

CASE 1947: PHILLIPS (DE NOVO HEARING)

(KEMNITZ-WOLFCAMP POOL)

Case No.

1947

Application, Transcript,
Small Exhibits, Etc.

MOBIL OIL COMPANY
STATEMENT BEFORE THE NEW MEXICO
OIL CONSERVATION COMMISSION
AUGUST 17, 1960

It is a pleasure to appear before this Commission to discuss the market demand for crude oil and to present Mobil Oil Company's views and recommendations.

A brief review of national crude oil and refined products inventories reveals the following: (The desired levels of inventory for the industry used in this statement are based on the average of 24 oil company executives' testimony before the Texas Railroad Commission in March, 1960.)

1. Total U.S. crude oil and product stocks as of August 5, 1960, were 642,575,000 barrels, or 30,741,000 barrels below the same period a year ago and approximately 33,100,000 barrels above the desired level.
2. U.S. crude oil stocks total 241,163,000 barrels, a decrease of 20,299,000 barrels below the same period a year ago, and are approximately 10,600,000 barrels below a desired level.
3. The four principal product stocks total 401,412,000 barrels, a decrease of 10,442,000 barrels below the same period a year ago, and are approximately 43,700,000 barrels above the desired level. Of the total product stocks above desired levels, gasoline and distillate inventories account for approximately 40,000,000 barrels.

From these statistics it is evident that the industry has gone a long way in reducing stocks below the level a year ago; however, we still have a long way to go in bringing product inventories in line with a desired level.

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U.S. refinery runs for the week ending August 5, 1960, total 8,271,000 barrels daily, or 435,000 barrels daily above a year ago. For the past 7 weeks refinery runs have exceeded 8,200,000 barrels daily.

Mobil Oil Company's nominations for September, 1960, of 23,100 barrels daily represent our firm demand for New Mexico crude oil. Currently our estimated purchases of New Mexico crude oil from leases will average 22,900 barrels daily.

We feel that purchasers' nominations represent the true demand for crude oil within the state; therefore, we recommend that the Commission set the allowable for September, 1960, in line with total nominations.

D. R. WALL, JR.
Manager, Crude Oil
and Gas Liquids

DOCKET: REGULAR HEARING JULY 13, 1960

Oil Conservation Commission - 9 a.m., Mabry Hall, State Capitol, Santa Fe

- ALLOWABLE:
- (1) Consideration of the oil allowable for August, 1960.
 - (2) Consideration of the allowable production of gas for August, 1960, from six prorated pools in Lea County, New Mexico, also consideration of the allowable production of gas from seven prorated pools in San Juan, Rio Arriba and Sandoval Counties, New Mexico, for August, 1960.

CASE 1947: (De Novo)

Application of the applicant, Phillips Petroleum Company, and the protestant, Tennessee Gas and Oil Company, for a hearing de novo in Case No. 1947, Order No. R-1683, relating to the application of Phillips Petroleum Company for two 80-acre non-standard oil proration units and one unorthodox oil well location in the Kemnitz-Wolfcamp Pool, Lea County, New Mexico.

CASE 1641:

In the matter of the application of W. R. Weaver for the promulgation of special rules and regulations governing the Angels Peak-Gallup Oil Pool. Applicant, in the above-styled cause, seeks an order promulgating special rules and regulations governing the drilling, spacing and production of oil and gas wells in the Angels Peak-Gallup Oil Pool in San Juan County, New Mexico. Special rules and regulations governing said pool were promulgated on a temporary basis (one-year) by the Commission in Case No. 1641, Order No. R-1410-A, entered August 11, 1959.

CASE 2014:

Application of Jal Oil Company and Olsen Oils, Inc., for a revision of the Jalmat Gas Pool rules as set forth in Order No. R-1670. Applicant, in the above-styled cause, seeks an order revising the special rules and regulations governing gas wells in the Jalmat Gas Pool, Lea County, New Mexico, by creating a category of wells known as distress wells, which wells would be exempt from gas proration. A well would be classified as a distress well when the following conditions exist:

- (1) the well is connected to a low pressure dry gas line;
- (2) the well is producing through artificial means, either a free floating piston or pumpjack, or the well is making water in such amounts that after a 72-hour shut-

in period the well becomes logged off and is unable to be restored to producing pressure after being swabbed for not less than 24 hours;

- (3) that all acreage belonging to the operator capable of being assigned to said well has been assigned;
- (4) the operator must furnish to the Commission a report detailing the method employed in producing the well and such other pertinent information as the Commission may desire from time to time.

