CASE 3711: OCC to consider the amendment of RULE 509 & FORM C-109 - Bonus Discovery Allowable.

Case No.

3711

Application, Transcript,
Small Exhibits, Etc.

Order No. R-3380 in Case 3711 mailed to:

Ronald Jacobs
Skelly Oil Company - Tulsa

Carl Whigham
Texaco, Midland

Mr. Frank Hart
Mobil Oil Co.

James Sperling

R. M. Anderson
Sinclair

All district offices and Mr. Byram

to permit the production of the bonus discovery ~~allowable~~ assigned to allowable ~~for~~ for multiple discovery wells to be produced from any discovery zone in said well in any proportion.

Further, to permit applications for the bonus discovery allowable

Memo

From

D. S. NUTTER
CHIEF ENGINEER

To

to be heard on dockets other than the regular pool nomenclature docket in instances where the applicant will present the evidence

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

CASE No. 3711 (Reopened)
Order No. R-3380

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION UPON ITS OWN MOTION TO CONSIDER THE AMENDMENT OF RULE 509 OF THE COMMISSION RULES AND REGULATIONS AND COMMISSION FORM C-109 TO PERMIT THE PRODUCTION OF THE BONUS DISCOVERY OIL ALLOWABLE ASSIGNED TO MULTIPLE DISCOVERY WELLS TO BE PRODUCED FROM ANY DISCOVERY ZONE IN ANY PROPORTION; AND TO FURTHER AMEND SAID RULE TO PERMIT APPLICATIONS FOR THE BONUS DISCOVERY ALLOWABLE TO BE HEARD ON DOCKETS OTHER THAN THE REGULAR POOL NOMENCLATURE DOCKET IN INSTANCES WHERE THE APPLICANT WILL PRESENT THE EVIDENCE; AND IN THE MATTER OF SAID CASE BEING REOPENED ON THE MOTION OF THE COMMISSION TO HEAR ADDITIONAL TESTIMONY REGARDING THE AMENDMENT OF RULE 509 OF THE COMMISSION RULES AND REGULATIONS; AMONG OTHER THINGS, CONSIDERATION OF THE ASSIGNMENT OF AN OIL DISCOVERY ALLOWABLE TO EACH ZONE OF A MULTIPLE DISCOVERY WELL BASED ON THE DEPTH OF SAID ZONE FROM THE SURFACE OF THE GROUND.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 17, 1968, at Hobbs, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 25th day of April, 1968, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That Rule 509 of the Commission Rules and Regulations, adopted August 26, 1966, provides for the assignment of oil discovery allowables to discovery wells and the manner in which the application therefor is to be heard.

(3) That Case 3711, originally heard January 24, 1968, was called by the Oil Conservation Commission upon its own motion to consider the amendment of Rule 509 of the Commission Rules and Regulations and Commission Form C-109 to permit the production of the bonus discovery allowable assigned to multiple discovery wells to be produced from any discovery zone in any proportion; and to further amend said rule to permit applications for the bonus discovery allowable to be heard on dockets other than the regular pool nomenclature docket in instances where the applicant will present the evidence.

(4) That Case 3711 has been reopened by the Oil Conservation Commission on its own motion, prior to the issuance of an order in said Case 3711, to hear testimony regarding the amendment of Rule 509 of the Commission Rules and Regulations to allow the assignment of an oil discovery allowable to each zone of a multiple discovery well based on the depth of said zone from the surface of the ground.

(5) That in order to provide that oil discovery allowables be more equitably distributed and to further stimulate the search and exploration for new sources of oil within the boundaries of New Mexico, Rule 509 of the Commission Rules and Regulations should be amended to allow the assignment of an oil discovery allowable to each zone of a multiple discovery well based on the depth of said zone from the surface of the ground.

(6) That waste would not be prevented nor correlative rights adequately protected if the Commission were to permit the production of the oil discovery allowable assigned to multiple discovery wells to be produced from any zone in any proportion; that the discovery allowable assigned to any zone in a multiple discovery well, therefore, should not be produced from any other zone.

(7) That to enable the Commission to more efficiently and effectively administer Rule 509, said rule should be amended to allow applications for oil discovery allowables to be heard on dockets other than regular pool nomenclature dockets in those instances when the applicant will present evidence.

IT IS THEREFORE ORDERED:

(1) That Rule 509 of the Commission Rules and Regulations, OIL DISCOVERY ALLOWABLE, is hereby amended by deleting therefrom

all of the second paragraph of said Rule 509, said paragraph commencing with the words "A multiply completed well . . . ."

(2) That Rule 509 of the Commission Rules and Regulations, OIL DISCOVERY ALLOWABLE, is hereby amended by deleting therefrom all of the third paragraph of said Rule 509, said paragraph commencing with the words "Oil discoveries made . . . ."

(3) That the sixth paragraph of Rule 509 of the Commission Rules and Regulations, OIL DISCOVERY ALLOWABLE, commencing with the words "If, in the opinion . . . ." is hereby amended to read in its entirety as follows:

If, in the opinion of the Commission staff, good cause exists to bring the pool on for hearing as a discovery, and no objection has been received from any other operator, the pool will be placed on the first available hearing docket for inclusion by the staff in its regular pool nomenclature case. If the staff is not in agreement with the applicant's contention that a new pool has been discovered, or if, within ten days after receiving a copy of the application another operator files with the Commission an objection to the creation of a new pool and the assignment of a discovery allowable, the applicant will be so notified, and he will be expected to present the evidence supporting his case. Or, if the applicant so desires, the application may be set for separate hearing on other than the nomenclature docket for presentation of evidence by the applicant.

(4) That this order shall become effective at 7:00 o'clock a.m. on May 1, 1968.

(5) 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

zone of a multiple discovery well and also to old wells deepened or plugged back to new discoveries. The allowance assigned to each zone thus will be substantial. For example a well which makes a dual discovery in the Pennsylvanian at 10,000 feet and in the Devonian at 12,000 feet would receive 50,000 barrels for the upper zone and 60,000 for the lower zone, a total of 110,000 barrels. Formerly, this ~~total allowable~~ discovery allowance would have been 50000 and 10000, respectively, for a total of 60,000. In most instances you could divide the 60,000 up in some odd proportion and permit the other zone to make most of it without hurting the well. To permit one zone to make the 110,000 barrels, however, in addition to its regular allowable, is far more likely to damage the well and possibly result in waste.

→ I would propose that the 2nd and 3rd paragraphs of Rule 509 be stricken completely. Read para 2 & 3 into record

→ Yes we have had numerous occasions when the bonus allowable for a discovery well could have been heard at other than a regular nomenclature hearing. Perhaps the operator is going to be in for a hearing on some other matter early in the life of

(1)

History & Background of Rule 509

After hearing on July 13, 1966, the Commission by Order No R-3105 ~~dated~~ dated August 26 of that year adopted Rule 509 authorizing an oil discovery allowable to each well ~~discovering~~ making a bona fide discovery of a new oil ~~field~~ pool after September 1, 1966.

The rule provided that the discovery allowable would be equal to 5 bbls of oil from the surface of the ground to the discovery zone, with the allowable to be produced in addition to the regular allowable over a two year period. Thus, a well making a discovery at 10,000 feet would receive 50,000 barrels of oil in addition to its regular allowable during the first two years. In counties where there was no previous oil production, ~~and~~ the discovery allowable would be doubled, ~~to~~ 10 barrels per foot; ~~also~~ 10 barrels per foot is also earned by any well which is the deepest oil production in the county.

The discovery allowable rule as adopted in August of 1966 provided that in the case of multiple completion discoveries, or where one well discovers more than one pool on the way down, the discovery allowable for the upper zone is

(2)

computed on the distance from the surface to the top of the uppermost discovery zone, while the discovery allowable for the lower zone is based on the distance additional distance drilled from the bottom of the upper pay to the top of the lower pay. It is further provided that the allowance assigned to each zone placed by each zone and assigned to each zone may be produced from that zone only in that well only.

→ The call of case 3711 when it was first heard in January of 1968 was, among other things, to amend Rule 509 to permit the allowable assigned to each of the zones in a multiple discovery well to be produced from other zone in any proportion. I testified at that hearing and recommended that the rule be then amended but with some sort of limitation to prevent reservoir damage.

→ ~~To~~, I no longer feel that the allowable should be produced.

Well, during the past year we had one multiple discovery well which really pointed up the deficiency of the rule as it is currently on the books. Texas Pacific Oil Company made a multiple discovery in its Ella Drinkard well No 2 down in Section 25 of Township

This well made a discovery in the Ellenburger at 7783 feet and then went on down to discover a new pool in the Granite wash 43 feet below the ~~last~~ base of the Ellenburger. The Ellenburger zone received 38,915 barrels of discovery allowable and the Granite wash received 210 barrels. ~~for this reason both variations in~~ assignments such as is possible at In a situation like this, you could very well have the upper zone fall off and not be able to make the allowable ~~for~~ ~~last~~ because of the physical capacity of the well. However the other zone could be strong and still not be able to make the allowable because of the way the rule is written. For that reason, to provide some flexibility in the production of the allowable, I recommended that the rule be revised to permit the production from either zone subject to same limitation to prevent reservoir damage

→ No I no longer recommend this. —

→ I believe this will be self evident as we get into the following proposed amendment. In order to liberalize the bonus discovery allowable and further encourage discovery drilling, it is felt that the allowable should be made applicable from the surface of the ground to any discovery zone. This should apply to each

→

(5)

the well: A dual completion, non-standard location, non-standard proration unit, pool rules, or any of a number of other things. He might just want to go ahead and have his discovery allowable hearing at the same time and avoid having to wait for the next nomenclature hearing. Its possible to just miss getting on the docket for one of these regular hearings and having to wait over seven weeks to get on the next. We therefore propose that the sixth paragraph of Rule 509 be amended as shown on page 2 of the proposed rule. This is as proposed at the first hearing of this case on January 24 of this year. Read Rule on 2nd page of proposal

No nothing further.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 24, 1968

IN THE MATTER OF:

The hearing called by the Oil Conservation Commission upon its own motion to consider Amendment of Rule 509 of the Commission Rules and Regulations and Commission Form C-109

CASE NO. 3711

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 3711.

