

CASE 3674: Application of ROBERT
N. ENFIELD for the AMENDMENT OF
ORDER NO. R-3189, CHAVES COUNTY.

Continued 11-8-67

Continued

CASE No.
3674

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. 3674
Order No. R-3189-A

APPLICATION OF ROBERT N. ENFIELD
FOR AN INTERPRETATION OF OR THE
AMENDMENT OF ORDER NO. R-3189,
CHAVES COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 8, 1967, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 21st day of November, 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 by Order No. R-3189, dated February 1, 1967, all mineral interests, whatever they may be, in the Chaveroo-San Andres Pool underlying the NW/4 NW/4 of Section 11, Township 8 South, Range 33 East, NMPM, Chaves County, New Mexico, were pooled to form a 40-acre oil spacing unit to be dedicated to the Robert N. Enfield Hale Well No. 1 to be located 330 feet from the North line and 660 feet from the West line of said Section 11.

(3) That Order (9) of said Order No. R-3189 fixed \$125.00 per month as the reasonable cost of operating the subject well and authorized the operator to withhold from production the proportionate share of such cost attributable to each non-consenting working interest.

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CASE No. 3674

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(4) That the applicant, Robert N. Enfield, seeks to have the Commission interpret the aforesaid Order (9) as fixing the said \$125.00 as a reasonable charge for supervision and operational overhead and authorizing the operator to withhold from production the proportionate share of said \$125.00 attributable to each non-consenting working interest, and in addition thereto, authorizing the applicant to withhold from production the proportionate share of actual operating costs of said well attributable to each non-consenting working interest.

(5) That, in the alternative to the aforesaid interpretation of Order No. R-3189, the applicant seeks the amendment of Order (9) of said order in accordance with the requested interpretation.

(6) That an interpretation of Order (9) of Order No. R-3189 as requested by the applicant would be contrary to the intent of the Commission.

(7) That the applicant's request for the aforesaid interpretation should be denied.

(8) That information pertaining to actual operating costs of a well in the subject area gained since the hearing in Case 3519, which resulted in the issuance of Order No. R-3189, establishes that \$125.00 per month is not adequate as a reasonable cost of operating the subject well.

(9) That to make reasonable provision for costs of operating the subject well, \$90.00 per month should be fixed as a reasonable charge for supervision for the subject well; that the operator of the subject well should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual operating costs of said well attributable to each non-consenting working interest.

IT IS THEREFORE ORDERED:

(1) That the applicant's request to have the Commission interpret Order (9) of Order No. R-3189 as fixing \$125.00 per month as a reasonable charge for supervision and operational overhead and authorizing the operator to withhold from production the proportionate share of said \$125.00 attributable to each non-consenting working interest, and in addition thereto,

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CASE No. 3674

Order No. R-3189-A

authorizing the applicant to withhold from production the proportionate share of actual operating costs of said well attributable to each non-consenting working interest is hereby denied.

(2) That Order (9) of Order No. R-3189 is hereby amended to read in its entirety as follows:

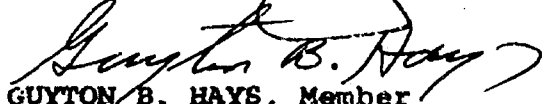
"(9) That \$90.00 per month is hereby fixed as a reasonable charge for supervision for the subject well; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest."


(3) 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

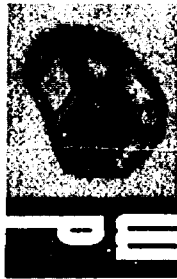

A. L. PORTER, Jr., Member & Secretary


OBE/

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 25, 1967

EXAMINER HEARING

IN THE MATTER OF:

Application of Robert N.)
Enfield for compulsory pooling,)
Chaves County, New Mexico.)

Case 3519

BEFORE:

Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING



MR. UTZ: Case 3519.

MR. HATCH: Case 3519, application of Robert N. Enfield for compulsory pooling, Chaves County, New Mexico.

MR. EATON: Mr. Examiner, Paul W. Eaton, Jr., of the law firm of Hinkle, Bondurant and Christy, Roswell, New Mexico, appearing for the applicant, Mr. Enfield. We have one witness to be sworn.

(Witness sworn)

* * * *

H. LEE HARVARD, called as a witness on behalf of the applicant, having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. EATON:

Q Will you please state your name, address and occupation?

A H. Lee Harvard, Roswell, New Mexico, and I am a Geologist.

Q Mr. Harvard, what is your relationship to Robert N. Enfield?

A I am employed by Mr. Enfield.

Q What duties do you perform in that employ?

A Geological completion work, engineering, well supervision, lease and drilling equipment, purchasing.

Q Are you familiar with Mr. Enfield's lease and land and property files?



A Yes, I am.

Q Are you familiar with the status of the title to the land involved in this application?

A Yes, I am.

Q Are you familiar with the matters contained in the application of Mr. Enfield in this Case Number 3519?

A Yes, sir.

Q Are you familiar with the geology of the general area, where the land is located, and the status of other wells in the area?

A Yes.

Q Have you previously testified before the New Mexico Oil Conservation Commission while in the employ of Mr. Enfield?

A Yes, sir, I have.

Q And you qualified at that time?

A Yes, I did.

MR. EATON: Are the qualifications of Mr. Harvard acceptable?

MR. UTZ: Yes, they are.

Q (By Mr. Eaton) Mr. Harvard, you are aware that Mr. Enfield seeks an order from this Commission, force-pooling leasehold interests in the northwest quarter, northwest quarter, Section 11, Township 8 South, Range 33, East NMPM?

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A Yes, I am.

Q Is this land in the Chaveroo-San Andres pool?

A Yes, it is. It is in the pool.

(Whereupon Applicant's Exhibits
One through Nine were marked
for identification)

Q (By Mr. Eaton) Mr. Harvard, as a preliminary
matter, I hand you what has been marked as Exhibits Number
One and Two and ask you to identify them and state what they
represent?

A Exhibit Number One is an oil and gas lease from
C.H. Hale and his wife, to David F. Jones, covering the
acreage in question there. Exhibit Number Two is an assignment
from C.H. Hale -- from David F. Jones to Robert Enfield.

Q Of that Hale --

A Of that same Hale lease.

Q I have you what has been marked as Exhibits Number
Three and Four and ask you to identify them and state what
they represent?

A Exhibit Number Three is a lease from W. Russell
Jones to G.D. Williamson in this same area and Exhibit Number
Four is an assignment of an oil and gas lease from G.D.
Williamson and his wife to Robert N. Enfield, of the Jones
lease.

Q The lease and the assignment covers the land

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involved in this application?

A Yes, it does.

Q Fine. I hand you what has been marked as Exhibit Number Five and ask you to identify it and state what it represents?