CASE 2015:

Southeastern New Mexico nomenclature case calling for an order creating new pools and extending existing pools in Lea and Eddy Counties, New Mexico.

- (a) Create a new oil pool for Grayburg production, designated as the Dog Canyon-Grayburg Pool, and described as:

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM

Section 27: SW $\frac{1}{4}$

Section 28: SE $\frac{1}{4}$

- (b) Create a new oil pool for Wolfcamp production, designated as the South Vacuum-Wolfcamp Pool, and described as:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM

Section 21: NE $\frac{1}{4}$

- (c) Extend the Brushy Draw-Delaware Pool to include therein:

TOWNSHIP 26 SOUTH, RANGE 29 EAST, NMPM

Section 13: NW $\frac{1}{4}$

- (d) Extend the Caudill-Wolfcamp Pool to include therein:

TOWNSHIP 15 SOUTH, RANGE 36 EAST, NMPM

Section 21: NE $\frac{1}{4}$

- (e) Extend the East Dayton-Grayburg Pool to include therein:

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM

Section 29: N/2 SE $\frac{1}{4}$

- (f) Extend the North Hackberry-Yates Pool to include therein:

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM

Section 29: NW $\frac{1}{4}$ NW $\frac{1}{4}$

Section 30: NE $\frac{1}{4}$ NE $\frac{1}{4}$

- (g) Extend the Justis-Blinebry Pool to include therein:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM

Section 23: NE $\frac{1}{4}$

- (h) Extend the Justis-Drinkard Pool to include therein:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM

Section 23: NE $\frac{1}{4}$

- (i) Extend the Justis-Fusselman Pool to include therein:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM

Section 36: NE $\frac{1}{4}$

TOWNSHIP 25 SOUTH, RANGE 38 EAST, NMPM

Section 31: NW $\frac{1}{4}$

- (j) Extend the Langlie Mattix Pool to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM

Section 29: SE $\frac{1}{4}$ NW $\frac{1}{4}$

- (k) Extend the Lynch Pool to include therein:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM

Section 22: S $\frac{1}{2}$ SW $\frac{1}{4}$

Section 27: NW $\frac{1}{4}$

- (l) Extend the Monument-Tubb Pool to include therein:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM

Section 15: W $\frac{1}{2}$

- (m) Extend the West Pearl-Queen Pool to include therein:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM

Section 36: SW $\frac{1}{4}$

Docket No. 20-60

CASE 2016: Northwestern New Mexico nomenclature case calling for an order for the extension of existing pools in Rio Arriba and San Juan Counties, New Mexico.

(a) Extend the Aztec-Fruitland Pool to include:

TOWNSHIP 29 NORTH, RANGE 11 WEST, NMPM
Section 22: S/2

(b) Extend the Blanco-Pictured Cliffs Pool to include:

TOWNSHIP 30 NORTH, RANGE 9 WEST, NMPM
Section 26: SE $\frac{1}{4}$

(c) Extend the South Blanco-Pictured Cliffs Pool to include:

TOWNSHIP 27 NORTH, RANGE 5 WEST, NMPM
Section 19: E/2

(d) Extend the Blanco-Mesaverde Pool to include:

TOWNSHIP 31 NORTH, RANGE 6 WEST, NMPM
All of partial Sections 1, 2, and 3, E $\frac{1}{2}$ Sec. 11
Section 12: All

TOWNSHIP 32 NORTH, RANGE 5 WEST, NMPM
Section 31 All (Par.)
Section 32 All

TOWNSHIP 32 NORTH, RANGE 6 WEST, NMPM
All of Sections 22 thru 28 inclusive
All of Sections 33 thru 36 inclusive

(e) Extend the Devils Fork Gallup Pool to include:

TOWNSHIP 24 NORTH, RANGE 7 WEST, NMPM
Section 11: SE $\frac{1}{4}$
Section 12: SW $\frac{1}{4}$

(f) Extend the Escrito Gallup Oil Pool to include:

