

CASE 3624: Application of TEXAS
PACIFIC OIL CO. to amend ORDER
NO. R-69-D - LEA COUNTY, N.M.

Case Number

3624

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. 3624
Order No. R-3294

APPLICATION OF TEXAS PACIFIC OIL
COMPANY TO AMEND ORDER NO. R-69-D,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 26, 1967, at Santa Fe, New Mexico, before Examiner Elvis A. Uts.

NOW, on this 7th day of August, 1967, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Texas Pacific Oil Company, seeks an amendment to the Bagley Siluro-Devonian Pool Rules promulgated by Order No. R-69-D to permit the completion of a second well on an 80-acre proration unit in the Bagley Siluro-Devonian Pool, the second well on a unit being located within 150 feet of the center of the NE/4 or the SW/4 of the quarter section, with the 80-acre allowable being produced from either well in any proportion; provided, however, that only existing wells drilled to the Devonian formation may be completed as a second well on an 80-acre proration unit.

(3) That Order No. R-69, dated May 1, 1951, established 80-acre proration units in the Bagley Siluro-Devonian Pool and that said order provided that all wells drilled into the Bagley Siluro-Devonian Pool shall be located in the center of the northwest quarter or the southeast quarter of a governmental quarter section, with a tolerance of 150 feet in any direction to avoid surface obstruction.

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CASE No. 3624
Order No. R-3294

(4) That the aforesaid oil well spacing has remained continuously in effect through the issuance of various orders since May 1, 1951.

(5) That the aforesaid pool is being efficiently and economically drained by one well per 80-acre tract, thereby preventing waste.

(6) That to allow only existing wells that are drilled to the Devonian formation to be completed as second wells on an 80-acre tract would violate the correlative rights of operators in the pool that do not have such wells.

(7) That the subject application should be denied.

IT IS THEREFORE ORDERED:

(1) That the subject application is hereby denied.

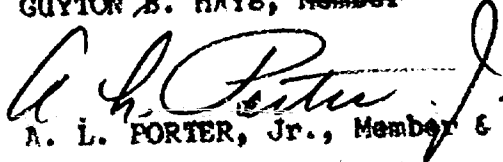
(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

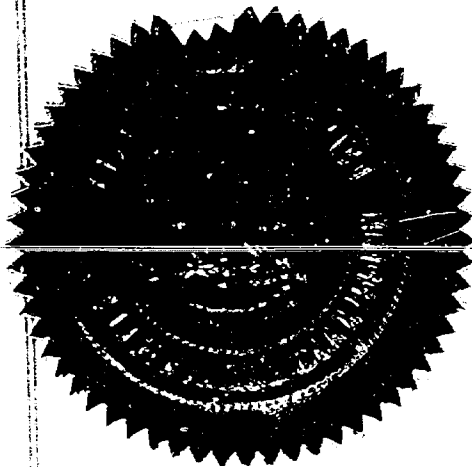
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


DAVID F. CARGO, Chairman


GUYTON B. HAYS, Member


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



esr/

GOVERNOR
DAVID F. CARGO
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
GUYTON B. HAYS
MEMBER

P. O. BOX 2086
SANTA FE

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

August 7, 1967

Mr. John Russell
Attorney at Law
P. O. Drawer 640
Roswell, New Mexico 88201

Re: Case No. 3624
Order No. R-3294
Applicant:
Texas Pacific Oil 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

ALP/ir

Carbon copy of order also sent to:

Hobbs OCC X

Artesia OCC

Aztec OCC

Other Mr. Jason Kellahin for Amerada Petroleum Corp.

Case 3624

Heard P-76-67

Rec. [REDACTED] #

1st Order R-69 was issued originally as a temporary 804a spacing order ~~5-1-51~~ ⁵⁻¹⁻⁵¹ and was temporary until 5-19-54 when R-69D made the order permanent.

During this interval of time S & P completed ~~their~~ following wells

J. P. State (B) # 3 I 2-125-33E.

✓ ✓ ✓ (C) # 4 17 ✓ ✓ ✓

LL - L C #5C L L L

CC₁ - ✓ D^H / A ✓ ✓ ✓

Each of the
all the above wells are on the ~~same~~ ^{a production}
unit which has a well producing well
committed to the unit.

2. The Bagly - ~~Racco~~ / Silene Heronian
pool was ~~described~~ designated
by Bader R-55 3-25-51 in which
makes the pool over 16 years old.

I recommend that the D & P application be denied on the grounds that the Conelton rights would not be protected unless Camerada was forced to drill additional wells in a pool which is over $\frac{1}{2}$ depleted. This is a water drive pool which has an efficient drive therefor the D & P wells were unnecessary wells.

Ernst R. Weitz

Docket No. 22-67

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 26, 1967

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

The following cases will be heard before Elvis A. Utz, Examiner, or
Daniel S. Nutter, Alternate Examiner:

CASE 3620: Application of Pubco Petroleum Corporation for an unorthodox location and a dual completion, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of the dual completion (conventional) of its Federal Well No. 16 to produce gas from the Blanco-Mesaverde and Basin-Dakota Pools at an unorthodox location for said pools 330 feet from the South line and 990 feet from the West line of Section 9, Township 27 North, Range 8 West, San Juan County, New Mexico.

CASE 3621: Application of Mobil Oil Corporation for an amendment to Commission Rule 1103 A. Applicant, in the above-styled cause, seeks the amendment to Rule 1103 A to eliminate the requirement for filing Form C-103 as a notice of intention to acidize, fracture, or clean out previously completed wells.

CASE 3622: Application of Ryder Scott Management Company for a water-flood buffer zone, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the N/2 NE/4, SW/4 NE/4 of Section 20, Township 18 South, Range 28 East, Eddy County, New Mexico, as a waterflood buffer zone in the Artesia Pool offsetting its waterflood project in Section 21 and Cima Capitan's waterflood project in Section 17 of the same township.

CASE 3623: Application of Agua, Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Devonian formation in the interval from 11,610 feet to 11,800 feet in the Amerada Petroleum Corporation State "BTC" Well No. 2, located in Unit B of Section 35, Township 11 South, Range 33 East, Bagley Field, Lea County, New Mexico.

CASE 3624: Application of Texas Pacific Oil Company to amend Order No. R-69-D, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment to the Bagley Siluro-Devonian Pool Rules promulgated by Order No. R-69-D to

CASE 3624 continued

permit the completion of more than one well on an 80-acre proration unit in said pool, the second well on a unit being located within 150 feet of the center of the NE/4 or the SW/4 of the quarter section, with the 80-acre allowable being produced from either well in any proportion.

CASE 3625: Application of Gulf Oil Corporation for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its C. E. LaMunyon Well No. 11 located in Unit C of Section 27, Township 23 South, Range 37 East, Lea County, New Mexico, to produce oil from the Teague McKee and Teague Ellenburger Pools through parallel strings of tubing.

CASE 3626: Application of Gulf Oil Corporation for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its R. E. Cole (NCT-A) Well No. 8 located in Unit K of Section 16, Township 22 South, Range 37 East, Lea County, New Mexico, to produce oil from undesignated Silurian and Montoya oil pools through parallel strings of tubing.

CASE 3627: Application of Gulf Oil Corporation for an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its R. E. Cole (NCT-A) Well No. 9 at an unorthodox oil well location 1075 feet from the South line and 2395 feet from the West line of Section 16, Township 22 South, Range 37 East, Lea County, New Mexico, said well being projected to undesignated Silurian and Montoya Oil Pools.

CASE 3628: Application of Charles E. Seed for four Ogallala oil proration units and special rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of the SW/4 of Section 30, Township 18 South, Range 38 East, Lea County, New Mexico, as four oil proration units for the production of oil from the Ogallala formation. Applicant also seeks the establishment of special rules governing said 40-acre tracts including a maximum density of one well per 0.625-acre with a provision that wells should be drilled no nearer than 82.5 feet to the outer boundary of a 40-acre unit and no nearer than 165 feet to another well producing from the same formation, provided that an exception should be made for existing

CASE 3628 continued

wells which are not located in conformance with said spacing rules. Applicant also seeks a temporary exception to Rule 307 for each well to permit utilization of a vacuum-type drilling unit during the drilling and completion operations. Applicant also seeks authority to produce the wells at capacity even though the aggregate production from wells on a 40-acre tract exceeds the 40-acre normal unit allowable.

CASE 3629:

Application of Southern Minerals Corporation for salt water disposal and a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to complete its State "D" Well No. 1 located in Unit E of Section 8, Township 11 South, Range 34 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Inbe-Pennsylvanian Pool and the disposal of produced salt water through the intermediate casing-production casing annulus into the Glorieta and other formations in the open hole interval from 4045 feet to 7168 feet.

