

CASE 6448: SAM H. SNODDY FOR AMENDMENT
OF ORDER NO. R-5521, LEA COUNTY, NEW
MEXICO

CASE NO.

6448

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
14 February 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Sam H. Snoddy for) CASE
amendment of Order No. R-5521,) 6448
Lea County, New Mexico.)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Lynn Teschendorf, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87503

For the Applicant:

James T. Jennings, Esq.
JENNINGS AND CHRISTY
Roswell, New Mexico

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I N D E X

JIM WITTEN

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E X H I B I T S

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1 MR. NUTTER: Call next Case 6448.

2 MS. TESCHENDORF: Case 6448. Application of
3 Sam H. Snoddy for amendment of Order No. R-5521, Lea County,
4 New Mexico.

5 MR. JENNINGS: I'm James T. Jennings of
6 Jennings and Christy, appearing on behalf of the applicant,
7 Sam Snoddy, and I'll have one witness, Mr. Jim Witten.

8 (Witness sworn.)

9
10 JIM WITTEN

11 being called as a witness and having been duly sworn upon
12 his oath, testified as follows, to-wit:

13
14 DIRECT EXAMINATION

15 BY MR. JENNINGS:

16 Q I might state that as the Examiner will see,
17 this matter was heretofore before the Commission and an
18 order was entered in -- a couple years ago on September 6,
19 1977, permitting the drilling of two holes in unorthodox
20 locations. That was Order 5521, and I assume we will pro-
21 ceed as if the testimony that was before the Commission at
22 that time will still be considered.

23 MR. NUTTER: Yes, sir, it sure will be. If
24 you wish, we can consolidate the record in that case and
25 the record in this case.

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1 MR. JENNINGS: I think it would be well.

2 MR. NUTTER: All right, the record and the
3 order -- the record in the case number from which derived
4 Order R-5521 will be consolidated in the record of this
5 case.

6 Q (Mr. Jennings continuing.) Would you state
7 your name and occupation, please, sir?

8 A James Witten. I'm a petroleum geologist.

9 Q Where do you reside, Mr. Witten?

10 A I reside in Midland, Texas.

11 Q Are you familiar with the application filed
12 herein?

13 A I am.

14 Q Did you not appear and testify before the
15 Commission in the case in which Order 5521 was entered?
16 That was Case 5982?

17 A I did.

18 Q And were your qualifications as a witness
19 accepted on that occasion, among other occasions?

20 A Yes.

21 Q Mr. Witten, I'll refer you to what has been
22 marked as Snoddy Exhibit Number One and ask you to explain
23 that to the Commission and tell us and show what it depicts.

24 A This is a plat showing the Salt Lake South
25 Penn Morrow Field and on it I've drawn in the proration

1 units presently in the field. The proration units are, as
2 you'll note, --

3 Q Are they outlined in red?

4 A Yes, outlined in red, and are 320 acres with
5 one exception, the Texaco No. 1 Audi Richards in Section --
6 in the southeast quarter of Section 25, which was the dis-
7 covery well for the field.

8 Also on the plat is the outline of the pro-
9 posed communitization of lease, a Federal lease comprised
10 in the southwest quarter of Section 25 and a New Mexico
11 State lease, which is in the 160 acres in the northeast
12 quarter -- northwest quarter, beg pardon, of Section 36.

13 Q You were given permission to drill, directionally
14 drill two wells in the original order, were you not?

15 A That is correct.

16 Q Was the No. 1 Well drilled?

17 A The No. 1 was drilled by Cleary Petroleum.

18 Their name has been changed to Grace Petroleum. They
19 drilled the first well successfully and have completed it
20 and have yet to drill the No. 2 Well, and this is the reason
21 for our hearing. They stated that it would be economically
22 impossible to drill on 160-acre spacing, which is what we
23 have approval for at the present.

24 Q This, the surface of the leases in question,
25 is actually in the potash area, is it not?

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1 A. YES. All of these -- both of these wells
2 were proposed to -- in the potash area were proposed to be
3 drilled directionally from a surface location adjacent to
4 the Texaco Well located in the southeast quarter of Section
5 25.

6 Q Now, what do you now propose to do in con-
7 nection with this acreage?

8 A. We would like to go ahead and drill as pro-
9 posed the Well No. 2, except that because of the economics
10 we cannot drill on 160-acre spacing. We feel like that we
11 would like to get a Commission approval for a 320-acre
12 spacing for several reasons, one being this is the standard
13 proration unit for the field.

14 The second is that there is -- we have ad-
15 jacent leases and with this depth it has been testified in
16 many cases before that a well to the Pennsylvanian-Morrow
17 will drain 320 acres.

18 Q Well, and you now propose to -- you are the
19 operator under both leases, the southwest of 25, which is a
20 Federal lease, and the northwest of 26, which is a State
21 lease?

22 A. That's correct.

23 Q Was any effort made to your knowledge to --
24 strike that question.

25 Have you had any cost estimates as to the

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1 cost of the proposed well to be drilled, the No. 2 Well?

2 A Yes, I have Exhibit Two, which is the AFE
3 prepared by Grace Petroleum for the cost estimate, and this
4 is based on the No. 1 Well. They had a cost overrun of some
5 \$1.1-million. The well wound up costing \$2.3-million;
6 almost \$2.4-million. It was anticipated it would only cost
7 \$1.2-million, and the higher cost is due to the fact that
8 we had to drill this directional hole to protect the potash
9 mining, and as a matter of fact, a well straight down would
10 probably be more in the neighborhood of \$1-million, rather
11 than the \$2.3 proposed.

12 Q In your opinion would it be economic to
13 drill a well to which was only dedicated 160 acres?

14 A It would not be economical to drill this 160-
15 acre space.

16 Q Do you know of your own knowledge if there
17 was any effort ever made to communitize the south half of
18 Section 25 and dedicate the acreage therein to the well
19 located, I believe it's in the southeast quarter southeast
20 quarter section of Section 25?

21 A Yes. Felmont has related to me and Mr.
22 Snoddy that there was an attempt, very much of an attempt
23 to communitize the entire south half of Section 25 in 1973
24 and this -- these overtures by Felmont to communitize were
25 spurned by Texaco and they refused to -- or they objected to

1 this communitization, so the matter was dropped.

2 So there has been an attempt to communitize
3 the south half of Section 25.

4 Q Have you made any effort to communitize the
5 proposed acreage that you propose to dedicate to the well?

6 A No, we haven't.

7 Q Well, have you been in --

8 A Well, the only thing we've done is we've
9 talked to Mr. Jim Gillam with the USGS in Roswell. We've
10 talked to Mr. Graham with the State here in Santa Fe, and
11 sought their advisement on the likelihood that they --
12 whether they'd have any objection to this communitization,
13 and they replied, both replied, that they would abide by
14 the NMOCC hearing results, and at that time they didn't
15 indicate any objection at all.

16 Q This well will enable the State to participate
17 in the production from the proposed well, we hope?

18 A That is correct. We feel like if we drilled
19 one -- well, it's uneconomical to drill one well per 160
20 acres. We feel like drilling one well, if we can communi-
21 tize these two tracts we will protect correlative rights
22 of both the State and Federal acreage.

23 Q Mr. Witten, do you feel that the drilling
24 this well and dedicating 320 acres to it will protect the
25 correlative rights of the operators in the area?

