

CASE 3456: Application of HUMBLE OIL  
& RFG. CO. for an unorthodox oil well  
loc. and non-standard oil pro. unit.

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CASE NO.

3456

Application,

TRANSCRIPTS,

SMALL Exhibits

ETC.

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. 3456  
Order No. R-3119

APPLICATION OF HUMBLE OIL & REFINING  
COMPANY FOR AN UNORTHODOX OIL WELL  
LOCATION AND A NON-STANDARD OIL PRO-  
RATION UNIT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 14, 1966, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 21st day of September, 1966, 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, Humble Oil & Refining Company, seeks authority to drill its Bowers "A" Federal Well No. 17 to the Ogallala formation at an unorthodox location 1815 feet from the South line and 1815 feet from the East line of Section 30, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico.

(3) That the applicant also seeks approval of a 20-acre non-standard oil proration unit comprising the S/2 of the NW/4 SE/4 of said Section 30 to be dedicated to the subject well.

(4) That approval of the subject application will prevent the drilling of unnecessary wells, will afford the applicant the

-2-

CASE No. 3456  
Order No. R-3119

opportunity to produce its just and equitable share of the oil in the Ogallala formation, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That the applicant, Humble Oil & Refining Company, is hereby authorized to drill its Bowers "A" Federal Well No. 17 to the Ogallala formation at an unorthodox location 1815 feet from the South line and 1815 feet from the East line of Section 30, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico.

(2) That a 20-acre non-standard oil proration unit comprising the S/2 of the NW/4 SE/4 of Section 30, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico, is hereby created and dedicated to the Humble Oil & Refining Company Bowers "A" Federal Well No. 17.

(3) That the allowable for the above-described non-standard oil proration unit shall bear the same ratio to a standard allowable as 20 bears to 40.

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

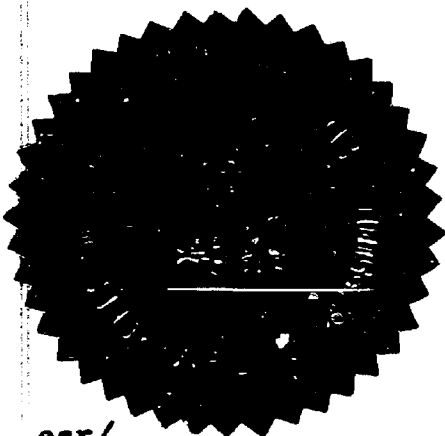
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Jack M. Campbell*  
JACK M. CAMPBELL, Chairman

*Guyton B. Hays*  
GUYTON B. HAYS, Member

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



esr/

GOVERNOR  
JACK M. CAMPBELL  
CHAIRMAN

State of New Mexico  
**Oil Conservation Commission**



LAND COMMISSIONER  
GUYTON B. HAYS  
MEMBER

P. O. BOX 2088  
SANTA FE

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

September 21, 1966

Mr. Harold Hensley  
Hinkle, Bondurant & Christy  
Attorneys at Law  
Post Office Box 10  
Roswell, New Mexico

Re: Case No. 3456  
Order No. R-3119  
Applicant:

HUMBLE OIL & RFG. COMPANY

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

*A. L. Porter, Jr.*  
A. L. PORTER, Jr.  
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC       

Aztec OCC       

OTHER       

Mr. L. E. Thomas, Amerada Petroleum Corporation

Mr. Steve Reynolds

DOCKET: REGULAR HEARING - WEDNESDAY - SEPTEMBER 14, 1966

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

ALLOWABLE: (1) Consideration of the oil allowable for October, 1966.

(2) Consideration of the allowable production of gas for October, 1966, from thirteen prorated pools in Lea, Eddy, and Roosevelt Counties, New Mexico. Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba and Sandoval Counties, New Mexico, for October, 1966.

CASE 3455: Application of Benson-Montin-Greer Drilling Corporation for division of an oil pool into two pools and for special rules for each, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the division of the Puerto Chiquito-Gallup Oil Pool into two separate pools, being the East Puerto Chiquito-Mancos Oil Pool and the West Puerto Chiquito-Mancos Oil Pool. Applicant further proposes that the present temporary 160-acre proration units for the Puerto Chiquito-Gallup Oil Pool be made permanent for the proposed East Puerto Chiquito-Mancos Oil Pool and that temporary pool rules for the proposed West Puerto Chiquito-Mancos Oil Pool be adopted, said rules to provide for 320-acre proration units in said pool for a period of three years. Applicant seeks an administrative procedure whereby interference tests could be conducted in the proposed West Puerto Chiquito-Mancos Oil Pool, including a provision for allowable transfer among wells.

This case will be continued to the November 16, 1966, hearing, and the present temporary rules will remain in effect until that date.

CASE 3456: Application of Humble Oil & Refining Company for an unorthodox oil well location and a non-standard oil proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its Bowers "A" Federal Well No. 17 as a development oil well in the Ogallala reservoir. Said well to be located 1815 feet from the South and East lines of Section 30, Township 18 South, Range 38 East, Lea County, New Mexico, and to have dedicated to it a 20-acre non-standard oil proration unit comprising the S/2 of the NW/4 SE/4 of said Section 30.