TOWNSHIP 24 NORTH, RANGE 7 WEST, NMPM
Section 17: N/2 of SE $\frac{1}{4}$

- (g) Extend the Horseshoe Gallup Oil Pool to include:

TOWNSHIP 30 NORTH, RANGE 16 WEST, NMPM

Section 14: SW $\frac{1}{4}$ NW $\frac{1}{4}$

Section 15: N $\frac{1}{2}$ NE $\frac{1}{4}$ & NW $\frac{1}{4}$ NW $\frac{1}{4}$

TOWNSHIP 31 NORTH, RANGE 16 WEST, NMPM

Section 35: NW $\frac{1}{4}$ NW $\frac{1}{4}$

- (h) Extend the Verde Gallup Oil Pool to include:

TOWNSHIP 31 NORTH, RANGE 14 WEST, NMPM

Section 28: NW $\frac{1}{4}$ SW $\frac{1}{4}$

Section 29: NE $\frac{1}{4}$ SE $\frac{1}{4}$

Section 31: NW $\frac{1}{4}$ NE $\frac{1}{4}$

- (i) Extend the Angel Peak Dakota Pool to include:

TOWNSHIP 28 NORTH, RANGE 10 WEST, NMPM

Section 15: W/2

Section 16: E/2

Section 22: E/2

Section 23: N/2

TOWNSHIP 28 NORTH, RANGE 11 WEST, NMPM

Section 36: E/2

- (j) Extend the South Blanco Dakota Pool to include:

TOWNSHIP 27 NORTH, RANGE 6 WEST, NMPM

Section 28: All

Section 29: E/2

MAIN OFFICE OCC

1960 JUN 1 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. 1947
Order No. R-1683

APPLICATION OF PHILLIPS PETROLEUM
COMPANY FOR THE ESTABLISHMENT OF
TWO 80-ACRE NON-STANDARD OIL PRO-
DUCTION UNITS AND ONE UNORTHODOX
OIL WELL LOCATION IN THE KEMNITZ-
WOLFCAMP POOL, LEA COUNTY, NEW
MEXICO.

APPLICATION FOR DE NOVO HEARING

Comes now Tennessee Gas and Oil Company, a party adversely
affected by Order R-1683 dated May 20, 1960, and pursuant to
Rule 1220 of the Commission, hereby respectfully requests that
the above matter be heard de novo before the Commission.

A copy of this Application has this date been delivered,
by United States mail, to Attorney Charles Spahn, Sims Building,
Albuquerque, New Mexico, as attorney for Phillips Petroleum Com-
pany.

Dated this 31st day of May, 1960.

TENNESSEE GAS AND OIL COMPANY

By

S. B. Christy, Jr.
S. B. Christy, Jr., Individually,
for Hervey, Dow & Hinkle, as a
member of the firm
Box 547
Roswell, New Mexico

13 of
July 1st
Docket
Mailed
July 1st.

Docket
for Aug. 17th
Mailed Aug 4, 1960
Docket
for Aug.

GRANTHAM, SPANN AND SANCHEZ
ATTORNEYS AT LAW
604 SIMMS BUILDING
POST OFFICE BOX 1031
ALBUQUERQUE, NEW MEXICO

EVERETT M. GRANTHAM
CHARLES C. SPANN
MAURICE SANCHEZ
FRED M. STANDLEY

June 18, 1960

TELEPHONE
CHAPEL 3-3525

Mr. A. L. Porter, Secretary
Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

In Re: CASE NO. 1947 - Order No. R-1683
APPLICATION OF PHILLIPS PETROLEUM COMPANY
FOR THE ESTABLISHMENT OF TWO 80-ACRE NON-
STANDARD OIL PRO-RATION UNITS AND ONE UNOR-
THODOX OIL WELL LOCATION IN THE KEMNITZ-
WOLFCAMP POOL, LEA COUNTY, NEW MEXICO

I enclose herewith the original and two copies of Application
for De Novo Hearing which we are filing in behalf of Phillips Petrol-
eum Company in the above entitled and numbered cause.

I am designating a copy of the application to the attorneys
for protestant, Tennessee Gas and Oil Company, along with a copy
of this letter.

