. A. L. PORTER, Jr.


In re: Our File #M-6540-F

Gentlemen:

We have received copy of letter dated August 22, 1957 from Sun Oil Company addressed to the New Mexico Oil Conservation Commission relative to its B. T. Lanehart well #3 and requesting a hearing for the purpose of securing an unorthodox gas proration unit of 80 acres described as the E/2 SE Sec. 20-25S-37E, N.M.P.M., Lea County, New Mexico as an exception to rule #5 of Order R-639A of the commission promulgating gas proration rules in the Crosby Devonian Gas Pool in Lea County, New Mexico.

We will appreciate it very much if we may receive a copy of the notice setting this Application for hearing in order that we may be present. You are advised that Anderson-Prichard Oil Corporation is the owner of certain oil and gas leasehold interests in the W/2 SE Sec. 20-25N-37E, such lands being within a standard gas proration unit for the subject well under Order R-639A. We desire to be in attendance at the hearing as requested by Sun Oil Company inasmuch as our position relative to the Application will no doubt be determined by the testimony adduced at such hearing.

Yours very truly,


GENERAL ATTORNEY
Legal Department

CTMcCLURE:lj

cc:Sun Oil Company
P.O. Box 998
Roswell, New Mexico

(cont. page #2)

Page 2
New Mexico Oil Conservation Commission
August 29, 1957

Sinclair Oil Company
Sinclair Bldg.
Tulsa, Oklahoma

Leonard Oil Company
Roswell, New Mexico

Mr. M. W. Coll
P.O. Box 919
Roswell, New Mexico

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

New Mexico

OIL CONSERVATION COMMISSION

LAND COMMISSIONER, MURRAY E. MORGAN
MEMBER

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



P. O. BOX 871
SANTA FE, NEW MEXICO

October 16, 1957

MEMORANDUM

TO: Governor Mechem
FROM: A. L. Porter, Jr.
SUBJECT: Order R-1070, Case 1316

This order denies the application of Sun Oil Company for an 80-acre non-standard gas proration unit in the Crosby-Devonian Gas Pool. Commission Order R-859 dated August 30, 1956, granted Sun Oil Company permission to drill a well on an 80-acre tract in the Crosby-Devonian Pool at a 330 foot location because the well was projected as an oil well, a 330 foot location being standard for an oil well and a 660 foot location standard for a gas well. In the order granting the 330 foot location, however, we included a paragraph which said, "In the event the said B. T. Lanehart Well No. 3 is completed as a gas well, the applicant will make every reasonable effort to form a standard gas proration unit of 160-acres, and should such efforts fail, make prompt application to the Commission for forced pooling or a non-standard gas proration unit."

The well was completed as a gas well and application was made for the non-standard unit, but in my opinion and in the opinion of Mr. Nutter, the Examiner, Sun failed to show that a reasonable effort had been made to form a standard gas unit. In fact, there are three owners in the 160-acre unit that could be formed, and the record shows that Sun had contacted only one of these owners concerning formation of a standard unit.

It is believed that our denial of the 80-acre non-standard unit will speed up negotiations between the interested parties and that a standard gas unit will be formed; however, we have indicated in the order that if a subsequent hearing establishes the fact that reasonable efforts have failed, the granting of an 80-acre non-standard unit will be given further consideration.

ALP:bp

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

September 24, 1957

IN THE MATTER OF
CASE NO. 1316

TRANSCRIPT OF PROCEEDINGS

DEARNLEY - MEIER & ASSOCIATES
INCORPORATED
GENERAL LAW REPORTERS
ALBUQUERQUE, NEW MEXICO
3-6691 5-9546

3
New Mexico on the application of Sun Oil Company for an unorthodox location for a well projected to the Crosby-Devonian Gas Pool in search for oil, and I would like to have the record of that hearing of July 11, 1956, included into this record by reference.

MR. COOLEY: Do you have the case number, Mr. Ballou?

MR. BALLOU: Yes, sir, it is Case 1098.

MR. COOLEY: One, zero, nine, eight.

MR. NUTTER: Is there objection to the introduction of the record in Case 1098 into the record of Case 1316? If there is no objection to the incorporation of this previous record in this case, we will so do.

MR. BALLOU: As a result of the hearing held July 11, the Commission issued an order on August 7, 1956, being Order No. R-859 which gave Sun Oil Company permission to drill a well being B. T. Lanehart Well No. 3, at a point 330 feet from the South and East lines of Section 20, Township 25 South, Range 37 East, NMPM, Lee County, New Mexico on the Lanehart 80-acres.

This order further states that in the event the said B. T. Lanehart Well No. 3 is completed as an oil well, the applicant will make prompt application to the Commission for a standard oil well proration unit; in the event the said B. T. Lanehart No. 3 is completed as a gas well, the applicant will make every reasonable effort to form a standard gas proration unit of 160-acres, and, should such efforts fail, to make prompt application to the Commission for forced pooling or a non-standard gas proration unit.

I would like to introduce also a certified copy of Order No. R-859.

MR. NUTTER: This copy has been certified by A. L. Porter, Secretary-Director of the Commission as a true and correct copy of original Order R-859, dated August 30, 1956. Is there objection to the introduction of this certified copy of Order R-859? If not, we will receive said copy, and it will be marked as Exhibit 1 in Case 1316.

MR. BALLOU: Now, after this order was received and prior to drilling the well, Sun Oil Company contacted Anderson-Prichard Oil Company which owns, I understand 56.79-acres of the other 80-acres in this quarter section, and I understand that Olson Oil Company owns 3.21-acres. Is that right?

MR. McLAUGHLIN: Olson owns 3.75-acres, our's is approximately 56, it is 55.9025 I believe.

MR. BALLOU: And the Southland Royalty owns, I believe 26-acres.

MR. COOLEY: What is the description of the acreage that you are outlining ownership of?

MR. BALLOU: The 80-acres offsetting the B. T. Lanehart in this --

MR. COOLEY: Can you describe that?

MR. BALLOU: Yes, sir, just a second. I have a plat here that shows that portion. In Section 20 is Sun Oil Company's B. T. Lanehart No. -- I mean B. T. Lanehart Lease with wells 1, 2, and

3 shown there, and Anderson-Prichard owns the West Half of the Southwest Quarter.

MR. NUTTER: Southeast Quarter.

MR. BALLOU: Southeast Quarter, yes, sir.

MR. NUTTER: In other words, Sun Oil Company is the owner of the East Half of the Southeast Quarter of Section 20, Township 25 South, Range 37 East, and Anderson-Prichard is the owner of the West Half of Southeast Quarter.

MR. BALLOU: I thought that Anderson-Prichard owned the entire 80-acres until I talked to Mr. McClure the Chief Counsel for Anderson-Prichard, and he said that they owned approximately 56-acres and Southland Royalty Company owned approximately 20-acres and R. Olson owned the balance, is that correct? One of our landmen, Mr. J. E. Buckley, contacted someone with the Anderson-Prichard Oil Company prior to the drilling of this well, Mr. J. H. Dalton with Anderson-Prichard Oil Company, and asked him if they would be willing to participate in the drilling of a well at the applied for location for which we received a permit under Order R-859. Mr. Dalton said that they would not, and later, Mr. J. Don Wiet, of the Midland Office contacted our landman in Roswell, New Mexico, and set out the basis on which we had requested them to go into the unit, and confirmed the statement of Mr. Dalton that they would not participate in the unit.