CASE 3457: Application of Kern County Land Company for special pool rules, Roosevelt and Chaves Counties, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Chavaroo-San Andres Pool, Roosevelt and Chaves Counties, New Mexico, including a provision for 80-acre proration units and fixed well locations. Applicant proposes that the first well on an 80-acre unit in sections lying west of the township line between Townships 33 East and 34 East, be located in the NW/4 or SE/4 of the governmental quarter section and that wells drilled east of said township line be located in the NE/4 or SW/4 of a governmental quarter section.

CASE 3458: Southeastern New Mexico nomenclature case calling for an order for the extension and redesignation of certain pools in Lea County, New Mexico:

a) CHANGE the name of the North Vacuum-Devonian Pool to the Mid-Vacuum-Devonian Pool.

September 14, 1966, Regular Hearing.

- b) EXTEND the Bough-San Andres Gas Pool to include therein:

TOWNSHIP 9 SOUTH, RANGE 35 East, NMPM  
SECTION 14: SE/4

- c) EXTEND the Lazy J-Pennsylvanian Pool to include therein:

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

- d) EXTEND the East Mason-Delaware Pool to include therein:

TOWNSHIP 26 SOUTH, RANGE 32 EAST, NMPM  
SECTION 20: NW/4

- e) EXTEND the Midway-Abo Pool to include therein:

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM  
SECTION 18: N/2 and N/2 S/2

OIL CONSERVATION COMMISSION  
P. O. BOX 2088  
SANTA FE, NEW MEXICO

*Case 3456*

August 23, 1966

C  
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P  
Y

Mr. J. M. Shepherd  
Humble Oil & Refining Company  
Post Office Box 1600  
Midland, Texas 79701

Dear Mr. Shepherd:

In response to your letter of August 12, 1966, we are  
setting your application for the regular commission  
hearing on September 14, 1966.

Very truly yours,

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

DOCKET MAILED

Date 9-1-66

*gh*

# HUMBLE OIL & REFINING COMPANY

MIDLAND, TEXAS 79701

SOUTHWESTERN DIVISION

POST OFFICE BOX 1600

August 12, 1966

J. M. SHEPHERD  
JOINT INTEREST MANAGER

9/ *Case 3456*  
New Mexico Proration -  
Proposed Oil Well Location on a  
Non-Standard (Unorthodox)  
Proration Unit - Humble Bowers  
"A" Federal 17.

New Mexico Oil Conservation Commission  
Post Office Box 2088  
Santa Fe, New Mexico 87501

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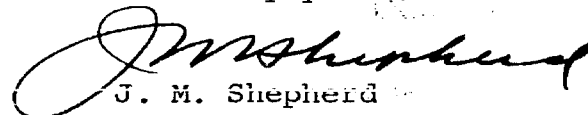
Attention: Mr. A. L. Porter, Secretary-Director

Dear Sir:

Humble Oil and Refining Company requests an exception to Statewide Rule 104 C I so that Bowers "A" Federal 17 can be drilled in the S/2 of Unit "J", 1815' FS & EL, Section 30, T-18-S, R-38-E, Lea County, New Mexico as a development oil well in the Ogallala reservoir. This request was necessitated by our June 16, 1966 negotiation of an Operating Agreement, in the Ogallala reservoir only, with Joseph O. Walton d/b/a Windmill Oil Company which includes that twenty acres comprising the north half of the subject Proration Unit "J" on which Windmill Oil Company has had eight Ogallala "water" wells that have produced more than 19,000 barrels of oil during the past year. Since this negotiation, Humble has only that twenty acres comprising the south half of the subject Proration Unit "J", remaining in Unit "J", on which to drill a development oil well, so far as the Ogallala reservoir is concerned. Due to the configuration of the S/2 of Unit "J", this location will also be closer than 330 feet (165 feet) from our north Ogallala "lease" line and closer than 660 feet (approximately 533 feet SE) to W. O. Co. W. C. Grimes "Water" Well 8 - the nearest of the 55 "water" wells that have produced more than 45,000 barrels of oil from the Ogallala reservoir during the past year. No "oil" wells have been completed in this reservoir to date.

It will be appreciated if this matter can be set for examiner hearing at the earliest possible date.

Sincerely yours,

  
J. M. Shepherd

ALC/mcb

cc: Mr. Joe D. Ramey, Dist. Supervisor, N.M.O.C.C., Box 1980, Hobbs, N.M.  
Mr. A. R. Brown, Dist. Engr., U.S.G.S., Box 1157, Hobbs, N.M.

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
September 14, 1966

EXAMINER      HEARING

IN THE MATTER OF:

Application of Humble Oil and Refining  
Company for an unorthodox oil well  
location and a non-standard oil proration  
unit, Lea County, New Mexico.