MR. HATCH: In the matter of the hearing called by the Oil Conservation Commission upon its own motion to consider the amendment of Rule 509 of the Commission Rules and Regulations and Commission Form C-109 to permit the production of the bonus discovery oil allowable assigned to multiple discovery wells to be produced from any discovery zone in any proportion; and to further amend said rule to permit applications for the bonus discovery allowable to be heard on dockets other than the regular pool nomenclature docket in instances where the applicant will present the evidence.

George Hatch, appearing on behalf of the Commission and its staff. I have one witness I would like sworn at this time.

(Witness sworn.)

MR. UTZ: Are there any other appearances in Case 3711? You may proceed.

* * * * * * *

D A N N U T T E R, called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. HATCH:

Q Would you state your name and position, for the

record?

A Dan Nutter, Chief Engineer for the Oil Conservation Commission.

Q Mr. Nutter, as Chief Engineer for the New Mexico Oil Conservation Commission, is it part of your duties to make recommendations to the Commission concerning revision of the Rules of the New Mexico Oil Conservation Commission?

A Yes, sir, it is.

Q Are you familiar with Case 3711 and what it proposes?

A Yes, I am.

Q Would you briefly review the history of Order R-3105, and make your recommendations concerning the amendments to the Commission at this time?

A Order No. R-3105 was entered by the Commission just a little over a year ago. It established a bonus discovery oil allowable for wells drilled in the State of New Mexico. It provides for an allowable of five barrels of oil, in addition to the regular allowable, for each foot of depth from the point of actual drilling to the top of the perforations in the discovery zone. It provides that multiple completions would receive additional discovery allowable from the bottom of the perforations in the

uppermost discovery zone to the top of the perforations in the lowermost discovery zone, also based five barrels per foot. The recommended change here today is to permit that this discovery allowable would not be required to be produced from the zone that earned the discovery allowable. I think one of the most glaring evidences of the need for this revision is brought about by the only multiple discovery well that we have had since we have had the discovery allowable rule. Texas-Pacific Ella Drinkard Well No. 2 made a multiple discovery. It discovered the East Brunson Ellenburger and that zone received 38,915 barrels at 7783 feet, actual drilling from the surface to the top of the perforations in the Ellenburger zone. The operator drilled to the top of the perforations in the Ellenburger zone. The operator drilled from the bottom on to the Granite Wash, forty-two feet of additional drilling and that zone earned 210 barrels. The rule itself does not specify that this allowable must be produced from that zone; however, the form C-109 which was adopted February 1st, or September 1st, 1966, has a certification at the bottom which I will read. "I hereby certify that all rules and regulations of the New Mexico Oil Conservation Commission have been complied with with respect to the subject well, and that it is my opinion that

a bonafide discovery of a hereto unknown source of supply has been made in said well. I further certify that the discovery allowable for the subject well, if authorized, will be produced from the subject zone in this well only. Further, that the information given herein and attached hereto is true and complete to the best of my knowledge and belief."

So one of these forms has to be filed for each of the discovery zones in a well. When the operator certifies that he has earned discovery allowable for this zone, for the zone that he's filing it for, he certifies that this allowable will be produced from this zone only. So in order to provide some flexibility, and we take this case of this East Brunson Ellenburger and East Brunson Granite Wash, this was a goodfaith discovery made of two zones. Supposing the upper zone which received the bulk of the allowable became marginal early in its life and the lower was a good zone and had the capacity to produce its discovery allowable. I think the operator should have the flexibility of producing the allowable from the other zone. I suggest that the words "or other discovery zone" be inserted so that the certification here would read, "I further certify that the discovery allowable for the subject well, if authorized, will be produced from

the subject zone or another discovery zone in this well only." I believe that will provide the flexibility. There are probably some problems that will arise as a result of this amendment in the administration of the assignment of allowables to one zone and then another, but I think they can probably be worked out.

That's all I have to say with respect to this portion of the proposed revision.

The other proposed revision is with reference to the provision in the Rule, the paragraphs aren't numbered --

Q It begins with "If, in the opinion --

A Yes, it's the fifth paragraph from the end of the Rule. The paragraph reads -- it's reciting how an operator files for his discovery allowable. Then it goes on to say, "If, in the opinion of the Commission Staff, good cause exists to bring the pool on for hearing as a discovery, and no objection has been received from any other operator, the pool will be placed on the first available hearing docket for inclusion by the staff in its regular pool nomenclature case. If the staff is not in agreement with the applicant's contention that a new pool has been discovered or if another operator objects to a new pool and the assignment of an oil discovery allowable, the applicant

will be so notified and he will be expected to present the evidence supporting his case at the nomenclature hearing."

This limits the discovery allowables to the nomenclature dockets. There have been cases where they have made discoveries and have come in for pool rules on one hearing and then in two weeks have to come in at a nomenclature hearing and have to make two trips to make their case for discovery allowable. I think if we have the flexibility that if one is to be contested, and the operator is going to be presenting the evidence, that he could come in at the earliest hearing, it might be an examiner hearing or in some cases, it could be a Commission Hearing. If these could be set at times other than nomenclature hearings it might ease the administration of the rule. I don't have specific wording to offer, but it would be very much along the lines as proposed there on the docket.

Q If no testimony is to be given by the applicant it would still be heard on the regular nomenclature?

A This is correct, if there is no objection and no complication and the Commission staff presents it, it would be included in the regular nomenclature hearing.

Q Do you have anything further to add to your testimony, Mr. Nutter?

A No, sir.

Q In your opinion, will the amendment of Order R-3105, as you have recommended, permit the Commission to more efficiently administer the Order?

A Yes, I believe it would.

Q In your opinion would those changes cause waste or violate correlative rights?

A No, they will not.

MR. HATCH: That's all I have.

MR. UTZ: Are there questions of the witness? The witness may be excused.

(Witness Excused.)

MR. UTZ: Are there any statements to be made in this case?

MR. KELLAHIN: If the Examiner please, Jason Kellahin, Kellahin and Fox, Santa Fe, appearing for Standard Oil Company of Texas. Standard Oil Company of Texas is in support of the recommendations that have been made by the Commission's witness.

MR. UTZ: Any other statements? We have in the file a telegram from J. L. Hoyt, Junior, Pan American Petroleum, who supports all the rule changes in Cases 3711, 3712 and 3713; a letter from Mobil Oil Company which supports

the rule change; a letter from Skelly which supports all the rule changes.

Any other statements? The case will be taken under advisement.

* * * * *

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

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

WITNESS my hand and seal this 19th day of February, 1968.

Ada Dearnley
Court Reporter

I N D E X

WITNESS	PAGE
DAN NUTTER	
DIRECT EXAMINATION BY MR. HATCH	2

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 3764 heard by me on June 26, 1968

[signature], Examiner
New Mexico Oil Conservation Commission

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

CASE No. 3425
Order No. R-3105

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION ON ITS OWN MOTION TO CONSIDER ALL ASPECTS OF THE POSSIBLE ADOPTION OF A BONUS DISCOVERY ALLOWABLE FOR THE STATE OF NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 13, 1966, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 26th day of August, 1966, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That there is reason to believe that a discovery allowable will stimulate the search and exploration for new sources of oil within the boundaries of New Mexico.

(3) That the adoption of the rules hereinafter designated and of related Commission Form C-109, all as hereinafter set out, is in the interest of conservation.

IT IS THEREFORE ORDERED:

(1) That Section "G" of the Rules and Regulations of the Commission entitled "OIL PRORATION AND ALLOCATION" is hereby amended to include Rule 509 as follows:

RULE 509. OIL DISCOVERY ALLOWABLE

In addition to the normally assigned allowable, an oil discovery allowable may be assigned to a well completed as a bona fide discovery well in a new common source of supply. Said oil discovery allowable shall be in the amount of 5 barrels for each foot of depth of said well from the surface of the ground to the top of the perforations in the new pool or the depth of the casing shoe, whichever is higher. In counties where there is no other current oil production, and in any county when the discovery is the deepest oil production in the county, the oil discovery allowable shall be 10 barrels per foot of depth.

A multiply completed well shall be eligible to receive an oil discovery allowable for each new oil pool discovered, provided that the discovery allowable for the uppermost pool shall be based on the depth from the surface of the ground to the top of the perforations, and the discovery allowable for each lower pool shall be based on the distance from the bottom of the perforations in the next higher newly discovered oil pool to the top of the perforations in said lower pool or to the casing shoe, if applicable.