Sum. Population 28.1
BTC #1 (3) 9365 ÷ 31 = 302 X

BTB #3 (3) 2365 ÷ 31 = 76

BTA #1 (2) 9832 ÷ 31 = 317 X

CTL #1 (2) 7131 ÷ 31 = 230

BTB #1 (2) 5583 ÷ 31 = 180

BTF #1 (2) 8778 ÷ 31 = 283 X

43,057 ÷ 31 = 7176
Banks

March 67

		# units.	Total.	Unit. Paved.
Post Office	D & P.	5	38,943	7188
	Canada.	13	5739.6	4415
	Post.		93,339	✓

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. 249
(Consolidated with Case No. 315)
Order No. R-69-D

THE MATTER OF THE APPLICATION OF
THE OIL CONSERVATION COMMISSION
UPON ITS OWN MOTION FOR AN ORDER
DIRECTED TO THE OPERATORS IN THE
BAGLEY-SILURO-DEVONIAN POOL, LEA
COUNTY, NEW MEXICO, TO SHOW CAUSE
WHY SAID POOL SHOULD NOT BE PLACED
ON 40-ACRE SPACING WITH ALLOWABLE
ADJUSTMENT, UPON EXPIRATION OF
TEMPORARY ORDER.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing on May 19, 1954, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 30th day of June, 1954, the Commission, a quorum being present, having considered the testimony adduced and exhibits received at said hearings, and being fully advised in the premises,

FINDS:

(1) That due notice having been given and proper service had upon the operators in said pool as required by law, the Commission has jurisdiction of this cause.

(2) That originally the Commission issued Temporary Order R-69, effective May 1, 1951, to and including May 1, 1952, authorizing the development and production of the Bagley-Siluro-Devonian Pool on an 80-acre spacing pattern with 80-acre production units.

(3) That thereafter and prior to the expiration of Order R-69, the Commission after due notice and hearing issued Order R-69-A, which granted an extension of Order R-69, as modified, for a period of one year from and after May 1, 1952.

Order No. R-69-D

(4) That thereafter and prior to the expiration of Order R-69-A as modified by Order R-69-B, the Commission after due notice and hearing issued Order R-69-C, effective June 1, 1953, to and including June 1, 1954, which authorized the development and production of the Bagley-Siluro-Devonian Pool on an 80-acre spacing pattern with 80-acre proration units.

(5) That for the prevention of waste and in the interests of conservation, the provisions of said Commission Temporary Order R-69-C, as hereinafter modified and set forth, should be made permanent.

IT IS THEREFORE ORDERED:

(a) That 80-acre spacing of wells and establishment of 80-acre proration units in the Bagley-Siluro-Devonian Pool, Lea County, New Mexico, described as:

Township 11 South, Range 33 East, NMPM
All Section 34; NW/4 and S/2 Section 35

Township 12 South, Range 33 East, NMPM
N/2 and SE/4 of Section 3; all of Section 2;
E/2 NW/4 and N/2 NE/4 of Section 11

be, and the same is hereby authorized; such proration units to consist of the E/2 and the W/2 respectively of each governmental survey quarter section therein and the well location thereon shall be in the center (permissive tolerance 150 feet) of the northwest and southeast quarter sections thereof.

PROVIDED, HOWEVER, that the following described units do, and shall constitute permissible exceptions to the spacing and proration unit plan aforesaid:

Township 11 South, Range 33 East, NMPM
N/2 NW/4 of Section 35; S/2 NW/4 of Section 35

Township 12 South, Range 33 East, NMPM
N/2 NW/4 of Section 3; S/2 NW/4 of Section 3;
N/2 NE/4 of Section 2; SW/4 NE/4 and NW/4 SE/4 of
Section 2; SE/4 NE/4 and NE/4 SE/4 of Section 2;
S/2 SE/4 of Section 2;
N/2 NE/4 of Section 11

(b) That no well shall be drilled or produced in said pool except it be in conformity with the spacing and proration unit pattern hereinabove authorized unless, after notice and hearing, a special order of authorization is had and obtained from the Commission.

(c) That should any well be drilled off-pattern, under authority of any special order, then, and in that event, the same shall be entitled only to an allowable equal to that of a standard 40-acre proration unit with deep pool adaptation as provided by Commission rules. Nothing contained in this order shall be construed as requiring

Order No. R-69-D

by the Commission the drilling of any wells at any location.

IT IS FURTHER ORDERED: That the Bagley-Siluro-Devonian Pool and the 80-acre proration units therein, hereby established and confirmed, be and the same hereby are granted an allowable equal to the top allowable for wells in the Bagley-Siluro-Devonian depth range, calculated by the use of the 80-acre proportional factor as provided for in Rule 505 of the Rules and Regulations of this Commission, together with the acreage factor, if any there be;

PROVIDED HOWEVER, that no well in such pool will be assigned an allowable greater than the amount of oil produced on official gas-oil ratio tests during a 24-hour period in compliance with Rule 301 of the said Rules and Regulations.

IT IS FURTHER ORDERED:

(a) That each operator in said pool shall take or cause to be taken bottom-hole pressure tests of each producing well operated by him in said pool during the months of July of each calendar year; the results of such tests shall be tabulated, and reflect the pressure of each well; the same shall be filed on or before the 5th day of August, of each calendar year, with the Commission at Santa Fe, New Mexico (with copy to Hobbs office); it is further provided, that such bottom-hole pressure tests shall be taken in conformity with the requirements of Rule 302 of the Commission's Rules and Regulations as revised.

This order supersedes all previous temporary orders and interlocutory orders heretofore issued in this case.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Secretary and Member

S E A L

LAW OFFICES OF
JOHN F. RUSSELL
P. O. DRAWER 840
ROSWELL, NEW MEXICO 88201

TELEPHONE 622-4641
AREA CODE 505

Case 3624

July 5, 1967

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

Dear Mr. Porter:

I transmit herewith, in triplicate, an
Application of Texas Pacific Oil Company and request
that it be set for hearing before an examiner on
July 26.

Very truly yours,

John F. Russell
John F. Russell

JFR:1

Enclosure

MAIN OFFICE 000

'67 JUL 6 PM 1 21

DOCKET MAILED

Date *7-14-67*

[Signature]

MAIN OFFICE 6.7

'67 JUL 6 PM 1 21

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION)
OF TEXAS PACIFIC OIL COMPANY FOR)
AN ORDER AMENDING THE POOL RULES)
FOR THE BAGLEY-SILURO-DEVONIAN)
POOL IN LEA COUNTY, NEW MEXICO)

No. 3624

APPLICATION

COMES NOW Applicant, Texas Pacific Oil Company, by its attorney, John F. Russell, and requests the Commission to amend Order No. R-69, as amended, in Case No. 249 in the following respects:

1. To authorize more than one well to be drilled on each pro-ration unit and the additional well locations thereon to be in the center (permissive tolerance 150 feet) of the Northeast quarter or the Southwest quarter of the quarter section.

NW SW

2. When there is more than one well located on a single pro-ration unit, one 80 acre allowable shall be assigned to the unit, which allowable may be produced from the wells in any proportion.

3. The granting of this Application will permit the use of wells presently existing on the established pro-ration units and would prevent waste and protect correlative rights.

WHEREFORE, Applicant requests the Commission to set this matter down for hearing before an Examiner, to publish its notice as provided by law and after hearing, to issue its Order granting the amendments requested herein.

Respectfully submitted,

TEXAS PACIFIC OIL COMPANY

By: John J. Russell
Attorney for Applicant

P. O. Drawer 640
Roswell, New Mexico 88201

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SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
July 26, 1967

EXAMINER HEARING

IN THE MATTER OF:

Application of Texas Pacific Oil Company)
to amend Order No R-69-D, Lea County,)
New Mexico.)

Case No. 3624

BEFORE:

Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 3624.

MR. HATCH: Case 3624, application of Texas Pacific Oil Company to amend Order No R-69-D, Lea County, New Mexico.

MR. RUSSELL: John F. Russell, Roswell, New Mexico and I have one witness, Mr. Fred Hughey.

(Witness sworn.)

MR. UTZ: Are there other appearances?

MR. KELLAHIN: If the Examiner please, Jason Kellahin Kellahin and Fox, Santa Fe, appearing for Amerada Petroleum Corporation.

MR. UTZ: Are there other appearances? You may proceed.

FRED HUGHEY, called as a witness on behalf of the Applicant, having been first duly sworn on oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. RUSSELL:

Q Will you please state your name, residence, name of your employer and the capacity in which you are employed?