A Exhibit Number Five is a lease from Mary L. West, formerly Mary W. Jones, to Walter B. Holton, in the same area.

Q Covering the land involved in this application?

A Right.

Q Are these Exhibits One through Five true and correct productions of the originals of those instruments?

A Yes, they are.

Q Is it your understanding that Mr. Enfield owns a three-eighths leasehold interest and that Walter B. Holton, H-o-l-t-o-n -- owns a one-eighth leasehold interest, and that Getty Oil Company owns one-half interest in the northwest quarter of the northwest quarter of Section 11?

A Yes, it is.

Q Does Mr. Enfield propose to drill a well on the land involved in this application?

A Yes, he does.

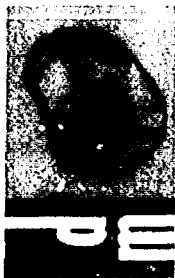
Q What is the projected depth of the well?

A Approximately 4400 feet. We plan to test the lower

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zones of the San Andres formation and this 4400 feet should test the porosity zone there.

Q The application of Mr. Enfield shows the proposed location to be 330 feet from the north line and 650 feet from the west line of Section 11. Will that be the exact location of the proposed well?

A That was our plan; however, depending development of other wells in the area, we may move the location somewhat, but we would drill a legal location within that northwest, northwest, 40-acre tract involved in this application.

Q Has Mr. Enfield contacted other general -- being Getty Oil Company and Mr. Holton, to join in the drilling of this well?

A Yes, he has.

Q What reply has he received from those other oil interests?

A Getty Oil Company has contended to join in the drilling of this well and W.B. Holton has not. He elected to join --

Q Has Getty Oil Company agreed on Mr. Enfield to be the operator?

A Yes.

Q All right. And has an operating agreement been entered into between Mr. Enfield and Getty Oil Company?



A No, not at this time. They have discussed the general terms and have agreed on the general operating procedure.

Q Mr. Harvard, I hand you what has been marked as Exhibit Number Six and ask you to identify it and state what it reflects?

A Exhibit Number Six is a letter from Robert N. Enfield to Walter B. Holton advising him that he proposes to drill the well and on the area involved in this application. Also, attached to this letter, is an EAFE covering the estimated cost of the proposed well.

Q In this letter, Exhibit Number Six, does Mr. Enfield ask Mr. Holton to join in the drilling of this well?

A Yes, he does.

Q And Exhibit Number Six is a true and correct reproduction of Mr. Enfield's office copy of this letter to Mr. Holton?

A Yes, it is.

Q Now, I hand you what has been marked as Exhibit Number Seven, and ask you to identify it, please?

A Exhibit Number Seven is Walter B. Holton's reply to Mr. Enfield's letter and in this letter he advises Mr. Enfield that he is not in a position to join in the drilling and completion of the proposed well.



Q Mr. Harvard, have you prepared a structural contour map or any other maps covering the area in question?

A Yes, I have.

Q I hand you what has been marked as Exhibits Eight and Nine and ask you to identify them and state what they represent now?

A Exhibit Number Eight, Paul, is the contour map. Exhibit Number Eight is a structural contour map on the top of the ? marker of the San Andres formation. This ? marker is located approximately a hundred and fifty feet above the Slaughter zone of the San Andres. This is the pay zone of the Chaveroo field. The wells at the north section of the plat are wells that are in the Chaveroo field. That is a portion of the Chaveroo San Andres field. The contour interval is 2500, is 25 feet and the scale is one inch, 2000 feet. Standard map symbols are used to show completed wells, drilling wells and dry holes.

The area colored yellow is the northwest quarter of Section 11, 8 South, 33 East, Chaves County. The area outlined in red is the 40 acres involved in this application. Wells drilled in the immediate area show a rather pronounced re-entrance just west of the acreage in this application. The brown line indicates the approximate center of this re-entrance or ditch and this, of course, is a low area. Wells drilled in

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this re-entrance, having encountered much lower porosity and permeability than the wells drilled in the higher structural positions. Exhibit Number Twelve --

Q Not Twelve, sir, Exhibit Number Nine.

A Okay. Exhibit Number Nine is a plat of the same area except that it shows 24 hour potentials for completion of these areas in this well. This plat, like Exhibit Number Eight, has the northwest quarter of Section 11 colored yellow, and the 40 acres in this application are also outlined in red. The brown line indicates, again, the center of this low area. The re-entrance figures under neath the wells show the amount of oil and water that wells produce on their 24 hour potential test. For example, the well in the southeast, southeast of Section 33 of 8, 33, which is the Atlantic Number Nine State "BF" pumps, twenty-two barrels of oil plus ten barrels of water in 24 hours. Figures on this plat, I think, also indicate that the wells drilled in this ditch or adjacent to this re-entrance, are not as good wells, are poor wells. All of the wells in the -- or wells number five, number seven, number eight and number nine, in Section 3 of 8, 33, show lower completion figures and indicate that the wells are low in porosity and permeability.

Q Are there any dry holes within this re-entrance?

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A Yes, there are, to the north and almost off of the plat in the southeast, southeast of Section 33 of 7, 33 in Roosevelt County, there is a dry hole; and then also in the southwest of the northwest of Section 10 of 8, 33, Chaves County. These two wells are dry holes. They are drilled through the Slaughter zone of the San Andres, the Chaveroo pay and these wells were piped and product tested and were found to be non-commercial.

The drilled well in the northeast, northeast of Section 10, is the Sunray Number One Federal. This well was drilled to a depth of 4445. Production casing was set and after two completion attempts through selective perforation in intervals from 4340 to 4410, the well was finally plugged back to a depth of 4306. The operator is now swabbing load back from perforations, after fracturing perforations 4243, 59 and 92. This is the very top of the porosity zones of the Slaughter formation and this well does not appear to be a good well either. Obviously, the porosity and permeability is low. Electrical logs indicate this.

This well is due west of the proposed well that Mr. Enfield would be drilling. Most operators who drill in this part of the country agree that, essentially, any well drilled in this area is a wildcat, whether it is to offset by production or not. You have to set production pipes and perforate,

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acidize and frac the well, and then production test it to be sure whether you have a well or dry hole.

Erratic development of porosity and permeability in this area almost demands this; besides the proposed well being in this general category, I think it is also an additional risk, because of the proximity to this ditch or this re-entrant just to the west. In essence, what I'm saying, is that it should be considered as a wildcat due to this erratic nature, this particular formation and also the structural position of the well.

Q Mr. Harvard, I don't recall if I asked you, were Exhibits Eight and Nine prepared by you?

A Yes, they were.

Q In your opinion, do you feel that there is a possibility that the Enfield proposed well could be a dry hole?

