

CASE 6464: DALLAS McCASLAND FOR CLARIFI-  
CATION OF ORDERS NOS. R-2789 AND R-2794,  
LEA COUNTY, NEW MEXICO

CASE NO.

6464

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APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,  
ETC.



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

JERRY APODACA  
GOVERNOR

NICK FRANKLIN  
SECRETARY

April 3, 1979

POST OFFICE BOX 2068  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-2434

Mr. Gary Don Reagan  
Williams, Johnson, Reagan  
& Porter  
Attorneys at Law  
P. O. Box 1948  
Hobbs, New Mexico 88240

Re: CASE NO. 6464  
ORDER NO. R-5963

Applicant:

Dallas McCasland

Dear Sir:

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

Yours very truly,

  
JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC X  
Artesia OCC X  
Aztec OCC       

Other Tom Kellahin

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. 6464  
Order No. R-5963

APPLICATION OF DALLAS MCCASLAND  
FOR CLARIFICATION OF ORDERS  
NOS. R-2789 AND R-2794, LEA  
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on February 28, 1979, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 30th day of March, 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 interested parties appeared in opposition to the application in this case at said hearing.

(3) That all parties to the subject case agreed that Case No. 6464 should be dismissed.

IT IS THEREFORE ORDERED:

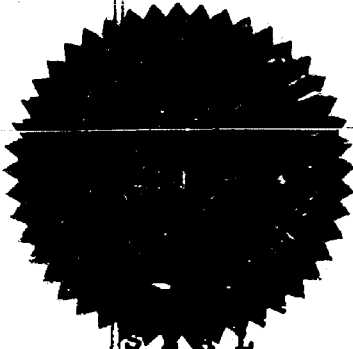
That Case No. 6464 is hereby dismissed.

-2-

Case No. 6464

Order No. R-5963

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



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*Joe D. Ramey*  
JOE D. RAMEY  
Director

fd/

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

IN THE MATTER OF:

Application of Dallas McCasland for clarification of Orders Nos. R-2789 and R-2794, Lea County, New Mexico. CASE 6464

BEFORE: Richard L. Stamets

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:

Gary Don Reagan, Esq. and  
John Porter, Esq.  
WILLIAMS, JOHNSON, REAGAN, &  
PORTER  
Attorneys at Law  
Hobbs, New Mexico

For Gulf Oil Corporation:

W. Thomas Kellahin, Esq.  
KELLAHIN AND KELLAHIN  
500 Don Gaspar  
Santa Fe, New Mexico 87501

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
3030 Plaza Blanca (SSE) 471-2452  
Santa Fe, New Mexico 87501

1 MR. STAMETS: We'll call next Case 6464.

2 MS. TESCHENDORF: Case 6464. Application of  
3 Dallas McCasland for clarification of Orders Nos. R-2789  
4 and R-2794, Lea County, New Mexico.

5 MR. STAMETS: Call for appearances in this  
6 case.

7 MR. REAGAN: My name is Gary Don Reagan of  
8 the law firm Williams, Johnson, Reagan, and Porter in Hobbs.  
9 With me is Mr. John Porter. We are attorneys for the appli-  
10 cant, Dallas McCasland, who is here in person.

11 MR. KELLAHIN: Tom Kellahin of Santa Fe, New  
12 Mexico, appearing on behalf of Gulf Oil Corporation as the  
13 operator of the South Penrose Skelly Unit.

14 MR. STAMETS: Any other appearances? Mr.  
15 Reagan, you may proceed.

16 MR. REAGAN: We have filed this application  
17 primarily for information.

18 The question that was put in the docket as  
19 to the issues today would be what formations were unitized,  
20 what formations were subject to waterflood, and the vertical  
21 limits of the Eumont Pool and the Penrose Skelly Pools in  
22 Lea County,

23 I mentioned in my letter asking for the  
24 hearing that one of the orders that would need to be con-  
25 sidered was Order No. MC-2225, which allows Mr. McCasland

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1 to produce from both the Eumont and the Penrose Skelly Pools  
2 in Lea County, and it is dated in December, 1975.