Very truly yours,

GRANTHAM, SPANN AND SANCHEZ

By:

Charles C. Spann

CCS:MI

cc: Mr. S. B. Christy, IV
Hervey, Dow & Hinkle
Attorneys at Law
P. O. Box 547
Roswell, New Mexico

*Recket
mailed
July 1st
JR*

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. 1947
Order No. R-1683

APPLICATION OF PHILLIPS PETROLEUM
COMPANY FOR THE ESTABLISHMENT OF
TWO 80-ACRE NON-STANDARD OIL PRO-
DUCTION UNITS AND ONE UNORTHODOX
OIL WELL LOCATION IN THE KEMNITZ-
WOLFCAMP POOL, LEA COUNTY, NEW
MEXICO

APPLICATION FOR DE NOVO HEARING

Comes now Phillips Petroleum Company, original applicant in the
above entitled and numbered cause, and not having been granted the
entire relief prayed for in their original application, applies for a
De Novo Hearing on said application before the full Commission in
accordance with the statutes and rules in such cases made and pro-
vided.

Dated this 18th day of June, 1960.

PHILLIPS PETROLEUM COMPANY

GRANTHAM, SPANN AND SANCHEZ

By Charles C. Spann
904 Simms Building
Albuquerque, New Mexico
Attorneys for Phillips Petroleum
Company

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. 1967
Order No. R-1641-A

APPLICATION OF REDEERN AND HERD,
VAL R. REESE AND ASSOCIATES, INC.,
AND EL PASO NATURAL GAS COMPANY
FOR THE PROMULGATION OF SPECIAL
RULES AND REGULATIONS GOVERNING
THE DEVILS FORK-GALLUP POOL,
RIO ARriba COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on May 18, 1960, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 10th day of June, 1960, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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 Devils Fork-Gallup Pool in Rio Arriba County, New Mexico, was established by Order No. R-1641, entered March 30, 1960.
- (3) That withdrawals of gas from the said Devils Fork-Gallup Pool were limited by said Order No. R-1641 to 1000 MCF of gas per day per 160-acre unit, since "in the light of Gallup formation history in Northwest New Mexico, there is a reasonable probability that the gas underlying the above-described acreage (horizontal limits of Devils Fork-Gallup Pool) is a gas cap for an as yet undiscovered oil pool."
- (4) That the applicants seek an order promulgating special rules and regulations for the said Devils Fork-Gallup Pool, including 320-acre gas proration units and market demand proration for the Pool, with the proposed allocation formula to be based on acreage and deliverability.

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CASE No. 1967
Order No. R-1641-A

(5) That the evidence presented establishes that a gas well in the said Devils Fork-Gallup Pool will efficiently and economically drain a 320-acre tract.

(6) That in view of the relatively small number of wells that have been drilled in the said Devils Fork-Gallup Pool, the evidence presented is not sufficiently probative for the Commission to change its view that the gas underlying the Devils Fork-Gallup Pool may well be a gas cap, and thus the proposal that gas withdrawals from this Pool be limited only by the market demand therefor is premature.

(7) That until such time as there has been additional development in said Pool, and thus more evidence available tending to establish either that the subject reservoir is or is not a gas cap for an associated oil pool, a limitation of 1000 MCF of gas per day per 320-acre unit should be continued in the interest of preventing a too rapid dissipation of a possible drive mechanism for an oil pool.

(8) That such a precautionary measure on a temporary basis is the only prudent course for this Commission to follow, and such action will not unduly impair the correlative rights of any operator in the Pool.

(9) That in the event a Gallup well is drilled within the horizontal limits of the Devils Fork-Gallup Pool, or within one mile thereof, which has a producing gas-oil ratio of less than 100,000 to 1 and a gravity of less than 60° API, said well shall be classified as an oil well, shall have 40 acres dedicated to it, and its production shall be limited by the statewide rules relative to oil allowables and gas-oil ratio limitations.

(10) That the Commission has received information that a low gas-oil ratio oil well has been completed in the Gallup formation in the SE/4 SE/4 of Section 11, Township 24 North, Range 7 West, NMPM, Rio Arriba County, New Mexico. Accordingly the Commission deems it advisable to docket this case for hearing on August 17, 1960, at which time interested parties should appear and present any pertinent testimony relative to classification, spacing, drilling, and production of wells in the said Devils Fork-Gallup Pool.