Oil discoveries made in old producing wells drilled deeper or previously abandoned dry holes shall receive discovery allowables in accordance with the above, except that the depth measurement shall be from the point actual formation drilling was commenced rather than from the surface of the ground. However, any abandoned dry hole which is re-entered and drilled deeper and a discovery made within one year from the date of abandonment, may receive a discovery allowable based on the depth as measured from the surface of the ground.

Date of discovery to determine the well which should properly receive the oil discovery allowable for any new pool shall be the date the well is completed and new oil is run into stock tanks, provided however, any operator drilling through and discovering a new oil pool in the course of drilling to a lower horizon may file an affidavit of such discovery within seven days after drill stem tests were made of said pool, accompanying said affidavit with all available pool data. If, prior to completion of said well, another operator claims discovery of a similar pool and there are reasonable grounds to believe the pools are one and the same, no discovery allowable will be assigned to either well

until after the initial well for which the affidavit was filed has been completed. If at that time the operator of the initial well makes formal application for the discovery allowable in said pool, it will be determined after hearing which well shall receive the discovery allowable.

To obtain an oil discovery allowable, the owner of a discovery well shall file two copies of Commission Form C-109, Application for Discovery Allowable and Creation of a New Pool, with the appropriate District Office of the Commission and one with the Santa Fe office. Each copy of said form shall be accompanied by the following:

1. A map depicting all wells within a two-mile radius of the discovery well. All producing oil and gas wells and the formations from which they are producing or have produced are to be clearly shown as well as all dry holes and the depths to which they were drilled. Maps shall be on a scale one inch equals 1,000 feet and shall also indicate the names of all lessees of record in the depicted area.

2. A complete electrical log of the subject well with the tops and bottoms of producing formations in the subject well and in nearby wells identified thereon.

3. If application is based on horizontal separation, a sub-surface structural map of the producing formation(s) for which the discovery allowable is sought, showing seismic or geological interpretation of the subject structure and any troughs, faults, pinch-outs, etc., which separate the subject well from nearby wells producing from the same formation(s).

4. A geological cross-section prepared from electrical logs of the subject well and nearby wells establishing horizontal as well as vertical separation from other wells depicted on the plat which are producing or have produced from the discovery formation(s).

5. A summary of all available reservoir data including bottom hole pressure data, fluid levels, core analyses, reservoir liquid characteristics and any other

pertinent data on the subject reservoir as well as other nearby reservoirs which may help establish whether the subject well is in fact a discovery.

If, in the opinion of the Commission staff, good cause exists to bring the pool on for hearing as a discovery, and no objection has been received from any other operator, the pool will be placed on the first available hearing docket for inclusion by the staff in its regular pool nomenclature case. If the staff is not in agreement with the applicant's contention that a new pool has been discovered, or if another operator objects to the creation of a new pool and the assignment of an oil discovery allowable, the applicant will be so notified, and he will be expected to present the evidence supporting his case at the nomenclature hearing.

Effective date of a well's discovery allowable will be 7:00 a.m. on the first day of the month next succeeding the month in which the Commission approves the discovery.

The total discovery allowable attributable to each zone in the well shall be produced over a two-year period commencing with the time of authorization. The well's daily allowable for each pool receiving the discovery allowable shall not exceed the daily top unit allowable for the pool plus the total pool discovery allowable divided by 730 days (731 days if a leap year is included).

A discovery well shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio for the pool multiplied by the top unit allowable for the pool plus the daily oil discovery allowable. In addition to all other statewide rules not specifically excepted herein, the provisions of Commission Rule 502 relating to daily tolerance, monthly tolerance, and underproduction and overproduction, shall apply to oil discovery allowables as well as to regular allowables for discovery wells.

Nothing herein contained shall be construed as prohibiting the Commission from curtailing the discovery allowables of wells during times of depressed market demand, provided however, such discovery allowables shall be reinstated for production at the earliest possible date. Further, when it appears reservoir damage or waste might result from production of the oil discovery allowable within the normal two-year period, the Commission may, after notice and hearing, extend said period.

(2) That Section "M" of the Rules and Regulations of the Commission entitled "REPORTS" is hereby amended to include Rule 1109 as follows:

RULE 1109: APPLICATION FOR DISCOVERY ALLOWABLE AND CREATION OF A NEW POOL (Form C-109)

Form C-109, when applicable, shall be filed in accordance with Rule 509.

(3) That Form C-109, Application for Discovery Allowable and Creation of a New Pool, (a copy of which is attached hereto and made a part hereof as Exhibit "A") is hereby approved.

(4) That Rule 1100-D of the Commission Rules and Regulations is hereby amended to include Form C-109, Application for Discovery Allowable and Creation of a New Pool.

(5) That the provisions of this order shall be limited to oil pools discovered after September 1, 1966.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

GUYTON B. HAYS, Member

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

S E A L

esr/

Adopted 9-1-65

NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION FOR DISCOVERY ALLOWABLE AND CREATION OF A NEW POOL

Note: This form is to be filed and attachments made in accordance with the provisions of Rule 509. If discovery is claimed for more than one zone, separate forms must be filed for each.

OPERATOR	ADDRESS	
LEASE NAME	WELL NO.	COUNTY

WELL LOCATION

UNIT LETTER_____; WELL IS LOCATED_____FEET FROM THE_____LINE AND_____FEET FROM THE_____LINE OF SECTION_____, TOWNSHIP_____, RANGE_____, NMPM

SUGGESTED POOL NAMES (List in order of preference)

1._____2._____3._____

NAME OF PRODUCING FORMATION	PERFORATIONS	DATE OF FILING FORM C-104

WAS "AFFIDAVIT OF DISCOVERY" PREVIOUSLY FILED FOR THIS WELL IN THIS POOL?	IF YES, GIVE DATE OF FILING	DATE WELL WAS SPUDDED	DATE COMPL. READY TO PROD.

TOTAL DEPTH	PLUGGED BACK DEPTH	DEPTH CASING SHOE	TUBING DEPTH	ELEVATION (State whether Gr., DF, RKB, RT, etc.

OIL WELL POTENTIAL(TEST TO BE TAKEN ONLY AFTER ALL LOAD OIL HAS BEEN RECOVERED)

_____BBLS, OIL PER DAY BASED ON_____BBLS IN _____HOURS; _____BBLS WATER PER DAY BASED ON_____BBLS IN_____HOURS; GAS PRODUCTION DURING TEST; _____MCF; GAS-OIL RATIO; _____ METHOD OF PRODUCING; _____ CHK. SIZE _____

NEAREST PRODUCTION TO THIS DISCOVERY (INCLUDES PAST AND PRESENT OIL OR GAS PRODUCING AREAS AND ZONES WHETHER THIS DISCOVERY IS BASED ON HORIZONTAL OR VERTICAL SEPARATION):

POOL NAME	NAME OF PRODUCING INFOR.	TOP OF PAY	BOTTOM OF PAY	CURRENTLY PRODUCING?

HORIZONTAL DISTANCE AND DIRECTION FROM SUBJECT DISCOVERY WELL TO THE NEAREST WELL IN THIS POOL	VERTICAL DISTANCE FROM SUBJECT DISCOVERY ZONE TO PRODUCING INTERVAL THIS POOL

NEAREST COMPARABLE PRODUCTION (INCLUDES PAST AND PRESENT OIL OR GAS PRODUCTION FROM THIS PAY OR FORMATION ONLY):

POOL NAME	TOP OF PAY	BOTTOM OF PAY	CURRENTLY PRODUCING?

HORIZONTAL DISTANCE AND DIRECTION FROM SUBJECT DISCOVERY WELL TO THE NEAREST WELL MY THIS COMPARABLE POOL

IS "COUNTY DEEP" DISCOVERY ALLOWABLE REQUESTED FOR SUBJECT DISCOVERY WELL?	IF YES, GIVE NAME, LOCATION, AND DEPTH OF NEXT DEEPEST OIL PRODUCTION IN THIS COUNTY

IS THE SUBJECT WELL A MULTIPLE COMPLETION?	IS DISCOVERY ALLOWABLE BEING REQUESTED FOR ANY OTHER ZONE(S)?	IF YES, NAME ALL SUCH FORMATIONS

[illegible] (ATTACH ADDITIONAL SHEET IF NECESSARY)

Adopted 9-1-65

NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION FOR DISCOVERY ALLOWABLE AND CREATION OF A NEW POOL

Note: This form is to be filed and attachments made in accordance with the provisions of Rule 509. If discovery is claimed for more than one zone, separate forms must be filed for each.

OPERATOR	ADDRESS	
LEASE NAME	WELL NO.	COUNTY

WELL LOCATION

UNIT LETTER_____; WELL IS LOCATED_____FEET FROM THE_____LINE AND_____FEET FROM THE_____LINE OF SECTION_____, TOWNSHIP_____, RANGE_____, NMPM

SUGGESTED POOL NAMES (List in order of preference)

1._____ 2._____ 3._____

NAME OF PRODUCING FORMATION	PERFORATIONS	DATE OF FILING FORM C-104

WAS "AFFIDAVIT OF DISCOVERY" PREVIOUSLY FILED FOR THIS WELL IN THIS POOL?	IF YES, GIVE DATE OF FILING	DATE WELL WAS SPUDDED	DATE COMPL. READY TO PROD.