I have here photostatic copies of that correspondence, dated April the 17, 1957, March 19, 1957 and a copy of a letter dated

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May 23, 1957, from Mr. Wist to Mr. A. J. Viets, the Dallas Office.

I would like to introduce this as evidence that we have made a reasonable effort to form a unit there, and that we are asking here for an 80-acre non-standard gas proration unit so that we can have an allowable assigned to our well, and if and when we can work out an arrangement for a full 160-acre unit with Anderson-Prichard and others who are owners of the West Half of the Southeast Quarter of Section 20, that we will form a full unit, and at that time request an orthodox unit.

MR. NUTTER: Mr. Ballou, did you wish to offer this plat as an exhibit in this case too?

MR. BALLOU: Yes, sir.

MR. NUTTER: This plat will be marked as Exhibit No. 2.

MR. BALLOU: The plat, of course, is in the record of the July 11th hearing.

MR. NUTTER: Now, do you wish to offer these photostatic copies of letters as a collective exhibit, Exhibit No. 3, or as individual exhibits?

MR. BALLOU: Well, collective, as Exhibit 3 will be fine. It is just an exhibit to show that we have made an effort and are continuing to make an effort to form a full 160-acre unit on this tract.

MR. COOLEY: Off the record.

(Discussion off the record.)

MR. NUTTER: Is there objection to the witness being sworn

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in now, rather than at the beginning of the hearing?

(Witness sworn.)

MR. ARCH BALLOU

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

QUESTIONS BY MR. NUTTER:

Q If you will briefly summarize what these exhibits are, for the sworn testimony, Mr. Ballou.

A All right, sir. As Exhibit 1, we introduced a copy of Order R-859 which gave Sun Oil Company permission to drill the B. T. Lanehart No. 3 Well. This copy has been certified by A. L. Porter as being a true and correct copy of Order R-859.

Also, as for Exhibit 2, we introduced a plat showing the location of Sun's leases and the adjacent 80-acres owned by Anderson-Prichard, R. Olson, and Southland Royalty Company, which contains the entire Southeast Quarter of Section 20.

And also have introduced as Exhibit 3, photostatic copies of three letters between various people in Anderson-Prichard's organization and Sun Oil Company's organization, pertaining to the efforts that have been made to form a standard 160-acre production unit.

Q Exhibit 3 consists of three photostatics, the first being a letter from Anderson-Prichard Oil Corporation, J. H. Dalton, to Sun Oil Company, James E. Buckley. The letter is dated March 19, 1957. The second portion of Exhibit 2 is a letter from

Mr. S. B. Christy.

A He is with Sun Oil Company in Roswell.

Q With Sun Oil Company at Roswell, addressed to Mr. A. J. Viets at the Dallas Office. This is an inter-office correspondence sheet of Sun Oil Company and is dated April 17, 1957. The third portion of Exhibit 3 comprises of a photostat of a letter from Mr. J. Don Wiet, District Landman for Anderson-Prichard Oil Corporation, Midland, Texas, addressed to Sun Oil Company, Dallas, Texas, to the attention of Mr. A. J. Viets. The date of this letter is May 23, 1957.

Q Is that all the testimony you have to offer at this time, Mr. Ballou?

A Yes, sir.

MR. NUTTER: Does anyone have any questions of the witness?

MR. WHITE: Yes, I would like to ask a question, Charles White, with Anderson-Prichard Oil Corporation.

MR. NUTTER: Mr. White.

CROSS EXAMINATION

BY MR. WHITE:

Q Mr. Ballou, these original negotiations with respect to the drilling of the Lanehart Well and the formation of the unit were conducted prior to the time the Lanehart No. 3 Well was drilled, is that correct?

A That's correct.

Q Was the original offer regarding the formation of the unit made by phone from Mr. Buckley of your office?

A I believe it was.

Q Of your Dallas Office?

A I believe the original offer is set out in the letter of April 17 between Mr. Christy and Mr. Viets. Mr. Wiet had called Mr. Christy and outlined the proposition as he understood it, and Mr. Christy related that information to the Dallas Office.

Q Would you mind outlining the terms of the original offer which were made by Mr. Buckley?

A The letter, reading from the letter of Mr. Christy, it says? "Today Mr. J. Don Wiet of the Midland Office of Anderson and Prichard called on me regarding a proposed well and their interest in the event of a gas well.

He stated that they were willing to go along with us on all of the conditions except that they were unwilling to pay their part of the cost of a well in the event of a dry hole since they would not participate in an oil well. In brief, he stated the conditions as follows:

One: In the event of a gas well they would join a gas unit and pay their proportionate cost.

Two: In the event of an oil well they would have no interest and pay no cost.

Three: In the event of a dry hole they would be obligated to pay no cost.

Four:: In the event of a marginal gas well they would have the option of contributing no cost of drilling well and reserve no returns from the sale of the gas until the well had paid out."

And then, he says,

"I told Mr. Wiet I would pass this information to you."

Q Was this Lanchart No. 3 Well originally projected as an oil well?

A Yes, it was.

Q Did all the parties anticipate that oil would be obtained rather than gas?

A No, I don't know how much anticipation there was, but we hoped we would get an oil well similar to Mr. Olson's Oil Well immediately offsetting us to the east.

Q Did Sun Oil Company ever make an offer to communitize all of the rights with respect to the Southeast Quarter of Section 20, 25 South, 37 East, including all subsequent rights which might be recovered from the well?

A You mean oil, gas and so forth?

Q Yes.

A I don't think you can form a 160-acre unit in that field, can you?

Q Well, if --

A You can't do it, so we didn't try it.

Q In any event, the original offer made from your Dallas Office provided that Anderson Prichard would pay its part of the cost of the well if the well was completed as a dry hole, is that correct?

A Yes, sir.

Q As we understood it, the offer which was made from your Roswell Office was a different offer, and provided that Sun would bear the entire cost of the well if it was an oil well or if it

was a dry hole, is that correct?

A Well, I hope no one out of the Roswell office makes a deal like that, we would like to stay in business.

Q Was there any misunderstanding between the Roswell Office and Anderson-Prichard for the formation of this --

A I am sorry, I can't answer that question, I don't know if there was any disagreement between Anderson-Prichard and Sun, I was not aware of it.

Q Was any offer ever made in writing with respect to the formation of this unit or were all the offers made by phone?

A I can't answer that, this is all the correspondence I have.

MR. McLAUGHLIN: Can I say something. I am with the legal department of Sun Oil Company.

MR. NUTTER: State your name?