IT IS THEREFORE ORDERED:

(1) That the Devils Fork-Gallup Pool, as heretofore classified and described, be and the same is hereby extended to include the following-described acreage:

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM
Section 17: All
Section 18: All
Section 19: All
Section 20: W/2

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CASE No. 1967
Order No. R-1641-A

TOWNSHIP 24 NORTH, RANGE 7 WEST, NMPM
Section 13: All
Section 24: All

all in Rio Arriba County, New Mexico.

(2) That temporary special rules and regulations for the Devils Fork-Gallup Pool, Rio Arriba County, New Mexico, be and the same are hereby promulgated as hereinafter set forth.

(3) That the temporary special rules and regulations hereinafter set forth shall be in full force and effect at least until September 30, 1960.

(4) That a case is hereby docketed for the Regular Commission Hearing on August 17, 1960, at which time interested parties should appear and present their views on classification, spacing, drilling, and production of wells in the said Devils Fork-Gallup Pool.

SPECIAL RULES AND REGULATIONS FOR
THE DEVILS FORK-GALLUP POOL

RULE 1. Each well completed or recompleted in the Gallup formation within the boundary of the Devils Fork-Gallup Pool, or within one mile thereof, and not nearer to nor within the boundaries of another designated Gallup Pool, shall be drilled, spaced, and produced in accordance with the special rules and regulations hereinafter set forth.

RULE 2. Each gas well completed or recompleted in the Devils Fork-Gallup Pool shall be located on a tract consisting of approximately 320 acres comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision (half section) of the U. S. Public Lands Survey. For purposes of these Rules, a unit consisting of between 316 and 324 surface contiguous acres shall be considered a standard unit.

RULE 3(a). Each well completed or recompleted in the Devils Fork-Gallup Pool shall be located no nearer than 790 feet to the boundary of the 320-acre unit and no nearer than 330 feet to a governmental quarter-quarter section line or subdivision inner boundary line.

RULE 3(b). The Secretary-Director of the Commission shall have authority to grant an exception to Rule 3(a) without notice and hearing when the application therefor has been filed in due form and the Secretary-Director determines that good cause exists for granting such exception.

Applicants shall furnish all offset operators and all operators within the section in which the subject well is

located a copy of the application to the Commission, and the applicant shall include with his application a list of names and addresses of all such operators, together with a stipulation that proper notice has been given said operators at the addresses listed. The Secretary-Director of the Commission shall wait at least 20 days before approving any such unorthodox location, and may approve the unorthodox location only in the absence of objection from any offset operator or any operator within the section in which the well is located. In the event such an operator objects to the unorthodox location, the Commission shall consider the matter only after proper notice and hearing.

RULE 4. Any well subject to these special rules and regulations shall be classified as a gas well if said well has a gas-liquid ratio of 100,000 cubic feet of gas per barrel of liquid hydrocarbons or more, or if said well produces liquid hydrocarbons possessing a gravity of 60° API or greater. Any well subject to these special rules and regulations shall be classified as an oil well if said well has a gas-liquid ratio of less than 100,000 cubic feet of gas per barrel of liquid hydrocarbons, and if it produces liquid hydrocarbons possessing a gravity of less than 60° API. The simultaneous dedication of any acreage to both oil wells and gas wells is hereby prohibited.

RULE 5. The monthly gas production from any well classified as a gas well under the provisions of these Rules and having 320 acres dedicated thereto shall be limited to the number of days in the month multiplied by 1000 MCF. Any gas well having less than 320 acres dedicated to it shall have its monthly gas production reduced to the same proportion that its assigned acreage bears to 320. No unit shall produce during any one month more than its prescribed rate of production plus a tolerance of not to exceed 15 days production. Any such overproduction shall be considered as produced against the permissible rate for the following month and shall be compensated for during that period.

RULE 6. Any well classified as an oil well under the provisions of these Rules shall be subject to the statewide rules governing acreage dedication, allowables, and gas-oil ratio limitations. The proportional (depth) factor for any such oil well shall be 1.33.

RULE 7. No gas shall be flared or vented from any well classified as a completed gas well in accordance with the provisions of Rule 4. No gas shall be flared or vented from any well classified as an oil well at any time after 30 days from the effective date of this order, or 60 days after the completion of the well, whichever date is later.