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1 A. I do.

2 Q. Do you think that this will result in a great

3 saving and prevent waste?

4 A. It will.

5 Q. Do you have anything further that you think

6 should be brought to the attention of the Commission at this

7 time?

8 A. One other point, there has been some pipeline

9 prorationing in the area. Cleary Petroleum has experienced

10 this with their other wells, and this is another factor if

11 we go with less than a full proration unit we feel like

12 we'll be penalized in that we have to -- any more pipeline

13 prorationing, which will reduce our cash flow and make it

14 further uneconomical.

15 Q. Referring just once more to the Exhibit One,

16 there's only one 160-acre proration unit, gas unit, in

17 that pool as it now exists, is that correct?

18 A. That's correct.

19 Q. You did prepare the plat and the AFE, the

20 exhibits, didn't you?

21 A. I didn't prepare the AFE but I received this

22 AFE from Grace Petroleum Corporation.

23 MR. JENNINGS: We would offer Exhibits One

24 and Two.

25 MR. NUTTER: Exhibits One and Two will be

1 admitted in evidence.

2

3

CROSS EXAMINATION

4

BY MR. NUTTER:

5

Q Mr. Witten, now you state that the No. 1

6

Well was operated at the present time by Cleary?

7

A Yes. The name has been changed from Cleary

8

to Grace Petroleum Corporation. Yes, sir, it is.

9

Q Now, you said that Cleary had experienced

10

pipeline proration. Is that on this No. 1 Well?

11

A No.

12

Q On another well, then?

13

A Well, they have a number of other wells down

14

there. They have approximately one, two, three, four, five,

15

six, about eight wells in the area.

16

Q Where? Are they shown on --

17

A They're shown -- I'm sorry they're not well

18

identified. They're down in 21 South, 32 East -- I guess

19

that would be 32 East, down in Section --

20

Q They're down here in Sections 4 and 5.

21

A Yes, you see where Cleary is shown?

22

Q Right.

23

A Down there in Sections 4 and 5. They have

24

six wells. In Section 32 and 33 they have two shut-in wells

25

or temporarily abandoned wells.

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- 1 Q Is there more than one purchaser in this
- 2 pool?
- 3 A Yes, sir.
- 4 Q Who is Cleary connected to?
- 5 A They're connected to Gas Company of New
- 6 Mexico.
- 7 Q And who are the other purchasers in the
- 8 field?
- 9 A I think El Paso takes the gas off of Belco's
- 10 two wells, but Northern Natural -- Natural Gas Pipeline
- 11 Company of America actually purchases the gas.
- 12 Q How about the Texaco well?
- 13 A I think they're hooked up to El Paso.
- 14 Q Is the No. 1 Well up here in Section 25 on
- 15 the line now?
- 16 A Yes, sir.
- 17 Q Who purchases it?
- 18 A Gas Company of New Mexico.
- 19 MR. JENNINGS: You're talking about Grace's
- 20 well?
- 21 Q Yeah, the directionally drilled well.
- 22 A Yes, sir.
- 23 Q And this cost estimate is based -- for the
- 24 No. 2 Well is based on actual cost for No. 1.
- 25 A That's right. I have another drilling re-

1 port if you want to put it in an exhibit. Their cost on
2 the No. 1 Well was \$2.37.

3 Q Now, if this nonstandard unit is approved,
4 this leaves the southwest quarter of Section 36 out in the
5 cold, so to speak. Who operates that?

6 A Texaco.

7 Q So Texaco, however, has declined to communi-
8 tize the south half of the Section 25.

9 A That's right.

10 Q So by virtue of asking from this exception,
11 or causing you to ask for this exception, they have created
12 this dilemma in the southwest quarter of Section 36 them-
13 selves, possibly.

14 A Well, yes, sir, that would appear to be so.
15 There was a very diligent attempt to communitize that and
16 of course the well had already been drilled years ago; it
17 was drilled in '58, and I think -- and I've read some of
18 the correspondence from Felmont's files, and they got to-
19 gether with the USGS and the, I think, the NMOCC, where
20 everybody was in on it, and according to the correspondence
21 the regulatory bodies stated that if a workover was per-
22 formed on that well, and by that, there are a number of
23 sands that are not perforated, they would -- that the regu-
24 latory bodies would have no objection at all to communiti-
25 zation, and it looked like it would go through if Texaco

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1 would wish it so, and they didn't,

2 Q Now, the southeast quarter of Section 25 and
3 the east half of Section 36 are in the Little Eddy Unit,
4 though, aren't they?

5 A The southeast quarter of 25 and the east
6 half of 36 are in the Little Eddy Unit.

7 Q So this may complicate the communitization
8 with other lands outside the unit.

9 A That's true, to get all the royalty owners
10 as well as the working interests, sure would.

11 Q In the unit.

12 MR. NUTTER: Okay, are there further ques-
13 tions of Mr. Witten? He may be excused.

14 Do you have anything further, Mr. Jennings?

15 MR. JENNINGS: No, nothing further, Mr.
16 Nutter.

17 MR. NUTTER: Does anyone have anything they
18 wish to offer in Case Number 6448?

19 We'll take the case under advisement.

20 (Hearing concluded.)
21
22
23
24
25

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REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a Court Reporter, DO HEREBY
 CERTIFY that the foregoing and attached Transcript of
 Hearing before the Oil Conservation Division, was reported
 by me; that the said transcript is a full, true, and correct
 record of the hearing, prepared by me to the best of my
 ability, knowledge, and skill, from my notes taken at the
 time of the hearing.

Sally W. Boyd CSR
 Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the examiner hearing of Case No. 6448
 heard to me on 2/19 1979

[Signature], Examiner
 Oil Conservation Division

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
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EXAMINER HEARING

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Application of Sam H. Snoddy for
amendment of Order No. R-5521,
Lea County, New Mexico.

CASE
6448

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

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For the Applicant:

James T. Jennings, Esq.
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I N D E X

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E X H I B I T S

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Sandra Po, New Mexico 87501

MR. NUTTER: Call next Case 6448.

MS. TESCHENDORF: Case 6448. Application of Sam H. Snoddy for amendment of Order No. R-5321, Lea County, New Mexico.

MR. JENNINGS: I'm James T. Jennings of Jennings and Christy, appearing on behalf of the applicant, Sam Snoddy, and I'll have one witness, Mr. Jim Witten.

(Witness sworn.)

JIM WITTEN

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. JENNINGS:

Q I might state that as the Examiner will see, this matter was heretofore before the Commission and an order was entered in -- a couple years ago on September 6, 1977, permitting the drilling of two holes in unorthodox locations. That was Order 5521, and I assume we will proceed as if the testimony that was before the Commission at that time will still be considered.

MR. NUTTER: Yes, sir, it sure will be. If you wish, we can consolidate the record in that case and the record in this case.

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MR. JENNINGS: I think it would be well.

MR. NUTTER: All right, the record and the order -- the record in the case number from which derived Order R-5521 will be consolidated in the record of this case.

Q (Mr. Jennings continuing.) Would you state your name and occupation, please, sir?

A James Witten. I'm a petroleum geologist.

Q Where do you reside, Mr. Witten?

A I reside in Midland, Texas.

Q Are you familiar with the application filed herein?

A I am.

Q Did you not appear and testify before the Commission in the case in which Order 5521 was entered? That was Case 5982?