MR. McLAUGHLIN: Don McLaughlin. In this first letter, the original deal was made on the telephone. In the letter from Mr. Dalton to Mr. Buckley, Mr. Dalton repeated what the offer was that Buckley made. He said if it is a gas well, or a gas distillate producer, or dry hole, the cost will be borne jointly. I am reading from the letter.

MR. COOLEY: Reading from Exhibit No. 3.

MR. McLAUGHLIN: The first letter here. That is when Anderson-Prichard repeated the offer that had been made over the telephone, so there wouldn't be any mistake.

MR. WHITE: As long as we are talking about that Exhibit more or less informly, I would like to point out that Mr. Ballou made a statement a few minutes ago in which he said that Mr. Dalton's letter of March 19, 1957 had rejected Sun Oil Company's offer to form 160-acres, and we submitted that the letter speaks for itself and that it is not a definite failure to accept Sun's officers, it merely states that the recommendation has been submitted to our Midland, Texas Office and no action had been taken at that time.

A Let me clear that, let me read these two letters from Anderson-Prichard, I think that might clear the matter up, if there is some misunderstanding in his mind about the thing.

The letter of March 19th, is addressed to Mr. James E. Buckley with the Sun Oil Company from Mr. J. H. Dalton of the Land Division Office, Anderson-Prichard Oil Company, and he says, he sets out the 80-acres of the West Half of the Southeast Quarter of Section 20, Lea County, New Mexico and he says "We are awaiting recommendation to our March 14th memorandum to our Midland, Texas District Office, to your proposal over long distance telephone a week ago this afternoon with respect to your and our forming a 160-acre unit embracing your leasehold East Half of the Southeast Quarter, and ours, West Half of the Southeast Quarter of captioned Section 20 for the purpose of drilling a Devonian test, 8800 to 9000 feet, provided if it is a gas or gas distillate producer or is a dry hole, the cost thereof would be borne jointly, but if an oil well, the well shall be owned and paid for 100 percent by your company. In due

course, I hope to have an answer.

It is sure nice to hear your voice; brought back memories, which I cherish, of your and my associations commencing in the Spring of 1916. With good wishes and warm regards, I am, sincerely yours, Jack Dalton.

Now, on May the 23rd, Mr. Viets of our land department received a letter from Mr. J. Don Wiet, District Landman of Anderson-Prichard, concerning the same file, the West Half of the Southeast Quarter of Section 20, Township 25 South, Range 37 East, and he says, "This refers to your recent request for a dry hole contribution in support of a Devonian test well your company proposed to drill at a location in the Southeast Quarter, Southeast Quarter, Section 20, Township 25 South, Range 37 East, Lea County, New Mexico."

And up until that time, as I understood, there was no discussion of a dry hole contribution."

"We have discussed this with our management and regret to advise we have no authority to make such contribution. We feel this is a field or development well, therefore, a dry hole contribution could not be considered. For example, we are commencing operations for an extension well to the field with location in the Northwest Quarter, Southwest Quarter, Section 34, which offsets El Paso Gulf, and Western Natural, none of whom are supporting the test well.

I am sorry we could not get together on this one but perhaps on some future deal we can lend you some support."

Now, other than this correspondence, I believe everything else has been handled over the phone. Mr. Wiet has talked to people in our office and people in our office talked to Mr. McClure with Anderson-Prichard, and we have hopes that a 160-acre unit will be formed, but we don't want to be without an allowable on the well for another six or eight months while we are trying to form this unit. We are not asking for anything but an allowable on the number of acres assigned to the unit.

MR. NUTTER: Mr. Ballou, when was this well commenced?

A In June, I believe, I am not sure.

Q (By Mr. White) June of 1957?

A Yes, sir.

Q And when was it completed?

A The later part of August, took 100 days to complete.

Q And all of this correspondence was in the Spring of 1957?
is that correct?

A Yes.

Q Prior to the time the well was even started? A Yes, sir.

Q Mr. Ballou, Southland Royalty is the owner of the mineral rights on the South Half of Section 20.

A It is now. After talk to Mr. McClure, up until that time, I was under the impression that Anderson-Prichard owned the whole thing. He told me that Mr. Olson owned a part of it, and South Royalty owned part of it.

Q Were any offers made to either R. Olson individually or to Southland Royalty Company with respect to the formation of a standard 160-acre unit?

A There was not.

Q After this well was completed as a gas well, were any efforts made by you to form a standard 160-acre gas unit?

A Well, Mr. Sullivan in our Gas Department has talked to Mr. McClure who I understand is the head of the Legal Department for Anderson-Prichard and the last discussion that they had was last Friday afternoon, but I don't know the result of that discussion, I think they have agreed to continue to try to work the thing out.

Q Didn't that conversation arise only after we had contacted Sun with respect to --

A Yes, sir, that's right.

Q And even after that time?

A In fact, Mr. McClure called me and I referred him to Mr. Sullivan.

Q Subsequent to that time, did Sun Oil Company contact R. Olson or Southland Royalty Company?

A No, sir.

Q In view of that --

MR. McLAUGHLIN: Saturday or Sunday.

Q Yes, or Friday as far as he is concerned.

A We couldn't see where it would be of any benefit to us to contact a portion, I mean, the minor portion of the 60-acres leasehold until we had arrived at an agreement with Anderson-Prichard, he owns the biggest portion of it.

Q Have you ever been advised formally by Anderson-Prichard Oil Corporation that the company was unwilling to negotiate with respect to the formation of a standard 160-acre unit?

A Would you mind repeating that.

Q Well, have you ever been advised formally by Anderson-Prichard that we were unwilling to negotiate with the respect to the formation of 160-acre unit?

A I think the Exhibit 3 that I filed speaks for itself.

MR. COOLEY: Mr. Ballou, Mr. White, may I interrupt.

MR. WHITE: Yes.

MR. COOLEY: Doesn't the portion of Exhibit 3 that you last read concerning the regret that Anderson-Prichard would not be able to contribute dry hole money to this well evidence of misunderstanding between the parties in that, as I understand, Sun never requested any dry hole money?

A No, we never requested dry hole money.

MR. COOLEY: It is evidence of a misunderstanding, is it not?

A Yes.

MR. WHITE: May I make a statement to clarify that? Mr. A. J. Viets called me by long distance and wanted to know if we would consider a dry hold contribution, and I said, "We will be glad to take it under discussion."; so it is generally a formality, when you want to break some bad news to somebody, you call them by telephone and break it to them, and generally you follow with a letter which I did. I called him and said we couldn't make the contribution, and then I wrote him this letter that was read.

MR. COOLEY: And Sun Oil Company did request Anderson-Prichard to contribute dry hole money to this well?

MR. WHITE: Yes.

MR. COOLEY: Which was part of the original deal?

MR. WHITE: This was a last minute --

A That's the first I over heard of that.

MR. WHITE: I have no further questions of Mr. Ballou.