A I am Fred Hughey with Texas Pacific Oil Company, Midland, Texas. I am employed as area engineer.

Q You have previously qualified to testify before the Commission and the Examiner, have you not?

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1400 FIRST NATIONAL BANK EAST • PHONE 256-1294 • ALBUQUERQUE, NEW MEXICO 87108

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A Yes, sir.

Q Are you familiar with the application of Texas Pacific Oil Company in Case Number 3624?

A I am.

Q Now, as I understand your original application, you asked for, to be authorized to authorize more than one well to be drilled on each proration unit and the additional well locations thereon, to be in the center, with a permissive tolerance of one hundred and fifty feet of the northeast quarter or of the southwest quarter of the quarter section, is that correct?

A Yes, sir.

Q Now, it is my understanding at this time, that you would like to either amend the application or have the Examiner put a limitation on your request so that it would merely authorize the recompletion of presently existing, non-producing wells, which are located on an eighty acre proration unit, which has a presently producing well on it, to which the proration allowable has been assigned?

A That is correct.

Q And when I referred to recompletion of the presently existing non-producing well, it is one which is drilled to the Devonian formation, is that correct?

A Yes, sir.

(Whereupon, Applicant's Exhibits 1 through 3 were marked for identification.)

Q All right, now, I will refer you to what has been marked as Applicant's Exhibit Number 1 and ask you to explain to the Examiner exactly what this portrays.

A Exhibit Number 1 is a plat of the productive wells, or all of the wells in the Bagley-Siluro-Devonian Field. The present Devonian producers are under the red dots. The yellow acreage is Texas Pacific Oil Company acreage, and the green dots denote wells that were drilled to the Devonian formation, but are not now producing from such formation.

Q Have those wells ever produced from that formation or any other formation?

A To the best of my knowledge, they have not produced from the Devonian. A few of them have produced from the Penn, but they are now abandoned in that zone.

Q But they were originally drilled to the Devonian, is that correct?

A Yes, sir.

Q Now, will you locate the T.P. wells which are shut-in as Devonian wells, identify them?

A Okay, sir. The four wells are all in Section 2,

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Township 12 South, Range 33 East, Lea County. There is the State D Well Number 1 in Unit A, State C-5 in Unit C, State B-3 in Unit I, and the State C-4 in Unit M of Section 2.

Q And then there are two additional which are Amerada wells, are they not?

A Yes, sir.

Q Would you locate them?

A The first is Amerada State BTA Well Number 2, located in Section 2 of the same township and range. The second well is the Amerada L. A. Chambers Well Number 2, located in Unit C of Section 11, Township 12 South, Range 33 East, Lea County, New Mexico.

Q And to the best of your knowledge, these are the only six wells which would be involved by your application as limited or amended?

A This is correct.

Q Now, on the T.P. wells, when completed to the Devonian, were they capable of producing at that time?

A Yes, sir. As I recall the State D Number 1 potentialed for a thousand barrels of oil a day and then was shut-in. The thousand barrels is the only production from that well.

Q You, as I understand it, do not know why there were two wells drilled on an eighty acre unit with only one well

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using the allowable assigned to it?

A No, sir. This happened before my time with Texas Pacific, but the best that I can glean out of the transcripts and all from the previous pool hearings, that these wells were drilled in anticipation of a forty acre proration unit in this pool, and at the time the eighty acre spacing was incorporated in the final pool rules, the well had already been drilled.

Q Now, from this exhibit, will you show or point out the proration units which will be affected by your application and locate the presently existing well to which the allowable is assigned?

A Yes, sir. The Texas Pacific units where this will apply, would be the north half of the northeast quarter of Section 2, all of these will be in the same township and range as we mentioned previously, on which the State C Number 1, located in Unit B, is now producing. The next unit will be the east half of the northwest quarter, in which the State C Well Number 2, located in Unit F, is now the producing well.

The west half of the southwest quarter of Section 2 in which the State C Well Number 3, located in Unit L, is the producing well. And the final Texas Pacific proration unit which will be affected, would be the southeast quarter of the northeast quarter and the northeast quarter of the southeast quarter.

of Section 2, in which the State B Well Number 1, located in Unit H, is the producing well.

Q And in addition to your request that you be authorized to recomplete those wells on the unit, you are also asking that a single eighty acre allowable be assigned to the unit?

A Yes, sir.

Q And that this allowable may be produced from the wells in any proportion?

A This is correct.

Q All right, now, I will refer you to what has been marked as Applicant's Exhibit Number 2 and ask you to explain that exhibit.

A This is a tabulation of all the producing wells from the Engineering Committee Report of May 1967, in the Bagley Siluro-Devonian Pool, indicating the company, names and numbers of their wells, their average daily production for the month in barrels of oil per day and barrels of water per day, and then, the top allowable those wells would have in this month.

Q Now, the daily production is as of May, 1967?

A This is correct.

Q And the allowable figure you used was for July of '67?

A Yes, sir.

Q All right, go ahead.

A And, then, the next column is the anticipated capacity if this application is awarded for Texas Pacific wells. I have no indication on what the Amerada wells will be capable of, and, then, the next to the last column is the increase in daily production of barrels of oil per day from the Texas Pacific wells and the approximate cost that Texas Pacific will have to spend to obtain this higher rate.

Q Now, that approximate cost would be for the work on all of the wells, would it not?

A Yes, sir.

Q And what figure is that?

A \$92,000.

Q Is there anything further on that exhibit that you want to bring out?

A The only other thing is that the six wells which have a second well drilled to the Devonian in the pool are denoted by the stars over here by the number.

Q In other words, B-1, C-1, C-2 and C-3 are the ones which have additional wells on the unit?

A Then the Amerada Chambers 1 and BTA-1.

Q All right, now, I will refer you to what has been marked as Applicant's Exhibit Number 3 and ask you what that

dearnley-meier

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reflects.

A This is the completion data on Texas Pacific Oil Company wells which possibly would be opened up if this application is favorably received, showing the well number, the total depth, the size and depth of casing, present perforations, top of cement behind the oil string, and then the work and estimated cost required to produce each of the wells.

Q Well, run through the work required to produce the wells.

A Okay, sir. In the State B Number 3, the well is presently shut-in and would require only a flow line and artificial lift equipment; artificial lift equipment in this field consists of hydraulic equipment which is rather expensive, therefore the high of \$22,000.00 to initiate production from this well.

The C Number 4 is presently an abandoned Penn completion and the work would require squeezing the present Penn perforations, installing flow line tubing and artificial lift equipment for a cost of \$34,000.00. The C Well Number 5 is also a present abandoned Penn completion and would require squeezing the present perforations, installing a flow line tubing and artificial lift equipment, again, for \$34,000.00.

And the State D Well Number 1 would require -- is presently a shut-in Devonian completion and would require only flow line equipment.

Q Now, these are all state leases, are they not?

A All of the Texas Pacific leases are state leases.

Q And in your opinion, the granting of this application will permit you to recover your fair share of the oil under the proration unit and also make use of the existing wells on these units, without the necessity of drilling additional wells, is that correct?

A This is correct.

Q Were Applicant's Exhibits 1,2 and 3 prepared by you or under your supervision and direction?

A Yes, sir.

MR. RUSSELL: Mr. Examiner, I offer into evidence Applicant's Exhibits 1,2 and 3.

MR. UTZ: Without objection, Exhibits 1,2, and 3 will be entered into the record of this case.

(Whereupon, Applicant's Exhibits 1,2 and 3 were admitted in evidence.)

MR. RUSSELL: I have no further questions of this witness.

MR. UTZ: Are there questions of the witness?

MR. PORTER: I have one.

CROSS EXAMINATION

BY MR. PORTER:

Q I believe your Exhibit 3, here, indicates that you plan to squeeze the perforations, that is, the Penn perforations in two of the wells?

A Yes, sir.

Q Has the Penn been abandoned so far in these two wells --

A Yes, sir.

Q -- or is it still producing?

A Our Penn completions have been watered out completely.

Q So, the Penn has been depleted --

A Yes, sir.

Q -- in this area?

A In our two wells.

Q In these particular wells?

A Yes, sir.

MR. PORTER: Thank you.

CROSS EXAMINATION

BY MR. UTZ:

Q Let's see, there are three Penn pools in this area, is there not? The upper, middle and lower.

A That is the North Bagley.

Q Is that the North Bagley only?

A Yes, sir. As I recall, this is only the Bagley Permo-Penn, I believe, that has the one pool.

MR. UTZ: Any other questions? Mr. Kellahin.