A I did.

Q And were your qualifications as a witness accepted on that occasion, among other occasions?

A Yes.

Q Mr. Witten, I'll refer you to what has been marked as Snoddy Exhibit Number One and ask you to explain that to the Commission and tell us and show what it depicts.

A This is a plat showing the Salt Lake South Penn Morrow Field and on it I've drawn in the proration

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1 units presently in the field. The proration units are, as
2 you'll note, --

3 Q Are they outlined in red?

4 A Yes, outlined in red, and are 320 acres with
5 one exception, the Texaco No. 1 Audi Richards in Section --
6 in the southeast quarter of Section 25, which was the dis-
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10 in the southwest quarter of Section 25 and a New Mexico
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1 A YES. All of these -- both of these wells
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- 1 A I do.
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- 15 Q Referring just once more to the Exhibit One,
- 16 there's only one 160-acre proration unit, gas unit, in
- 17 that pool as it now exists, is that correct?
- 18 A That's correct.
- 19 Q You did prepare the plat and the AFE, the
- 20 exhibits, didn't you?
- 21 A I didn't prepare the AFE but I received this
- 22 AFE from Grace Petroleum Corporation.
- 23 MR. JENNINGS: We would offer Exhibits One
- 24 and Two.
- 25 MR. NUTTER: Exhibits One and Two will be

admitted in evidence.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Witten, now you state that the No. 1 Well was operated at the present time by Cleary?

A Yes. The name has been changed from Cleary to Grace Petroleum Corporation. Yes, sir, it is.

Q Now, you said that Cleary had experienced pipeline proration. Is that on this No. 1 Well?

A No.

Q On another well, then?

A Well, they have a number of other wells down there. They have approximately one, two, three, four, five, six, about eight wells in the area.

Q Where? Are they shown on --

A They're shown -- I'm sorry they're not well identified. They're down in 21 South, 32 East -- I guess that would be 32 East, down in Section --

Q They're down here in Sections 4 and 5.

A Yes, you see where Cleary is shown?

Q Right.

A Down there in Sections 4 and 5. They have six wells. In Section 32 and 33 they have two shut-in wells, or temporarily abandoned wells.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (SOS) 471-3462
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Main Street (S.B.) 471-2463
Santa Fe, New Mexico 87501

1 Q Is there more than one purchaser in this
2 pool?

3 A Yes, sir.

4 Q Who is Cleary connected to?

5 A They're connected to Gas Company of New
6 Mexico.

7 Q And who are the other purchasers in the
8 field?

9 A I think El Paso takes the gas off of Belco's
10 two wells, but Northern Natural -- Natural Gas Pipeline
11 Company of America actually purchases the gas.

12 Q How about the Texaco well?

13 A I think they're hooked up to El Paso.

14 Q Is the No. 1 Well up here in Section 25 on
15 the line now?

16 A Yes, sir.

17 Q Who purchases it?

18 A Gas Company of New Mexico.

19 MR. JENNINGS: You're talking about Grace's
20 well?

21 Q Yeah, the directionally drilled well.

22 A Yes, sir.

23 Q And this cost estimate is based -- for the
24 No. 2 Well is based on actual cost for No. 1.

25 A That's right. I have another drilling re-

1 port if you want to put it in an exhibit. Their cost on
2 the No. 1 Well was \$2.37.

3 Q Now, if this nonstandard unit is approved,
4 this leaves the southwest quarter of Section 36 out in the
5 cold, so to speak. Who operates that?

6 A Texaco.

7 Q So Texaco, however, has declined to communi-
8 tize the south half of the Section 25.

9 A That's right.

10 Q So by virtue of asking from this exception,
11 or causing you to ask for this exception, they have created
12 this dilemma in the southwest quarter of Section 36 them-
13 selves, possibly.

14 A Well, yes, sir, that would appear to be so.
15 There was a very diligent attempt to communitize that and
16 of course the well had already been drilled years ago; it
17 was drilled in '58, and I think -- and I've read some of
18 the correspondence from Felmont's files, and they got to-
19 gether with the USGS and the, I think, the NMOCC, where
20 everybody was in on it, and according to the correspondence
21 the regulatory bodies stated that if a workover was per-
22 formed on that well, and by that, there are a number of
23 sands that are not perforated, they would -- that the regu-
24 latory bodies would have no objection at all to communiti-
25 zation, and it looked like it would go through if Texaco

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Elanosa (905) 411-4163
Santa Fe, New Mexico 87507

1 would wish it so, and they didn't.

2 Q Now, the southeast quarter of Section 25 and
3 the east half of Section 36 are in the Little Eddy Unit,
4 though, aren't they?

5 A The southeast quarter of 25 and the east
6 half of 36 are in the Little Eddy Unit.

7 Q So this may complicate the communitization
8 with other lands outside the unit.

9 A That's true, to get all the royalty owners
10 as well as the working interests, sure would.

11 Q In the unit.

12 MR. NUTTER: Okay, are there further ques-
13 tions of Mr. Witten? He may be excused.

14 Do you have anything further, Mr. Jennings?

15 MR. JENNINGS: No, nothing further, Mr.

16 Nutter.

17 MR. NUTTER: Does anyone have anything they
18 wish to offer in Case Number 6448?

19 We'll take the case under advisement.

20 (Hearing concluded.)
21
22
23
24
25

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
2026 Plaza Elmore (505) 471-4462
Boulder Co., New Mexico 87101

REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division, was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill, from my notes taken at the time of the hearing.

Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner's hearing heard by me on 2/14/77. 6448 1977
 [Signature], Examiner
 Oil Conservation Division

SALLY WALTON BOYD
 CERTIFIED SHORTHAND REPORTER
 2325 Plaza Blanca (SOS) 471-4462
 Santa Fe, New Mexico 87501

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6448
Order No. R-5521-A

APPLICATION OF SAM H. SNODDY
FOR AMENDMENT OF ORDER NO. R-5521,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

By THE DIVISION:

This cause came on for hearing at 9 a.m. on February 14, 1979, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 28th day of February, 1979, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Sam H. Snoddy, seeks the amendment of Order No. R-5521 to change the 160-acre non-standard proration unit to a 320-acre non-standard proration unit comprising the SW/4 of Section 25 and the NW/4 of Section 36, both in Township 20 South, Range 32 East, NMPM, South Salt Lake Field, Lea County, New Mexico.

(3) That the entire non-standard proration unit may reasonably be presumed productive of gas from the South Salt Lake-Morrow Gas Pool.

(4) That approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of the gas in the South Salt Lake-Morrow Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

-2-

Case No. 6448
Order No. R-5521-A

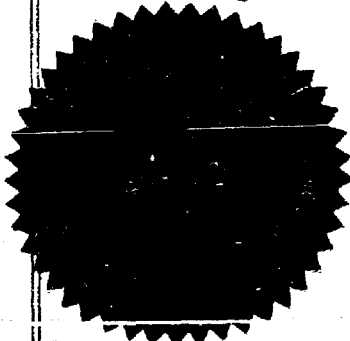
IT IS THEREFORE ORDERED:

(1) That the third paragraph of Order No. 1 of Division Order No. R-5521 is hereby amended to read in its entirety as follows:

"Federal Well No. 2, from a surface location 660 feet from the South line and 760 feet from the East line of said Section 25 to a bottom hole location within 200 feet of a point 1320 feet from the South and West lines with the SW/4 of said Section 25 and the NW/4 of Section 36, Township 20 South, Range 32 East, a 320-acre non-standard gas proration unit hereby approved, being dedicated thereto."