A I told Mr. McClure the other day that it looked to me like the whole thing might have been handled rather poorly by both parties. First one landman and then another landman would call Anderson-Prichard, and they all know someone different in each organization, and when they got the well completed, they gave it to me to get an allowable, and gave me copies of the letter to read at the hearing and that's about all I know about it, but I still think, after my discussion with Mr. Sullivan of our Gas Department, and Mr. McClure with Anderson-Prichard, that a standard gas proration unit will be worked out containing the Southeast Quarter of Section 20, but when, I don't know, and I can't see any reason to postpone an allowable on the well on the basis of the number of acres we have to assigned to it now pending an agreement among the four companies.

MR. NUTTER: Mr. Ballou, is it your understanding that the interest the Southland Royalty Company and R. Olson has on the West Half of the Southeast of 20 is an undivided interest or divided interest?

A Mr. Nutter, as I said a moment ago, the first I knew about Mr. Olson and the Southland Royalty having any interest was when Mr. McClure informed me of that.

MR. NUTTER: Could you answer the question, Mr. Wiet?

MR. WIET: R. Olson has an oil-gas lease interest comprising of 3.75 interest, and Southland Royalty has an unleased 1/4 mineral interest which comprises of 20-acres, and we have the balance under all the gas leases and at one time, a long time ago when we were drilling the discovery well, we tried to lease that interest from Southland and they said no.

QUESTIONS BY MR. NUTTER:

Q Now, in reading Exhibit 3, Mr. Ballou, the second portion of that exhibit, of this inter-office correspondence, and paragraph four of that, the conditions under which were stated and quoted in the letter, paragraph four says, "In the event of a marginal gas well they would have the option of contributing cost of drilling the well and reserve no returns from the sale of the gas until the well had been paid out." Could you state what the deliverability of that well is?

A The deliverability on that well is in the order of twelve million cubic feet a day.

Q Would you classify that as a marginal or non-marginal?

A No, not as a marginal well, it would be one of the best ones we have drilled in a long time.

MR. NUTTER: Does anyone else have any questions of the witness?

MR. COOLEY: Yes.

QUESTIONS BY MR. COOLEY:

Q Mr. Ballou, I am going to read to you the last paragraph of Exhibit 1, it being Commission Order No. R-857 "That in the event

the said B. T. Lanchart Well No. 3 is completed as a gas well the applicant will make every reasonable effort to form a standard gas proration unit of 160-acres, and should such efforts fail, make prompt application to the Commission for forced pooling or a non-standard gas proration unit."

Mr. Ballou, do you feel that in view of the statements and evidence that came to light at this hearing that Sun Oil Company has made every reasonable effort to form a standard gas proration unit?

A I don't know what you would call every reasonable effort, Mr. Cooley, but I feel that we have made reasonable efforts to form a 160-acre standard gas proration unit here, and in view of the correspondence we had and answers received from Anderson-Prichard at the time we began the well, which was some three months ago, I think we made every reasonable effort.

Q Mr. Ballou, the only refusal on the part of Anderson-Prichard to date is that they will not furnish dry hole money?

A That's the last communication we have from them, that they will not furnish dry hole money. They certainly have answered the other portion, would they participate in a unit.

Q But surely you do not feel that the contribution of dry hole money would have been a valid part of --

A As I said a while ago, I didn't know we even requested any dry hole money, the only thing I know is the deal that is set out in that letter, Mr. Cooley.

Q And I believe Anderson-Prichard stated that the deal, as you refer to it, was being considered by their management at the time the letter was written, isn't that part of Exhibit 3?

A When we got that letter stating they didn't want to give a dry hole contribution, I assumed that they had turned the whole deal down.

Q And you stated that Sun Oil Company has made no offers or no approaches to Olson or Southland Royalty Company?

A That's right.

MR. COOLEY: That's all.

MR. NUTTER: We have a telegram addressed to Mr. Al Porter, Jr., New Mexico Oil Conservation Commission, Santa Fe, New Mexico from R. Olson. The date of this telegram is September 20, 1957, and received at 5:05. Would you read that telegram, Mr. Cooley?

MR. COOLEY: "R. Olson as the owner of leasehold interests under West Half, Southeast Quarter, Section 20, 25 South, 37 East, of standard gas proration unit of 160-acres. That he is willing to negotiate an agreement as such owner for the formation of a standard proration unit and protest the granting of an exception as requested by Sun at this time. Signed, R. Olson."

MR. NUTTER: Does anyone else have any questions of the witness. Mr. Utz?

QUESTIONS BY MR. UTZ:

Q Mr. Ballou, can you tell me if there are any other gas wells completed in the Crosby-Devonian Pool in Section 20, 29, 21

and 26 offsetting this location, the Lanehart No. 3?

A You mean directly offsetting to the Southeast Quarter?

Q Yes, sir, any offsetting to the Southeast Quarter of Section 20?

A Mr. Utz, this map shows gas wells offsetting that quarter section, but I don't know what field they are completed in. I don't know whether they are or not. I will have to get the schedule and check them.

Q Did I understand you to state in your testimony that you drilled at a 330 location in hopes of getting an oil well since the Olson well offsetting your location to the east was an oil well?

A Yes, sir, I understand that the Olson Well No. 1 was an oil well in the Crosby-Devonian Pool at the time we made application for the permit to drill well No. 3 on the Lanehart lease. We could not locate a well 660 from the line in accordance with the field rules because there is a well at that location now.

Q You could have made a standard gas location?

A The standard gas location is 660 from the line.

MR. UTZ: That's all I have.

MR. NUTTER: Anyone else have any questions of Mr. Ballou? If not, you may be excused. Mr. Ballou, you wanted to offer Sun Oil Company's Exhibits 1, 2, and 3 in this case, is that correct?

A Yes, sir.

MR. NUTTER: Without objection, they will be received. Does anyone else have anything further they wish to offer in Case 1316?

If not --

MR. WHITE: I would like to put on one witness, if I may.

MR. NUTTER: Oh, I beg your pardon.

MR. WHITE: I would like to make a brief statement. I might explain what our position is. In the first place, we don't object to that portion of the application which deals with the unorthodox gas well location; we do object to that portion of the application dealing with the non-standard gas unit. I think on the basis of the testimony which has been presented thus far, and the testimony which we will present, I think it is apparent that there is a misunderstanding about the offer which was made for the formation of this gas unit. We feel that the offer which was made by Sun's Dallas Office was slightly different from the offer made by their Roswell Office. It was never quite clear in my mind exactly what the offer was. The whole thing in a nut shell is, however, that we feel that this matter can be negotiated. We are perfectly willing to negotiate. We understand that Southland Royalty and Olson are willing to negotiate, and we think that in a matter of 30, 45 days at the most, we can get together and negotiate and try to make up our minds whether or not we could form a 160-acre unit. If that effort is made and we cannot form the unit, why then we think that is the proper time to consider a non-standard gas unit application.

MR. BALLOU: May I make a statement in that regard?

MR. COOLEY: You will have an opportunity later on. Proceed

with the witness Mr. White.

(Witness sworn.)

J. DON WIET

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

DIRECT EXAMINATION

BY MR. WHITE:

Q Mr. Wiet, state your name, please?

A J. Don Wiet.

Q What is your position with Anderson-Prichard Corporation?