Any operator who desires to obtain an exception to the foregoing provisions for a well classified as an oil well shall

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CASE No. 1967

Order No. R-1641-A

submit to the Secretary-Director of the Commission an application for such exception with a statement setting forth the facts and circumstances justifying such exception. The Secretary-Director is hereby authorized to grant such an exception if he determines that the granting of the exception is reasonably necessary. If the Secretary-Director declines to grant administrative approval of the requested exception, the matter shall be set for hearing if the operator so requests.

(5) That all operators having wells in said Devils Fork-Gallup Pool shall file new acreage dedication plats (Commission Form C-128) with the Aztec District Office of the Commission prior to July 15, 1960.

(6) That all operators having wells in said Devils Fork-Gallup Pool who have not taken and filed gas-liquid ratio tests within the last 30 days shall take and file new gas-liquid ratio tests no later than July 15, 1960.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN BURROUGHS, Chairman

MURRAY E. MORGAN, Member

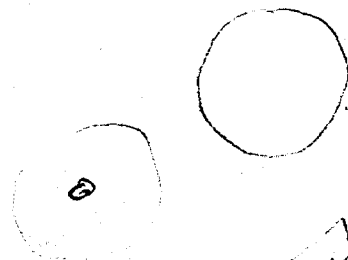
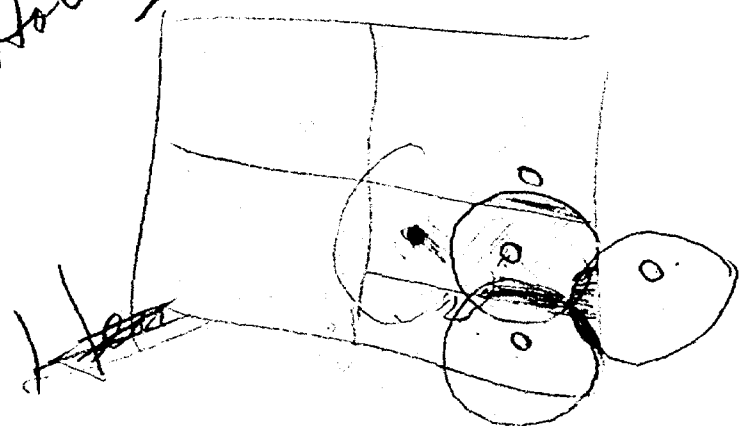
A. L. PORTER, Jr., Member & Secretary

S E A L

esr/

Holme, Roberts, Moore & Owen
1700 Broadway
Denver

Attention: Holloman



AFT

OEP/esr
September 9

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

8/9
9/9
pm
9/9
IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

9-12-60
CASE No. 1947
Order No. R-1683-A

app
9/13
APPLICATION OF PHILLIPS PETROLEUM
COMPANY AND TENNESSEE GAS AND OIL
COMPANY FOR A HEARING DE NOVO IN
CASE NO. 1947 RELATING TO THE
APPLICATION OF PHILLIPS PETROLEUM
COMPANY FOR THE ESTABLISHMENT OF
TWO 80-ACRE NON-STANDARD OIL PRO-
RATION UNITS AND ONE UNORTHODOX
OIL WELL LOCATION IN THE KEMNITZ-
WOLFCAMP 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
August 17, 1960, at Santa Fe, New Mexico, before the Oil Conser-
vation Commission of New Mexico, hereinafter referred to as the
"Commission."

NOW, on this _____ day of September, 1960, the Commission,
a quorum being present, having considered the testimony presented
and the exhibits received at said hearing, 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, Phillips Petroleum Company, is the
owner and operator of the SW/4 and the W/2 SE/4 of Section 25,
Township 16 South, Range 33 East, Kemnitz-Wolfcamp Pool, Lea
County, New Mexico.

(3) That the Special Rules and Regulations governing the
Kemnitz-Wolfcamp Pool provide for 80-acre drilling and proration
units, with the 80-acre unit to comprise either the E/2 or the
W/2 of a governmental quarter section. Said Rules also provide
that the unit well shall be located within 150 feet of the center
of either the Northeast quarter or the Southwest quarter of a
governmental quarter section.