A Yes, there is that possibility, as I pointed out up here in the southeast, southeast of Section 33 of 7 south, 33 east, which is the well almost off of the plat. This well was offset by three direct offsets and three diagonal offsets that are productive wells and yet this is a dry hole. Even if we did make a well, there is some question if it encountered this lower porosity and permeability, which it very well could, with its proximity to the ditch, why, then it may never pay out, pay the drill completion costs.



Q Mr. Harvard, do you feel that the risk involved in drilling this well would justify the Commission approving a maximum risk charge of 50 percent?

A Yes, I do, but there again, I come back to the statement that I made earlier, that I feel like these wells, when you get right down here on the edge and adjacent to this ditch, and in this ditch, that these wells have to be considered as wildcats or at least that is kind of what I am thinking.

Q Mr. Harvard, has an FAFE been prepared for this well?

A Yes, it has.

Q Who prepared it?

A I prepared the FAFE.

Q Is the FAFE prepared to Exhibit Six, the letter from Mr. Enfield to Mr. Holton?

A Yes, it is.

Q In your opinion, are the drilling and completion costs including the charge for supervision as shown on the FAFE reasonable?

A Yes, they are. I prepared this FAFE from information I had obtained from people who had drilled offset wells in this immediate area.

Q In your opinion, Mr. Harvard, will the pooling of

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all interests in the land involved in this application avoid unnecessary wells, protect correlative rights and prevent waste?

A Yes, it will.

MR. EATON: Mr. Examiner, I have no more questions of this witness. I would ask that Exhibits One through Nine be admitted into evidence.

MR. UTZ: Without objection, Exhibits One through Nine will be entered into the record in this case.

(Whereupon Exhibits One through Nine were admitted in evidence.)

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Harvard, how much more testing have they got to do on the Sunray well before they will know whether it is going to make a well or not?

A That well lacks a hundred and forty barrels of load.

Q Is it flowing?

A No, they are swabbing. It is not flowing. Some of the wells to the north have flowed back after being kicked off by swabbing, but this well is a lower permeability well and they are having to swab it back.

Q But this tract is offset to the north and northwest by a pretty good producing well, is that correct?

A No, sir, the well to the northwest, the Atlantic



Number Nine, State BF, is a very poor well.

Q Fifty-two barrels, did you say?

A Yes, sir. The wells, due north and northeast, are pretty good wells. They are pooled locations, they are nine-ninety from the south line, so unfortunately, they didn't give us the information we would like to have had by pooling them away from us, and to make it even more difficult, the only logs that they ran were gamma ray neutron inside the casings, so we really cannot tell what the nature of the formation of the porosity and permeability is. It is just a bare indication of the porosity, but it is not good at all.

Q Does Enfield plan to drill on any more of this quarter section?

A Yes, sir, I would assume it depends on this particular well.

Q You think this is the best prospect in this quarter, quarter section?

A At this time, yes, sir.

Q Do you know of anyone else that has any wells projected in this area or adjacent to this quarter section?

A Not that I'm sure of. I'm sure all of these people would be contemplating it in the near future, but I think from what I understood talking to the other leaseholders and operators in the area, that they are kind of waiting on us



to see, after the completion of our well.

Q Are you waiting on Sunray?

A Yes. Actually, no, we are not. We are waiting on this, on Holton. In fact, we wanted to drill before the end of the year. Some of the people at Getty Oil Company wanted to have this well in the '66 budget. We were ready to drill before the end of 1966 so we are not waiting on Sunray. Naturally, we are vitally interested in what they will come up with, but this was not the reason that we have not drilled.

Q Well, are you now going to wait on Sunray before you go ahead and drill?

A Yes, I assume we will, if they should be through with their testing, I would say, within the next week or two.

Q If they should get a dry hole there, then how is that going to affect you?

A I feel like we still will be forced to develop this acreage. It is liable to make me a little weak in the knees, but I feel like we will still have to drill the well.

Q You are familiar with the usual Commission policy as to wildcat wells and development wells in regard to the risk factor, are you not?

A To a certain extent, yes, sir, I am. That is one reason I tried -- I attempted to explain this, this particular



area. I know it has some peculiar things, it is a very low -- well, it is a low porosity formation throughout, and you throw in some of these other factors such as this re-entrant and getting down on the flank or the edge of the pool, I think we are looking at a much bigger risk than a normal development pool, development well, over even a normal step-out well.

MR. EATON: Is this location on the south side of the pool?

A Yes, it is. Yes, this is on the south side of the Chaveroo San Andres pool.

MR. UTZ: Any other questions of the witness?

Q (By Mr. Utz) Do any of these Exhibits have anything in them regarding operating expenses, monthly operating expenses? Have you reached any agreement with Getty in that regard?

A No, sir, we haven't. Now, we have talked in general terms. I think Mr. Enfield has talked in general terms with them and I would kind of hate to say what they are. I know that we have, we operate other wells and properties in the area and our operating cost is certainly not excessive. I know it is normal, below normal operating costs.

MR. UTZ: I am afraid it is going to be a little difficult for us to try to write an order without some idea



of what your expenses are. Of course, we can make a judgement on the basis of other cases.

MR. EATON: Well, Mr. Examiner, it was my understanding that, and I may be very wrong in saying this, that the order wouldn't entitle him to recover the actual expenditures, so long as they are reasonable.

MR. HATCH: I think that part of the order has to do with the drilling of the well and then a certain amount is usually allowed in these records.

MR. UTZ: Risks --

MR. HATCH: For monthly operation of the well to the operator.

THE WITNESS: I am sure we can.

MR. EATON: If we could, with the Examiner's permission, submit by letter --

MR. UTZ: That will be all right.

MR. EATON: Some statement or some information along that line, we will.

MR. UTZ: Okay, if you will do that within the next week or ten days, it will be fine.

THE WITNESS: Yes, sir.

MR. UTZ: Unless you are in a bigger hurry than that for an order?

MR. EATON: I think we can get that information in



to you fairly promptly.

THE WITNESS: I think we are in kind of a hurry for the order and unfortunately we are not helping it by not having that information, but we will get it in the mail probably tomorrow or the next day.

MR. UTZ: Are there any further questions of the witness? You may be excused.

(Witness excused)

MR. UTZ: Statements?

MR. HATCH: I have a letter from Walter B. Holton, I would like to read into the record, please.

MR. EATON: Sir, that letter may be the same here as our Exhibit Five or Six.

MR. HATCH: I don't think so.

MR. UTZ: No, this is an additional letter.

MR. EATON: We have a copy of this letter and certainly it may be read into the proceedings.

MR. HATCH: Dated January 22nd, addressed to New Mexico Oil Conservation Commission, re: Docket Number, Case Number 3519. "Gentlemen: The hearing in connection with this application is set for 9:00 A.M., Wednesday, January 25th, 1967, before Elvis A. Utz, Examiner, or Daniel S. Nutter, Alternate Examiner.