3 That is not in the notice portion of the  
4 docket, and we received that docket in Hobbs less than ten  
5 days ago, and I thought it was frankly simpler to go ahead  
6 and come up and, since I mentioned it my letter, I assume  
7 it will still be appropriate to discuss it today, and it is  
8 an order of the Commission.

9 If I may give a brief history of where we  
10 are.

11 The Eumont Pool has been defined by Order  
12 R-520 in 1953 to have vertical limits from the top of the  
13 Yates to the base of the Queen, and that was in 1953 R-520.

14 The Penrose Skelly Pool has vertical limits  
15 of only the Grayburg formation, and that's by two orders  
16 in 1956, R-767 and R-767A.

17 The two sections in question today, Sections  
18 6 and 7, Township 22 South, Range 37 East, are both within  
19 the horizontal limits of those two pools, as defined by  
20 the Commission.

21 There's a unit agreement covering as a verti-  
22 cal limit the unitized formation from the top of the Queen  
23 to the top of the San Andres, which, of course, is simply  
24 the Queen. That was dated in 1963. The order of the Com-  
25 mission that approved that unit is R-2789, and in that order

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1 I'd like to quote from the order.

2 MR. STAMETS: What's the name of the unit  
3 agreement, Mr. Reagan?

4 MR. REAGAN: South Penrose Skelly.

5 MR. STAMETS: Thank you.

6 MR. REAGAN: Unit, Lea County, New Mexico.

7 That order recites as follows, in the order  
8 provision: "It is therefore ordered that the South Penrose  
9 Skelly Unit Agreement is hereby approved."

10 That's paragraph one. Paragraph two, "That  
11 the plan contained in said Unit Agreement for development  
12 and operation of the unit area is hereby approved in prin-  
13 ciple as a proper conservation measure, provided however,  
14 that notwithstanding any of the provisions contained in  
15 said unit agreement, this approval shall not be considered  
16 as waiving or relinquishing in any manner any right, duty,  
17 or obligation which is now or may hereafter be vested in  
18 the Commission to supervise and control operations for the  
19 exploration and development of any lands committed to the  
20 unit and production of oil or gas therefrom."

21 That was in 1964 that this order was entered  
22 with that language.

23 In 1975 -- well, let me, one more thing.

24 In 1964, a couple of months later, the -- actually, it was  
25 a few days later, it was the same month, in October of '64 --

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1 Order R-2794 gave Gulf permission to inject into the Gray-  
2 burg formation in that unit area for a proposed waterflood  
3 with the recitation that the proposed waterflood would re-  
4 sult in the recovery of otherwise unrecoverable oil, there-  
5 by preventing waste.

6 Then in December, 1975, Administrative Order  
7 MC-2225 was entered, reciting proper notice and waivers of  
8 objection, and what not, specifically allowing Mr. McCasland  
9 to produce oil from Eumont and Penrose Pools in Section 7.

10 And that's the problem, basically.

11 That order specifically gives Mr. McCasland  
12 the right to produce oil from the Eumont and Penrose pools,  
13 which are in part covered by the Unit Agreement, also, but  
14 the Unit Agreement was approved by a Commission order, saying  
15 that the Commission did not in any way give up its right  
16 to regulate production from the areas covered by the Unit  
17 Agreement.