A District Landman.

Q And for what period of time have you been so employed?

A Six years.

Q Is the West Texas and New Mexico District within the area in which you work?

A It is.

Q Is one of your duties the negotiation of joint operating agreements?

A Yes, sir.

Q Are you familiar with the leases concerning the West Half of the Southeast Quarter, Section 20, 25 South, 37 East?

A Yes.

Q In what field is that land located?

A The Crosby-Devonian field, Lea, New Mexico.

Q Will you speak up?

A Crosby-Devonian Pool, Lea County, New Mexico.

Q What leasehold estates does Anderson-Prichard own with

respect to that 80-acre?

A 56.375, I believe.

Q Are you familiar with the fact that a well, the B. T. Lanchart No. 3 Well, has been completed by Sun Oil Company off-setting our acreage?

A Yes, it is my understanding it has been completed.

Q Prior to the time that well was drilled, was Anderson-Prichard contacted with respect to the formation of a 160-acre unit?

A Yes, they were.

Q What was the offer as you understand it which was made by Sun Oil Company?

A Well, as previous testimony has shown, it's going around the world and back on these various offers, but it is our understanding that Sun staked this location primarily for oil, and then at the last minute we thought there was a possibility we could get a gas well, we, meaning Sun, Therefore, their Dallas Office contacted our Oklahoma City Office regarding our attitude toward pooling our lease interest with theirs in the event this subject well should be a gas well, and the terms offered to the Oklahoma City Office were: One, that if it was an oil well, we would be reimbursed for our proportionate share of one half, at that time Sun was thinking we owned one half, of an oil well; if a gas well, why then we would jointly own the well 50/50 and if it was a dry hole, we would pay half the cost. Well then, in land traded, I think it is obvious that, that is not a good deal for Anderson-Prichard.

Q Was there any misunderstanding as far as Anderson-Prichard was concerned with respect to this offer?

A The offer would appear to be not an equitable one, and since it bypassed Sun's Roswell Office, which would be the logical place for the offer to originate, I just picked up the phone and called Mr. Christy and we discussed it, and the results of his interpretation of the conversation is set out in that inter-office memorandum.

Q Was Anderson-Prichard solicited for a dry hole contribution by Sun's Roswell Office?

A No, by Mr. Viets of their Dallas Office.

Q Is it your understanding that this well has been completed as a gas well in the Crosby-Devonian Pool? A Yes.

Q Since the well has been completed as a gas well, has Sun Oil Company contacted your office in Midland for the purpose of negotiating with respect to the formation of a 160-acre unit?

A No.

Q Is Anderson-Prichard willing to negotiate at this time with respect to the formation of such a unit?

A Yes, we are.

MR. WHITE: I believe that's all I have.

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

MR. BALLOU: I would like to ask Mr. Wiet a question.

MR. NUTTER: Mr. Ballou.

CROSS EXAMINATION

BY MR. BAILLOU:

Q Mr. Wiet, you said that the deal Sun Oil Company offered Anderson-Prichard was not a good deal. Was it a kind of deal that you would offer Sun under reversed circumstances? A No.

Q Is Anderson-Prichard in the habit of assuming all of the risk of drilling wells and then offering other leasehold interest owners in the area an opportunity to come in after they get a good well?

A Not if we can help it. Although you may remember we drilled the discovery well in the Crosby-Devonian field at our own cost expense and risk.

Q That is a normal operation, isn't it?

A That was a wildcat well. That's correct.

Q But your construction of our offer prior to the drilling of a well, you say was not a good deal to Anderson-Prichard, but it is an identical deal that ^{you} offered us under similar circumstances.

A No, you'll find that it is a little bit one-sided in that we join you in the well, if it is an oil well, you get it and we don't, and in the event --

Q Under the Rules of the State of New Mexico, we couldn't take --

A And if it is a dry hole, we pay half the cost, and if it is a gas well, why then we finally get our money's worth. We told you that we would not stand in your way of a gas proration unit as you outlined on the telephone conversation, we are always willing to

negotiate.

Q As I stated before, there is no reason for me to argue with Mr. Wiet, his interpretation of the deal and my interpretation of the deal because I didn't know anything about the deal until last week, but we feel that we made an effort to form a unit, and we should be permitted to have a well, I mean an allowable for this well on the basis of the acres we have to assign to the unit until such time as the full standard unit can be worked out. It is not unusual in the State of New Mexico to have a non-standard unit, and we are not asking for any advantages other than production we are entitled to for the acres we have to assign to the unit at this time.

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

Mr. Utz.

CROSS EXAMINATION

QUESTIONS BY MR. UTZ:

Q Mr. Wiet, if the proposition of this well not being projected as an oil well had not entered into your negotiations, would you depend a good deal on Anderson-Prichard?

A We would have, if it would have been set up for a gas well in a regular location, we would have undoubtedly negotiated prior to the drilling of the well.

Q In dry hole money? A No, in participation.

Q What if it would have been a dry hole?

A That would have been set out probably under an operating

agreement prior to drilling.

MR. NUTTER: Anderson-Prichard would have shared in the cost of drilling a gas well on a gas well location?

A Yes, or we would have farmed out our interest under-pay out participation, or pay out in the event we didn't want to participate. In other words, we would have worked the thing out.

Q In other words, on this unit, would you have participated dry hole money on the unit?

A That is not a fact. We would have -- the request for dry hole money would not have even developed because we would have either joined them in drilling a well, or joined them on some basis satisfactory to Sun, whereby we would have had the 160-acre unit communitized prior to the drilling, as I see it.

Q Yes, but if it would have been a dry hole, you would have shared the cost?

A That's correct.

Q So as I gather, the reason you didn't think it was a good deal for Anderson-Prichard was because you were also gambling on a dry oil well?

A That's right, for which we never would have had an opportunity to participate.

MR. WHITE: I think the whole thing is that there has been a misunderstanding in the very beginning. I don't think anyone can say that our negotiations have been completed because we really have never gotten together to negotiate. It seems to me the matter could be worked out.

MR. UTZ: That's all I have.

MR. COOLEY: Off the record.

(Discussion off the record.)

MR. NUTTER: Any other questions of Mr. Wiet? If not, he may be excused from the stand.

MR. NUTTER: Does anyone have anything further to offer in Case 1316.

MR. WHITE: Nothing except that we have a telegram from Southland Royalty Company addressed to Mr. Wiet in which Southland concurs with the other position taken by Anderson-Prichard.

MR. COOLEY: Read that telegram into the record please, Mr. White.

MR. WHITE: It is addressed to Don Wiet, -- I might explain a portion of it, that Mr. Coleman, from Southland Royalty Company, evidently misunderstood what was involved because he speaks of spacing. "We will appreciate very much your appearing tomorrow before the New Mexico Conservation Committee in our behalf and informing them that we are opposed to Sun Oil Company's application in Docket No. -- and he has the wrong number -- 116, non-standard gas producing unit, Crosby-Devonian Pool, Lea County, New Mexico, wherein Sun Oil Company is asking for an 80-acre spacing pattern, and explaining to the Committee that we prefer 160-acre spacing, and accordingly respectfully request that the Southeast Quarter of Section 20, Township 25 South, Range 37 East, Lea County, New Mexico be made into a unit for development of the 8,000 foot gas horizon"

signed, Southland Royalty Company, by R. M. Coleman.