TOTAL DEPTH	PLUGGED BACK DEPTH	DEPTH CASING SHOE	TUBING DEPTH	ELEVATION (State whether Gr., DF, RKB, RT, etc.

OIL WELL POTENTIAL(TEST TO BE TAKEN ONLY AFTER ALL LOAD OIL HAS BEEN RECOVERED)

_____BBLS. OIL PER DAY BASED ON_____BBLS IN _____HOURS; _____BBLS WATER PER DAY BASED ON_____BBLS

IN_____HOURS; GAS PRODUCTION DURING TEST; _____MCF; GAS-OIL RATIO; _____ METHOD OF PRODUCING; _____ CHK. SIZE _____

NEAREST PRODUCTION TO THIS DISCOVERY (INCLUDES PAST AND PRESENT OIL OR GAS PRODUCING AREAS AND ZONES WHETHER THIS DISCOVERY IS BASED ON HORIZONTAL OR VERTICAL SEPARATION):

POOL NAME	NAME OF PRODUCING INFOR.	TOP OF PAY	BOTTOM OF PAY	CURRENTLY PRODUCING?

HORIZONTAL DISTANCE AND DIRECTION FROM SUBJECT DISCOVERY WELL TO THE NEAREST WELL IN THIS POOL	VERTICAL DISTANCE FROM SUBJECT DISCOVERY ZONE TO PRODUCING INTERVAL THIS POOL

NEAREST COMPARABLE PRODUCTION (INCLUDES PAST AND PRESENT OIL OR GAS PRODUCTION FROM THIS PAY OR FORMATION ONLY):

POOL NAME	TOP OF PAY	BOTTOM OF PAY	CURRENTLY PRODUCING?

HORIZONTAL DISTANCE AND DIRECTION FROM SUBJECT DISCOVERY WELL TO THE NEAREST WELL IN THIS COMPARABLE POOL

IS "COUNTY DEEP" DISCOVERY ALLOWABLE REQUESTED FOR SUBJECT DISCOVERY WELL?	IF YES, GIVE NAME, LOCATION, AND DEPTH OF NEXT DEEPEST OIL PRODUCTION IN THIS COUNTY

IS THE SUBJECT WELL A MULTIPLE COMPLETION?	IS DISCOVERY ALLOWABLE BEING REQUESTED FOR ANY OTHER ZONE(S)?	IF YES, NAME ALL SUCH FORMATIONS

LIST ALL OPERATORS OWNING LEASES WITHIN ONE MILE OF THIS WELL (ATTACH ADDITIONAL SHEET IF NECESSARY)

NAME	ADDRESS

ATTACH EVIDENCE THAT ALL OF THE ABOVE OPERATORS HAVE BEEN FURNISHED A COPY OF THIS APPLICATION. ANY OF SAID OPERATORS WHO INTENDS TO OBJECT TO THE DESIGNATION OF THE SUBJECT WELL AS A DISCOVERY WELL ELIGIBLE TO RECEIVE A DISCOVERY ALLOWABLE MUST NOTIFY THE APPROPRIATE DISTRICT OFFICE AND THE SANTA FE OFFICE OF THE COMMISSION OF SUCH INTENT IN WRITING WITHIN TEN DAYS AFTER RECEIVING A COPY OF THIS APPLICATION.

REMARKS:

CERTIFICATION

I HEREBY CERTIFY THAT ALL RULES AND REGULATIONS OF THE NEW MEXICO OIL CONSERVATION COMMISSION HAVE BEEN COMPLIED WITH RESPECT TO THE SUBJECT WELL, AND THAT IT IS MY OPINION THAT A BONA FIDE DISCOVERY OF A HITHERTO UNKNOWN COMMON SOURCE OF OIL SUPPLY HAS BEEN MADE IN SAID WELL. I FURTHER CERTIFY THAT THE DISCOVERY ALLOWABLE FOR THE SUBJECT WELL, IF AUTHORIZED, WILL BE PRODUCED FROM THE SUBJECT ZONE IN THIS WELL ONLY.

Docket No. 3-68

DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 24, 1968

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 3704 (Continued from the December 20, 1967, Examiner Hearing)

Application of New Mexico Salt Water Disposal Company, 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 Bough "D" zone of the Pennsylvanian formation in the perforated interval from 9844 to 9875 feet in its Ainsworth Well No. 1 located in Unit H of Section 19, Township 9 South, Range 34 East, Vada-Pennsylvanian Pool, Lea County, New Mexico.

CASE 3711: In the matter of the hearing called by the Oil Conservation Commission upon its own motion to consider the amendment of Rule 509 of the Commission Rules and Regulations and Commission Form C-109 to permit the production of the bonus discovery oil allowable assigned to multiple discovery wells to be produced from any discovery zone in any proportion; and to further amend said rule to permit applications for the bonus discovery allowable to be heard on dockets other than the regular pool nomenclature docket in instances where the applicant will present the evidence.

CASE 3712: In the matter of the hearing called by the Oil Conservation Commission upon its own motion to consider the amendment of Rule 701 of the Commission Rules and Regulations and secondary recovery Orders Nos. R-1244, R-1311, R-1456, R-1470, R-1505, R-2064, R-2178-B, R-2268-A, R-2269, R-2403, R-2541, R-2622, R-2664, R-2700, and R-2795, to delete therefrom all references to the State Engineer or the State Engineer Office.

CASE 3713: In the matter of the hearing called by the Oil Conservation Commission upon its own motion to consider the amendment to Rule 103 of the Commission Rules and Regulations to require that well identification signs for wells drilled hereafter shall designate the location of said wells by quarter-quarter section rather than quarter section as now required.

CASE 3714: Application of Continental Oil Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its State "O" Well No. 1 located in Unit F of Section 16, Township 17 South, Range 32 East, Lea County, New Mexico, in such a manner as to permit the production of gas from the perforated interval 3140 to 3160 feet, Maljamar-Queen Gas Pool and the injection of water for secondary recovery purposes into the Grayburg-San Andres formations in the interval from 3700 to 4050 feet through parallel strings of 2-inch tubing.

CASE 3715: Application of Gulf Oil Corporation for an amendment to Order No. R-3345, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-3345, which order authorized the Gulf Stuart Langlie Mattix Unit Waterflood Project. Applicant proposes to substitute the Stuart "B" Well No. 2 located in Unit I and the Stuart "C" Well No. 3 located in Unit K as water injection wells in said project in lieu of the Stuart "A" Well No. 1 located in Unit J and the Stuart "D" Well No. 4 located in Unit L, all in Section 10, Township 25 South, Range 37 East, Langlie-Mattix Pool, Lea County, New Mexico.

CASE 3716: Application of Carter Foundation Production Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Ellenburger formation through the perforated interval from 9580 to 9680 feet in its E. C. Hill "E" Federal Well No. 5 located in Unit E of Section 35, Township 23 South, Range 37 East, Teague-Ellenburger Pool, Lea County, New Mexico.

CASE 3651 (Reopened):

Application of Tenneco Oil Company for an amendment to Order No. R-3315, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the re-opening of Case No. 3651 and the amendment of Order No. R-3315 entered therein which order promulgated temporary pool rules for the North Morton-Pennsylvanian Pool, Lea County, New Mexico, including the establishment of 80-acre proration units for a period of one year. Applicant now seeks the amendment of said order to provide for 160-acre spacing and proration units on a temporary basis.

CASE 3717: Application of Aztec Oil & Gas Company for a dual completion and salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the authority to dually complete its State "AJ" Well No. 2 located in Unit N of Section 1, Township 18 South, Range 36 East, Arkansas Junction-San Andres Pool, Lea County, New Mexico, in such a manner as to permit the production of oil from the Upper San Andres formation in the interval from 5047 to 5079 feet and to permit the disposal of produced salt water in the Lower San Andres formation in the interval from 5430 to 5462 feet through parallel strings of 2-inch tubing.

CASE 3718: Application of Cabot Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water in the Wolfcamp, Pennsylvanian, Mississippian, and Devonian formations in the overall interval from 9406 to 12,689 feet in its H. L. Lowe "C" Well No. 1 located in Unit N of Section 26, Township 13 South, Range 37 East, King-Devonian Pool, Lea County, New Mexico.

Mobil Oil Corporation

P.O. BOX 633
MIDLAND, TEXAS 79701

January 19, 1968

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

CASE (3711) - JANUARY 24, 1968
HEARING ON COMMISSION PROPOSED
AMENDMENTS PERTAINING TO STATE-
WIDE DISCOVERY ALLOWABLE RULE 509

Gentlemen:

Mobil Oil Corporation, an operator in the State of New Mexico, supports the Commission's proposed action in regard to amending Statewide Rule No. 509. The Commission's proposed amendments will give the rule meaningful flexibility while maintaining necessary regulatory control.

Yours very truly,

Fred S. Wright, Jr.
Producing Manager

BJT/vp

SKELLY OIL COMPANY

P. O. BOX 1650

TULSA, OKLAHOMA 74102

PRODUCTION DEPARTMENT

C. L. BLACKSHER, VICE PRESIDENT

W. P. WHITMORE, MGR. PRODUCTION
W. D. CARSON, MGR. TECHNICAL SERVICES
BARTON W. RATLIFF, MGR. JOINT OPERATIONS
GEORGE W. SELINGER, MGR. CONSERVATION

January 18, 1968

Re: Case No. 3711
Hearing - January 24, 1968

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

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

Gentlemen:

This is to advise that Skelly Oil Company concurs in the proposal to amend the discovery allowable rule so as to permit the production of the bonus discovery oil allowable assigned to multiple discovery wells to be produced from any discovery zone in any proportion, and further, to permit applications for the bonus discovery allowable to be heard on dockets other than the regular pool nomenclature docket in instances where the applicant will present the evidence.