18 That's the basic issue. Then we go further.  
19 If you need testimony, we're prepared to show that Mr. McCas-  
20 land has the rights to production above the Queen in Section  
21 6 and in Section 7, if he has this MC-2225 that I mentioned,  
22 it is a dual completion order, and he has stopped ceasing,  
23 he's stopped producing from the well in Section 7, the dual  
24 completion well. He has been producing in Section 6, and  
25 the problem -- his testimony would be that he cannot get

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1 enough production from the Yates and Seven Rivers to continue  
2 to produce in Section 6; therefore oil is being wasted be-  
3 cause he can't produce, but Gulf is not producing the oil,  
4 either. It was a plugged and abandoned well, as part of the  
5 unit, and then I guess to carry it to the ultimate conclusion  
6 we would like to ask the Commission to go really beyond the  
7 scope of what we ask for today, but to think about, and if  
8 need to, we'll file a new application to do this, to come  
9 in and unitize this formation under the 1975 Statutory  
10 Unitization Act, and then ask to amend it to include Mr.  
11 McCasland's formations, or his sections.

12 MR. KELLAHIN: May I be heard, Mr. Stamets?

13 MR. STAMETS: I'd like to, before I let you  
14 in, Tom, I'd like to be a little bit clearer on what the  
15 problem is. This has been an interesting recitation of the  
16 history of these things, and I know that some of the older  
17 pools in Lea County have caused some problems because of the  
18 tops and the bottoms that have tended to overlap from time  
19 to time.

20 In the -- are we concerned only about the --  
21 this MC-2225, or are we concerned about some other wells?

22 MR. REAGAN: The issue, I think, that's  
23 really before the Examiner today, is the MC-2225 order, be-  
24 cause it fits into the picture because of the recitation in  
25 the order approving the unit, saying that you reserved juris-

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1 diction to determine production from the lands in question,  
2 and we consider this to be a further continuation of your  
3 jurisdiction to determine who produces.

4 MR. STAMETS: All right. Now, Mr. McCasland  
5 has production in the Eumont Pool.

6 MR. REAGAN: Yes.

7 MR. STAMETS: Okay, and --

8 MR. REAGAN: By your order, yes, sir.

9 MR. STAMETS: All right, and that is through  
10 the base of the Queen?

11 MR. REAGAN: Yes.

12 MR. STAMETS: All right, and his wells are  
13 producing from the Queen.

14 MR. REAGAN: Well, he has packed off the  
15 well as a practical matter in compliance to Gulf's request  
16 to do so.

17 MR. STAMETS: Okay, but he seeks to produce.

18 MR. REAGAN: He seeks to produce, yes.

19 MR. STAMETS: Okay, and Gulf has a waterflood  
20 in the Grayburg.

21 MR. REAGAN: Grayburg, immediately below,  
22 yes, sir.

23 MR. STAMETS: Okay, does the unit agreement --

24 MR. REAGAN: Yes, sir, and the unit agreement  
25 recites that the Queen is covered subject to the order ap-

1 proving the unit but says that the Commission determines who  
2 produces a formation.

3 MR. STAMETS: But the formation limit, or the  
4 pool limit, the vertical limit of the Penrose Skelly is the  
5 Grayburg?

6 MR. REAGAN: Yes, Penrose Skelly is on the  
7 Grayburg. That's where the waterflood is.

8 MR. STAMETS: Okay. Now, why -- what precipitated Mr. McCasland being here today?

9  
10 MR. REAGAN: Well, he cannot produce from the  
11 well in Section 7 economically enough to produce it. The  
12 Yates and Seven Rivers along will not support the well.

13 MR. STAMETS: Okay, and why can't he produce  
14 the Queen?

15 MR. REAGAN: Because Gulf won't let him.

16 MR. STAMETS: And why won't Gulf let him  
17 produce the Queen?

18 MR. REAGAN: Because Gulf says --

19 MR. STAMETS: What's the advantage?

20 MR. REAGAN: Well, I assume because of the  
21 Unit Agreement.

22 MR. STAMETS: Okay, they feel that they own  
23 the Queen formation.

24 MR. REAGAN: Under the Unit Agreement, yes,  
25 sir.

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1 MR. STAMETS: And they are the operator of  
2 the Queen formation?