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

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



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY
Director

fd/

Dockets Nos. 7-79 and 8-79 are tentatively set for hearing on February 28 and March 14, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 14, 1979

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

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

ALLOWABLE: (1) Consideration of the allowable production of gas for March, 1979, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for March, 1979, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

(3) Consideration of purchaser's nominations for the one year period beginning April 1, 1979, for both of the above areas.

CASE 6445: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Consolidated Minerals Development Corporation, American Surety Company, and all other interested parties to appear and show cause why the Sarah "S" Well No. 1 located in Unit J of Section 26, Township 31 North, Range 23 East, Colfax County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6446: Application of Flag-Redfern Oil 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 San Andres formation through the perforated interval from 4,969 feet to 4,984 feet in its Santa Fe Well No. 2 located in Unit D of Section 35, Township 10 South, Range 36 East, Dickinson-San Andres Pool, Lea County, New Mexico.

CASE 6447: Application of Atlantic Richfield Company for approval of infill drilling and an unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a finding that the drilling of its J. R. Phillips "B" Well No. 6 to be located at an unorthodox location 990 feet from the North line and 1650 feet from the West line of Section 31, Township 19 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, is necessary to effectively and efficiently drain that portion of the previously approved 160-acre non-standard proration unit which cannot be so drained by the existing unit well.

CASE 6448: Application of Sam H. Snoddy for amendment of Order No. R-5521, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5521 to change the 160-acre non-standard proration unit to a 320-acre non-standard proration unit comprising the SW/4 of Section 25 and the NW/4 of Section 36, both in Township 20 South, Range 32 East, South Salt Lake Field, Lea County, New Mexico.

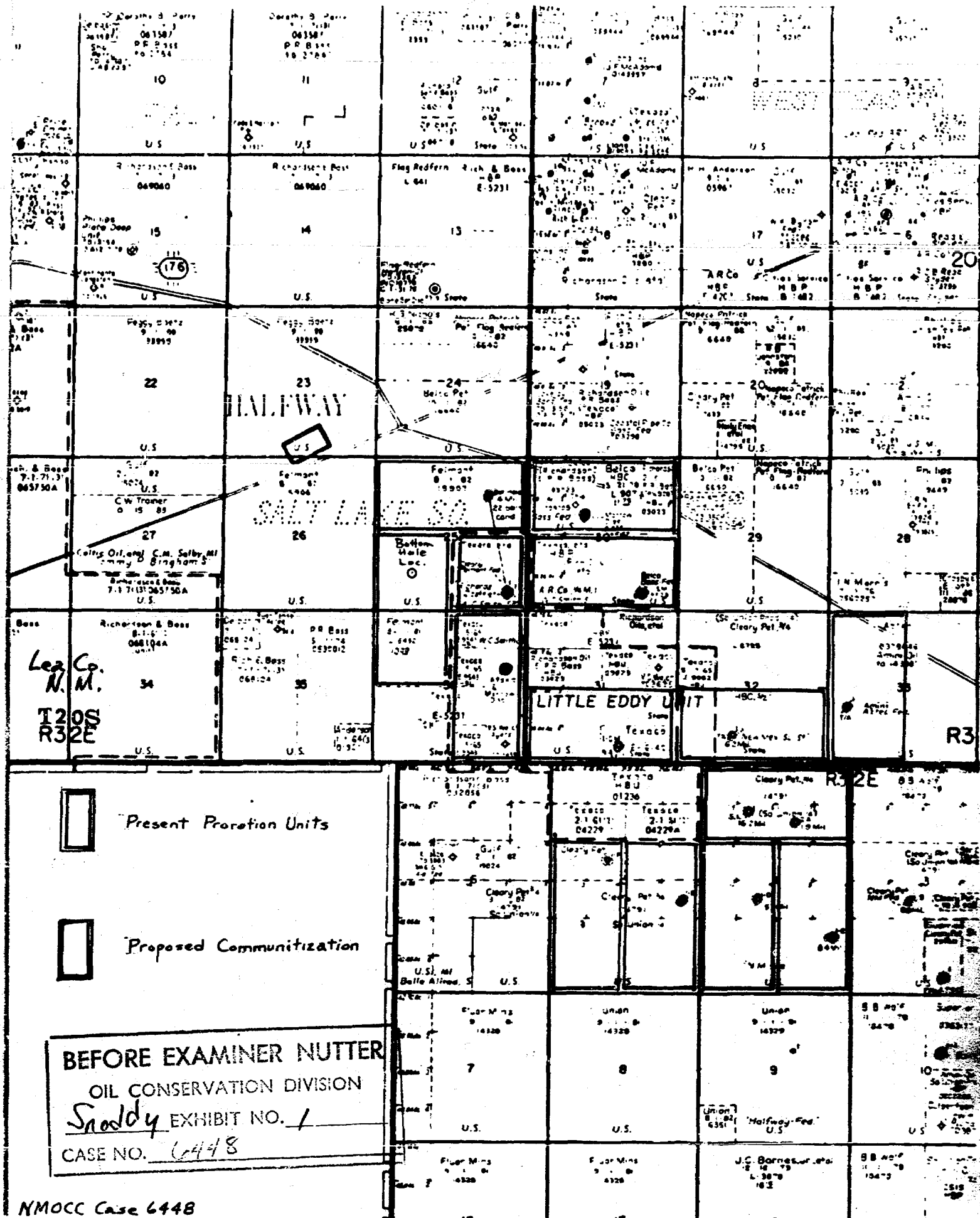
CASE 6449: Application of The Superior Oil Company for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Strawn and Morrow production in the wellbore of its Ryan Com. Well No. 1 located in Unit D of Section 5, Township 23 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico.

CASE 6450: Application of Sun Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for its East Millman Pool Unit Area comprising 920 acres, more or less, of Federal and state lands in Township 19 South, Range 28 East, Eddy County, New Mexico.

CASE 6451: Application of Burleson & Huff for approval of infill drilling and an unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a finding that the drilling of its Coll A Well No. 2 to be located at an unorthodox location 1980 feet from the North line and 330 feet from the East line of Section 29, Township 25 South, Range 37 East, Jalmat Gas Pool, Lea County, New Mexico, is necessary to effectively and efficiently drain that portion of the previously approved 160-acre non-standard proration unit which cannot be so drained by the existing unit well.

CASE 6452: Application of Burleson & Huff for approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a finding that the recompletion of its Harrison Well No. 2 located in Unit N or, in the alternative, the drilling of its Harrison Well No. 4 to be located in Unit L, both in Section 25, Township 24 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, is necessary to effectively and efficiently drain that portion of the previously approved 160-acre non-standard proration unit which cannot be so drained by the existing unit well.

CASE 6453: Application of Moranco for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blinbry and Drinkard production in the wellbore of its EM Elliott Well No. 1 located in Unit E of Section 35, Township 21 South, Range 37 East, Lea County, New Mexico.



GRACE PETROLEUM CORPORATION
SUBSIDIARY OF W. R. GRACE & CO.