Case No. 3456

BEFORE:      Honorable Jack M. Campbell  
                 Mr. A. L. "Pete" Porter  
                 Mr. Guyton B. Hays

TRANSCRIPT OF HEARING

MR. PORTER: The Commission will take up next Case 3456.

MR. HATCH: Application of Humble Oil and Refining Company for an unorthodox oil well location and a non-standard oil proration unit, Lea County, New Mexico.

I would like to point out at this time that this case was carried in the Hobbs paper as Case 3546. The correct number, as listed in the docket, is Case 3456.

MR. PORTER: In the Hobbs paper it was 3546?

MR. HATCH: Yes.

MR. PORTER: But actually the subject matter of the case was the same as appears in this docket?

MR. HATCH: Yes.

MR. PORTER: And it did appear on the date that was necessary, I mean early enough that ten days' notice was given?

MR. HATCH: Yes. The only difference was the difference in the number.

MR. PORTER: This error in the advertisement would not substantially, I think, affect the case. However, it will be noted in the record that there was an error in the case number. At this time I would like to ask for appearances in Case 3456.

MR. HENSLEY: Harold L. Hensley, Junior. Mr.

Commissioner, I am with the firm of Hinkle, Bondurant and Christy, Roswell, New Mexico, representing the Applicant, Humble Oil and Refining Company.

MR. PORTER: Would anyone else like to make an appearance in Case 3456? If not, the Applicant may proceed with his testimony.

MR. HENSLEY: We have one witness, Mr. Commissioner, Mr. A. L. Carpenter.

MR. PORTER: Mr. Carpenter, would you take the stand at the end of the table and be sworn, please?

(Witness sworn.)

MR. HENSLEY: We would request an opportunity to make an opening statement.

MR. PORTER: You may proceed.

MR. HENSLEY: As is evidenced by the call of this case and the application which is on file, the proposed well to be drilled by the Applicant is to the Ogallala reservoir. The Commission will recall that on April 14 of last year in Hobbs, New Mexico, the Commission heard testimony in case Number 3235 relating to the application of Joseph O. Walton to remove and market oil from the Ogallala formation in Lea County, New Mexico. By his application in that case Mr. Walton proposed to recover and market crude oil from existing water wells in the Ogallala formation and from water wells to be

drilled to that formation by Order R-2902 the Commission granted the application subject to the operator filing Form C-104 with the Commission, and further providing that monthly reports be filed showing the amount of oil recovery and sold from water wells during each month.

The order concluded by stating that the Commission lacked jurisdiction to determine who owned title to the oil which had been accumulated in the Ogallala reservoir, and as was evidenced by them in that case, certain of the applicant's water wells were located in the Southeast Quarter of Section 30, Township 18 South, Range 30 East; the minerals under said lands belonging to the United States of America and subject to an oil and gas lease in favor of this applicant, Humble Oil and Refining Company.

While it was Mr. Walton's position in that case that the oil in the Ogallala reservoir was what he termed fugitive oil and not subject to recovery solely by mineral owners under oil and gas lease or permit. It has consistently been the position of this applicant that it had, by virtue of its oil and gas lease, the sole and exclusive right to recover this oil. As a consequence of these conflicting claims, litigation was instituted and has now been resolved whereby the surface owner under Humble's acreage, Mr. Grimes, and Mr. Walton operating as Windmill Oil Company, and this applicant, have resolved all

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their differences with respect to the ownership of this oil and it has been agreed by contract that the sole and exclusive owner of oil accumulated in the reservoir is Humble, pursuant to the terms of its lease.

Incidental to the final conclusion of that litigation a farm-out has been entered into by and between this applicant and Mr. Walton, doing business as Windmill Oil Company, whereby certain of the acreage covered under Humble's Federal lease is subject to the ownership and control of Windmill Oil Company under the terms of that farm-out, and the exact acreage which is covered by the farm-out will be more particularly discussed in the testimony of Mr. Carpenter.

With that background, Mr. Commissioner, we would at this time wish to proceed with the testimony of the witness.

MR. PORTER: And this application is for an unorthodox oil well location?

MR. HENSLEY: It is.

MR. PORTER: You may proceed.

A. L. CARPENTER

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

DIRECT EXAMINATION

BY MR. HENSLEY:

Q Will you state your name, address and occupation?

A A. L. Carpenter, 1101 Rose Lane, Hobbs, New Mexico,  
District Chief Engineer, Humble Oil and Refining Company.

Q How long have you been associated with Humble  
Oil and Refining Company?

A Twenty-four years.

MR. PORTER: Excuse me just a minute. Mr. Reynolds,  
can you and Mr. Irby hear the testimony from back there?

MR. REYNOLDS: Yes.

MR. PORTER: You may proceed.

Q (By Mr. Hensley) Mr. Carpenter, have you previously  
had occasion to testify before this Commission and have your  
qualifications as an expert witness been accepted by the  
Commission?

A I have and they have.

MR. HENSLEY: Are the qualifications of the witness  
acceptable?

MR. PORTER: The Commission considers the witness  
qualified.