CROSS EXAMINATION

BY MR. KELLAHIN:

Q Mr. Hughey, as I understand, you testified earlier that the wells that are presently shut-in were drilled prior to the adoption of any permanent spacing orders, is that correct?

A To the best of my knowledge, this is true.

Q Do you have information on the dates that these wells were ^{dd}sputted?

A No, sir, I do not. As I recall, it was in the early '50's, now, I would say '50 or '51.

Q Do you know the date that the original order was adopted for spacing, for putting the Siluro-Devonian Pool on eighty acre spacing?

A Are you talking about the initial --

Q I am talking about the initial order, yes, sir.

A That was before this time.

Q So, it was before these wells were ^{dd}sputted?

A Yes, sir.

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Q And before they were completed, to the best of your knowledge?

A Yes, sir, but the final pool rules were not in affect at this time, these were temporary rules.

Q Have you examined the rules involved in this?

A Yes, sir.

Q There were several of them, were there not?

A Yes, sir, several interesting hearings.

Q Order Number R-69 was the initial rule, was it not?

A Yes, sir.

Q And you would agree that that was adopted May 1st, 1951?

A Yes, sir.

Q And, then, it was continued by Order R-69-A, which was adopted April 29th, 1952, would you agree to that?

A Yes, sir.

Q And, then, it was continued again by Order R-69-B, adopted April 20th, 1953?

A Yes, sir.

Q Then, there was an Order R-69-C, dated May 21st, 1953?

A Yes, sir.

Q And, then, the final Order R-69-D, making the rule permanent, which was adopted June 30th, 1954?

A Yes, sir. All of the first four rules, A through, or 69 through 69-D are all designated as temporary pool rules.

Q They were for a period of one year, were they not?

A Yes, sir.

MR. PORTER: Did they all establish eighty acre spacing?

THE WITNESS: Yes, sir. As I stated before, this happened before me time with this company, and the best I can recall, or could see, that these wells were drilled in the middle of the temporary pool rules at a time, I assume, when eighty acre proration units were not too well accepted. Then, this, again, is before my time, so I assume they thought they would end up with forty acre permanent spacing.

Q (By Mr. Kellahin) Mr. Hughey, you, on your Exhibit Number 1, show the Amerada BTA Well Number 2 as a shut-in, Devonian completion?

A No, sir, I show it as a well drilled to the Devonian formation.

Q Do you have the total depth on that well?

A No, sir, I do not.

Q What was your source of information?

A These were Scout Tickets.

Q Scout Tickets?

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A Yes, sir.

MR. KELLAHIN: All right, if the Examiner please, this does not agree with our information and we would like to have a momentary recess to check the file of the Commission or the Commission's records on this particular well.

MR. UTZ: This was the BTA Number 2?

MR. KELLAHIN: Yes, sir.

MR. HOCKER: I have a business record that doesn't show that, and I want to know if it is incomplete. I show that it was never drilled to the Devonian.

MR. UTZ: We will take a five minute recess and we will pull the well file on it.

(Whereupon, a five minute recess was taken.)

THE WITNESS: I think to correct it, all we have to do is take that green dot off of our plat.

MR. UTZ: And you don't show Pennsylvanian wells on your plat?

THE WITNESS: No, sir.

MR. RUSSELL: But, amend your testimony to show just one --

THE WITNESS: Yes.

MR. RUSSELL: -- Amerada instead of two?

THE WITNESS: Yes, sir.

MR. RUSSELL: And also, it would be applied to your Exhibit Number 2 --

THE WITNESS: Yes, sir.

MR. RUSSELL: -- which would show an additional well?

THE WITNESS: The BTA Number 1 shouldn't have the star after it.

MR. UTZ: Okay.

MR. KELLAHIN: That's all of the questions I have of the witness, Mr. Utz.

MR. UTZ: Are there other questions of the witness?

CROSS EXAMINATION

BY MR. PORTER:

Q You haven't made any calculations as to how much additional oil that you would ultimately recover --

A No, sir, I have not.

Q -- as a result of producing two wells as opposed to one?

A No, sir.

CROSS EXAMINATION

BY MR. UTZ:

Q Have you taken any pressures, or have you been in

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the hole in any of these four wells to determine what the bottom hole pressures are at this time?

A No, sir, I have looked back on previous Commission records and all, that the bottom hole pressure of the entire pool is essentially the same as it was upon discovery. It is an active water drive and has little or no pressure depletion.

MR. PORTER: You say the pool has been rather efficiently produced up to this time?

THE WITNESS: Yes, sir.

Q (By Mr. Utz) Therefore, if it is a water drive pool, it would be safe to assume that the bottom hole pressure is pretty much the same --

A Yes, sir.

Q -- in all the pools?

A Yes, sir.

MR. UTZ: Any other questions? The witness may be excused.

(Witness excused.)

MR. UTZ: Statements in this case?

MR. KELLAHIN: We want to offer some evidence.

MR. UTZ: Mr. Kellahin, you want to offer some testimony?

MR. KELLAHIN: Yes, sir, I have a witness if Mr.

Russell is through.

MR. RUSSELL: I have no further questions.

MR. KELLAHIN: I would like to have Mr. Hocker sworn, please.

(Witness sworn.)

R. L. HOCKER, called as a witness, having been first duly sworn on oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A My name is R. L. Hocker, I am employed by Amerada Petroleum Corporation as a Petroleum Engineer.

Q And where are you located, Mr. Hocker?

A Tulsa, Oklahoma.

Q Have you testified before the Oil Conservation Commission and made your qualifications a matter of record?

A Yes, sir.

MR. KELLAHIN: Are the witness's qualifications acceptable?

MR. UTZ: Yes, sir, they are.

Q (By Mr. Kellahin) Mr. Hocker, are you familiar with the area involved in Case Number 3624, application of Texas Pacific Oil Company?

A Yes, the Bagley-Siluro-Devonian Pool, yes, sir.

Q Have you reviewed the history of this pool?

A Yes, sir, I have prepared an Exhibit 1 to show the performance of this pool.

(Whereupon, Amerada's Exhibit Number 1 was marked for identification.)

Q All right, now, referring to what has been marked--- before we get into that, could you briefly outline the history and the background of the development of this pool as under the present spacing program?

A Well, I think that under Cross Examination, that you outlined some of the orders that have been issued by the Commission, and I will give you a little history in the outline, that in December 1949, Amerada made an application for eighty acre spacing, which was denied by the Commission. It was opposed by T.P., Texas Pacific.

The next order that was issued by the Commission was May the 1st of 1951, which was Case 249 and resulted in Order R-69. It was a temporary eighty acre spacing order for one year under application of Amerada. That order was continued for, May of 1952 and May of 1953 and made permanent in May of 1954 by our Order R-69-D, I believe was the last one.

Q Now, referring to what has been marked as Exhibit

Number 1, would you identify that exhibit and discuss the information that is shown on it?

A Amerada's Exhibit Number 1 is a monthly production curve for the Bagley-Siluro-Devonian. It shows the monthly oil production, monthly water production. It shows the average bottom hole pressure from the pool as indicated by Commission records.

It shows cumulative oil production and cumulative water production, and that the cumulative oil production at the end of 1966 was 20,617,000 barrels.

I agree with Mr. Hughey that this field is being produced efficiently, that it does have a good water drive. I would like to call your attention as evidence, is the fact that the bottom hole pressure has been declined from July of 1949, from 4,285 pounds to July of 1966 to 3,937 pounds, which is a decline of 346 pounds over seventeen years, and is a declined pressure of approximately eight percent of the original pressure.

Q Now, Mr. Hocker, you didn't participate in the original hearings which resulted in the spacing orders entered in the Siluro-Devonian Pool, did you?

A No, sir, I did not.

Q Did you review the records in these cases?

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A Yes, sir.

Q In your opinion, has the performance of this reservoir followed that which was predicted by the engineers testifying in behalf of Amerada, in favor of eighty acre spacing?

A I believe the performance in this field has been very good. I think that the wells are draining as much as eighty acres or more, and that field predictions are going to be borne out that this is a good field and the pressures show it is.

Q And, in your opinion, will one well efficiently and economically drain and develop eighty acres?

A Yes, sir, and within a reasonable time.

Q And within a reasonable time?

A Yes, sir.

Q Now, have you made any study of the provisions of the New Mexico statute in regard to spacing and the comments that have been made by the Governor's Study Committee?

A Yes, sir, I would like to make a few comments on the applicability of voluntary spacing, which is what I would term this, where the operator is given the opportunity to decide the well density on his own lease.

MR. RUSSELL: May I ask where this came from?