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED

Detail Estimate of Costs
AUTHORIZATION FOR EXPENDITURE

Location Mid-Continent

APE No. _____

Date 12/08/78

Project No. _____

Case No. _____

Page No. 2

CASE NO. 6448

Well Name Felmont Federal #2

PROSPECT South Salt Lake

DESCRIPTION Sec 25-20S-32E

EXPLORATORY _____

DEVELOPMENT X

WORKOVER _____

UNIT & STATE Lea Co., NM

Depth _____

Formation _____

Type _____

Sec 25 applies only if we have your
action in writing to be covered under
policy.

13200

Morrow

Oil

Gas

X

13500 TVD

14000 MD

Item and Description

Code

Dry Hole

Code

Completion

Total

INTANGIBLE DRILLING COSTS:

Drilling Cost Footage 10 @ 1000
Dry Hole 35 @ 1800, 45 @ 5000, 55 @ 5200,
Drilling and Turnkey MJ, RU, MO
Labor - Company and Contract
Transportation
Bridges, Roads, Locations, etc.
Fuel, Water and Power
Rigs, Coreheads and Rentals
Drilling Fluids
Surveys (logging) Perforating
Rodlogger
Cement and Cementing Services and Frac
Testing (Drillstem & Wireline)
Core Analysis
Geological and Engineering
Plugging & Abandoning
Insurance and Overhead Expense
Insurance
Miscellaneous and Unforeseen @ 15%
TOTAL INTANGIBLE DRILLING COSTS

01
02
04
13
25
08
05
07
06
11
30
15
10
12
09
27
20
25
23

-
679,000
43,000
12,000
25,000
15,000
55,000
230,000
115,000
50,000
-
58,000
18,000
-
54,000
15,000
12,000
15,000
209,000
1,605,000

01
02
04
13
25
08
05
07
06
11
30
15
10
12
09
27
20
25
23

-
10,000
-
7,000
20,000
5,000
-
10,000
5,000
12,000
-
35,000
-
-
6,000
(15,000)
-
-
15,000
15,000
110,000
1,715,000

TANGIBLE DRILLING COSTS:

Casing Size 20" 1200' @ 45.83/ft
Casing Size 13 3/8" 2800' @ 20.71/ft
Casing Size 9 5/8" 5200' @ 15.38/ft
Casing Size 5 1/2" 14000' @ 11.79/ft
Casing Size
Pulley 2 3/8" 13800' @ 4.35/ft
Subsurface Equipment
Well Head Equipment
Miscellaneous @ 10%
TOTAL TANGIBLE DRILLING COSTS

51
51
51
51
51
52
53
50
72

55,000
58,000
80,000
-
-
-
25,000
20,000
23,800
261,800

51
51
51
51
51
52
53
50
72

-
-
-
165,000
-
60,000
16,000
25,000
26,600
292,600
554,400

TANGIBLE INSTALLATION AND
LEASE EQUIPMENT COSTS

Tanks, Separators, etc.
Heater Treater, Flow Line Heater, LHX, etc.
Lease Lines
Other Major Expense
Miscellaneous Connections
Installation
TOTAL TANGIBLE INSTALLATION, ETC.

56
58
50
54
71
71

20,000
3,000
2,000
3,000
3,000
4,000
35,000
20,000
3,000
2,000
3,000
3,000
4,000
35,000

TOTAL APE COST (100%)

1,866,800

437,600 (2,304,400)

COMPANY: _____

GRACE PETROLEUM CORPORATION

APPROVED: _____

APPROVED: _____

TITLE: _____

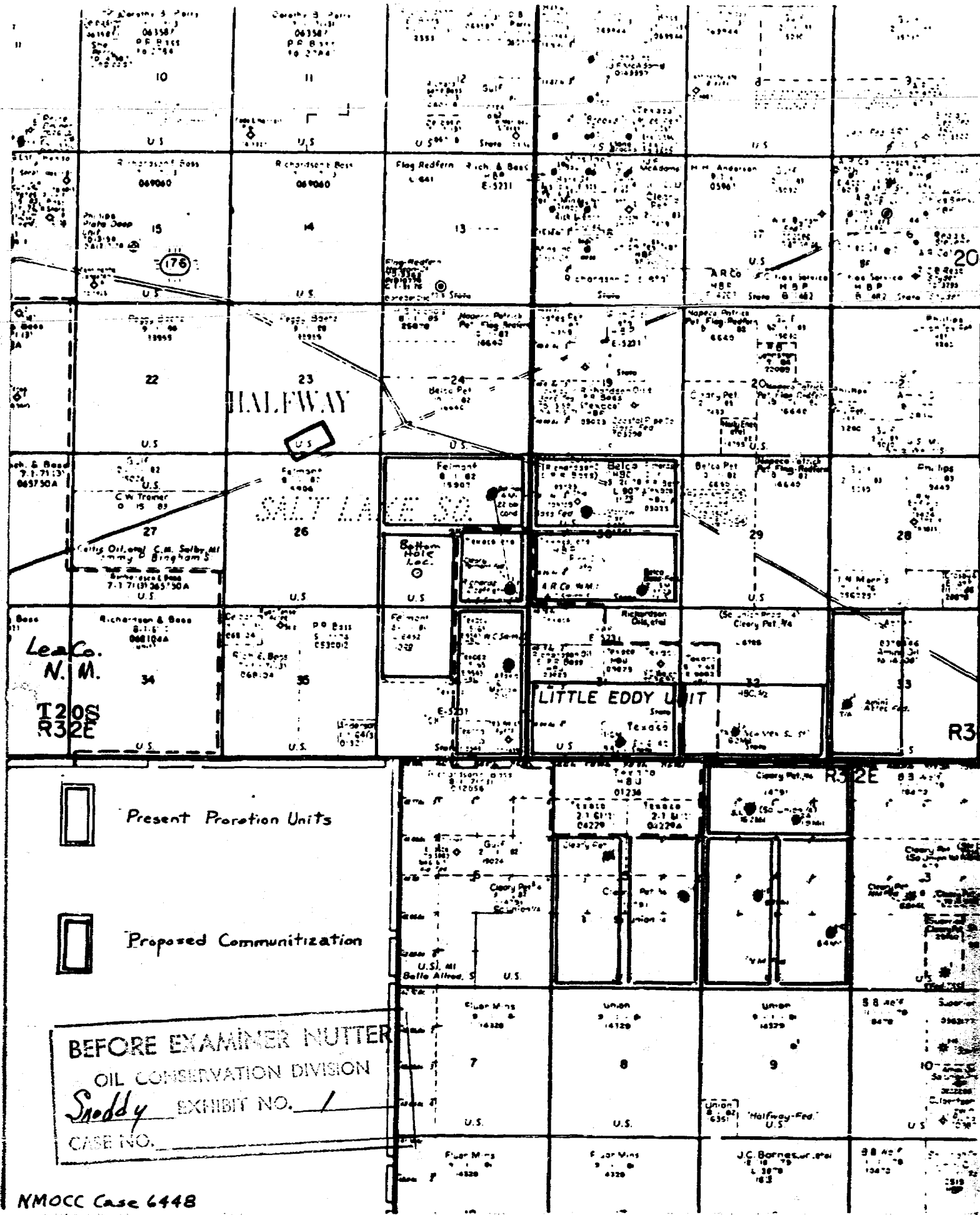
DATE: _____

TITLE: Drilling Manager

DATE: 12/08/78

TBI

10,000.00 - 0 to 10,000.00 - 10,000.00 - 10,000.00 - 10,000.00



GRACE PETROLEUM CORPORATION
SUBSIDIARY OF W. R. GRACE & CO.