Q (By Mr. Hensley) Will you explain what the nature  
of your request in this application is?

A We are requesting an exception to Statewide Rule  
104C Part 1 to permit the drilling of an irregular development  
oil well on a non-standard proration unit.

Q Why is this exception required?

A Humble desires to drill Bowers "A" Federal 17 at a location nearer than 330 feet to an Ogallala (only) farmed-out tract boundary for the pool and nearer than 660 feet to an oil producing "water" well completed in this pool. By "pool", I refer to a known accumulation of oil, but not a Commission designated oil pool. Also, the proposed proration unit would have less than 40 acres.

Q How was the need for this requested exception brought about?

A Commission Order R-2902 dated May 4, 1965, permits anyone the right to market crude oil recovered from Ogallala "water" wells in Section 30, Township 18 South, Range 38 East, Lea County, New Mexico, without restrictions on well spacing or allowable; however, it requires a monthly report on oil production showing barrels per well per day. It was also quite clear that they had no jurisdiction over the ownership of that oil in that hearing.

Subsequent to this order, several wells were drilled on the Humble Bowers "A" Federal Lease as "water wells" on a State Engineer's "75-11-1 Statutory" Permit under an agreement between the operator, Mr. Joseph Walton, and the surface land owner, Mr. Cecil Grimes.

Through September 1, 1966, seven "water" wells on this lease had produced almost 21,000 barrels of oil. An Operating

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Agreement dated June 16, 1966, between Humble, as owner, and Mr. Joseph Walton of Windmill Oil Company, as operator, granted Windmill Oil Company the right to develop and produce oil from the Ogallala reservoir only under 25 acres, including the north 20 acres of the NW/4 of the SE/4 and 5 acres which are the W/2 of the NW/4 of the NE/4 of the SE/4, both, of the previously mentioned Section 30. There are now 15 wells on the west 20 acres of this 25-acre tract farmed out.

Since Humble retains only 20 acres of Ogallala oil and gas operating rights in the 40-acre tract, proration Unit J, being the NW/4 of the SE/4 of Section 30, an oil well drilled at a location that would ordinarily be a regular location in a standard 40-acre unit, is nearer than 330 feet from the nearest Ogallala farm-out lease line and nearer than 660 feet from the nearest oil-producing "water" well completed in this pool.

Q How many total wells have been drilled in this immediate area to the Ogallala reservoir since Order R-2902 was issued?

A As of September 1, 1966, some 77 wells, 68 of which will apparently produce oil.

Q And all of these wells were drilled as water wells?

A Yes. The Ogallala is by nature a fresh water reservoir. During the middle 1950's several complaints

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relative to Ogallala fresh water well contamination caused the Oil Conservation Commission to appoint an industry-wide committee to study and report on this problem. The report from this committee indicated that the oil found in this reservoir probably resulted from numerous casing leaks in wells completed in the Hobbs-Grayburg-San Andres Pool. The casing leaks were repaired under a Commission order several years ago and a mandatory quarterly casing leak survey is conducted to prevent additional charging of this zone or any others with oil from casing leaks.

Q Why does Humble propose to drill as an oil well a well identical to the wells previously completed as water wells?

A The 77 wells drilled in the 15 months since the issuance of Order R-2902 were drilled solely for the production of oil. The 9 "dry holes" that had no oil in them have never been produced. Cumulative oil production through September 1, 1966 amounted to almost 48,000 barrels. The reason for this "almost" business is we still don't have some reports on some of the operators.

These previous wells are "water" wells in name only and there is no basis for classification of our proposed well as anything other than an oil well.

Q Do you have an exhibit in connection with this

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testimony?

A Yes.

(Whereupon, Applicant's Exhibit No. 1 was marked for identification.)

A Figure 1, our only exhibit.

Q Has that exhibit been marked as Exhibit 1 by the reporter?

A It has.

Q Referring your attention to that exhibit, Mr. Carpenter, will you explain what it shows?

A It is a surface ownership plat showing Ogallala reservoir oil development. The small square tracts in the area of development are mostly 2-1/2 acres in size, or some fractional part thereof. The green perimeter in the northwest part of the yellow shown denotes the previously described 25 acres included in the Operating Agreement between Humble and Windmill Oil Company covering the Ogallala reservoir only.

The proposed well, Bowers "A" Federal 17, is shown as a brown circle with distances to the nearest Ogallala "water" well, the Ogallala "farm-out" lease line and the Section lines noted on the map. The "water" well numbers on this exhibit only denote the approximate sequence in which they were drilled. We have no way of knowing the actual number assigned to each well, if any.

Q Are all of these wells producing?

A No. Some of the newer wells we know by observation are not yet producing. The latest production reports filed in the Commission's Hobbs Office indicate some 34 wells to be producing.

Q If I understood your testimony correctly a moment ago, would you please elaborate on the fact that of the 68 producing water wells, only 34 were reported as late as September 1, 1966?