Yours very truly,

George W. Selinger

RJJ:br

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

WESTERN UNION TELEGRAM

W. P. MARSHALL, CHAIRMAN OF THE BOARD
R. W. McFALL, PRESIDENT

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

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

(351).

LA129 NSA384

NS FWB233 PD=FAX FORT WORTH TEX 23 220P 1968 JAN 23 PM 1 50

A L PORTER JR SECRETARY AND DIRECTOR NEW MEXICO OIL CONSERVATION COMMISSION=

STATE LAND OFFICE BLDG SANTA FE NMEX=.

PAN AMERICAN PETROLEUM CORPORATION HAS NO OBJECTION TO THE PROPOSED CHANGES IN STATEWIDE RULES 103, 509 AND 701 AS CONTAINED IN THE NEW MEXICO OIL CONSERVATION COMMISSION HEARING DOCKET FOR JANUARY 24, 1968=

MAIN OFFICE O.C.C.
68 JAN 23 PM 2 04

J L HOYT JR PAN AMERICAN PETROLEUM CORP=

=103 509 701 24 1968=

WU1201 (R2-65) THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

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

WESTERN UNION TELEGRAM

W. P. MARSHALL, CHAIRMAN OF THE BOARD
R. W. McFALL, PRESIDENT

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

(401).

LA34 NSA643

1968 APR 16 PM 3 14

NS MDA083 PD=MIDLAND TEX 16 356P CST=
OIL CONSERVATION COMMISSION=
1000 W BROADWAY HOBBS NMEX=
CONCERNING CASE 3711 AND ORDER R-3105 PERTAINING TO DISCOVERY ALLOWABLES IN NEW MEXICO TEXACO INC, CONCURS WITH THE PROPOSAL TO ASSIGN DISCOVERY ALLOWABLE TO EACH DISCOVERY ZONE OF MULTIPLY COMPLETED WELLS BASED UPON THE DEPTH OF SAID ZONE FROM GROUND LEVEL. THIS WILL PROVIDE ADDITIONAL INCENTIVE STIMULATING THE SEARCH FOR NEW SOURCES OF OIL IN NEW MEXICO=
J H MARKLEY-DIVISION MANAGER=

Docket No. 11-68

DOCKET: REGULAR HEARING - WEDNESDAY - APRIL 17, 1968

OIL CONSERVATION COMMISSION - 9 A.M. - THE HOLIDAY INN, 200 SOUTH LINAM, HOBBS, NEW MEXICO

ALLOWABLE: (1) Consideration of the oil allowable for May, 1968;

(2) Consideration of the allowable production of gas for May, 1968, from thirteen prorated pools in Lea, Eddy, and Roosevelt Counties, New Mexico. Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba and Sandoval Counties, New Mexico, for May, 1968.

CASE 3745: Application of Humble Oil & Refining Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the North White City Unit Area comprising 5114 acres, more or less, of Federal, State, and Fee lands in Township 23 South, Ranges 25 and 26 East, Eddy County, New Mexico.

CASE 3746: Application of Atlantic Richfield Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Cawley Unit Area comprising 4,480 acres, more or less, of Federal and State lands in Township 22 South, Range 22 East, Eddy County, New Mexico.

CASE 3747: Application of Depco, Inc. for an amendment to Order No. R-2869, Eddy County, New Mexico. Applicant, as successor to International Oil & Gas Corporation, seeks the amendment of Order No. R-2869 to substitute its Dunn "B" Well No. 5 in Unit I of Section 11 and its Dunn "B" Well No. 6, and Dunn "A" Well No. 1 located in Units M and G, respectively, of Section 12 for its Dunn "B" Wells Nos. 15, 19, and 21 which were included in the originally authorized water injection wells for a waterflood project authorized by said order in Township 18 South, Range 28 East, Artesia Pool, Eddy County, New Mexico.

CASE 3711: (Reopened):

In the matter of Case No. 3711, originally heard January 24, 1968, and in which no order has yet been entered, being reopened on the motion of the Commission to hear additional testimony regarding the amendment of Rule [illegible] of the Commission Rules and Regulations; among other things, the Commission will consider the assignment of an oil discovery allowable to each zone of a multiple discovery well based on the depth of said zone from the surface of the ground.

CASE 3748: Southeastern New Mexico nomenclature case calling for an order for the creation, extension, abolishment, contraction and redefinition of certain pools in Chaves, Eddy, Lea and Roosevelt Counties, New Mexico.

(a) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Upper Pennsylvanian production and designated as the Antelope Sink-Upper Pennsylvanian Gas Pool. The discovery well is Marathon Oil Company, Antelope Sink Unit No. 1, located in Unit G of Section 18, Township 19 South, Range 24 East, NMPM. Said pool should comprise the following described acreage:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM
SECTION 18: N/2

(b) Create a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the Big Eddy-Delaware Pool. The discovery well is Pan American Petroleum Corporation, Big Eddy Unit No. 11, located in Unit I of Section 7, Township 20 South, Range 31 East, NMPM. Said pool should comprise the following described acreage:

TOWNSHIP 20 SOUTH, RANGE 31 EAST, NMPM
SECTION 7: NE/4 SE/4

(c) Create a new pool in Lea County, New Mexico, classified as an oil pool for Abo production and designated as the House-Abo Pool. The discovery well is Pan American Petroleum Corporation, Howse "C" No. 1 located in Unit H of Section 11, Township 20 South, Range 38 East, NPMM. Said pool should comprise the following described acreage:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
SECTION 11: NE/4

(d) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Huapahce-Morrow Gas Pool. The discovery well is Humble Oil & Refining Company, Huapache Unit No. 10, located in Unit F of Section 10, Township 23 South, Range 22 East, NMPM. Said pool should comprise the following described acreage:

TOWNSHIP 23 SOUTH, RANGE 22 EAST, NMPM
SECTION 10: N/2

(e) Create a new pool in Lea County, New Mexico, classified as an oil pool for Tubb Drinkard production and designated as the Imperial Tubb-Drinkard Pool. The discovery well is Bronco Oil Corporation, E. C. Hill "A" No. 3, located in Unit O of Section 27, Township 23 South, Range 37 East, NMPM. Said pool should comprise the following described acreage:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM
SECTION 27: SE/4

(f) Contract the Cave-Grayburg Pool in Eddy County, New Mexico, by the deletion of the following described acreage:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM
SECTION 16: NW/4
SECTION 17: NE/4

(g) Extend the Grayburg-Jackson Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM
SECTION 16: N/2 and SW/4

(h) Extend the West Bronco-Devonian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 13 SOUTH, RANGE 38 EAST, NMPM
SECTION 6: SW/4

(i) Extend the East Brunson-McKee Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
SECTION 23: SW/4 SE/4

(j) Abolish the Middle Lane Permo-Pennsylvanian Pool in Lea County, New Mexico, described as:

TOWNSHIP 10 SOUTH, RANGE 33 EAST, NMPM
SECTION 3: SE/4
SECTION 10: E/2
SECTION 11: All
SECTION 13: S/2
SECTION 14: All
SECTION 15: E/2 NW/4, NE/4, and S/2
SECTION 22: W/2 and NE/4
SECTION 23: N/2 and N/2 SW/4
SECTION 24: NW/4, N/2 SW/4, and SE/4

(k) Extend the Inbe Permo-Pennsylvanian Pool in Lea County, New Mexico, to include the area described above from the abolished Middle Lane Permo-Pennsylvanian Pool and also the following described area:

TOWNSHIP 10 SOUTH, RANGE 33 EAST, NMPM
SECTION 22: SE/4
SECTION 27: N/2

TOWNSHIP 11 SOUTH, RANGE 33 EAST, NMPM
SECTION 26: NE/4

(l) Extend the North Indian Hills-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM
SECTION 9: All

(m) Extend the McMillan-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM
SECTION 24: All

(n) Extend the Tatum-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 13 SOUTH, RANGE 36 EAST, NMPM
SECTION 5: NE/4

(o) Extend the Teague-Blinebry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM
SECTION 33: NE/4

(p) Extend the Todd-Lower San Andres Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 36 EAST, NMPM
SECTION 29: NW/4
SECTION 32: NW/4

(q) Extend the Twin Lakes-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 28 EAST, NMPM
SECTION 36: N/2 NW/4

(r) Redefine the vertical limits of the Cedar Hills-Wolfcamp Gas Pool in Eddy County, New Mexico, which comprises:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
SECTION 15: SE/4

to be the Upper Pennsylvanian formation rather than the Wolfcamp formation and rename said pool Cedar Hills-Upper Pennsylvanian Gas Pool.