THE WITNESS: This will be -- well, I will give you some of the sources. The fact is, I plan to read from several things, if you will bear with me.

The first source I would like to read from is page, Roman Numerals Page 16 in the Interstate Oil Compact, which has been termed the Governor's Report, which is called "A Study of Conservation of Oil and Gas," published in 1964. And on page, Roman Numeral 16, it defines optimum spacing as "The maximum number of reservoir acres that would be economically and effectively drained by one well within a reasonable period of time."

Q (By Mr. Kellahin) Now, as a Petroleum Engineer, are you in agreement with that statement?

A Yes, sir, I think it is a very good definition.

Q All right, go ahead, please.

A I would like to point out the similarity between the statute of New Mexico and the definition of optimum spacing as I just read. I would like to read to you from Statute, Section 65-3-14, Subparagraph B. "The Commission may establish a proration unit for each pool, subh being the area that can be efficiently and economically drained and developed by one well. And in so doing, the Commission shall consider the economic loss caused by the drilling of unnecessary wells,

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protection of correlative rights, including those of royalty owners; the prevention of waste, the avoidance of the ultimate of risk, arising from the drilling of an excessive number of wells and the prevention of reduced recovery which might result from the drilling of too few wells."

I think there is a striking similarity in here because, particularly in the use of the words "efficiency" and "economy," and I interpret efficiency to mean the prevention of underground waste, and economy, to prevent the drilling of unnecessary wells. If this Commission allows more than one well on a spacing or proration unit, constitutes voluntary spacing; and the Commission has advocated its authority to establish optimum spacing, of what one well will efficiently and economically drain in a reasonable time.

And voluntary spacing, the operator decides a well's density on his lease within limits. On page 180 of the same compact report, there is expressed a legal opinion, that in New Mexico the drilling of unnecessary wells constitutes waste. I am not a lawyer, but I will pass on what legal opinion that is worth.

It is interesting to note that Kansas has voluntary oil spacing. This is also mentioned in the Governor's Report. Kansas has oil allowables assigned on an acreage basis with a

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maximum number of acres that can be assigned, no minimum specified. In other words, in Kansas, voluntary spacing is simply a proration device, no more.

Kansas has been a backward state in conservation and still has no pooling. Fortunately, New Mexico has a pooling statute and does not need voluntary spacing, since pooling is protection for such standard size proration units.

I call your attention to the fact that such states as Utah, Wyoming, Montana have spacing regulations with no allowables, but wells are used as a method of protecting correlative rights. Voluntary spacing has an insidious flaw, in that the result is most times delayed to a point in the life of the field, when drilling additional wells to increase current income, with no increase in ultimate recovery from the field, is least attractive.

If an oil economist must consider the possibility of drilling a second well on a spacing unit, it will certainly dim his enthusiasm for drilling in New Mexico. To allow more than one well on a proration unit is a return to potential concept, larger holes, more holes, same thing, and it is a return to the law of caption.

Q Now, Mr. Hocker, you are aware of the fact that the wells which have been discussed by Texas Pacific Oil Company

have already been drilled?

A Yes, sir, they were drilled after the first order was issued which granted temporary eighty acre spacing.

Q Do you have the dates when those wells were drilled?

A I have a business record which gives those dates, and I would like to give you those.

MR. UTZ: You're not contending that this might agree with the Oil Commission files?

THE WITNESS: I think they should, at least approximately.

MR. KELLAHIN: We will submit they be subject to correction by the Oil Commission files.

THE WITNESS: Yes, sir. Bear in mind that the first temporary eighty acre order was granted May 1st of 1951. T.P. State B Number 3, I have spudded in July of 1952 and completed in November of 1952.

T.P. State C Number 4 was spudded in June of 1951 and completed in October of 1951. T.P. State C Number 5 was spudded in March of 1952 and completed in July of 1952. T.P. State D Number 1 was spudded in June of '52 and completed in November of '52.

Q (By Mr. Kellahin) In the event the application of Texas Pacific Oil Company is approved, briefly, what effect do you think this would have on the reservoir as a whole and the operators within the reservoir?

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A Well, in my opinion there would be no additional ultimate recovery from the field. There might be a difference in competitive positions within the field, and I am sure this is also a possibility and it is a possibility which might compel Amerada to drill some unnecessary wells that we don't think are necessary and we don't want to drill.

Q Why would you have to do that?

A Well, one of the reasons might be for competitive reasons, even though we might not increase any additional recovery, and on the other hand, there may be some legal reasons why we might have to.

Q Are you talking about receiving your share of the current allowable on a month to month basis, when you talk about competitive positions?

A Well, the allowable device works in some respects as long as the wells make top allowable.

Q Yes, sir.

A But to allow wells to be drilled, additional wells to be drilled on a spacing unit, provides additional opportunity of a larger bore hole, more bore holes and gives the operator who spends the money to recover competitive oil without increasing ultimate recovery, an additional advantage which might compel an offset operator to do likewise against his

will.

Q Now, are these wells at the present time making any appreciable volumes of water?

A Yes, sir, there are wells making appreciable volumes of water. It is shown on the production curve that the field is making slightly more than an average of fifty percent water.

Q Now in the event this application --

A Wait a minute, I will take that back.

Q Pardon me.

A Well, it is still more than fifty percent water, yes, sir.

Q Now, in the event this application is approved and T.P. is permitted to produce its allowable in any proportion from either or both of two wells, in your opinion, would any reservoir damage result from an attempt to produce the same amount of oil from one well?

A No, sir.

Q Would it increase the volume of water or cause coning in any way to produce these wells at a high rate?

A Well, there are lots of sections in these wells and I believe that the well can best compete on a well to well basis on one well to each proration unit.

Q Then, if one well were competing with the production

from two wells on an offsetting unit, would this result in any damage to the correlative rights of any of the operators?

A Some people might contend that it might and for that reason we might be compelled to do things we don't want to do, and that is to drill unnecessary wells.

Q And in your opinion, is it necessary to have two well on an eighty acre tract?

A No, sir, it is not.

Q Do you have anything to add, Mr. Hocker?

A No.

MR. KELLAHIN: That's all I have of the witness.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Hocker, you established this as a water drive pool?

A In my opinion it is a water drive pool and a good water drive pool.

Q And do you contend that the pool is fully developed?

A Yes, sir, I believe it is fully developed on eighty acre spacing.

Q You don't have available any information that would show where the water-oil contact is?

A Well, as you probably realize, once a field goes on

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production, establishing where the water-oil contact is, is one of the most illusive problems of a petroleum engineer. Not only is it, may not be exactly even, but you may have vertical displacement of the water level as well as horizontal displacement of the water level, so that a single line may be meaningless.

Q This is a structure is it not?

A How is that?

Q This is a structure?

A Yes, sir, a very good structure.

Q Where would you say the crest of the structure is?

A The highest well, I believe, is T.P. C Number 1, which is the northwest quarter of the southeast quarter of two.

Q What was the location again? I have got so many number ones here --

A Northwest quarter of the northeast quarter of Section 2, 12 South, 32 East. That would be B, Unit B.

Q Now you have practically all of the edge wells, do you not?

A Well, we have got some of the good wells too, but we do have some edge wells, yes, sir. As the proration schedule shows, we have got twelve and T.P. has five at the present time.

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We are going to have some of the edge wells simply because of the numbers, if nothing else. T.P. has some very good acreage in there, I will say that.

Q This Exhibit Number 1 of T. and P. shows all of the wells in the pool, does it not?

A On casual examination, yes, sir, it does; I believe that is right.

Q Since Amerada has quite a number of edge wells, can you state how the water production is on your edge wells, so called edge wells?

A I have looked at the April Statistical Report. I didn't have May yet, but I do have those figures and I do have them calculated if you would like to have those numbers.

Q It might be interesting to look at them.

A All right. I will give you these. First I will give you the barrels of oil per day, which would be the April production for April of 1967, and my calculation of the water cut.

Chambers Number 1, three barrels of oil per day, 98.6 percent of water.

Q Ninty-eight?

A Yes.

Q All right.

A The Mathers 1, twenty-three barrels of oil per day, 94 percent water.

Q All right, give me time to find it.

A All right, I will see if I can help you.

Q The Mathers is over in Section 3?

A Section 3, yes, sir.

Q What was it again?

A The Mathers 1 was twenty-three barrels of oil per day, 94 percent water. The Mathers A Number 1, which is also in Section 3, eighteen barrels of oil per day, 93 percent water. Amerada State BTA Number 1, Section 2, 250 barrels of oil per day, 48 percent water. State BTC Number 1, Amerada--

Q Fifty-two percent?