A Well, my testimony is based on my frequent personal surveys, on-the-ground, to keep a cumulative count of the producing wells, as well as owner operational procedures. Consequently, I can only conclude that since my personal review of local Commission records revealed that only 34 have been reported to the Commission, as many as 34 others could be actually producing, but according to my check have not been reported.

Q What is the production range for wells in proration Unit J?

A Well, in July, the 7 wells producing at that time ranged in daily production from 4 to 8 barrels per well. All but one of these wells are pumped with windmills and considerable variations in produced volumes occur, depending on the wind.

Q What acreage does Humble have with Ogallala oil and gas operating rights?

A All of the acreage shown in yellow on the plat except the 25 acres within the green perimeter; and I would like to point out at this time that this exhibit primarily shows the East Half of Section 30.

Q Why is the requested irregular location considered preferable to a regular well location in another proration unit on this acreage?

A There's no way to determine the extent of the existence of oil in producible quantities, and, of course, we prefer to locate our well near the known area of oil occurrence in the Ogallala. Also, our request constitutes a precedent only from the standpoint of classification of the well as an oil well. As shown on the plat, there are now 68 wells classified as "water" wells that produce, or likely will produce, oil from the Ogallala and none of these meet the Statewide Rule location requirements for oil wells.

Q In summary then, you are requesting an exception to Statewide Rule 104C Part 1 because the proposed well will produce oil and has no basis in fact to be termed a "water" well?

A Yes.

Q In the event the well is beyond the area of oil

accumulation in the Ogallala, what will be the disposition of the well?

A It will be plugged.

Q And if the exception is granted, will this well be contrary to the mode of development and spacing already established?

A No.

Q If this exception is granted and commercial production is obtained from this well, what is your proposed plan for Ogallala oil development in this area?

A Our usual policy of orderly development in conformance with the rules and regulations of the New Mexico Oil Conservation Commission.

Q In your opinion, Mr. Carpenter, will the proposed unorthodox non-standard location protect correlative rights of the offset operators and be in the interest of conservation and prevent waste?

A Yes.

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

A Both.

MR. HENSLEY: At this time we would offer into evidence Exhibit 1.

(Whereupon, Applicant's Exhibit 1 was offered and admitted in evidence.)

MR. PORTER: If no objections to the introduction of the exhibit, it will be admitted. Does anyone have any questions of Mr. Carpenter? Mr. Ramey.

CROSS EXAMINATION

BY MR. RAMEY:

Q If and when you produce this well, do you anticipate producing any Ogallala water?

A We will hope and will strive to produce a minimal amount of Ogallala water. Our learned colleague, who is present this morning, Mr. Walton, has shown that some wells can be produced properly without producing any water. I believe he has one lease that he is not producing any water on at all, and we will strive to achieve this.

Q If you do produce water, what do you anticipate doing with it?

A Well, we feel -- we will do whatever the Commission or another regulatory body decides. We feel this water could be handled in surface pits allowing the water to aerate itself and then in turn filter itself through the over burden back to the Ogallala, and it should be in a cleansed, potable nature when it gets back to the Ogallala.

If this does not meet with you all's approval we will use some other means of returning the water. I understand that one of the other operators out there right now is considering

this.

MR. RAMEY: Thank you.

MR. PORTER: Mr. Nutter.

MR. NUTTER: I had the same questions. They have all been answered.

MR. PORTER: You mean that's all you had? Anyone else have a question of Mr. Carpenter?

MR. HATCH: I have a telegram here addressed to the New Mexico Oil Conservation Commission. Shall I read that into the record?

MR. PORTER: Not right at the moment. Remind me again, Mr. Hatch. We will have the communications read into the record later. Mr. Irby, Mr. Reynolds, Mr. Flynn, do you have any questions?

MR. FLYNN: No, sir.

CROSS EXAMINATION

BY MR. PORTER:

Q Mr. Carpenter, now in the event, I believe you said that in the event the Commission should grant the application and the well was successful in producing oil, that you would recommend that it be handled in the usual manner that oil pools are handled by the Commission, or words to that effect?

A Yes, sir.

Q Do you anticipate that in the near future you would

petition the Commission for special rules in regard to this for spacing or proration or anything of that nature?

A Yes, sir.

Q And that at that time you would expect to recommend, possibly recommend vertical limits to the productive formation here? If it is designated as an oil pool, of course, it would have to have horizontal and vertical limits?

A Yes. If you so desire, our plan is to discuss these many-splendored things with the learned Commission as well as all the offset operators, and all the operators in the water well operations, previous to this hearing.

MR. PORTER: Mr. Walton, as I remember, you were the principal witness in the case referred to here in the record. Do you have any questions?

MR. WALTON: No, sir, I have no questions. I have one comment. If I want to call my oil wells water wells and Humble wants to call theirs oil wells, I see no difference. Just a matter of terminology and designation. I am producing oil from the water well, and he wants to produce oil and water from an oil well. I have no objection.

MR. PORTER: But you both want to produce oil?

MR. WALTON: Yes, and in addition to this we both still have the same intention of decontaminated fresh water.