Extend said Cedar Hills-Upper Pennsylvanian Gas Pool to include therein:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
SECTION 15: NE/4

(s) Contract the Monument (Grayburg-San Andres) Pool in Lea County, New Mexico, by the deletion of the following-described acreage:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
SECTION 19: N/2 NE/4

(t) Extend the Eunice (Grayburg-San Andres) Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
SECTION 19: N/2 NE/4

CASE 3749: Northwestern New Mexico nomenclature case calling for an order for the extension of certain pools in San Juan, Rio Arriba, Sandoval, and McKinley Counties, New Mexico:

(a) Extend the Aztec-Pictured Cliffs Pool boundary in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 10 WEST, NMPM
SECTION 11: SW/4
SECTION 13: SE/4

(b) Extend the Blanco-Pictured Cliffs Pool boundary in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 8 WEST, NMPM
SECTION 7: S/2
SECTION 8: N/2

TOWNSHIP 30 NORTH, RANGE 8 WEST, NMPM
SECTION 18: S/2
SECTION 30: S/2
SECTION 31: NW/4

TOWNSHIP 30 NORTH, RANGE 9 WEST, NMPM
SECTION 25: S/2
SECTION 30: W/2

(c) Extend the South Blanco-Pictured Cliffs Pool boundary in Rio Arriba, Sandoval, and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 5 WEST, NMPM
SECTION 35: All

(d) Extend the Tapacito-Pictured Cliffs Pool boundary in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 3 WEST, NMPM
SECTION 6: SW/4

TOWNSHIP 27 NORTH, RANGE 3 WEST, NMPM
SECTION 30: SW/4
SECTION 31: W/2 and SE/4

(e) Extend the Otero-Chacra Pool boundary in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 5 WEST, NMPM
Section 6: W/2
Section 7: All
Section 19: NW/4

TOWNSHIP 25 NORTH, RANGE 6 WEST, NMPM
SECTION 2: All
SECTION 3: S/2
SECTION 4: All
SECTION 5: N/2
SECTION 9: N/2
ALL OF SECTIONS 10, 11, AND 12
SECTION 13: W/2 and SE/4
SECTION 14: All
SECTION 15: E/2
SECTION 22: E/2
SECTION 24: NE/4

TOWNSHIP 26 NORTH, RANGE 6 WEST, NMPM
SECTION 29: SE/4
SECTION 31: S/2
SECTION 32: All
SECTION 33: W/2
SECTION 35: All

(f) Extend the Blanco-Mesaverde Pool boundary in Rio Arriba and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM
SECTION 15: N/2

TOWNSHIP 28 NORTH, RANGE 9 WEST, NMPM
Section 30: W/2

TOWNSHIP 28 NORTH, RANGE 10 WEST, NMPM
SECTION 25: N/2

(g) Extend the South Hospah-Lower Sand Oil Pool boundary in McKinley County, New Mexico, to include therein:

TOWNSHIP 17 NORTH, RANGE 8 WEST, NMPM
SECTION 7: NW/4 NE/4

TOWNSHIP 17 NORTH, RANGE 9 WEST, NMPM
SECTION 12: NE/4, E/2 NW/4, and SW/4 NW/4

(h) Extend the South Hospah-Upper Sand Oil Pool boundary in McKinley County, New Mexico, to include therein:

TOWNSHIP 17 NORTH, RANGE 9 WEST, NMPM
SECTION 12: SW/4 NW/4

(i) Extend the Tapacito-Gallup Associated Pool boundary in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM
SECTION 26: All

(j) Extend the Slick Rock-Dakota Oil Pool boundary in San Juan County, New Mexico, to include therein:

TOWNSHIP 30 NORTH, RANGE 17 WEST, NMPM
SECTION 36: N/2 SE/4 & SE/4 NE/4

(k) Extend the Tocito Dome-Pennsylvanian D Oil Pool boundary in San Juan County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 18 WEST, NMPM
SECTION 22: SW/4
SECTION 27: NW/4

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Hobbs, New Mexico
April 17, 1968
REGULAR HEARING

IN THE MATTER OF:

In the matter of Case No. 3711 b originally heard January 24, 1968, and in which no order has yet been entered, being reopened on the motion of the Commission to hear additional testimony regarding the amendment of Rule 509 of the Commission Rules and Regulations; among other things, the Commission will consider the assignment of an oil discovery allowable to each zone of a multiple discovery well based on the depth of said zone from the surface of the ground.

Case 3711 Reopened

BEFORE:

A.L. "Pete" Porter, Secretary-Director
Guyton B. Hayes, Land Commissioner
David F. Cargo, Governor

TRANSCRIPT OF HEARING

MR. PORTER: The Commission will take up next a reopened case, 3711.

MR. HATCH: Case 3711 Reopened. In the matter of Case No. 3711, originally heard January 24, 1968, and in which no order has yet been entered, being reopened on the motion of the Commission to hear additional testimony regarding the amendment of Rule 509 of the Commission Rules and Regulations, among other things, the Commission will consider the assignment of an oil discovery allowable to each zone of a multiple discovery well based on the depth of said zone from the surface of the ground.

George Hatch appearing on behalf of the Commission and staff. I have one witness I would like to have sworn at this time.

(Witness sworn)

DANIEL NUTTER

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

DIRECT EXAMINATION

BY MR. HATCH:

Q Will you state your name and position for the record?

A Dan Nutter, Chief Engineer for the Oil Conservation Commission.

Q Mr. Nutter, as Chief Engineer for the New Mexico Oil Conservation Commission is it one of your duties to make recommendations to the Commission concerning revision of rules of the Commission?

A Yes, sir, it is.

Q Are you familiar with Case 3711 as it's being reopened and what is proposed?

A Yes, sir, I am.

Q What does it propose, I mean, what rule --

A It's proposed that Rule 509 of the Commission Rules and Regulations be amended at this hearing.

Q Will you briefly review the history of Rule 509 for the Commission?

A Yes, sir. After hearing on July 13, 1966 the Commission by Order No. R-3105 dated August 26 of that year adopted Rule 509 authorizing an oil discovery allowable to each well making a bonafide discovery of a new oil pool after September 1, 1966.

Q In general terms, what does Rule 509 provide?

A The rule provides that the discovery allowable would be equal to five barrels of oil from the surface of

the ground to the discovery zone in a discovery well with the allowable to be produced in addition to the regular allowable for a well over a two-year period, thus a well making a discovery at say, 10,000 feet would receive a bonus allowable of 50,000 barrels in addition to the regular allowable during the first two years of the well's producing life. In counties where there was no previous oil production or in the instance of the deepest well in a county the bonus would be ten barrels a foot.

Q Did Rule 509 make any provision for multiply completed wells?

A Yes, sir, it does. The discovery allowable rule as adopted in August of 1966 provides that in the case of multiple completion discoveries or where one well discovers more than one pool on the way down, the discovery allowable for the upper zone is computed on the distance from the surface of the ground to the top of the uppermost discovery zone, while the discovery allowable for the lower ppol is based on the additional distance drilled from the bottom of the upper pay to the top of the lower pay. It is further provided in the rule that the allowable earned by each zone and assigned to each zone could be produced by that zone only in that well only.

Q Now, as the case today is the reopening of Case 3711 will you review for the Commission what has taken place before today?

A Yes, sir. Case 3711 is being reopened today; it was originally heard in January of 1968. Now, the call of the hearing in January of 1968 was among other things to amend Rule 509 to permit the allowable assigned to each of the zones in a multiple discovery well to be produced from either zone in any proportion. I testified at that hearing and recommended that the rule be amended to provide that the allowable could be produced from either zone in any proportion but with some sort of limitations to prevent reservoir damage.

Q Why did you make such a recommendation in January?

A Well, during the first year that we had the discovery allowable, we had only one instance of a multiple discovery well, but in this well it really pointed up the deficiency of the rule as it's currently on the books. Texas Pacific Oil Company made a multiple discovery in its Ella Drinkard Well No. 2 down in Section 25 of Township 22 South, Range 37 East of Lea County. This well made a discovery in the Ellenburger zone at 7,783 feet and then it went on down to discover a new pool in the Granite Wash

43 feet below the base of the Ellenburger. The Ellenburger zone received a discovery allowable of 38,915 barrels and the Granite Wash zone received a discovery allowable of 210 barrels. In a situation like this, you can very well have the upper zone fall off and become marginal early in the life of the well and not be able to make the discovery allowable because of the physical capacity of the well; however, the other zone could be a strong zone but still not be able to make the discovery allowable for the well because of the way the rule is written so for that reason and to provide some flexibility in production of the allowable we recommended in January that the rule be revised to permit the production from either zone of the discovery allowable subject to, as I mentioned before, a limitation to prevent reservoir damage.

Q Mr. Nutter, has an order issued as a result of that hearing in January?

A No, sir, we have not entered an order in that case.

Q Would you make the same recommendation that you made in January?

A No, sir, I would not.

Q Why not?

A Well, I believe this will be self-evident as we get into the following proposed amendment that I've got here today. In order to liberalize the bonus allowable and to further encourage discovery drilling it is felt that the allowable should be applicable from the surface of the ground down to the discovery zone. Now, this would be true in each well, regardless of whether it's a multiple discovery or what. In the case of a multiple discovery well we would suggest that the allowable be applied from the surface of the ground down to each of the discovery zones. The allowable assigned to each zone would be substantial, for example, a well which makes a dual discovery say, in the Pennsylvanian zone at 10,000 feet and in the Devonian zone at 12,000 feet would receive 50,000 barrels for the upper zone and 60,000 barrels for the lower zone or a total of 110,000 barrels of discovery allowable. Formerly, and the way the rule is written now, this well would receive a discovery allowable of 50,000 for the upper zone and 10,000 for the lower zone for the additional two thousand feet of drilling or a total discovery allowable of 60,000 barrels.