MINERAL RIGHTS
REVENUE

Detail Estimate of Costs
AUTHORIZATION FOR EXPENDITURE

Location Mid-Continent

APE No. _____

Date

12/08/78

BEFORE EX/...
OIL ...
Shoddy EXHIBIT NO. 2
CASE NO. 6448

WELL NAME Felmont Federal #2

PROSPECT South Salt Lake

DESCRIPTION Sec 25-20S-32E

EXPLORATORY _____ DEVELOPMENT X WORKOVER _____

COUNTY & STATE Lea Co., NM

Depth _____ Formation _____ Type _____

Sec 25 applies only if we have your
action in writing to be covered under
policy.

oil Gas
oil Gas
13200 Morrow oil Gas X
13500 TVD 14000 MD

Item and Description Code Dry Hole Code Completion Total

INTANGIBLE DRILLING COSTS:

Drilling Cost - Footage: 10 @ 1000
Drill Work 35 @ 4800, 45 @ 5000, 55 @ 5200;
Drilling and Turnkey MJ, RI, NO
Labor - Company and Contract
Transportation
Licenses, Roads, Locations, etc.
Fuel, Water and Power
Rigs, Coreheads and Rentals
Drilling Fluids
Surveys (logging) Perforating
Mudlogger
Cement and Cementing Services and Frac
Testing (Drillstem & Wireline)
Core Analysis
Geological and Engineering
Plugging & Abandoning
District and Overhead Expense
Insurance
Miscellaneous and Unforeseen @ 15%
TOTAL INTANGIBLE DRILLING COSTS

01	-	01	-
02	679,000	02	10,000 689,000
04	43,000	04	- 43,000
13	12,000	13	7,000 19,000
25	25,000	25	20,000 45,000
08	15,000	08	5,000 20,000
05	55,000	05	- 55,000
07	230,000	07	10,000 240,000
06	115,000	06	5,000 120,000
11	50,000	11	12,000 62,000
30	-	30	-
15	58,000	15	35,000 93,000
10	18,000	10	- 18,000
12	-	12	-
09	54,000	09	6,000 60,000
27	15,000	27	(15,000) -
20	12,000	20	- 12,000
25	15,000	25	- 15,000
23	209,000	23	15,000 224,000
	1,605,000		110,000 1,715,000

TANGIBLE DRILLING COSTS:

Casing Size 20" 1200' @ 45.83/ft
Casing Size 13 3/8" 2800' @ 20.71/ft
Casing Size 9 5/8" 5200' @ 15.38/ft
Casing Size 5 1/2" 14000' @ 11.79/ft
Casing Size
Piping 2 3/8" 13800' @ 4.35/ft
Subsurface Equipment
Well Head Equipment
Miscellaneous @ 10%
TOTAL TANGIBLE DRILLING COSTS

51	55,000	51	- 55,000
51	58,000	51	- 58,000
51	80,000	51	- 80,000
51	-	51	165,000 165,000
51	-	51	-
52	-	52	60,000 60,000
53	25,000	53	16,000 41,000
50	20,000	50	25,000 45,000
72	23,800	72	26,600 50,400
	261,800		292,600 554,400

TANGIBLE INSTALLATION AND
LEASE EQUIPMENT COSTS

Tanks, Separators, etc.
Heater Treater, Flow Line Heater, LTX, etc.
Lease Lines
Other Major Expense
Miscellaneous Connections
Installation
TOTAL TANGIBLE INSTALLATION, ETC.

56	20,000	56	20,000
58	3,000	58	3,000
60	2,000	60	2,000
54	3,000	54	3,000
71	3,000	71	3,000
74	4,000	74	4,000
	35,000		35,000

TOTAL APE COST (100%)

1,866,800

437,600 2,304,400

COMPANY: _____

GRACE PETROLEUM CORPORATION

APPROVED: _____

APPROVED: *[Signature]*

TITLE: _____ DATE: _____

TITLE: Drilling Manager DATE: 12/08/78 TBI

GRACE PETROLEUM CORPORATION
SUBSIDIARY OF W. R. GRACE & CO.

APPROVED BY: _____
REVIEWED BY: _____

Detail Estimate of Costs
AUTHORIZATION FOR EXPENDITURE

Location Mid-Continent

A/E No. _____

Date 12/08/78

PROJECT: _____
SNOOPY _____
CASE NO. 6448

WELL NAME	Felmont Federal #2	PROSPECT	South Salt Lake
DESCRIPTION	Sec 25-20S-32E	EXPLORATORY	DEVELOPMENT <input checked="" type="checkbox"/> WORKOVER
COUNTY & STATE	Lea Co., NM	Depth	Formation
DATE 25	applies only if we have your		oil
action in writing to be covered under			oil
policy.		13200	Morrow
		13500 TVD	14000 MD

Item and Description	Code	Dry Hole	Code	Completion	Total
----------------------	------	----------	------	------------	-------

INTANGIBLE DRILLING COSTS:

Drilling Cost - Footage	10 @ 1000	01	-	01	-
Drilling Work	35 @ 4800, 45 @ 5000, 55 @ 5200	02	679,000	02	10,000
Drilling and Turnkey MJ, RI, MO		04	43,000	04	-
Drill - Company and Contract		13	12,000	13	7,000
Transportation		25	25,000	25	20,000
Ridges, Roads, Locations, etc.		08	15,000	08	5,000
Well Water and Power		05	55,000	05	-
Bits, Coreheads and Rentals		07	230,000	07	10,000
Drilling Fluids		06	115,000	06	5,000
Surveys (Logging) Perforating		11	50,000	11	12,000
Drilllogger		30	-	30	-
Cement and Cementing Services and Frac		15	58,000	15	35,000
Testing (Drillstem & Wireline)		10	18,000	10	-
Core Analysis		12	-	12	-
Geological and Engineering		09	54,000	09	6,000
Plugging & Abandoning		27	15,000	27	(15,000)
Electric and Overhead Expense		20	12,000	20	-
Insurance		25	15,000	25	-
Miscellaneous and Unforeseen @ 15%		23	209,000	23	15,000
TOTAL INTANGIBLE DRILLING COSTS			1,605,000		110,000

TANGIBLE DRILLING COSTS:

Casing Size	20" 1200' @ 45.83/ft	51	55,000	51	-
Casing Size	13 3/8" 2800' @ 20.71/ft	51	58,000	51	-
Casing Size	9 5/8" 5200' @ 15.38/ft	51	80,000	51	-
Casing Size	5 1/2" 14000' @ 11.79/ft	51	-	51	165,000
Casing Size		51	-	51	-
Casing	2 3/8" 13800' @ 4.35/ft	52	-	52	60,000
Subsurface Equipment		53	25,000	53	15,000
Well Head Equipment		50	20,000	50	25,000
Miscellaneous @ 10%		72	23,800	72	26,600
TOTAL TANGIBLE DRILLING COSTS			261,800		292,600

TANGIBLE INSTALLATION AND
LEASE EQUIPMENT COSTS

Tanks, Separators, etc.	-	56	20,000	56	20,000
Heater Treater, Flow Line Heater, LTK, etc.	-	58	3,000	58	3,000
Lease Lines	-	50	2,000	50	2,000
Other Major Expense	-	54	3,000	54	3,000
Miscellaneous Connections	-	71	3,000	71	3,000
Installation	-	74	4,000	74	4,000
TOTAL TANGIBLE INSTALLATION, ETC.	-		35,000		35,000

TOTAL A/E COST (100%) 1,866,800 437,600 2,304,400

COMPANY: _____ GRACE PETROLEUM CORPORATION
APPROVED: _____ APPROVED: _____
TITLE: _____ DATE: _____ TITLE: Drilling Manager DATE: 12/08/78

15,000.00 - 0 to 5000 - 5000 to 10,000 - 10,000 to 15,000

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE
APPLICATION OF SAM H.
SNODDY FOR AMENDMENT
TO ORDER R-5521 FOR
APPROVAL OF A 320-ACRE
NON-STANDARD GAS PRORATION
UNIT, LEA COUNTY, NEW
MEXICO.