MR. PORTER: Well, at the previous hearing you

mentioned something about gravy, you are still considering that, too, aren't you?

MR. WALTON: Yes, sir.

MR. PORTER: Any further questions? Mr. Utz.

CROSS EXAMINATION

BY MR. UTZ:

Q Why does Humble prefer to go this route rather than to operate the pool as it's now being operated by Windmill Oil Company and others?

A Well, Mr. Utz, at the outset, to go back to this previous hearing, no one at that time realized that there was a sizable accumulation of oil in this particular reservoir, and if I might use some oil field terminology, Mr. Walton had guts enough to invest his money and try and he has since proven that there is a sizable deposit there, we believe, and it has been our intention from the outset that since we are in the petroleum business, that we have leaned in this direction.

In fact, before the arguments were resolved we had a little, almost a little litigation over it, and we feel that in the history of the Commission they have done a fine job in this State of protecting correlative rights and preventing both mechanical and economic waste; and we feel in the production of petroleum minerals that they are well versed and

experienced in this field and we feel that everybody will obtain equitable share if it's administered by them.

Q You apparently feel that the Commission could declare an oil pool here in a known fresh water zone, even though we know that the oil has migrated there?

A Well, in my opinion that's, it is by the statutes, it is an accumulation of oil and your body is set up to regulate the production of oil and gas, and how it got there is irrelevant.

MR. UTZ: That's all I have.

CROSS EXAMINATION

BY MR. PORTER:

Q I realize that you are not a lawyer, Mr. Carpenter, but would you, from the Commission's rules and regulations or statutes, read into the record the definition of an oil pool?

A I don't have the statute here in front of me. I'll be happy to --

MR. HENSLEY: I plan to make a closing statement with the Commission --

MR. PORTER: Which would include that?

MR. HENSLEY: It will include a definition of an oil pool.

MR. PORTER: That will be sufficient. Does anyone else have a question of Mr. Carpenter? The witness

may be excused.

(Witness excused.)

MR. PORTER: Does this conclude your testimony, Mr. Hensley?

MR. HENSLEY: It does, Mr. Porter.

MR. PORTER: You have a statement to make?

MR. HENSLEY: Yes, sir, I do.

MR. PORTER: Let me ask if anyone else has a statement?

MR. THOMAS: I'm L. E. Thomas with Amerada Petroleum Corporation. Amerada feels that in view of the large volumes of oil that Mr. Carpenter has testified to this morning, that has been produced from this formation, we feel the point has been reached that the Oil Conservation Commission cannot afford not to take jurisdiction of this problem.

We realize, of course, at the same time that there will be some regulation needed in the volumes of water that will be produced or could be produced with this oil production, and in the past it has been obvious there is close cooperation of the State Engineer's office and the Oil Conservation Commission, and we recommend that the two bodies maintain this close cooperation in the handling of this problem; and in view of these things we recommend to the Commission that they approve

Humble's request for this location.

MR. PORTER: Does anyone else desire to make a statement? Mr. Reynolds, does the State Engineer wish to take a position in the case or make an observation or comment?

MR. REYNOLDS: Just limited to one, if I may, Mr. Commissioner, that is, that we feel it is important that the oil be removed from the aquifer at that point in order to improve the quality and utility of that water.

MR. PORTER: Anyone else have a statement or comment they would like to make in the case? Mr. Ramey, a reference was made to 34 wells currently reporting. Do you have any idea why some of the other wells are not reporting, aside from the fact that maybe they are very recently completed wells?

MR. RAMEY: I have one operator who I have contacted numerous times to get reports in and he has submitted some reports which weren't acceptable, and I have contacted him and threatened and pleaded, but as of yet I haven't got the reports.

MR. PORTER: Mr. Hays would like to know the name of the operator.

MR. RAMEY: Harry McAdams.

MR. PORTER: The operation is in his name?

MR. RAMEY: Yes, it's on his Bryan lease. It's one

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of the most eastern leases here.

MR. PORTER: For the record --

MR. RAMEY: There are other wells that have been drilled, but as yet are not producing any oil.

MR. PORTER: The Commission has a suggestion that you, in fact, these are instructions, not to approve any further C-1048's for any operator who is delinquent in his reports.

MR. RAMEY: Yes.

MR. PORTER: So no further oil can be sold from the lease until he is current with his reports.

MR. RAMEY: Mr. McAdams has been advised of that also.

MR. HAYS: Do you know what the land status is where these wells are?

MR. RAMEY: I think it's fee land.

MR. PORTER: It is my understanding that no state leases have been involved thus far.

MR. RAMEY: That is correct.

MR. PORTER: You may be looking to some of these people for offsets, Mr. Hays.

MR. HAYS: If they drilled any on state land, would you please notify the Land Office?

MR. RAMEY: Yes, we will.

MR. PORTER: Mr. Hatch, you may call attention to any communications you have.