In most instances you could divide the 60,000 barrels up into some odd proportion and permit the better zone to

make the allowable without hurting the well or hurting either reservoir; however, to permit one zone to make the 110,000 barrels in addition to its regular allowable is far more likely to damage the reservoirs or one of the reservoirs and possibly result in waste and for this reason I don't recommend that we have this flexibility that we recommended in January.

Q But you are recommending today that Rule 509 be amended so as to allow the assignment of an oil discovery allowable to each zone of a multiple discovery well based on the depth of said zone from the surface of the ground?

A Yes, sir, I am.

Q How do you propose Rule 509 be amended to accomplish that result?

A Well, I have handed to the Commission copies of Rule 509 identified there at the top there as proposed amendment and there are two paragraphs that are deleted from the existing rule.

Q Now, you also handed the Commission the old 509?

A Yes, sir, I have handed the Commission also copies of Order No. 3105 which promulgated Rule 509 and

the two paragraphs that are being suggested for deletion read as follows. The Commission has the proposed rule, they also have the existing rule, but for the benefit of those that don't have them in their hands I will read the paragraphs that would be deleted under the proposal that we are making here today. Paragraph 2 of Rule 509 reads as follows: "A multiply completed well shall be eligible to receive an oil discovery allowable for each new oil pool discovered, provided that the discovery allowable for the uppermost pool shall be based on the depth from the surface of the ground to the top of the perforations and the discovery allowable for each lower pool shall be based on the distance from bottom of the perforations in the next higher newly discovered oil pool to the top of the perforations in said lower pool or to the casing shoe if applicable." The third paragraph, "All discoveries made on old producing wells drilled deeper or previously abandoned dry holes shall receive discovery allowables in accordance with the above except that the depth measurement shall be from the point actual formation drilling was commenced rather than from the surface of the ground, however any abandoned dry hole which is re-entered and drilled deeper than a discovery made within

one year from the date of abandonment may receive a discovery allowable based on the depth as measured from the surface of the ground." Now, it's proposed that those two paragraphs be deleted and that the remainder of the rule remain in effect.

Q Do you have any further recommendations to make to the Commission concerning revision of Rule 509?

A Yes, sir, I do. We have had, on numerous occasions cases when the bonus allowable for a discovery well could have been heard at some hearing other than the regular nomenclature hearing, perhaps the operator is going to be in on a hearing for some other matter early in the life of the discovery well, such as dual completion, nonstandard location, nonstandard proration unit, pool rules, or any of a number of other things. The operator might just want to go ahead and have his discovery allowable heard at the same time and avoid having to wait for the next nomenclature hearing. It's possible to just miss one of these nomenclature hearings by a day or two and having to wait almost seven weeks sometimes before the next nomenclature hearing comes up, we therefore propose that the Sixth Paragraph of Rule 509 be amended as shown on Page 2 of the proposed rule. Now, if the

Commission would turn to Page 2 there I have marked the paragraph that would be amended there, the existing paragraph reads as follows, now, this is the existing rule that I am reading: "If in the opinion of the Commission's staff good cause exists to bring the pool on for hearing as a discovery and no objection has been received from any other operator the pool will be placed on the first available hearing docket for inclusion by the staff in its regular pool nomenclature case, If the staff is not in agreement with the applicant's contention that a new pool has been discovered or if another operator objects to the creation of a new pool and the assignment of an oil discovery allowable the applicant will be so notified and he will be expected to present the evidence supporting his case at the nomenclature hearing." Now, in order to permit some flexibility here, we are making the proposal that the rule be amended to provide that the case could be heard at other than a nomenclature hearing and I'll read the proposed rule into the record, this paragraph: "If in the opinion of the Commission's staff good cause exists to bring the pool on for hearing as a discovery and no objection has been received from any other operator the pool will be placed on the first

available hearing docket for inclusion by the staff in its regular pool nomenclature case. If the staff is not in agreement with the applicant's contention that a new pool has been discovered or if within ten days after receiving a copy of the application another operator files with the Commission an objection to the creation of a new pool and the assignment of discovery allowable, the applicant will be so notified and he will be expected to present the evidence supporting his case or if the applicant so desires the application may be set for separate hearing on other than the nomenclature docket for presentation of evidence by the applicant."

Q Mr. Nutter, is that substantially the same as your testimony and recommendation concerning this particular part in January?

A Yes, sir, this is the same recommendation I'm making that I made in January on this particular paragraph.

Q You have here a proposed amendment to Rule 509. Have you had that marked as an exhibit?

A No, sir, I haven't but we can have it marked.

(Whereupon, Exhibit 1 marked for identification)

Q Did you prepare it?

A Yes, sir, I did.

MR. HATCH: I would like to move the introduction of Exhibit 1 into evidence.

MR. PORTER: If there are no objections, the exhibit will be admitted.

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

MR. HATCH: That's all the questions I have.

CROSS EXAMINATION

BY MR. PORTER:

Q Mr. Nutter, this last recommendation you made just primarily to give us flexibility of setting this type of application before the Examiners?

A Yes, sir.

MR. PORTER: Does anyone have a question of Mr. Nutter concerning any phase of his recommendation? Is it clear to all?

MR. JACOBS: Ronald Jacobs of Skelly Oil Company. Mr. Nutter, do you feel that your proposed amendment would have the effect of encouraging designating small reservoirs to take advantage of this bonus allowable which otherwise might be classified or grouped together and classified as a single pool?

A I think that any time you have a discovery allowable

you may have the possibility that operators might seek the designation of a new pool when it is in reality, the extension of an existing pool. I don't believe that my recommendation here changes this aspect of the discovery allowable.

MR. JACOBS: Well, where you gave the discovery or bonus allowable to the pools from the surface of the ground to the top, I am talking about multiple completed wells and then you gave an additional discovery from that formation down to the next deeper discovery, the well has a total discovery allowable and it really didn't make too much difference whether you had two or three but if you are going to give each one a discovery of bonus from the surface of the ground to each pool, won't that encourage breaking up what would otherwise be a single pool or maybe two pools into four pools?

A Yes, sir, the effect of this might be in that direction, however, I think the Commission will have to be prudent in designation of these pools and where an operator may want to split a zone so to speak, and make two vertical pools out of that zone the Commission is going to have to watch that and prevent the designation of two pools in one zone.

allowable to the well and to the zone. You do not plan to make any recommendations on changes in the assignment, in other words, will the allowable still be assigned to the discovery zone and to the discovery well and cannot be produced from other zones or from other wells?

A This is correct. The discovery allowable, since we adopted it in New Mexico has been limited to the well that makes the discovery.

MR. WHIGHAM: So there will be no change?

A And there will be no change in that respect. In January I recommended that the discovery allowable could be produced from other than the discovery zone in that well, but I am withdrawing that recommendation at this time because, like I stated in my testimony, say, a Pennsylvanian discovery earning 50,000 barrels, that allowable would be assigned to the Pennsylvanian. The Devonian earning 60,000 barrels, that allowable would be assigned to the Devonian and would be produced from that zone, so each of these zones would receive its own allowable and would be expected to produce its own allowable and the allowable could not be produced from any other well or from any other zone.

MR. WHIGHAM: Thank you.

MR. PORTER: Does anyone else have a question? Witness may be excused.

(Witness excused)

MR. PORTER: Does anyone have a statement to make in this case?

MR. HART: Frank Hart representing Mobil Oil Corporation, I would like to make a statement.

MR. PORTER: In connection with Mr. Hart's statement, the Director of the Commission had a telephone call from Mr. James E. Sperling, who is the attorney who was representing Mobil, I believe, ordinarily in their cases before this case, informing me that a statement would be made for the record this morning by a representative of Mobil. You may proceed, Mr. Hart.

MR. HART: Gentlemen: On November 15, 1967 Mobil Oil Corporation presented testimony suggesting that Rule 509 be amended to calculate bonus allowable by utilizing a depth factor measured from the surface of the earth to the top of newly discovered zones. Mobil's testimony at that time stated that "Only through such incentive programs will a State produce an economic atmosphere which will inspire operators to actively seek out

the hydrocarbon reserves of that State." Mobil further stated that "Not only is the discovery of new reserves vital to the economy of a state, but as witnessed during the recent Middle East crisis, it is Mobil's opinion that an increase in the producing capabilities of the nation is a forthcoming necessity."

Without reiterating statistics on drilling success ratios and profit margins, it is a fact of common knowledge that each foot of drilling for new discovery reserves represents tremendous investments and that, as a State's oil industry ages, this success ratio drastically declines. Ultimately a point is reached wherein the economic risk involved renders the drilling venture prohibitive.

Adoption of the proposed amendment to Rule 509 will retard the inevitable decline of those drilling operations specifically designed to discover new resource wealth within the State of New Mexico. That proposed amendment contains a two-year termination date safeguard. The rule likewise safeguards against gross inequities by limiting the amount of oil bonus per foot of depth.

Mobil, therefore, urges that the proposed amendment to Rule 509 is designed with adequate safeguards and will operate to effectively increase the reserves in

the State of New Mexico. Performing such functions, amendment of Rule 509 thereby stands as an excellent example of true conservation practices.