MR. NUTTER: What was the date of that wire, Mr. White?

MR. WHITE: September 23rd.

MR. NUTTER: Does anyone else have anything further in Case 1316.

MR. BALLOU: Mr. Examiner, Sun Oil Company is always in favor of forming the maximum size unit for any gas field, and it is because of all the fallen down negotiations and misunderstanding, that we have requested this non-standard unit. I think it would be grossly unfair to Sun Oil Company if the Commission refused us an allowable and permit us to sell gas from this well, since we have assumed the cost of drilling it, and the other operators refused to participate on any basis, and since we have a well completed and it's a good gas well, we are asking only for an allowable to be assigned to the acreage which we have to put in the unit now, and I can say that Mr. Sullivan from our gas department, and Mr. McClure, the Chief Counsel for Anderson-Prichard, are working on forming a 160-acre unit now, and it may be only two weeks until the thing can be changed from a non-standard to a standard gas proration unit. We are anxious to form 160-acre unit because we think it is ridiculous to drill any unnecessary wells in any field. For that reason, we request the Commission grant our request here today and permit us to continue working with Anderson-Prichard and others to form a full unit.

MR. NUTTER: If there is nothing further in Case 1316, we will take the case under advisement. The next case will be Case No. 1317.

C E R T I F I C A T E

STATE OF NEW MEXICO)
 : ss
 COUNTY OF BERNALILLO)

I, J. A. TRUJILLO, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing was reported by me in Stenotype at the time and place hereinbefore set forth; that same was thereafter transcribed into typewritten transcript by me; and that same is a true and correct record to the best of my knowledge, skill, and ability.

WITNESS my Hand and Seal this, the 2nd day of October, 1957, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

J. A. Trujillo
 NOTARY PUBLIC

My Commission Expires:
 October 5, 1960.

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examiner Hearing of Case No. 1316
 heard by me on 9-24, 1957.
James H. Miller, Examiner
 New Mexico Oil Conservation Commission

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 10-15-57

CASE 1316

Hearing Date 9-24-57

DSN DSF 9 am

My recommendations for an order in the above numbered cases are as follows:

Enter an order denying Sun
Oil Company's application for
an 80-acre non-std gas proration
unit in the Crosby-Devonian
gas Pool and approving the location
of the well, the Cambrian No 3, 330' from S+E
line of Sec 29, T 25 S R 37 E, Lea Co.

Order R-859, dated Aug 30, 1956,
provided "That in the event said BT Ham-
bert Well No 3 is completed as a gas
well the applicant will make every
reasonable effort to form a standard
gas proration unit of 160 acres, and,
should such efforts fail, make
prompt application to the Commission
for forced pooling or a non-standard
gas proration unit."

In my opinion the record in the subject
case does not substantiate any
claim that a reasonable effort has been
made to form a
standard unit and that the
creation of an 80 acre non std
unit at this time is premature.

Staff Member

Harry Miller
Examiner

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WESTERN UNION

TELEGRAM

W. P. MARSHALL, PRESIDENT

SYMBOLS

DL=Day Letter

NL=Night Letter

LT=International Letter Telegram

1201

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

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DON WIET=

1957 SEP 23 PM 1 52

W. C. Hall 8/23/57

TOWNE HOUSE MOTEL SANTA FE NMEX=

WE WILL APPRECIATE VERY MUCH YOUR APPEARING TOMORROW
BEFORE THE NEW MEXICO CONSERVATION COMMITTEE IN OUR
BEHALF AND INFORMING THEM THAT WE ARE OPPOSED TO SUN
OIL COMPANY'S APPLICATION IN DOCKET NO. 1116 NON-STANDARD
GAS PRODUCING UNIT, CROSBY DEVONIAN POOL, LEA COUNTY,
NEW MEXICO, WHEREIN SUN OIL COMPANY IS ASKING FOR AN
80-ACRE SPACING PATTERN, AND EXPLAINING TO THE COMMITTEE
THAT WE PREFER 160-ACRE SPACING, AND ACCORDINGLY

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION TELEGRAM

W. F. MARSHALL, PRESIDENT

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NL=Night Letter

LT=International Letter Telegram

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

RESPECTFULLY REQUEST THAT THE SOUTHEAST QUARTER OF
SECTION 20, TOWNSHIP 25-SOUTH, RANGE 37-EAST, LEA COUNTY,
N. M. BE MADE INTO A UNIT FOR DEVELOPMENT OF THE 8,000
FOOT GAS HORIZON=

SOUTHLAND ROYALTY CO BY R M COLEMAN==

21943

1116 80 160 20 25 37 8,000:

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE
This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

SYMBOLS
DL = Day Letter
NL = Night Letter
LT = International Letter Telegram

1201

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

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(41) • • • • •

D MPA030780-MP DALLAS TEX 6 1014AMC=

Case 1316

DAN NUTTER=

NEW MEXICO OIL CONSERVATION COMMISSION SANTA FE NMEX=

SUN OIL COMPANY REQUESTS THAT IF NECESSARY OUR
APPLICATION FOR UN-ORTHODOX GAS PRORATION UNIT OF
80 ACRES BE AMENDED TO INCLUDE REQUEST FOR UN-ORTHODOX
GAS WELL LOCATION AS WELL FOR OUR B T LANEHART WELL NO
3 CROSBY DEVONIAN GAS POOL LEA COUNTY NEW MEXICO=

A R BALLOU

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

SYMBOLS

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1201

The filing time and the time on domestic telegrams is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination.

(48)...

LA219 KB4061

K OCA587 PD=FAX OKLAHOMA CITY OKLA 20 535PM SEP 20 PM 05

A L PORTER JR=

NEW MEXICO OIL CONSERVATION COMMISSION SANTA FE NMEX=

R OLSEN AS THE OWNER OF LEASEHOLD INTERESTS UNDER W/2 SE/4 SECTION 20-25S-37E STATES THAT SUN OIL COMPANY HAS MADE NO OFFERS RELATIVE TO FORMATION OF STANDARD GAS PRORATION UNIT OF 160 ACRES. THAT HE IS WILLING TO NEGOTIATE AN AGREEMENT AS SUCH OWNER FOR THE FORMATION OF A STANDARD PRORATION UNIT AND PROTEST THE GRANTING OF AN EXCEPTION AS REQUESTED BY SUN AT THIS TIME=

R OLSEN=

Call 1316

=W/2 SE/4 20-25S-37E=

STATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 861
Order No. R-639

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON ITS
OWN MOTION FOR AN ORDER CREATING
AND DESIGNATING A NEW POOL TO BE
KNOWN AS THE CROSBY-DEVONIAN POOL
FOR THE PRODUCTION OF GAS FROM THE
DEVONIAN FORMATION, SUCH POOL TO
CONSIST OF ALL OF SECTION 28, TOWN-
SHIP 25 SOUTH, RANGE 37 EAST, NMPM,
LEA COUNTY, NEW MEXICO; AND FOR
THE ESTABLISHMENT OF POOL RULES,
DRILLING UNITS, WELL SPACING AND
OTHER RELATED MATTERS FOR SAID POOL.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. March 16, 1955, and was continued to April 20, 1955, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission".