MR. PORTER: Forty-eight percent.

A Forty-eight percent water. Amerada State BTC Number 1, in Section 35, 266 barrels of oil per day, 42 percent water. Amerada State BTC Number 3, again in Section 35, 266 barrels of oil per day and 38 percent water. State BTD Number 1 in the south half of Section 2, 282 barrels of oil per day, 79 percent water.

Amerada State BTD Number 2 --

Q That is 35 is it not?

A Yes, Section 35. 74 barrels of oil per day, 57

percent water. State BTI Number 3, seventy-six barrels of oil per day, 50 percent water. Amerada State BTI Number 1 in the northwest part of Section 2; 278 barrels of oil and 31 percent water. Amerada State BTI Number 1 in the southeast part of Section 2; 256 barrels of oil per day, 66 percent water.

Amerada State BTN Number 1, fifty-eight barrels of oil per day, 90 percent water.

Q Where is that?

A Southeast of 34.

Q What were the figures again?

A Fifty-eight barrels of oil per day, 90 percent water.

I will give you Texas Pacific from the same source. State B Number 1, which is in the east part of Section 2; 213 barrels of oil per day, 17 percent water. Texas Pacific State B Number 2, it is in the northern part of Section 11; 200 barrels of oil per day, 24 percent water. Texas Pacific State C Number 1, northeast part of Section 2; 270 barrels of oil per day clean, or no water reported anyway. Texas Pacific State C Number 2 near the center of Section 2; 266 barrels of oil per day and 57 percent water.

Q Two hundred and what?

A 266 barrels of oil per day and 57 percent water.

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Texas Pacific State C Number 3, which is in the east part of Section 2; 103 barrels of oil per day, 50 percent water.

Q Well, from a casual glance at this, it would seem that the highest percentage of water cut is on your outer perforated pool, however, there are some exceptions.

A Yes, this would be a normal expectation in a field that has an active water drive, that is over fifty percent depleted.

Q In your opinion is the present rate of production causing any of the high water cut percentage?

A Well, not particularly, you would call it high production. Production of course causes it --

Q Yes.

A -- and there is some thought, of course, that sometimes you have to produce some water in order to get the greatest ultimate recovery, so water production as such, is sometimes necessary in order to get the greatest recovery.

Q Are any of these wells being cut back to reduce the water cut?

A I don't know about T.P., but I --

Q Your wells?

A -- not to my knowledge, they aren't.

Q So, I would gather, then, that you don't feel that

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there is any coning taking place due to the reproduction?

A No, sir.

Q And I would also gather, that you don't think that reducing the rate would reduce the water cut?

A It might effect some particular individual well, but I doubt if it would change the ultimate recovery.

MR. UTZ: Any other questions.

CROSS EXAMINATION

BY MR. RUSSELL:

Q My Hocker, you were referring to and quoting from a Governor's Report?

A Yes, sir.

Q What governor was that?

A Well, this is a most renowned publication and treatise on conservation of oil and gas in the United States, called by Secretary Udall, I believe. Mr. Porter is quite aware of it, I believe. This is signed by the Governor of New Mexico.

Q In 1964?

A Yes, sir.

Q Was that the date of publication?

A This is the date that appears on the flyleaf, 1964.

Q All right. But, what you may have referred to, or

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quoted from therein, to the contrary notwithstanding, isn't it true that the policy has been recently in defining rules for new pools, that it does contain a clause in setting up proration units, "That nothing contained herein shall be construed as prohibiting the drilling of a well on each quarter section in an eighty acre unit."

A You might say that I don't always agree with what the Commission orders.

Q You are objecting not only to this one, but to all such orders?

A I think there is a flaw in that type of order, and as such, I think we ought to examine it. It is pretty hard to have simultaneous spacing intermingled in the same field and maintain the same results. It is going to cause unnecessary drilling.

Q And you were referring to economic waste or economic loss in drilling of additional wells, but in T.P.'s situation here, the wells are already drilled and the amount of money expended is infinitesimal that it will, say as compared to drilling new wells, and if T.P. feels that this would not create an economic waste on them, you wouldn't particularly have no objection to it, would you?

A No, sir. I think, however, I might point out that

these wells were drilled at the time there was a temporary spacing order, and our company policy is not to ignore temporary spacing orders, simply because it says temporary.

Q What happened to that one well you drilled, which is your --

A Well, that was drilled before the introduction of the spacing order.

Q Before the order?

A Well, just a minute, I will give you the date. Since I gave you your dates, I will give you mine.

Q I believe you called it your Chambers Number 2?

A Yes, sir, and it is in the northeast quarter of the northwest quarter of Section 11.

Q Well, I don't think the date is really of any consequence. It was drilled after your Chambers Number 1 Well?

A Yes, sir, that is true.

Q And was drilled to the Devonian?

A Yes, sir.

Q But, when the eighty acre spacing came in, it was closed-in, is that correct?

A Yes, sir, I think this well was -- just a minute, let me check. Just to make it straight, the Amerada Chambers Number 1 was spudded in April of 1950 and the Amerada Chambers

Number 2 was spudded in May, well, it was spudded on February the 10th, 1951, which would be a little less than three months prior to the spacing order.

Q Now, I don't want to put any legal interpretation burden on you, but you indicated the possible existence of a legal problem, and I assume you're thinking somewhat of asking for an additional well if this is done, but you do recognize that the limitation which T.P. has now put on its application, restricting this to presently existing wells in the Devonian, which are shut-in, would eliminate that problem?

A Well, it might, except there would be the existence of competition again, and I think --

Q Competition rather than the other legal problem?

A Well, there are both, of course, and one tends to re-inforce the other and the cumulative effect could be rather drastic on Amerada. We don't want to spend the money, but if we had to, we made an estimate that it might cost Amerada, might, and we don't want to spend it, I will say again, over a million dollars to be competitive.

Q To drill?

A To drill, we would have to drill some additional wells.

Q You are aware that many people, at least, are of

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the opinion that competition is the American way of life?

A I believe controlled competition is fine.

Q You aren't against the American way of life?

A No, sir.

MR. RUSSELL: No further questions.

THE WITNESS: He asked me a question I noticed is unorthodox, but would T.P. join me in also in requesting that the Commission also abstain from putting those phrases in which allow the drilling of more than one well. I mean, I know maybe you can't answer that, but as far as I am concerned --

MR. RUSSELL: I can't speak for management.

THE WITNESS: -- I would like to reiterate our position that we think that is a flaw and we feel those would be better served and spacing better obtained and kept by the deletion of such language.

CROSS EXAMINATION

BY MR. UTZ:

Q Now, you speak of competition, Mr. Hocker, what you mean by competition is, that this will allow T. and P. to produce more oil off of their each eighty acre unit --

A Two well bores, or more, depending on how it goes.

Q -- causing them to maintain a top allowable unit longer?

A Yes, sir.

MR. UTZ: Any other questions?

MR. KELLAHIN: If the Examiner please, I have no further questions; I would like to make a very brief statement.

MR. UTZ: You may proceed with the statements.

MR. KELLAHIN: If the Examiner please, this pool has had a long and somewhat hectic history as review of the records will show, and the initial hearing on eighty acre spacing was on April 24th, 1951, and as the witness for Amerada has testified, initially Texas Pacific Coal and Oil Company, as it was known at that time, opposed the eighty acre spacing at the later hearings. It does not appear from the records that there was any opposition, but it is indicated that some agreement was worked out between the parties.

The significant thing, I think, here is, that for some reason, I don't believe this could have occurred today, but at that time, Texas Pacific did drill the wells subsequent to the adoption of the initial spacing order. Two of the wells were drilled, their C Number 4, spudded June 1951 and their C Number 5, spudded in March of 1952, were both subsequent to the entry of Order R-69, on May 1st, 1951. The other two wells, the B Number 3, State B Number 3 and their State B Number 1 were spudded in July and June of 1952, which was subsequent to

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the adoption of Order R-69-A, the second order which extended the temporary spacing.

Now, it is unfortunate, of course, that these wells were drilled and they perhaps shouldn't have been drilled.

Since the adoption of the initial orders, none of the wells, including the well drilled by Amerada, have been produced, and both Mr. Hocker and Mr. Hughey have testified that, in their opinion as engineers, the production has been efficient in this pool.