I will be unable to attend said hearing, and hereby

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respectfully request that this letter be accepted in lieu of my personal appearance.

I am opposed to the proposal of Mr. Enfield to drill a well at this time. Sunray DX Oil Company is presently drilling its Number One New Mexico Federal, located 660 feet from the west line and 660 feet from the east line of Section 10, a direct west offset from the location Mr. Enfield proposes to force-pool. Also, American Trading and Production Company has staked a location 330 feet out in the northwest quarter of the northeast quarter of Section 11, just one location removed from being a direct east offset to Mr. Enfield's proposed 40 acre forced-pooling location.

The Kerr-McGee wells in the south half of the southwest quarter of Section 2 are located 990 feet from the north line of Section 11, and my engineering consultant is of the opinion that they are not draining the northwest quarter of Section 11. He and I both feel that a prudent operator would wait until the Sunray DX well is drilled before making a decision as to whether or not the northwest quarter of the northwest quarter of Section 11 should be drilled. We would look rather silly if we rigged up and drilled a dry hole simultaneously with the Sunray DX and/or American Trading and Production Company.

In view of the facts mentioned here and above, I

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see no reason to believe that the failure to drill Mr. Enfield's proposed location at this time will delay the orderly development of the Chaveroo San Andres Pool, cause waste, or damage anyone's correlative rights. The Sunray DX well will give us valuable data on which to base our decision as to whether we should or should not, drill in the northwest quarter of the northwest quarter of Section 11.

Therefore, I hereby respectfully request that Mr. Enfield's forced-pooling proposal be denied, at least for the present. I doubt very much that we will have any disagreement as to whether or not we should drill in the northwest quarter of the northwest quarter of Section 11 as soon as we have seen what the Sunray DX well turns out to be. Yours very truly, signed, Walter B. Holton."

MR. EATON: I wonder if we could get a letter just for our files.

MR. UTZ: Any other statements? The case will be taken under advisement and we will adjourn until 1:30.

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PAGE 21

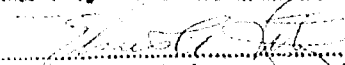
STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss

I, JERRY POTTS, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission 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 2nd day of March, 1967.


Notary Public - Court Reporter

My Commission Expires:
July 10, 1970

I do hereby certify that the foregoing is a complete record of the proceedings in the hearing of Case No. 3579, heard by me on 1-25-68, 1968.

Examiner
New Mexico Oil Conservation Commission

GOVERNOR
DAVID F. CARGO
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

November 21, 1967

Mr. Paul W. Eaton, Jr.
Hinkle, Bondurant & Christy
Attorneys at Law
Post Office Box 10
Roswell, New Mexico 88201

Re: Case No. 3674
Order No. R-3189-A
Applicant: ROBERT N. ENFIELD

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 x

Aztec OCC

Other Mr. Walter B. Holton

Docket No. 34-67

DOCKET: EXAMINER HEARING - WEDNESDAY - NOVEMBER 8, 1967

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

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

- CASE 3681: Application of Burwinkle and Scanlon for a waterflood project, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Mesaverde formation through one well located 330 feet from the North and East lines of Unit C of Section 28, Township 20 North, Range 9 West, McKinley County, New Mexico. Applicant further seeks an administrative procedure for future expansion of said project.
- CASE 3674: Application of Robert N. Enfield for an interpretation of or the amendment of Order No. R-3189, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the interpretation of Order No. R-3189 which pooled all mineral interests in the Chaveroo-San Andres Pool underlying the NW/4 NW/4 of Section 11, Township 8 South, Range 33 East, Chaves County, New Mexico, that paragraph (9) of said order, in fixing \$125.00 per month as the reasonable cost of operating the well to be drilled on the acreage being pooled, should be construed to provide said \$125.00 per month as a reasonable charge for supervision and operational overhead; that applicant should be permitted to withhold from production the proportionate share of said \$125.00 attributable to each non-consenting working interest, and that in addition thereto, applicant should be permitted to withhold from production the proportionate share of actual operating costs of said well attributable to each non-consenting working interest. In the alternative to the aforesaid interpretation of Order No. R-3189, applicant seeks the amendment of paragraph (9) of said order in accordance with the above provisions.
- CASE 3682: 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 J. N. Carson (NCT-A) Well No. 7 located in Unit B of Section 33, Township 21 South, Range 37 East, Lea County, New Mexico, in such a manner as to produce oil from the Drinkard and Brunson-Ellenburger Pools through parallel strings of tubing.
- CASE 3683: Application of Gulf Oil Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the approval of the Stuart Langlie Mattix Unit Area comprising 1,120 acres, more or less, of Federal, State and Fee lands in Sections 2, 3, 10, and 11, Township 25 South, Range 37 East, Lea County, New Mexico.
- CASE 3684: Application of Gulf Oil Corporation for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in its Stuart Langlie Mattix Unit by the injection of water in the Langlie Mattix Pool through 12 wells located in Sections 2, 3, 10, and 11, Township 25 South, Range 37 East, Lea County, New Mexico.

CASE 3685: Application of Gulf Oil Corporation for an amendment of Order No. R-3290, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-3290, which order authorized 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, for its R. E. Cole (NCT-A) Well No. 9, said well being projected to undesignated Silurian and Montoya oil pools. Applicant now seeks the substitution of the Drinkard Pool for the previously authorized pools.

CASE 3686: Application of Gulf Oil Corporation for down-hole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Allison-Abo and Allison-Pennsylvanian Pools in the wellbore of its Federal Mills Well No. 1 located in Unit C of Section 11, Township 9 South, Range 36 East, Lea County, New Mexico, with the provision that no more than one single allowable will be produced from said well.

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1120 SIMAS BLDG. • P. O. BOX 1092 • PHONE 243-4491 • ALBUQUERQUE, NEW MEXICO



BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
~~November 8, 1967~~
October 25, 1967
EXAMINER HEARING

IN THE MATTER OF:

Application of Robert N. Enfield
for an interpretation of or the
amendment of Order No. R-3189, Chaves
County, New Mexico.

Case 3674

BEFORE: ELVIS A. UTZ, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: The Hearing will come to order, please. We have a couple of minor changes this morning, so I'll call them first. Case 3672 will be moved to the end of the Docket and we have a continuance case, 3674.

MR. HATCH: Application of Robert N. Enfield for the amendment of Order No. R-3189, Chaves County, New Mexico. If the Examiner, please, I have talked on the telephone to Mr. Paul Eaton, representing Mr. Enfield and he has asked that this case be continued and readvertised so that the advertisement will cover all points requested in the application.