NOW, on this 27th., day of May, 1955, the Commission, a quorum being present, having considered the record and testimony adduced, and being fully advised in the premises,

FINDS:

- (1) That due notice of the time and place of hearing having been given as required by law, the Commission has jurisdiction of this case and the subject matter thereof.
- (2) That Anderson-Prichard Oil Corporation did complete its American Republics-Federal No. 1 discovery well in the NE/4 SW/4 of Section 28, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico on or about January 18, 1955.
- (3) That said well potentialed 30,000 MCF of gas per day on an absolute open flow test from the Devonian formation in the depth interval of 8270 to 8390 feet.
- (4) That said well discovered a new common source of supply in this area.

(5) That sufficient evidence was presented to the Commission as to the probable areal extent and directional trend of the newly discovered common source of supply to justify the creation of the new pool as contemplated.

(6) That in conformity with the practices of the Commission, a pool should be created, defined and classified including such acreage as appears to cover the newly discovered source of supply.

(7) That the probable areal extent of the common source of supply is limited, and as a result thereof a proration unit of more than 160 acres could cause the inclusion in units of acreage that cannot reasonably be assumed to be productive of gas.

(8) That one well will efficiently and economically drain at least 160 acres of the said common source of supply.

(9) That in order to provide for the orderly development of the common source of supply, and to prevent waste, drilling units of 160 acres, well-spacing regulations, and a casing program should be established for said common source of supply.

IT IS THEREFORE ORDERED:

(1) That the Crosby-Devonian Gas Pool is hereby created, and that said pool shall consist of the following described acreage:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
All of Section 28

(2) That effective on the date of this order, the following Rules and Regulations shall apply to wells hereafter drilled, completed, or recompleted to the Devonian formation in the Crosby-Devonian Gas Pool area, as defined above, in addition to the Commission's applicable rules, regulations and orders heretofore or hereafter adopted, to the extent not to conflict herewith;

SPECIAL RULES AND REGULATIONS FOR
THE CROSBY-DEVONIAN POOL

SECTION 1. Any well drilled one mile or less from the outer horizontal boundary of the Crosby-Devonian Gas Pool, and drilled to the Devonian formation, shall be spaced, drilled, operated, and prorated in accordance with the rules and regulations in effect in the said Crosby-Devonian Gas Pool.

SECTION 2. No well shall be drilled, completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved, unless,

- (a) Such well be located on a designated drilling unit of not less than 160 acres of land, more or less, said acreage to be substantially in the form of a square conforming to a legal sub-division (quarter-section) of the U. S. Public Lands Survey, in which unit all the interests are consolidated by pooling agreement or otherwise, and on which unit no other well is completed or approved for completion in said pool.
- (b) Such well shall be located not closer than 660 feet to any outer boundary line of the tract, nor closer than 330 feet to any quarter-quarter section or sub-division inner boundary, nor closer than 1320 feet to a well drilling to or capable of producing from the same pool.
- (c) The pooling of properties or parts thereof shall be permitted, and if not agreed upon may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of a uniform spacing plan, deprive or tend to deprive the owner of such tract of the opportunity to recover its just and equitable share of the natural gas in said pool, provided that the owner of any tract that is smaller than a drilling unit established for the pool shall not be deprived of the right to drill on and produce from such tract if same can be done without waste; but in such case the allowable production from such tract, as compared with the allowable production therefrom if such tract were a full 160-acre unit area shall be in the ratio of the area of such non-standard proration unit expressed in acres to the area of the standard 160-acre proration unit.

SECTION 3. The casing program for the field shall include three strings of casing set in accordance with the following plan:

- (a) The surface string shall be new or reconditioned pipe with a mill test of not less than two thousand (2,000) pounds per square inch and shall be set and cemented at a depth of approximately five hundred (500) feet, such depth being sufficient to protect the fresh water bearing sands of the Santa Rosa Formation.

Cementing shall be by the pump-and-plug method, and sufficient cement shall be used to fill the annular space back of the pipe to the surface of the ground or

(a) (continued)

the bottom of the cellar. Cement shall stand a minimum of sixteen (16) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating pressure tests. Before drilling the plug, this string shall be tested by the application of at least one thousand (1,000) pounds per square inch and, if at the end of thirty (30) minutes the pressure shows a drop of one hundred fifty (150) pounds per square inch or more, the cementing job shall be condemned. After corrective measures have been taken, the pipe shall again be tested in the same manner.

- (b) The intermediate string shall consist of new or reconditioned pipe that has been tested to two thousand (2,000) pounds per square inch and shall be set at approximately thirty-six hundred (3,600) feet. Cementing shall be by the pump-and-plug method, and sufficient cement shall be used to fill the calculated annular space back of the pipe to a point one hundred (100) feet above the top of the Salado formation. The cement shall stand a minimum of twenty-four (24) hours under pressure and a total of thirty (30) hours before drilling plug or initiating tests. Casing shall be tested by the application of at least twelve hundred (1200) pounds per square inch pump pressure. If, at the end of thirty (30) minutes, the pump pressure shows a drop of one hundred (100) pounds per square inch or more, the cementing job shall be condemned. After corrective measures have been taken, the pipe shall again be tested in the same manner.
- (c) The producing or oil string shall be new or reconditioned casing that has been tested to four thousand (4,000) pounds per square inch and shall be set at a depth not less than the top of the Devonian formation. Cementing shall be with a minimum of three hundred fifty (350) sacks of cement applied by the pump and plug method and shall stand a minimum of twenty four (24) hours under pressure and a total of forty eight (48) hours before drilling the plug or initiating tests. After cementing, the casing shall be tested by pump pressure of at least fifteen hundred (1,500) pounds per square inch for a period of at least thirty (30) minutes. If, at the end of 30 minutes the pressure shows a drop of one hundred (100) pounds per square inch or more, the cementing job shall be condemned. After corrective measures have been taken, the pipe shall again be tested in the same manner.

SECTION 4. All additional lands located within one mile of any land in the pool defined above or as it may be extended shall conform to these Rules and Regulations; provided, that by order of the Commission the pool may be redesignated from time to time so as to embrace other lands in the vicinity which are believed to be capable of production from the Devonian formation, whether or not such land shall have been at one time included in another designated field or pool.