For these reasons, Mobil urges passage of the proposed amendment to Rule 509 of the Rules and Regulations of the Oil Conservation Commission of the State of New Mexico.

MR. PORTER: Thank you, sir. Does anyone else have a statement concerning this case?

MR. ANDERSON: R.M. Anderson, Sinclair Oil and Gas Company. Sinclair wishes to concur in recommendations of Mr. Nutter this morning with regard to the amendment of the statewide rule. Thank you.

MR. JACOBS: Ronald Jacobs appearing for Skelly Oil Company. We likewise would like to concur in recommendation mady be Mr. Nutter but we would like to throw in a note of caution that the Commission exercise wisdom in seeing that the zones are not indiscriminately or unnecessarily split up into numerous other zones so as to take advantage of the rule.

MR. PORTER: Do we have anyone else? Mr. Hatch, do you have any written communications from any interested parties?

MR. HATCH: I have one telegram here from

Texaco concerning Case 3711 and Order 3105 pertaining to the discovery allowables in New Mexico. "Texaco Incorporated concurs with the proposal to assign discovery allowable to each discovery zone of multiply completed wells based upon the depth of said zone from ground level. This will provide additional incentive stimulating the search for new sources of oil in New Mexico." Dated April 16, 1968, Division Manager.

MR. PORTER: Is that the only communication we have received since reopening? Is there anything further to be offered in this case? The Commission will take the case under advisement.

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, KAY EMBREE, 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 29th day of April, 1968.

Kay Embree
NOTARY PUBLIC

My Commission Expires:

November 19, 1971

NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION FOR DISCOVERY ALLOWABLE AND CREATION OF A NEW POOL

Form C-109
Adopted 9-1-66

NOTE: This form is to be filed and attachments made in accordance with the provisions of Rule 509. If discovery is claimed for more than one zone, separate forms must be filed for each.

Operator	Address	
Lease Name	Well No.	County

Well Location

Unit Letter _____ ; _____ Feet from The _____ Line and _____ Feet

From the _____ Line of Section _____, Township _____, Range _____, NMPM

Suggested Pool Names *(List in order of preference)*

1. _____ 2. _____ 3. _____

Name of Producing Formation	Perforations	Date of Filing Form C-104

Was "Affidavit of Discovery" Previously Filed For This Well in this Pool?	If Yes, Give Date of Filing	Date Well was Spudded	Date Compl. Ready to Prod.

Total Depth	Plugged Back Depth	Depth Casing Shoe	Tubing Depth	Elevation *(Gr., DF, RKB, RT, etc.)*

Oil Well Potential *(Test to be taken only after all load oil has been recovered)*

_____ Bbls, Oil Per Day Based On _____ Bbls In _____ Hours; _____ Bbls Water Per Day Based On _____ Bbls

In _____ Hours; Gas Production During Test: _____ MCF; Gas-Oil Ratio: _____ Method Of Producing: _____ Chk. Size _____

NEAREST PRODUCTION TO THIS DISCOVERY *(Includes past and present oil or gas producing areas and zones whether this discovery is based on horizontal or vertical separation):*

Pool Name	Name of Producing Formation	Top of Pay	Bottom of Pay	Currently Producing?

Horizontal Distance and Direction from Subject Discovery Well to the Nearest Well in this Pool	Vertical Distance from Subject Discovery Zone to Producing Interval this Pool

NEAREST COMPARABLE PRODUCTION *(Includes past and present oil or gas production from this pay or formation only):*

Pool Name	Top of Pay	Bottom of Pay	Currently Producing?

Horizontal Distance and Direction from Subject Discovery Well to the Nearest Well in this Comparable Pool

Is "County Deep" Discovery Allowable Requested for Subject Discovery Well?	If Yes, Give Name, Location, and Depth of Next Deepest Oil Production in this County

Is the Subject Well Multiple Completion?	Is Discovery Allowable Requested for other Zone(s)?	If Yes, Name all Such Formations

LIST ALL OPERATORS OWNING LEASES WITHIN ONE MILE OF THIS WELL *(Attach additional sheet if necessary)*

NAME	ADDRESS

OCC Ex 1
Cs 3711

Attach evidence that all of the above operators have been furnished a copy of this application. Any of said operators who intends to object to the designation of the subject well as a discovery well, eligible to receive a discovery allowable, must notify the appropriate District Office and the Santa Fe Office of the Commission of such intent in writing within ten days after receiving a copy of this application.

Remarks:

or another discovery zone.

CERTIFICATION

I hereby certify that all rules and regulations of the New Mexico Oil Conservation Commission have been complied with, with respect to the subject well, and that it is my opinion that a bona fide discovery of a hitherto unknown common source of oil supply has been made in said well. I further certify that the discovery allowable for the subject well, if authorized, will be produced from the subject zone in this well only. Further, that the information given herein and attached hereto is true and complete to the best of my knowledge and belief.

_____ Signature

_____ Position

_____ Date

PROPOSED AMENDMENT

RULE 509. OIL DISCOVERY ALLOWABLE

In addition to the normally assigned allowable, an oil discovery allowable may be assigned to a well completed as a bona fide discovery well in a new common source of supply. Said oil discovery allowable shall be in the amount of 5 barrels for each foot of depth of said well from the surface of the ground to the top of the perforations in the new pool or the depth of the casing shoe, whichever is higher. In counties where there is no other current oil production, and in any county when the discovery is the deepest oil production in the county, the oil discovery allowable shall be 10 barrels per foot of depth.

2 paragraphs deleted here →

Date of discovery to determine the well which should properly receive the oil discovery allowable for any new pool shall be the date the well is completed and new oil is run into stock tanks, provided however, any operator drilling through and discovering a new oil pool in the course of drilling to a lower horizon may file an affidavit of such discovery within seven days after drill stem tests were made of said pool, accompanying said affidavit with all available pool data. If, prior to completion of said well, another operator claims discovery of a similar pool and there are reasonable grounds to believe the pools are one and the same, no discovery allowable will be assigned to either well until after the initial well for which the affidavit was filed has been completed. If at that time the operator of the initial well makes formal application for the discovery allowable in said pool, it will be determined after hearing which well shall receive the discovery allowable.

To obtain an oil discovery allowable, the owner of a discovery well shall file two copies of Commission Form C-109, Application for Discovery Allowable and Creation of a New Pool, with the appropriate District Office of the Commission and one with the Santa Fe office. Each copy of said form shall be accompanied by the following:

1. A map depicting all wells within a two-mile radius of the discovery well. All producing oil and gas wells and the formations from which they are producing or have produced are to be clearly shown as well as all dry holes and the depths to which they were drilled. Maps shall be on a scale one inch equals 1,000 feet and shall also indicate the names of all lessees of record in the depicted area.

2. A complete electrical log of the subject well with the tops and bottoms of producing formations in the subject well and in nearby wells identified thereon.

3. If application is based on horizontal separation, a sub-surface structural map of the producing formation(s) for which the discovery allowable is sought, showing seismic or geological interpretation of the subject structure and any troughs, faults, pinch-outs, etc., which separate the subject well from nearby wells producing from the same formation(s).

4. A geological cross-section prepared from electrical logs of the subject well and nearby wells establishing horizontal as well as vertical separation from other wells depicted on the plat which are producing or have produced from the discovery formation(s).

5. A summary of all available reservoir data including bottom hole pressure data, fluid levels, core analyses, reservoir liquid characteristics and any other pertinent data on the subject reservoir as well as other nearby reservoirs which may help establish whether the subject well is in fact a discovery.

Amended

If, in the opinion of the Commission staff, good cause exists to bring the pool on for hearing as a discovery, and no objection has been received from any other operator, the pool will be placed on the first available hearing docket for inclusion by the staff in its regular pool nomenclature case. If the staff is not in agreement with the applicant's contention that a new pool has been discovered, or if, within ten days after receiving a copy of the application another operator files with the Commission an objection to the creation of a new pool and the assignment of a discovery allowable, the applicant will be so notified, and he will be expected to present the evidence supporting his case. Or, if the applicant so desires, the application may be set for separate hearing on other than the nomenclature docket for presentation of evidence by the applicant.

Effective date of a well's discovery allowable will be 7:00 a.m. on the first day of the month next succeeding the month in which the Commission approves the discovery.

The total discovery allowable attributable to each zone in the well shall be produced over a two-year period commencing with the time of authorization. The well's daily allowable for each pool receiving the discovery allowable shall not exceed the daily top unit allowable for the pool plus the total pool discovery allowable divided by 730 days (731 days if a leap year is included).

A discovery well shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio for the pool multiplied by the top unit allowable for the pool plus the daily oil discovery allowable. In addition to all other statewide rules not specifically excepted herein, the provisions of Commission Rule 502 relating to daily tolerance, monthly tolerance, and underproduction and overproduction, shall apply to oil discovery allowables as well as to regular allowables for discovery wells.

Nothing herein contained shall be construed as prohibiting the Commission from curtailing the discovery allowables of wells during times of depressed market demand, provided however, such discovery allowables shall be reinstated for production at the earliest possible date. Further, when it appears reservoir damage or waste might result from production of the oil discovery allowable within the normal two-year period, the Commission may, after notice and hearing, extend said period.