MR. HATCH: This is a communication addressed to the New Mexico Oil Conservation Commission dated September 12, 1966, "Re: Humble Oil and Refining Company's request for exception to Statewide Rule 104C, so that Bowers "A" Federal 17 can be drilled in the South Half of Unit J, 1815 feet from the South and East Line of Section 30, Township 18 South, Range 38 East of Lea County, New Mexico as a development oil well in the Ogallala reservoir. This is to advise that Tidewater Oil Company, operator of Getty Oil Company's H. D. McKinley lease in the Northeast Quarter of Section 30, Township 18 South, Range 38 East, has no objection to Humble Oil and Refining Company's request for a non-standard proration unit. Signed by R. H. Coe, District Production Manager for Tidewater Oil Company."

That's all the communications I have.

MR. HENSLEY: As more more particularly reflected by the testimony of Mr. Carpenter, some 77 wells have been drilled to the Ogallala in the immediate area since Order R-2902 was issued on May 4, 1965. All wells which have been drilled have been drilled solely for the purpose of obtaining production of oil and cumulative oil production through September 1, 1966, amounted to in excess of 47,000 barrels.

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The 77 wells, as the testimony reflects, have all been classified as water wells and have apparently been drilled pursuant to a statutory permit from the State Engineer. That particular section of the statute is Section 75-11-1, N.M.S.A. 1953 Compilation, providing that the State Engineer shall issue a permit to any person who desires to use not to exceed three acre feet of water for a definite period of not to exceed one year in connection with drilling operations designed to discover or develop the natural mineral resources in the State of New Mexico. Not only have none of these wells been drilled for the purpose of obtaining water for use in drilling operations, but as is clear from the testimony, the wells have been drilled solely for the production of oil.

Since the issuance of Order R-2902, the subsequent drilling activity, primarily by Mr. Walton, has in fact confirmed the existence of a substantial oil pool within the Ogallala Reservoir, and as such we would respectfully submit that there is no differentiation between the subject pool and any other oil pool which is subject to the exclusive and sole jurisdiction of the Oil Conservation Commission. An oil pool is defined in the rules and regulations of this Commission as any underground reservoir containing a common accumulation of crude petroleum oil or natural gas, or both. Therefore, the mere fact that the subject crude oil has migrated into the

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Ogallala formation would not in our opinion prevent classification of the reservoir as anything other than an oil pool in conformance with the above mentioned definition.

It is the position of Humble that the Oil Conservation Commission should take sole and exclusive jurisdiction of the development and production of oil from the Ogallala reservoir in the area of the reserve consistent with the policy of this Commission in the past to orderly promulgate the rules and regulations in order to prevent waste and to protect the correlative rights of all persons attempting to remove and market the crude oil from any underground reserve.

In summary, Humble Oil, as applicant in this case, respectfully requests that the Commission grant an exception to Statewide Rule 104C, part 1, to permit its drilling of an irregular development oil well on a non-standard proration unit which will incidentally require classification of the proposed well as an oil well in conformance with the rules and regulations of this Commission.

That's all we have, sir.

MR. PORTER: Does anyone else have anything further in this case? If nothing further, the Commission will take it under advisement.

MR. HENSLEY: Thank you..

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STATE OF NEW MEXICO )  
COUNTY OF BERNALILLO ) ss

I, ADA DEARNLEY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

Witness my Hand and Seal this 10th day of October, 1966.

*Ada Dearnley*  
NOTARY PUBLIC

My Commission Expires:  
June 19, 1967.

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# WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

SYMBOLS

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

1201 (4-00)

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

LA055 DB121

D MDA066 PD=MIDLAND TEX 12 1050A CST=  
NEW MEXICO OIL CONSERVATION COMMISSION, ATTN A L PORTER=  
BOX 2088 SANTA FE NMEX=

RE HUMBLE OIL AND REFINING COMPANYS REQUEST FOR  
EXEMPTION TO STATE WIDE RULE 104 C 1 SO THAT BOWERS A  
FEDERAL 17 CAN BE DRILLED IN THE SOUTH HALF OF UNIT J  
1815 FEET FROM THE SOUTH AND EAST LINE SECTION 30  
TOWNSHIP 18 SOUTH RANGE 38 EAST OF LEA COUNTY NEW MEXICO  
AS A DEVELOPMENT OIL WELL IN THE OGALLALA RESERVOIR THIS  
IS TO ADVISE THAT TIDEWATER OIL CO OPERATOR OF GETTY  
OIL COMPANIES H D MCKINLEY LEASE IN THE NORTHEAST

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

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

# WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

(55)•

1201 (1-60)

SYMBOLS  
DL=Day Letter  
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LT=International  
Letter Telegram