Now, I think the Commission is bound by its statute which says, " That the spacing in a pool shall be the area which one well will efficiently and economically drain and develop." And the witnesses have testified it is efficient and certainly the drilling of additional wells is not economic, even despite the willingness of Texas Pacific to spend a nominal amount it would require to complete and put these other wells on a production. That in itself would constitute waste. It's a waste which, of course, they are willing to assume, but by doing so, they put Amerada Petroleum Corporation at a disadvantage from the competitive point of view. While competition may be the way of life in the United States, and we believe in the American way of life, the oil business is a regulated industry and the purpose of the Oil Conservation

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Commission, both under its statutes and historically, has been the prevention of waste and the protection of correlative rights.

Now, there can be no question by the testimony that has been offered here today, that one well will efficiently and economically drain and develop eighty acres, and we submit that the application of Texas Pacific Oil Company should be denied.

MR. UTZ: Any other statements.

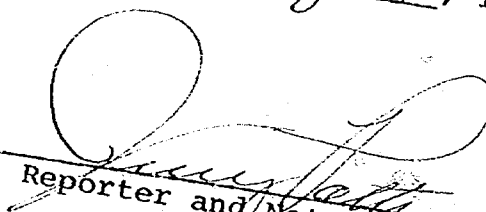
MR. RUSSELL: No statement.

MR. UTZ: The case will be taken under advisement.

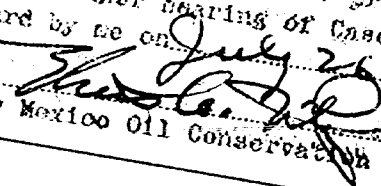
STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) SS

I, JERRY M. POTTS, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission Examiner at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 3rd day of August, 1967

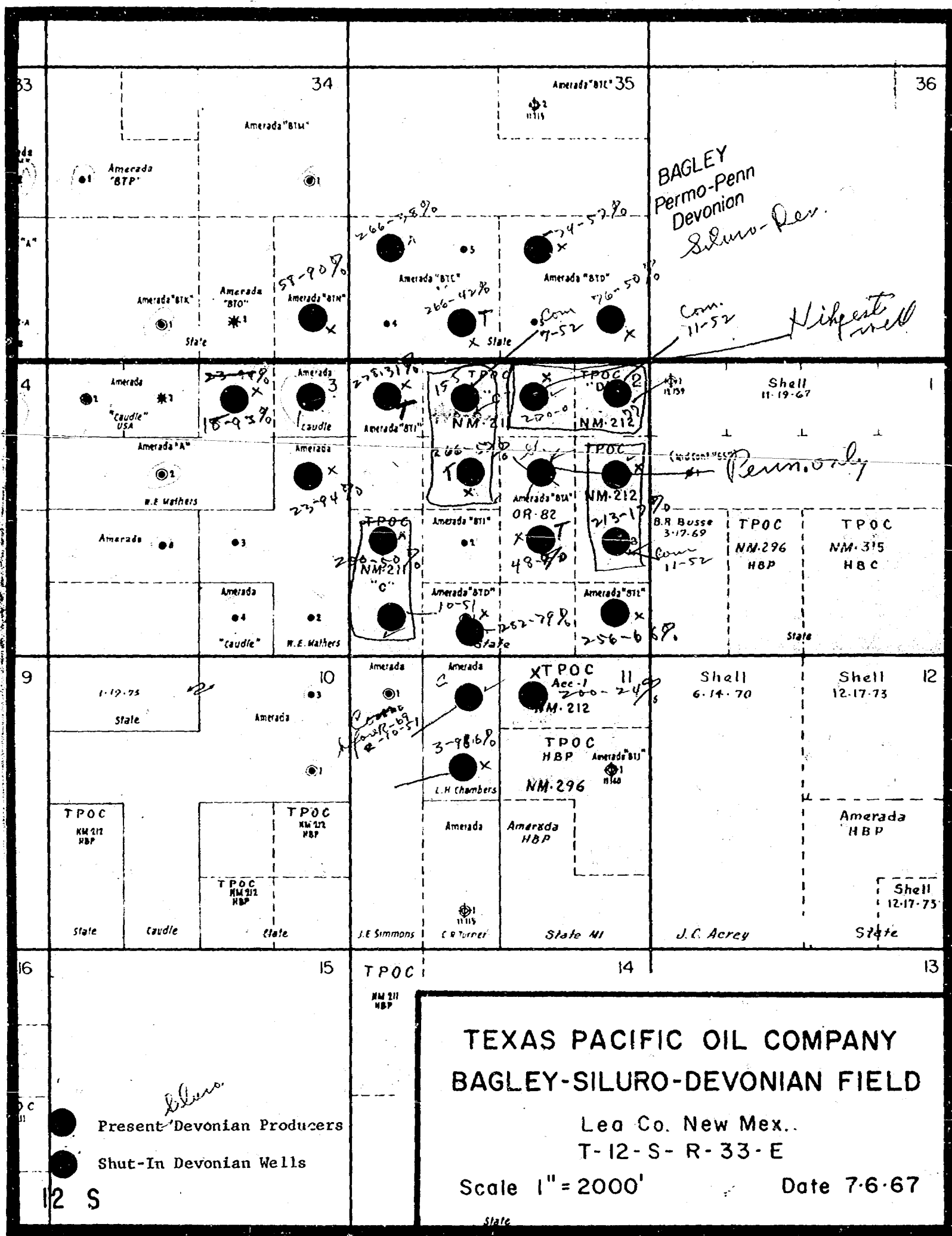

Court Reporter and Notary Public

My Commission Expires:
7-10-70

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 3624 heard by me on July 26, 1967.

Examiner
New Mexico Oil Conservation Commission

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PRODUCTION DATA - BAGLEY SILURO-DEVONIAN POOL

COMPANY - WELL	DAILY PRODUCTION		TOP ALLOWABLES	ANTICIPATED PRODUCTION UNIT		ANTICIPATED INCREASE	APPROXIMATE
	MAY, 1967	BARRELS OIL X BARRELS WATER	JULY, 1967	PRODUCTION CAPACITY W/2 WELLS	BARRELS OIL PER DAY	IN DAILY PRODUCTION	COST
Texas Pacific Oil Company							
State "B" No. 1*	196 x	45	273	273	+ 77		
State "B" No. 2	184 x	65	273	184	-0-		
State "C" No. 1*	246 x	0	273	273	+ 27		
State "C" No. 2*	246 x	350	273	273	+ 27		
State "C" No. 3*	65 x	110	273	220	+155		
Amcanda Petroleum Corporation							
L. H. Chambers No. 1*	4 x	119	273				
W. E. Mathers No. 1	20 x	296	273				
W. E. Mathers "A" No. 1	20 x	263	273				
State "BTA" No. 1*	265 x	245	273				
State "BIC" No. 1	265 x	192	273				
State "BIC" No. 3	265 x	162	273				
State "BTD" No. 1	267 x	1006	273				
State "BTD" No. 2	69 x	92	273				
State "BTD" No. 3	78 x	78	273				

\$92,000.00

*Well with another well on 80-acre unit drilled to Devonian

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
EXHIBIT NO. 2
CASE NO. 3624

COMPANY - WELL

Amerada Petroleum Corporation

DAILY PRODUCTION
MAY, 1967
BARRELS OIL X BARRELS WATER

TOP ALLOWABLE
JULY, 1967

ANTICIPATED PRODUCTION UNIT
PRODUCTION CAPACITY W/2 WELLS
BARRELS OIL PER DAY

ANTICIPATED INCREASE
IN DAILY PRODUCTION
BARRELS OIL

APPROXIMATE
COST

State "BTI" No. 1
State "BTL" No. 1
State "BTN" No. 1

262 x 118
200 x 388
56 x 478

273
270
270

COMPLETION DATA ON WELLS PRESENTLY SHUT-IN

TEXAS PACIFIC OIL COMPANY WELL NO.	TOTAL DEPTH	CASING SIZE AND DEPTH	PRESENT PERFORATIONS	TOP OF CEMENT	WORK REQUIRED TO PRODUCE WELL
State "B" Well No. 3	11,060'	7" @ 11,060	10785-10975	5500	Install flowline and artificial lift equipment - \$22,000. Squeeze present Penn perforations, install flowline, tubing, and artificial lift equipment - \$34,000.
State "C" Well No. 4	11,019'	7" @ 11,018	9000-9048	4710	Squeeze present Penn perforations, install flowline, tubing, and artificial lift equipment - \$34,000.
State "C" Well No. 5	11,097'	7" @ 11,096	9059-9068	Circulated	Install flowline - \$2,000.
State "D" Well No. 1	11,065'	5 1/2" @ 11,065	10578-11916	750'	

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
EXHIBIT NO. 3624
CASE NO. 3624



AMERADA PETROLEUM CORP.