3 MR. REAGAN: Yes.

4 MR. STAMETS: Mr. Kellahin.

5 MR. KELLAHIN: From looking at Mr. McCasland's  
6 application, it was my understanding that he sought permis-  
7 sion of the Commission to hear a case concerning the question  
8 of his rights to produce the Queen formation.

9 It is our contention that is a contractual  
10 matter between the unit and Mr. McCasland. As a result there-  
11 of, Gulf has filed suit in Lea County District Court.

12 I show you a certified true copy, attested  
13 to by Georgia C. Camp, District Court Clerk, of the Complaint  
14 and Attachments filed in that lawsuit.

15 It is our contention that the rights involved  
16 with regards to one or two Elliott Wells that Mr. McCasland  
17 owns are governed by that unit agreement and that the District  
18 Court has taken jurisdiction over the matter, and that what-  
19 ever relief Mr. McCasland has asked here today is not within  
20 the jurisdiction of the Commission to grant him that relief,  
21 and that the matter is to be resolved by the District Court  
22 in determining whether Mr. McCasland has the right to continue  
23 to produce from the Queen formation.

24 As Mr. Reagan has stated, the Eumont Pool  
25 consists of the Yates, Seven Rivers, and Queen. The Penrose

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1 Skelly consists only of the Grayburg. The unit, as approved  
2 by the Commission, extends from the top of the Queen to the  
3 top of the San Andres, and therefore includes the Queen and  
4 the Grayburg formations.

5 Mr. McCasland has perforations in the Queen  
6 formation and at our request he has shut-in the production  
7 from those zones until this matter could be adjudicated.

8 It is our position that the Commission having  
9 exercised jurisdiction over the unit agreement and clearly  
10 stating what the unitized formations were, there is nothing  
11 vague, ambiguous, or indefinite about any of the Commission  
12 orders, and therefore an application for clarification of  
13 any of those orders is inappropriate.

14 We believe that, as I stated earlier, that  
15 the question is one that ought to be left to the District  
16 Court to resolve, and that is where the suit is now, and  
17 therefore we move to dismiss Mr. McCasland's application in  
18 this case here.

19 MR. STAMETS: If I understand everybody  
20 correctly to this point, there's no problem with the pool  
21 limits. No one is concerned about where the Queen formation  
22 is and whether the Queen formation is in the Penrose Skelly  
23 on the Eumont Pool, is that correct?

24 MR. KELLAHIN: That is my understanding.

25 MR. REAGAN: I think that's correct, subject

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1 to the problem of the Order MC-2225 saying he can produce  
2 from the Eumont, which happens to include the Queen.

3 Let me point out before we go too far afield,  
4 that lawsuit does not involve the same well that is covered  
5 specifically by MC-2225. That lawsuit relates only to Sec-  
6 tion 7 -- I mean Section 6, not Section 7. There is no  
7 prayer in that Complaint whatsoever relating to Section 7.  
8 The prayer is for oil that Mr. McCasland has taken that may  
9 have come from the Queen in Section 6. There's nothing in  
10 there about anything in Section 7.

11 So what I'm asking for today has nothing to  
12 do with that lawsuit, at all, and the prayer shows that; the  
13 Complaint throughout talks about Section 6 only. He has not  
14 been producing Section 7 because of the dual completion and  
15 there's no allegation that he's taking anything out of 29.

16 MR. REAGAN: No matter what we may have  
17 authorized in MC-2225, that is on the basis of the applicant  
18 saying that he has the rights to those formation, the rights  
19 to drill and produce, and we cannot adjudicate those rights.

20 This sounds as though it is a matter for the  
21 courts and I'm not certain that we can provide any relief in  
22 this forum. There seems to be no -- no question whatsoever  
23 about the limits of these pools. The question seems to be  
24 as to who owns the rights to the Queen formation in Section  
25 6 and 7, and this is not a forum for that determination.

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1 MR. REAGAN: Then you're saying your order  
2 has no meaning?