(4) That Phillips Petroleum Company's New Mexico State "A"

Well No. 1, drilled in the Kemnitz-Wolfcamp Pool and located in the NE/4 SW/4 of said Section 25, is presently the unit well for an 80-acre unit consisting of the N/2 SW/4 of said Section 25 as provided by Order No. R-1683.

(5) That Phillips Petroleum Company drilled its New Mexico State "A" Well No. 2 in the Kemnitz-Wolfcamp Pool on an orthodox location in the SW/4 SE/4 of said Section 25, but this well proved to be non-commercial.

(6) That for this reason, the applicant seeks approval of an unorthodox oil well location for its New Mexico State "A" Well No. 3 in the NW/4 SE/4 of said Section 25 at a point 1980 feet from the South line and 1980 feet from the East line of said Section 25.

(7) That Phillips Petroleum Company also proposes that the said New Mexico State "A" Well No. 3 serve as the unit well for an 80-acre non-standard oil proration unit consisting of the NW/4 SE/4, N/2 SW/4 SE/4, and the N/2 SE/4 SW/4 of said Section 25.

(8) That while oil proration units which are not substantially in the shape of a square or a rectangle are not favored - even though they can be described by using the U. S. Public Lands Survey - proration unit not meeting such specifications may be necessary at the edge of a pool.

(9) That Phillips Petroleum Company further proposes that a non-standard 80-acre oil proration unit consisting of the N/2 SW/4 of said Section 25 be established and that said unit be dedicated to the said New Mexico State "A" Well No. 1.

(10) That the entire acreage within the two proposed non-standard oil proration units can reasonably be presumed to be productive of oil from the Kemnitz-Wolfcamp Pool.

(11) That the establishment of 80-acre proration units in the said Kemnitz-Wolfcamp Pool with a fixed spacing pattern requiring the drilling of wells on diagonal 40-acre tracts was based upon the principle of drainage and counter-drainage. But when an operator proves by a preponderance of the evidence that his acreage is located on the edge of a pool, as is the case here, this

principle must give way to the basic right of a person to drill a well on his acreage. However, when other operators have adhered to the fixed well location requirements set forth in the special pool rules, the allowable assigned to the well drilled on an unorthodox location should be adjusted downward to an amount which will, insofar as is practicable, protect correlative rights.

(12) That refusal to permit Phillips Petroleum Company to drill a well on its productive acreage would impair its correlative rights, and approval of the proposed well location should tend to result in a greater ultimate recovery of oil from the said Kemnitz-Wolfcamp Pool.

(13) That while the entire 80-acre non-standard unit proposed by Phillips Petroleum Company and described in Finding No. 7 above can reasonably be presumed to be productive of oil from the said Kemnitz-Wolfcamp Pool, the allowable assigned to the well should be reduced in a reasonable amount due to the unorthodox location of the proposed unit well.

(14) That considering all of the circumstances present in this case, including the amount of productive acreage, the proposed unorthodox well location, and the practical economics of the situation, the allowable assigned to the said New Mexico State "A" Well No. 3 should be in the amount of $\frac{3}{4}$ of a standard 80-acre allowable in the Kemnitz-Wolfcamp Pool.

IT IS THEREFORE ORDERED:

(1) That two non-standard 80-acre oil proration units in the Kemnitz-Wolfcamp Pool, one comprising the N/2 SW/4, and the other comprising the NW/4 SE/4, N/2 SW/4 SE/4 and the N/2 SE/4 SW/4, all in Section 25, Township 16 South, Range 33 East, NMPM, Lea County, New Mexico, be and the same are hereby established.

(2) That the New Mexico State "A" Well No. 1, located in the NE/4 SW/4 of said Section 25, is to have dedicated to it the N/2 SW/4 of said Section 25.

(3) That the applicant, Phillips Petroleum Company, be and the same is hereby authorized to drill a well at an unorthodox

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oil well location 1980 feet from the South line and 1980 feet from the East line of said Section 25. Said well is to have dedicated to it the NW/4 SE/4, N/2 SW/4 SE/4 and the N/2 SE/4 SW/4 of said Section 25, and is to be assigned an allowable in the amount of 3/4 of a standard 80-acre allowable for the Kemnitz-Wolfcamp Pool.

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