EXHIBIT _____

NO. _____

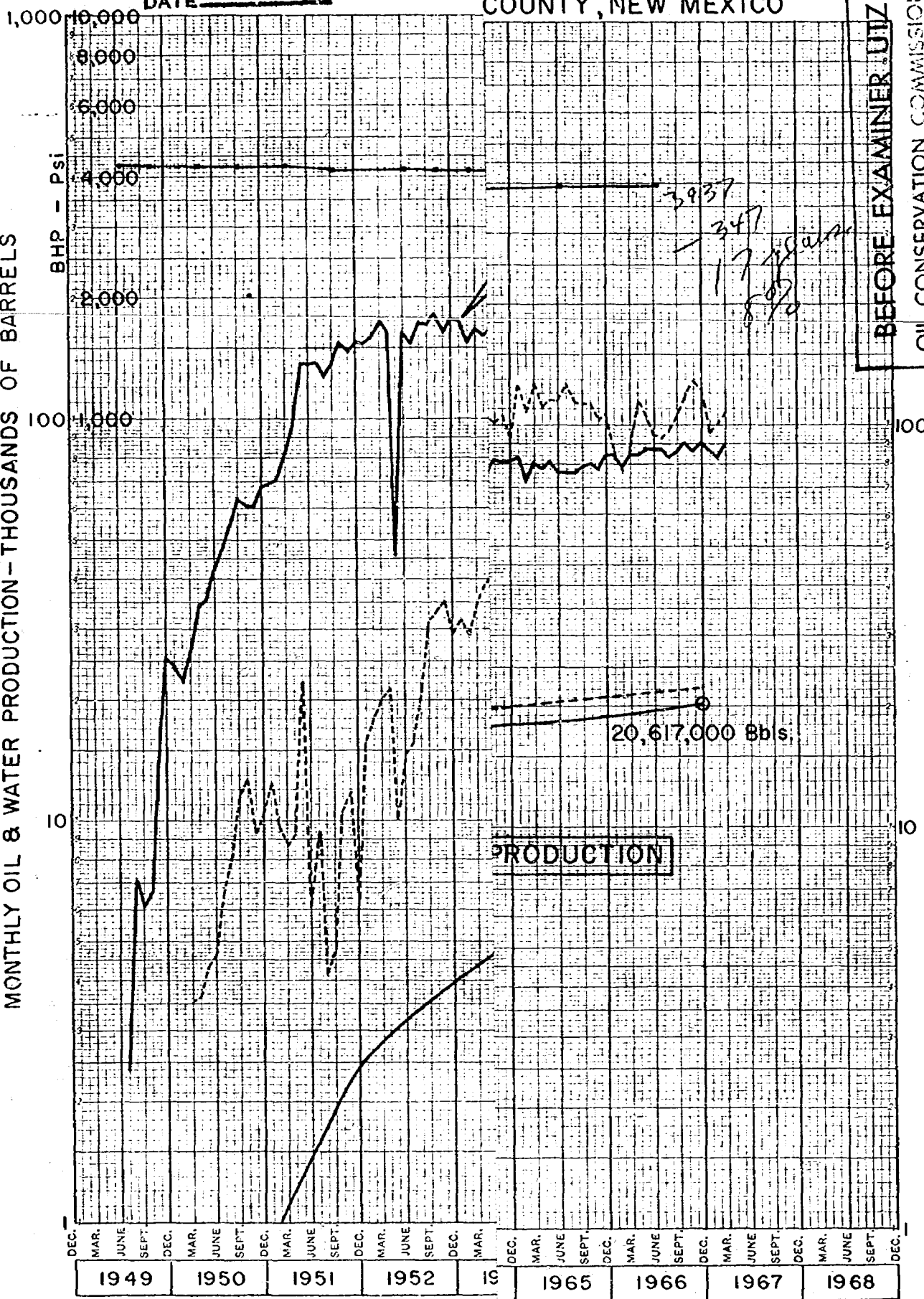
DATE _____

PRODUCTION CURVE

SILURO-DEVONIAN POOL

COUNTY, NEW MEXICO

MONTHLY OIL & WATER PRODUCTION - THOUSANDS OF BARRELS



BEFORE EXAMINER UTIZ

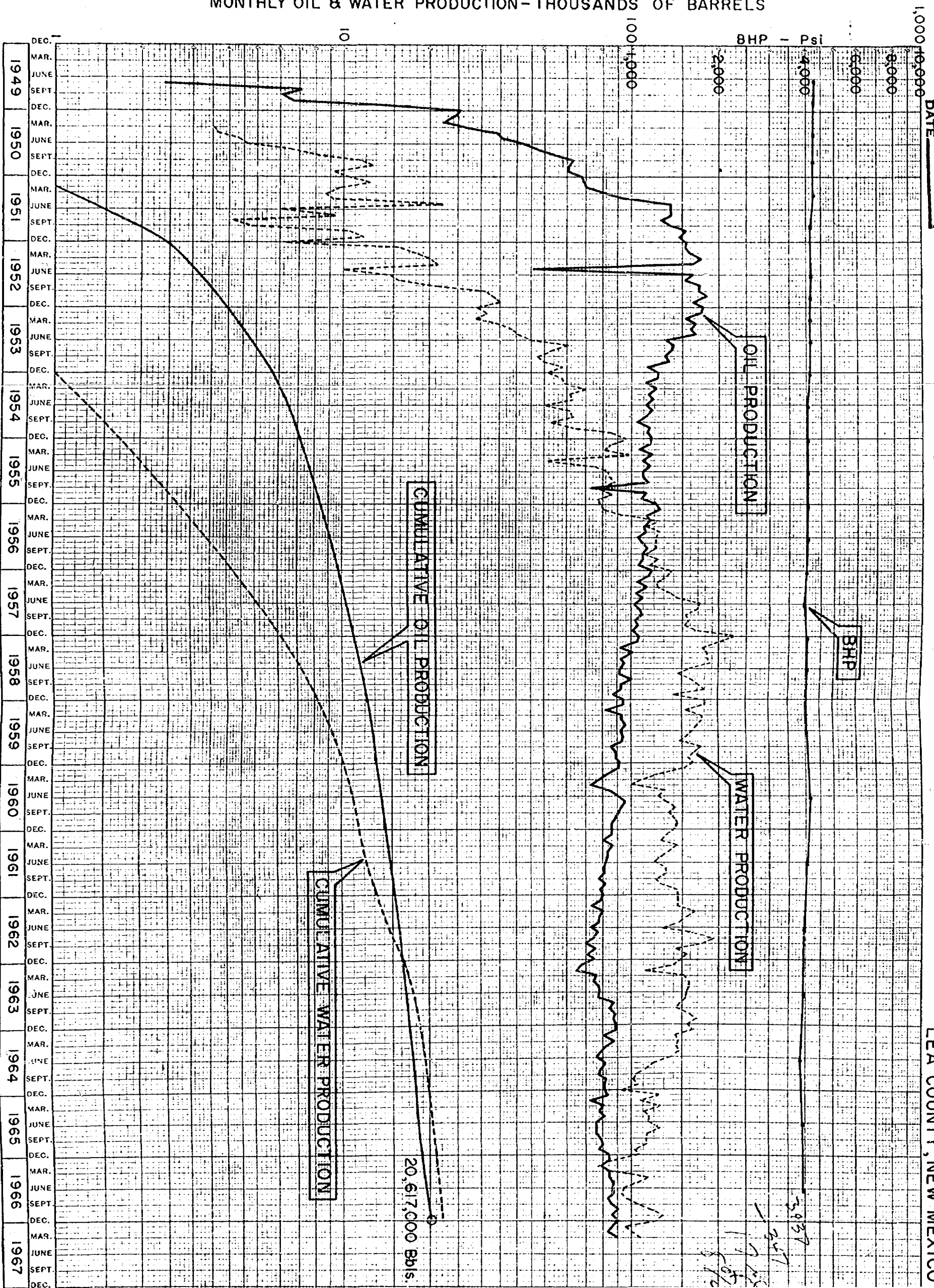
OIL CONSERVATION COMMISSION

EXHIBIT NO. 1

CASE NO. 3624

CUMULATIVE OIL & WATER PRODUCTION - MILLIONS OF BARRELS

MONTHLY OIL & WATER PRODUCTION-THOUSANDS OF BARRELS



JACK RUSSELL

TEXMAC OIL

AMEND POOL RULES

BAGLEY SILURO-DEV

R-69 as amended G 249

1. to auth more than 1 Well on praction
with 150' of center of NE or SW of the ~~gtr~~
2. more than one well - one 80
allow any proportion
3. permit wells already existing