No. 6448

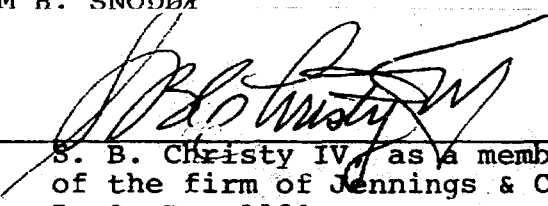
APPLICATION

COMES NOW Sam H. Snoddy, and requests the Commission, after notice and hearing, to amend its Order R-5521 in Case 5982, entered September 6, 1977, to grant approval to a 320-acre non-standard gas proration unit comprised of the SW $\frac{1}{4}$ Section 25, and the NW $\frac{1}{4}$ Section 36, Township 20 South, Range 32 East, N.M.P.M., Lea County, New Mexico, to a well approved for directional drilling under Order R-5521.

Applicant requests that the matter be set at the first available examiner hearing.

SAM H. SNODDY

By


S. B. Christy IV, as a member
of the firm of Jennings & Christy,
P. O. Box 1180,
Roswell, New Mexico 88201

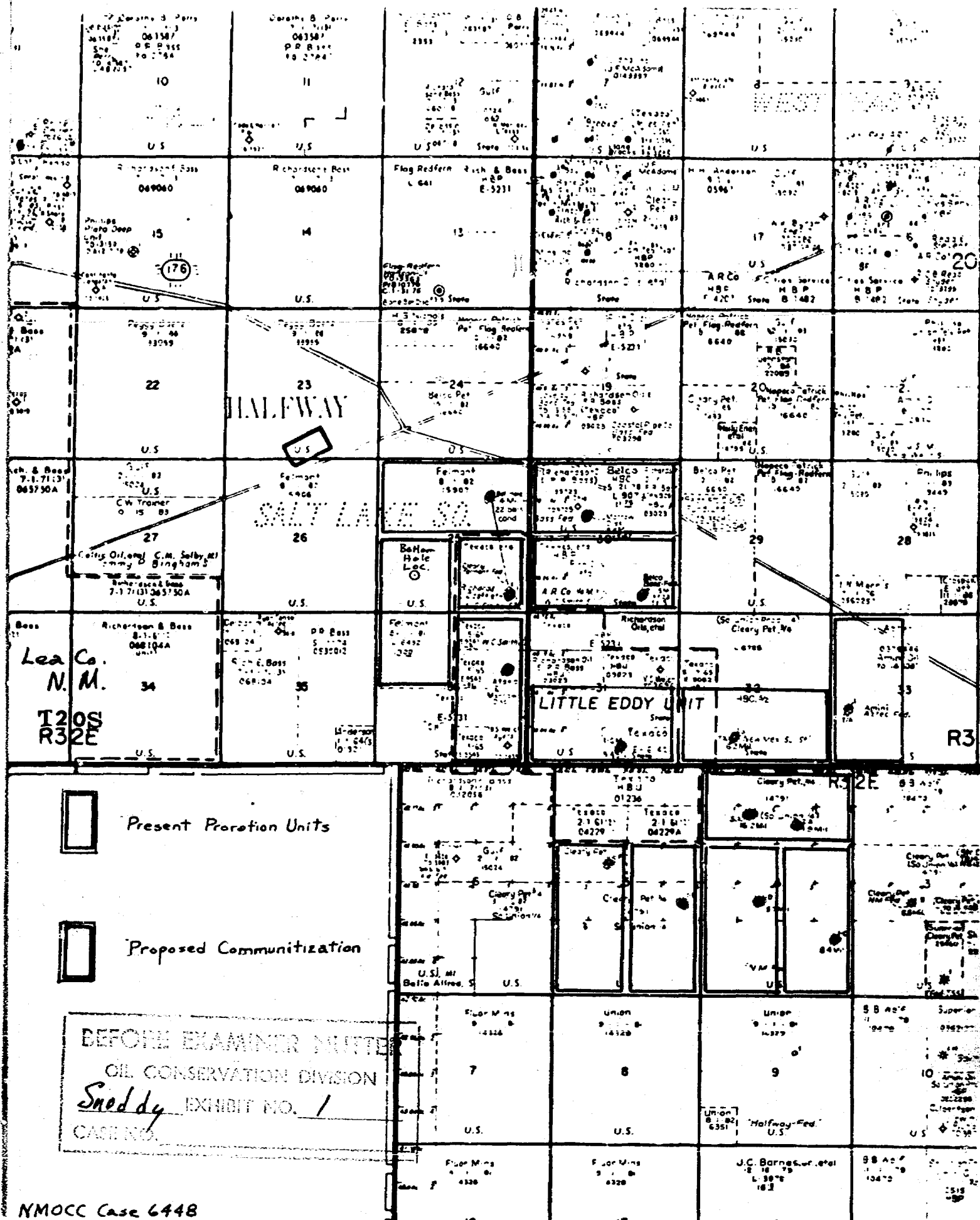
cc: Mr. Sam H. Snoddy
2602 McClintic
Midland, Texas 79701