MR. UTZ: So it will cover everything he wants to argue about, is that it?

MR. HATCH: That's right.

MR. UTZ: Case 3674 will be continued to the first Examiner Hearing in November, November 8th.

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 2nd day of November,
1967.

Eda Hearnley
Notary Public

My Commission Expires:

June 19. 1971

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 3674
heard by me on Nov. 8, 1967.
[Signature], Examiner
New Mexico Oil Conservation Commission

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 25, 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 3668: Application of Mobil Oil Corporation for a triple completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the triple completion (conventional) of its Bridges State Well No. 121 located in Unit L of Section 13, Township 17 South, Range 34 East, Lea County, New Mexico, to produce oil from the North Vacuum-Abo, Vacuum-Upper Pennsylvanian, and Vacuum-Middle Pennsylvanian Pools, through parallel strings of tubing.
- CASE 3669: Application of Amerada Petroleum Corporation for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its State "VA" Lease by the injection of water into the Grayburg-San Andres formation through two wells located in Units K and M of Section 23, Township 17 South, Range 34 East, Vacuum Pool, Lea County, New Mexico.
- CASE 3670: Application of Amerada Petroleum Corporation for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (combination) of its State "MA" Well No. 3 located in Unit M of Section 24, Township 11 South, Range 32 East, Lea County, New Mexico, in such a manner as to permit the production of gas from the Moore-Wolfcamp Gas Pool and oil from the Moore-Pennsylvanian Pool through tubing installed in parallel strings of 2 7/8 inch and 3 1/2 inch casing, respectively, cemented in a common well bore.
- CASE 3671: Application of Amerada Petroleum Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Pennsylvanian formation, Bagley Field, Lea County, New Mexico, through the following three wells, all located in Township 12 South, Range 33 East:
- L. H. Chambers Well No. 2, Unit C of
Section 11; Disposal Interval - 9005
to 9393 feet;
- State BT "D" Well No. 4, Unit N of
Section 2; Disposal Interval - 8979
to 9291 feet;
- J. T. Caudle Well No. 1, Unit H of
Section 10; Disposal Interval - 9001 to
9326 feet;
- CASE 3672: Application of Charles B. Read and Len Mayer for back allowable, Eddy County, New Mexico. Applicants, in the above-styled cause, see the assignment of back allowable for the period from

April 7, 1967, to August 3, 1967, to their Irene Brainard Well No. 1 located in Unit E of Section 20, Township 18 South, Range 26 East, Atoka-Pennsylvanian Pool, Eddy County, New Mexico, said period being from the date of completion of the well to the date of approval by the Federal Power Commission for the sale of gas from said well.

CASE 3673: Application of Ralph Lowe for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Yates formation in the interval 2964 feet to 2982 feet in his Humble State Well No. 1 located in Unit G of Section 36, Township 25 South, Range 36 East, Jalmat Pool, Lea County, New Mexico.

CASE 3674: Application of Robert N. Enfield for the amendment of Order No. R-3189, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-3189 which pooled all mineral interests in the Chaveroo-San Andres Pool underlying the NW/4 NW/4 of Section 11, Township 8 South, Range 33 East, Chaves County, New Mexico. Applicant specifically seeks the amendment of paragraph (9) of Order No. R-3189 to fix \$125.00 per month as a reasonable charge for supervision and operational overhead for the subject well and to authorize the applicant to withhold from production the proportionate share of said \$125.00 and the proportionate share of actual operating costs of said well attributable to each non-consenting working interest.

CASE 3675: Application of Gulf Oil Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the North Hackberry Yates Unit Area comprising 720 acres, more or less, of Federal Lands in Sections 23 and 24, Township 19 South, Range 30 East, Eddy County, New Mexico.

CASE 3676: Application of Gulf Oil Corporation for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Yates formation through eight wells in Sections 23 and 24, Township 19 South, Range 30 East, North Hackberry-Yates Pool, Eddy County, New Mexico.

CASE 3677: Application of Dugan Production Corporation for special pool rules, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Salt Creek-Dakota Oil Pool, San Juan County, New Mexico, to permit the drilling of wells on 2 1/2 acre spacing provided that no well be located nearer than 165 feet to the outer boundary of the quarter-quarter section and no nearer than 200 feet to another well producing from the same pool, and provided further, that a 40-acre proration unit would be subject to a 40-acre allowable regardless of the number of wells on the unit.

CASE 3678: Application of Ryder Scott Management Company for a waterflood expansion, waterflood buffer zone, and several unorthodox locations, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the expansion of its Artesia-Nichols Waterflood Project,

Township 18 South, Range 28 East, Artesia Pool, Eddy County, New Mexico, by the conversion of its Western-Yates Collier State Well No. 1 located in Unit F of Section 20 and its Mershon State Well No. 2 located in Unit D of Section 21. Applicant further proposes to drill three additional water injection wells at the following unorthodox locations in Section 20: 2650 feet from the North and West lines; 2650 feet from the North line and 1330 feet from the East line; and 1310 feet from the North line and 1330 feet from the East line. Applicant further seeks the designation of the W/2 NW/4 of Section 21 and the SW/4 NW/4, E/2 NW/4, NE/4, and W/2 SE/4 of Section 20 and the NW/4 NE/4 of Section 29 as a waterflood buffer zone with capacity allowables, or as an area wherein transfer of allowable between leases would be permitted.

CASE 3679: Application of Sinclair Oil & Gas Company for the amendment of Order No. R-2854, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-2854, which order established a 160-acre non-standard gas proration unit comprising the W/2 SW/4, SE/4 SW/4, and SW/4 SE/4 of Section 26, Township 21 South, Range 37 East, Tubb Gas Pool, Lea County, New Mexico, to be dedicated to applicant's J. R. Cone "A" Well No. 2 located in Unit L of said Section 26. Applicant now seeks the dedication of said unit to its J. R. Cone "B" Well No. 1 located in Unit N of said Section 26.

CASE 3680: Application of Texaco Inc. for an unorthodox location, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to recomplete its State "CT" Well No. 4 at an unorthodox location 660 feet from the North line and 1980 feet from the West line of Section 35, Township 7 South, Range 35 East, in the Todd-Upper San Andres Pool, Roosevelt County, New Mexico, in exception to the pool rules which require wells to be located in the NE/4 or the SW/4 of the Section.

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1120 SIMMS BLDG. • P. O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 8, 1967

EXAMINER HEARING

IN THE MATTER OF:)

Application of Robert N. Enfield)
for an interpretation of or the)
amendment of Order No. R-3189, Chaves)
County, New Mexico.)

Case 3674

BEFORE: Daniel Nutter, Examiner

TRANSCRIPT OF HEARING

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date NOVEMBER 8, 1967 TIME: 9 A.M.