IT IS FURTHER ORDERED, that the Commission retains jurisdiction of this case for such other and further order or orders in the premises as may become necessary in order to make spacing and other adjustments to protect correlative rights and further prevention of waste.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

S E A L

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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:

Before Examiner Mankin
Oil Conservation Commission

Appl Exhibit Case No. 1316
CASE NO. 1098
Order No. R-859 Ex. 1

APPLICATION OF SUN OIL COMPANY
FOR APPROVAL OF AN UNORTHODOX
LOCATION AND A NON-STANDARD DRILLING
UNIT FOR ITS B. T. LANEHART WELL NO.
3 IN THE CROSBY-DEVONIAN POOL, LEA
COUNTY, NEW MEXICO, IN EXCEPTION TO
SECTION 2 (a) AND (b) OF THE SPECIAL
RULES AND REGULATIONS FOR THE CROSBY-
DEVONIAN POOL AS SET FORTH IN ORDER
R-639.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 o'clock a.m. on July 11, 1956 at Hobbs, New Mexico and again at 10:00 o'clock a.m. on August 7, 1956 at Santa Fe, New Mexico, before Warren W. Mankin, Examiner duly appointed by the New Mexico Oil Conservation Commission, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 30th day of August, 1956, the Commission, a quorum being present, having considered the application, the evidence adduced, the recommendations of the Examiner, Warren W. Mankin, and being fully advised in the premises,

FINDS:

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

(2) That the applicant is the owner of a patented oil and gas lease known as the B. T. Lanehart Lease, consisting of eighty (80) acres in the E/2 of the SE/4 of Section 20, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) That the applicant should be permitted to drill its B. T. Lanehart on a tract of eighty (80) acres rather than a 160 acres tract as required by Rule 2 (a) of the Special Rules and Regulations for the Crosby-Devonian Pool, Order R-639, due to the fact that said well is projected as an oil well rather than a gas well.

(4) That the proposed B. T. Lanehart Well No. 3 cannot be located 660 feet from the lease line as required by Rule 2 (b) of the Special Rules and Regulations for the Crosby-Devonian Pool, Order R-639, due to the fact that other wells already occupy these locations.

(5) That the applicant will be deprived of its fair share of the oil and gas in the Crosby-Devonian Pool unless its application for an unorthodox well location and non-standard drilling unit is approved.

IT IS THEREFORE ORDERED:

1. That the applicant, Sun Oil Company, be and the same is hereby granted permission to drill its proposed B. T. Lanehart Well No. 3 at a point 330 feet from the South and East lines of Section 20, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico on a designated drilling unit of eighty (80) acres comprising the E/2 of the SE/4 of said Section 20 in exception to Rule 2 (a) and (b) of the Special Rules and Regulations for the Crosby-Devonian Pool, Order R-639.

2. That in the event the said B. T. Lanehart Well No. 3 is completed as an oil well the applicant will make prompt application to the Commission for a standard oil well proration unit.

3. That in the event the said B. T. Lanehart Well No. 3 is completed as a gas well the applicant will make every reasonable effort to form a standard gas proration unit of 160 acres, and, should such efforts fail, make prompt application to the Commission for forced pooling or a non-standard gas proration unit.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman


E. S. WALKER, Member

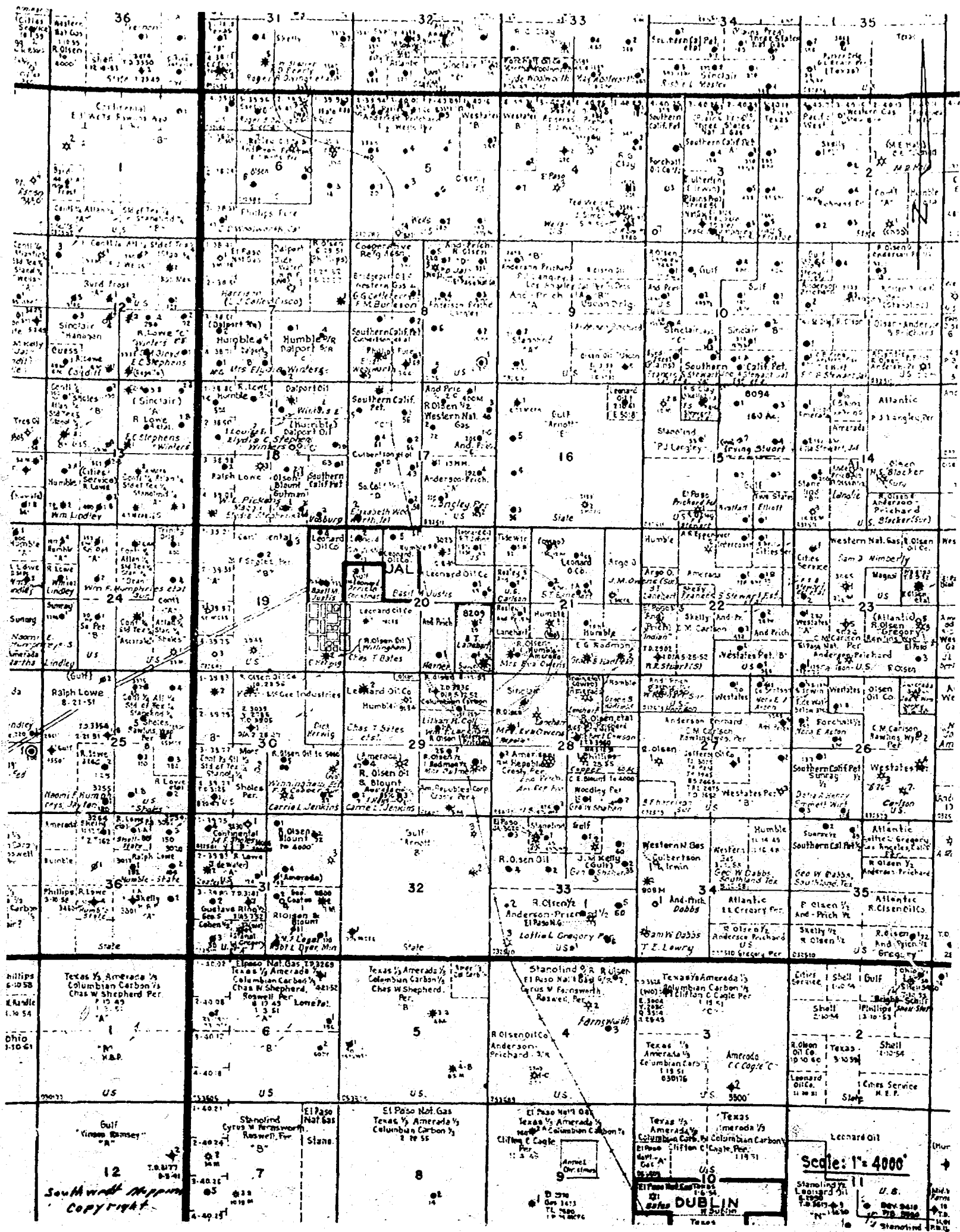
A. L. PORTER, Jr., Member & Secretary

I hereby certify that this is a true and correct copy of the original Order No. R-859 dated August 30, 1956.

S E A L

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A. L. PORTER, Jr., Secretary Director



Before Examiner Muller

Oil Conservation Commission

App 1 Exhibit Case No. 1316

EX 2