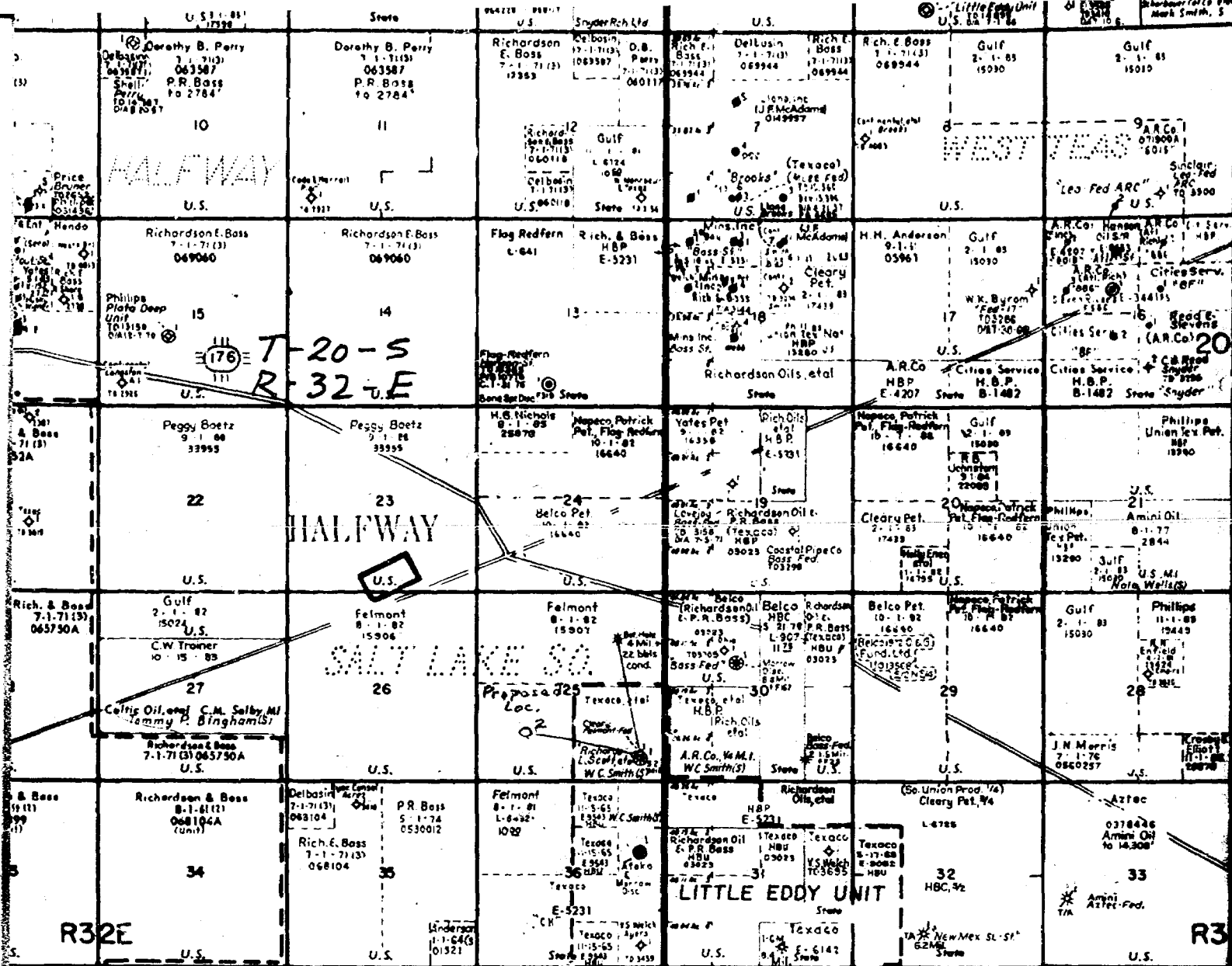
*Cons. Case
no 5982 record
into this case*

Application of Sam H. Snoddy for amendment
of Order No. R-5521, Lea County, NM.

Applicant in the above-styled cause
seeks the amendment of Order No. R-5521
to change the ~~now~~ 160-acre nonstandard
proportion unit to a 320-acre nonstandard
proportion unit comprising the SW 1/4 of
Section 25 and the NW 1/4 of Section 36,
both in T 20S, R 32E, Salt Lake South
Field, Lea County, N. M.

Brought in by Mr. Snoddy 1-24-79

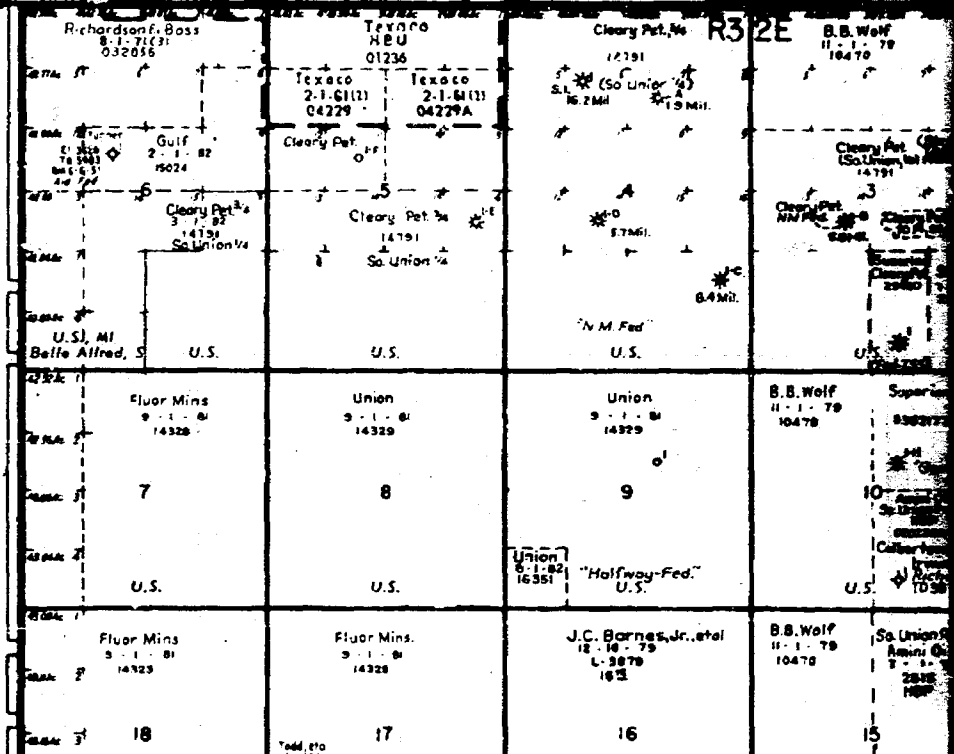




NMOCC Order R-5521:
 Gives approval for drilling a
 directional hole w/ Bottom hole
 location in the center of
 the SW/4 Section 25-20S-32E

To Ray Graham:

1. Copy of R-5521
2. Copy of order authorizing
 communication non standard
 production unit



ROUGH

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6448

Order No. R-5521-A

APPLICATION OF SAM H. SNODDY
FOR AMENDMENT OF ORDER NO. R-5521,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on February 14
19 79, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of February, 19 79, the
Division Director, 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 Division has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Sam H. Snoddy, seeks the Amendment
of Order No. R-5521 to change the 160-acre nonstandard proration
unit to a 320-acre nonstandard proration unit comprising the SW/4

R-5521-A

Section 25 and the NW/4 of Section 36, both in Township 20 South, Range 32 East, NMPM, South Salt Lake Field, Lea County, New Mexico.

(3) That the entire non-standard proration unit may reasonably be presumed productive of gas from the South Salt Lake - Morrow Gas Pool.

(4) That approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of the gas in the South Salt Lake - Morrow Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED

~~(1) That an Amendment of Order No. R-5521 to change the 160-acre non-standard proration unit to a 320-acre non-standard proration unit comprising the SW/4 of Section 25 and the NW/4 of Section 36, both in Township 20 South, Range 32 East, NMPM, South Salt Lake Field, Lea County, New Mexico, is hereby approved.~~

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

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

(1) That the third paragraph of Order No. 1 of Division Order No. R-5521 is hereby amended to read in its entirety as follows:

and the NW/4 of Section 36, Township 20 South, Range 32 East,
Federal Well No. 2, from a surface location 660 feet from the South line and 760 feet from the East line of said Section 25 to a bottom hole location within 200 feet of a point 1320 feet from the South and West lines with the SW/4 of said Section 25, a ~~160~~ **320**-acre non-standard gas proration unit hereby approved, being dedicated thereto.