3 MR. STAMETS: No, sir, I don't think that's  
4 the case.

5 MR. REAGAN: Well, I'm just trying to clarify  
6 where you are on it.

7 MR. STAMETS: I would say that this is an  
8 analogous to an operator coming in and filing notice of in-  
9 tent to drill. When he does that he certifies to us, in  
10 essence, that he has the right to drill there, which he may  
11 or may not have. We don't make that determination. As long  
12 as he complies with our rules and regulations we have issued  
13 him the permit to drill.

14 MR. REAGAN: Okay. Well, what about the  
15 fact that you gave notice, as I understand the Order MC-2225,  
16 to Gulf and other people, and they didn't object at that  
17 time? Does that still not affect your decision at all?

18 Going back to the R-2789, which says speci-  
19 fically that the Commission retains jurisdiction to determine  
20 who produces from that pool, which is what I construe your  
21 MC-2225 to have done.

22 MR. STAMETS: Yeah. I don't believe it does  
23 that.

24 MR. REAGAN: Okay.

25 MR. STAMETS: It just simply gives him the

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1 right to multiply complete the well if he has indeed the  
2 rights --

3 MR. REAGAN: If he otherwise has title.

4 MR. STAMETS: -- to those formations.

5 MR. REAGAN: Okay.

6 MR. STAMETS: And an order like that certainly  
7 could not take away anybody else's property.

8 MR. REAGAN: Okay. While I am here, let me  
9 ask, also -- this is not covered by the application specifi-  
10 cally, but I think it's a question that we could file a proper  
11 application for -- what about the question of have you ever  
12 come in and unitized under the statutory unitization act of  
13 1975 any of these units that were set up by voluntary agree-  
14 ment years ago before 1975? Have you ever done that?

15 MR. STAMETS: Not to my knowledge. We had --  
16 the original one concerned an existing voluntary unit, but  
17 I don't believe the voluntary unit had ever been formed.

18 MR. REAGAN: Okay.

19 MR. STAMETS: And at this point I don't think  
20 we've had such as that. I don't know how you'd do that.

21 MR. REAGAN: So it would be the first im-  
22 pression all the way, I assume, if we want to try that.

23 Okay, I think that's all I have and thank  
24 you.

25 MR. STAMETS: I don't believe we can do any-

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1 thing for you and --

2 MR. REAGAN: Did you want to say anything?

3 Thank you very much.

4 MR. STAMETS: All right, and the Examiner  
5 will recommend to the Director that this case be dismissed.

6 (Hearing concluded.)  
7  
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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  
Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is  
a complete and correct transcript of the  
the Examination of Case No. 6464,  
heard by me on 2-28 1979.  
Richard L. Ham, Examiner  
Oil Conservation Division

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Santa Fe, New Mexico 87501

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

IN THE MATTER OF:

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BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

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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:	Gary Don Reagan, Esq. and John Porter, Esq. WILLIAMS, JOHNSON, REAGAN, & PORTER Attorneys at Law Hobbs, New Mexico
For Gulf Oil Corporation:	W. Thomas Kellahin, Esq. KELLAHIN AND KELLAHIN 500 Don Gaspar Santa Fe, New Mexico 87501

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CERTIFIED SHORTHAND REPORTER  
3390 Plaza Blanca (N.E.) 471-2442  
Santa Fe, New Mexico 87501

1 MR. STAMETS: We'll call next Case 6464.

2 MS. TESCHENDORF: Case 6464. Application of  
3 Dallas McCasland for clarification of Orders Nos. R-2789  
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5 MR. STAMETS: Call for appearances in this  
6 case.

7 MR. REAGAN: My name is Gary Don Reagan of  
8 the law firm Williams, Johnson, Reagan, and Porter in Hobbs.  
9 With me is Mr. John Porter. We are attorneys for the appli-  
10 cant, Dallas McCasland, who is here in person.

11 MR. KELLAHIN: Tom Kellahin of Santa Fe, New  
12 Mexico, appearing on behalf of Gulf Oil Corporation as the  
13 operator of the South Penrose Skelly Unit.