NAME	REPRESENTING	LOCATION
Paul W. Eaton, Jr.	Robert W. Sanford	Roswell
Robert M. Gifford		Roswell
R. J. Scanlon	Burianell Scanlon	Farmington
R. B. Scanlon	Scanlon Co.	Dallas, Tex.
P. W. Black	Scanlon	Dallas
Bill Laster	Gulf	Roswell
John Hoover	"	"
Lennie C. Smith	"	"
Boys Haley	"	"
R. L. Giddens	A. C. Giddens	Santa Fe, N.M.
N. Dardame	R. W. Byrnes & Co.	Santa Fe - Austin

MR. NUTTER: We will call next Case 3674.

MR. HATCH: Case 3674, application of Robert N. Enfield for an interpretation of or the amendment of Order No. R-3189, Chaves County, New Mexico.

MR. NUTTER: I might ask at this time if there are any other appearances to be made in Case 3674?

MR. EATON: I am Paul W. Eaton, Junior, of the Law Firm of Hinkle, Bondurant and Christy, Roswell, New Mexico, representing Robert N. Enfield, the Applicant, and I would ask that Mr. Enfield be sworn, please.

(Witness sworn.)

ROBERT N. ENFIELD, the Applicant, called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. EATON:

Q Would you state your name, your residence and your occupation?

A Robert N. Enfield of Roswell, New Mexico, independent oil operator.

Q Are you familiar with Order Number R-3189, which was entered, I believe, on February 1, 1967 by this Commission?

A Yes.

Q Under the location of the property involved in that order, who are the leasehold owners?

A Getty Oil Company, J. Paul Getty, operating through Getty Oil Company, owns fifty per cent. I own thirty-one and a quarter, Mr. Holton owns twelve and a half per cent, and Mr. D. Williamson from Roswell owns six and a quarter per cent.

Q Now, is Mr. Holton the party whom you are seeking to force pool in that?

A Correct. All other parties joined in the drilling are opposed to drilling.

Q Now, after the order was entered, did you have any conversation or correspondence with Mr. Holton concerning the order?

A Yes.

Q Did those conversations and correspondence indicate that there was a misunderstanding, or possibly a disagreement between you and Mr. Holton as to the meaning of the order, particularly with respect to Paragraph Number 9?

A Yes, very definitely.

Q Mr. Enfield, after the order was entered, what was and what has been your understanding of Paragraph Number 9?

A At the time the order was written, I felt like

the charge was a supervision or operating charge for the well on a, or given as overhead charge, which is normally allowed under accounting procedures. Mr. Holton has taken the position that it is the total charge allowable, no matter what the actual costs are of operating.

Q In other words, if your actual costs of operation were considerably in excess of the \$125.00 set out in the order, it would be Mr. Holton's position that he would not have to bear his proportionate share of that excess?

A Correct.

Q As a result of this disagreement as to interpretation, you are now asking the Commission to construe, or interpret the order, or if necessary, to modify it to express the thought that as the operator, you are entitled to recover a monthly charge for operating the well and your actual expenditures for the operation of the well, in other words, the actual costs of operation?

A Correct.

Q Did you testify at the original hearing on your application for a compulsory pooling order?

A Not personally. An employee of mine, Mr. Harvard -- I was out of town.

Q After that hearing were you advised by Mr. Harvard

that the Commission wanted information or evidence from you as to your monthly charge for operating a well?

A Yes. Mr. Harvard called me. I was actually out of the country at the time and I advised him what I felt was a reasonable charge under the circumstances for supervision and operation of the well. Not on a total basis, on an overhead basis.

Q At your direction, did you have Mr. Harvard write the Commission in compliance with its request?

A Yes.

Q Now, Mr. Enfield, I hand you a copy of a letter dated January 27th, 1967, from Mr. Harvard to the New Mexico Oil Conservation Commission and ask you to read it, please.

A "As per your request at the hearing of the above captioned case, I am sending you the monthly operating charge for the proposed well covered by this application. The charge would be 125 per month per well."

MR. EATON: The original of that letter should be in the Commission's file or in the record in connection with the first hearing, and I ask that the Commission take administrative notice of this letter and that this letter be a part of this record.

MR. NUTTER: Mr. Eaton, would you have objection

to the entire record in the original case being incorporated as a portion of the record in this case?

MR. EATON: Not at all.

MR. NUTTER: The record in the previous case -- do you happen to know the number of it?

MR. EATON: 3519.

MR. NUTTER: The record in Case Number 3519, from issued Order Number R-3189, will be incorporated in the record of Case Number 3674, and we will take administrative notice of the letter, Mr. Eaton.

Q (By Mr. Eaton) Mr. Enfield, by stating in this letter that the monthly operating charge for the proposed well would be \$125.00 per month, what thought were you trying to express to the Commission?

A Only what the normal between interested parties overhead charge is concerning the operation of a well, as is standard in the industry. And operator with any contracts I know of is allowed some reasonable overhead charge for his time, effort and et cetera, and that's all I thought the letter encompassed when I sent it.

Q Now, in your testimony just now, you have used the term "overhead charge." Is overhead charge synonymous with

charge for supervision or operating charge?

A I think in the general context it is, between operators.

Q And using the term "monthly operating charge" in your letter, is it correct to state that you contemplated or intended to mean a charge for supervision or a charge for overhead?

A Well, I think this is synonymous, overhead and supervision. Normally one covers the same --

Q At the time this letter was sent and at the time of the earlier hearing, were you operating gas properties in the Indian Basin Pool?

A Yes.

Q What operating charge were you receiving?

A A hundred dollars per month per well. These contracts were signed with Marathon, Monsanto, Cities Service, Sun, some independents, actually --

Q Now, if you were receiving in that particular instance \$100.00 a month as a monthly operating charge, why in this particular case did you request \$125.00 a month?

A Normally speaking, oil properties, particularly ones which might or might not pump, are more expensive and more time consuming. It is more general to get a higher

fee off of oil producing properties and gas producing properties, which are much easier to manage as far as the supervision in the office is concerned.

Q Now, Mr. Enfield, you stated that Mr. Getty, or Getty Oil Company, is one of the owners of this land that is involved in this hearing.

A Correct, they have fifty per cent interest.

Q Since entry of this order, have you and Getty agreed upon a charge for operating?

A Correct, we have. Mutually acceptable figure signed between two parties.

Q What figure did you and Getty agree upon?

A Ninety dollars per month on a fixed well, fixed basis, combined fixed rates is what it is called under the code and form.

Q In view of that subsequent agreement with Getty, would you have any objection if the Commission were to modify the existing order and set \$90.00 per month as a reasonable charge for operating the well?

A No, none at all, as long as per Getty agreement I can recover actual cost on it too. I think I am entitled to actual cost, plus the overhead charge.