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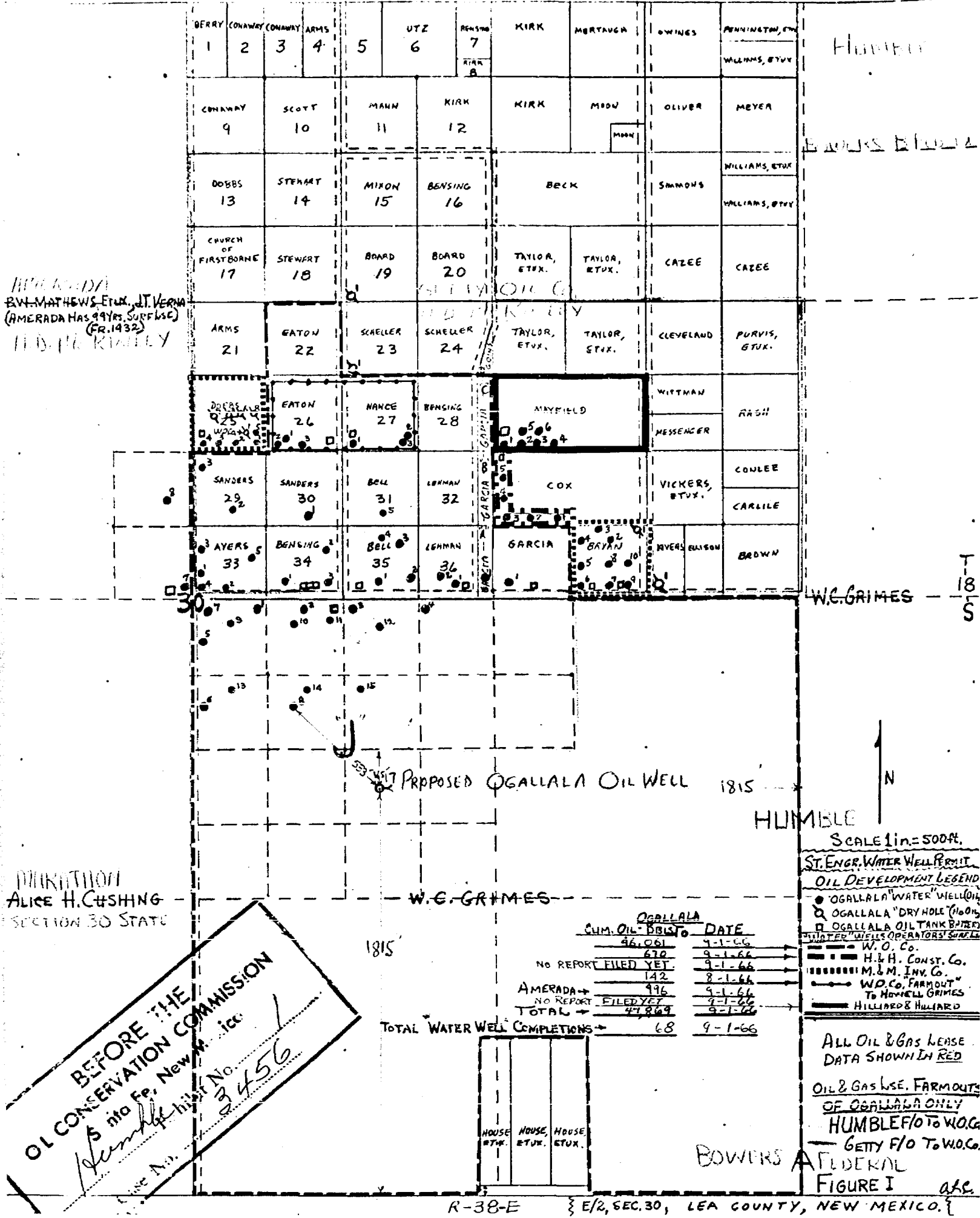
1966 SEP 12 AM 11 03

QUARTER OF SECTION 30 TOWNSHIP 18 SOUTH RANGE 38 EAST  
HAS NO OBJECTION TO HUMBLE OIL AND REFINING COMPANYS  
REQUEST FOR A NCN STANDARD PRORATION UNIT REQUEST=  
R H COE DISTRICT PROD MGR TIDEWATER OIL CO=

=104 C 1 17 J 18 15 30 18 38 30 18 38

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

SURFACE OWNERSHIP PLAT OF OGALLALA RESERVOIR OIL DEVELOPMENT (OGALLALA WATER SAND) 9-1-66



AMERADA  
B.V. MATHEWS, ET AL., J.T. VERA  
(AMERADA HAS 99% SURFACE)  
(FR. 1932)  
H.D. KIRKLEY

ALICE H. CUSHING  
SECTION 30 STATE

BEFORE THE  
OIL CONSERVATION COMMISSION  
into the New Mexico  
Conservation Commission  
No. 3456

OGALLALA	CUM. OIL DIST.	DATE
NO REPORT FILED YET	96,061	9-1-66
NO REPORT FILED YET	670	9-1-66
NO REPORT FILED YET	142	9-1-66
AMERADA NO REPORT FILED YET	996	9-1-66
TOTAL	47,869	9-1-66
TOTAL WATER WELL COMPLETIONS	68	9-1-66

HOUSE	HOUSE	HOUSE
RTX.	RTX.	RTX.

BOWERS A  
FIGURE I