Q Mr. Enfield, how long have you been active in the oil industry?

A Approximately twenty years.

Q You are an independent now?

A Yes.

Q How long have you been an independent?

A I quit Pan American in 1956.

Q You were employed by Pan American previously?

A Actually it was Stanolind but it is Pan American now.

Q What was your position with Pan American?

A I was a landman.

Q While with Pan American, did you aid in negotiating operating agreements and the accounting procedures involved therein?

A Yes, on occasions.

Q As an independent, since leaving Pan American, have you acted both as an operator and as a non-operator of the producing properties?

A Yes, I have.

Q In both capacities have you negotiated operating agreements and the accounting procedures involved therein?

A Yes.

Q What is the practice in the oil industry with respect to allowing the operator a charge for operating a producing well?

A I have never negotiated a contract and operating agreement that did not allow the operator some charge for his services in operating the well, nor have I participated as a non-operator where that charge was not allowed, plus the actual cost involved in the production of the product.

Q What does this charge for operating, this charge for supervision cover?

A Well, it generally covers your overhead at the office for your commission forms, et cetera, that have to be brought in, usually your telephone cost. In other words, when you produce, your pumper is going to call, you are going to need things, the necessary aid to determine whether you want a waterflood or a salt water disposal, the time it takes to do all of that type of work, that is not easily directly charged to the property.

Q What is the practice in the oil industry with respect to the actual cost of operation of a well?

A They are normally, as far as I know, directly chargeable to the well, in other words, your pumper, or your

electricity, or your gas, chemicals, anything that is a direct charge to the well is directly charged to said well, or the property, whatever the case may be.

Q Is the operator entitled to get paid for those actual --

A Yes.

Q -- expenditures?

A Correct.

Q I believe you stated that you do not know of any instance where an operator was not entitled to recover the actual costs of operation of a well.

A To my knowledge and experience, I have never heard of an operator not being able to recover the actual cost that is involved in the well, unless he couldn't collect on the people.

Q Do you know of any instance where an operator was not given a fixed amount of money for operating a well?

A Not to my knowledge.

Q At the time you made application for the compulsory pooling order, were there other wells in the Chaveroo-San Andres Pool?

A Yes, quite a few.

Q Were they flowing wells or pumping wells, do you

know?

A The majority were probably pumping. There were some flowing.

Q Were you aware at that time of the possibility that a well drilled under this order could go on pump at once?

A Yes, very aware.

Q If a well did go on pump, were you aware of what the actual cost of operation might be?

A Not as to the total cost over a period of two, three, or four years. I would expect it would be higher than a flowing well, which is normal, but I don't think anybody can anticipate what the cost might be for a year or two, or a four-year period as per se, how much it is going to cost every month.

Q Since entry of the order, have you drilled a well offsetting the northwest quarter, northwest quarter of Section 11, Township 8 South, Range 33 East?

A Yes, I have.

Q Is this a producing well?

A Yes.

Q What are your monthly costs of operation, your expenditures, actual expenditures, for the operation of this well?

A It costs seventy-five a month for the pumper, approximately seventy-seven to eighty-five for electricity. It varies a little bit, depending on how much you use it. That is an approximate cost of one hundred and fifty. Normally you will use about twenty-five to fifty dollars a month in chemicals. Since this is a brand new well, we haven't had to pull the rod or anything like that since this is a pumping well, but I can anticipate using -- you have the problem of tanks, where you have to have, well -- to take the water out of the tanks and things which would run about a hundred dollars every time they come out. I would estimate it would be, on an average, no less than two hundred to two hundred and fifty, probably, but that is just normal.

Q These are so-called normal actual costs?

A Right.

Q Now, is it possible that you will get involved in salt water disposal?

A I would say it is quite possible, since we had a meeting last week to propose salt water disposal in the area, and it was -- we have given a contract for preliminary survey to Aqua, Inc., to do a preliminary survey for salt water disposal over the majority of the field.

Q Mr. Enfield, if you had understood that the

Commission wanted evidence of what your actual operating expenditures would be, would you have given them this figure of \$125.00 per month?

A No. As an example, on the preliminary survey the salt water disposal alone will be, probably be 1200 to 2,000 per well depending on whether we have to inject it, if we have to drill a Devonian well or something on that order.

Q A well in this order has not been drilled at this time, is that correct?

A No, it has not.

Q Has there been any change in position on the part of Mr. Holton since the entry of this order with respect to this location?

A None that I know of. I would say, under the present order, we would like to drill that location, it looks like we have certainly a good location, but under the present order I could not drill the location, or would not drill it and lose money every month.

Q I was just going to ask you about that. Under the present order, if Mr. Holton's understanding of what Paragraph 9 means is correct, would you go ahead and drill

the well?

A No. I have talked to Getty and both of us are seriously considering the well in the northwest, northwest, but under this order, since I am responsible as operator for Mr. Holton's interest, I would not drill the well because I see no point in me losing money every month in operation.

MR. EATON: I think that's all.

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

CROSS EXAMINATION

BY MR. PORTER:

Q This well, the acreage that has been force pooled is the northwest quarter of the northwest quarter?

A Correct.

Q You have drilled a well offsetting that?

A In the northeast, northwest.

Q Who owns that acreage?

A The same parties. It is 160 acres that is owned by exactly the same parties and same interests as originally testified to.

Q Has that been force pooled too?

A No.

Q All you are concerned with here is a well which

may be drilled in the northwest quarter of the northwest --

A It probably will be drilled. It would not be drilled under the way the order is, this interpretation that Mr. Holton has taken of the order. I will not possibly drill it then.

Q What are you actually asking here in the way of a figure instead of \$125.00?

A I am asking as per the order for \$125.00 supervision or operating charge, plus actual cost. Mr. Holton has taken the position that the way the order is written, the \$125.00 is the total charge that I can make to him no matter what it cost me, no matter whether it be salt water disposal or anything.

Q The actual cost, of course can't be determined except as you produce the well as operator?

A Correct. I do not think that anybody can guess the actual cost in advance.

Q So, no set figure could be established in the order?

A No, I don't think it is a proper thing to set in the force pooling order that you accept an AFE, an estimated expenditure for the cost of drilling the well. You don't -- it is not said that I have to drill the well for "X" amount of dollars or else that is it. In other words, when, under

the order, you submit an AFE to the participant and to the Commission saying that you will estimate the cost based on the best figures available in the area at so much money, that doesn't mean I have to drill it exactly as that. As the case may be, I am sure I probably could, or within a reasonable limit. I don't think that you can set a flat fee and say this is what you have to do it for.

Q How many other owners are involved here?

A Let me see, there is myself, Mr. Williamson, Getty, and Mr. Holton, four total.

Q How many of them have agreed?

A All except Mr. Holton are in agreement to pay their way and join in and participate, and did participate in the well in the northeast, northwest, and agreed, assuming we did drill the northwest, northwest, to pay their own share of the cost. I will have to say this, I did talk to Getty. They did not receive final approval and would like to drill it, except I will not drill under the order, I mean, under his interpretation.

MR. PORTER: That's all of the questions I have.

MR. NUTTER: Are there any other questions?

MR. EATON: Mr. Nutter, could I make --

MR. HATCH: I have one question.

CROSS EXAMINATION

BY MR. HATCH:

Q When you agreed to drill the northeast of the northwest, was that agreement made in lieu of the present pooling order?

A No, it was made in conjunction with it, not in lieu of.

Q It was not an agreement to drill that tract rather than the one that was drilled?

A Well, yes. I mean we, when the pooling order was written, at the time it looked -- I mean, at the time the pooling order was written, it looked like the northeast, northwest might be a better location. You mean between the parties of interest?

Q Yes.

A Between Mr. Holton and myself?

Q Yes.

A Yes, it was agreed to drill in the northeast, northwest, but it does not preclude that we wouldn't drill on the northwest, northwest. As it turned out, we would be better off on the northwest, northwest, which means we mis-guessed.

Q Do you intend to drill the northwest of the northwest if an order, if this particular order is amended to provide as you have requested here on the amendment for it?

A I think it is very likely that either I, or it will be drilled. I mean either I will operate and drill it myself or it will be drilled, or caused to be drilled.

CROSS EXAMINATION

BY MR. PORTER:

Q As I understand it, you say the northwest, northwest quarter of Section 11 is all the acreage that has been force pooled?

A Correct. That is all the acreage under your order that was force pooled.

Q Although, you say the ownership in the northeast of the northwest is the same as in the --

A It is a 160-acre tract, the ownership is constant across the whole thing.

Q I see, but in the northeast, northeast --

A Northeast, northwest.

Q Northeast, northwest, you reached the voluntary agreement

A Basically that's correct, we did.

MR. PORTER: I see. Thank you.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Enfield, what did the voluntary agreement provide as far as operating costs?

A It is based on the pooling agreement, I don't recall the number --

Q On the order?

A -- on the order. That, in essence, is what we did because we felt like there might be a change in the geology. As I say, we agreed, Mr. Holton and myself, to use the terms of the pooling agreement. Now, we did have a misunderstanding and I do say that, but we agreed to use the pooling agreement, or the force pooling order that was granted on the northwest, northwest and transfer it to the northeast, northwest for the initial well.

Q In other words, the northeast, northwest was drilled pursuant to the attempt of the pooling order for the northwest, northwest?

A Correct, between the parties.

Q Then there arose between you this misunderstanding as to interpretation?

A That's correct.

Q But the misunderstanding had not come to light at the time you made --

A I had no idea that he would take the interpretation that he did of the order. I had no idea that is what the order said or did not construe it that way.

MR. EATON: Mr. Nutter, I might say that I have done some briefing on this question and I am satisfied, and if the Commission desires, I can furnish it with authorities. I am satisfied that the Commission does have the jurisdiction to construe and interpret its orders. I am satisfied that the Commission, where it has retained jurisdiction as it did here, can modify its order, particularly where no party has acted or changed its position in reliance on the order, as is the case here.

Sort of in summary here, Mr. Enfield, when he made application for the original compulsory pooling order, he requested in his application that he be allowed to recover the costs of operation, plus a reasonable charge for supervision, and as part of the record, Mr. Enfield advised the Commission by letter that the monthly operating charge would be \$125.00; then the Commission, by its order, approved Mr. Enfield's application and when it fixed \$125.00 per month as "reasonable cost of operating the well", which figure

was the exact amount requested by Mr. Enfield as a charge for operating the well, we assumed, both Mr. Enfield and myself, that the Commission had, as set out in the statute, fixed a charge for operating the well, had fixed a charge for supervision, and we certainly do not believe that the Commission intended, without any evidence in the record, to estimate and fix in advance what Mr. Enfield's actual cost of operation, what his actual expenditures would be, which he could recover out of production. We ask that our application be granted.

MR. NUTTER: Mr. Eaton, you say you have given this considerable thought; we would like to assure you that we have given this considerable thought in anticipation for this case coming up this morning.

MR. EATON: I am sure you have.

MR. NUTTER: While we are not sure that the Commission didn't intend to do what it did do, and we are not sure that the Commission did intend to do what it did do, we do feel that, if this in effect amounts to an amendment of the order, that we may be without jurisdiction to even hear this case, or to enter any order amending it because the time for amendment has probably gone by, so we just wanted to put it in the record that it is possible

that we may find that we have no jurisdiction. If it is simply a matter of interpretation and the Commission can interpret its order to mean something that the order apparently does not say, then the Commission may interpret it, I don't know. Or if it is a matter of the Commission having made a mistake and issued an order that didn't say what the Commission intended for it to say, then it is possible that we could amend the order pro tunc. But as to an amendment of the order, to say something that the Commission didn't intend it to say originally, we may be without jurisdiction.

Does anyone have anything further they wish to offer in this case? Mr. Porter?

MR. PORTER: Do you have anything in the file in the way of an objection from any party in this case?

MR. HATCH: Not in this case.

MR. NUTTER: We haven't heard from Mr. Holton in this particular case.

MR. PORTER: I see.

MR. NUTTER: Do you have any observation to make, Mr. Hatch?

MR. HATCH: No

MR. NUTTER: If there is nothing further, we will take the case under advisement.

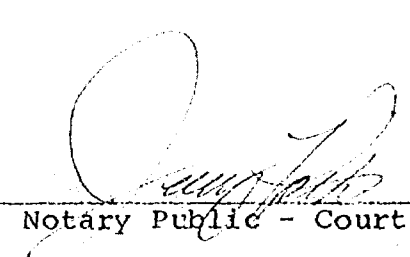
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STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

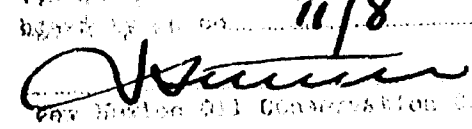
I, JERRY M. POTTS, Court Reporter, do hereby
 certify that the foregoing and attached transcript of
 proceedings before the New Mexico Oil Conservation Commission
 Examiner at Santa Fe, New Mexico, is a true and correct record
 to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and
 notarial seal this 5th day of December, 1967.


 Notary Public - Court Reporter

My Commission Expires:

July 10, 1970

I do hereby certify that the foregoing is
 a true and correct record of the proceedings in
 the New Mexico Oil Conservation Commission
 held at Santa Fe, New Mexico, on 11/8 1967
3674

 New Mexico Oil Conservation Commission