14 MR. STAMETS: Any other appearances? Mr.  
15 Reagan, you may proceed.

16 MR. REAGAN: We have filed this application  
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18 The question that was put in the docket as  
19 to the issues today would be what formations were unitized,  
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1 I'd like to quote from the order.

2 MR. STAMETS: What's the name of the unit  
3 agreement, Mr. Reagan?

4 MR. REAGAN: South Penrose Skelly.

5 MR. STAMETS: Thank you.

6 MR. REAGAN: Unit, Lea County, New Mexico.

7 That order recites as follows, in the order  
8 provision: "It is therefore ordered that the South Penrose  
9 Skelly Unit Agreement is hereby approved."

10 That's paragraph one. Paragraph two, "That  
11 the plan contained in said Unit Agreement for development  
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16 as waiving or relinquishing in any manner any right, duty,  
17 or obligation which is now or may hereafter be vested in  
18 the Commission to supervise and control operations for the  
19 exploration and development of any lands committed to the  
20 unit and production of oil or gas therefrom."

21 That was in 1964 that this order was entered  
22 with that language.

23 In 1975 -- well, let me, one more thing.

24 In 1964, a couple of months later, the -- actually, it was  
25 a few days later, it was the same month, in October of '64 --

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1 Order R-2794 gave Gulf permission to inject into the Gray-  
2 burg formation in that unit area for a proposed waterflood  
3 with the recitation that the proposed waterflood would re-  
4 sult in the recovery of otherwise unrecoverable oil, there-  
5 by preventing waste.

6 Then in December, 1975, Administrative Order  
7 MC-2225 was entered, reciting proper notice and waivers of  
8 objection, and what not, specifically allowing Mr. McCasland  
9 to produce oil from Eumont and Penrose Pools in Section 7.

10 And that's the problem, basically.

11 That order specifically gives Mr. McCasland  
12 the right to produce oil from the Eumont and Penrose pools,  
13 which are in part covered by the Unit Agreement, also, but  
14 the Unit Agreement was approved by a Commission order, saying  
15 that the Commission did not in any way give up its right  
16 to regulate production from the areas covered by the Unit  
17 Agreement.

18 That's the basic issue. Then we go further.  
19 If you need testimony, we're prepared to show that Mr. McCas-  
20 land has the rights to production above the Queen in Section  
21 6 and in Section 7, if he has this MC-2225 that I mentioned,  
22 it is a dual completion order, and he has stopped ceasing,  
23 he's stopped producing from the well in Section 7, the dual  
24 completion well. He has been producing in Section 6, and  
25 the problem -- his testimony would be that he cannot get

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1 enough production from the Yates and Seven Rivers to continue  
2 to produce in Section 6; therefore oil is being wasted be-  
3 cause he can't produce, but Gulf is not producing the oil,  
4 either. It was a plugged and abandoned well, as part of the  
5 unit, and then I guess to carry it to the ultimate conclusion  
6 we would like to ask the Commission to go really beyond the  
7 scope of what we ask for today, but to think about, and if  
8 need to, we'll file a new application to do this, to come  
9 in and unitize this formation under the 1975 Statutory  
10 Unitization Act, and then ask to amend it to include Mr.  
11 McCasland's formations, or his sections.

12 MR. KELLAHIN: May I be heard, Mr. Stamets?

13 MR. STAMETS: I'd like to, before I let you  
14 in, Tom, I'd like to be a little bit clearer on what the  
15 problem is. This has been an interesting recitation of the  
16 history of these things, and I know that some of the older  
17 pools in Lea County have caused some problems because of the  
18 tops and the bottoms that have tended to overlap from time  
19 to time.

20 In the -- are we concerned only about the --  
21 this MC-2225, or are we concerned about some other wells?

22 MR. REAGAN: The issue, I think, that's  
23 really before the Examiner today, is the MC-2225 order, be-  
24 cause it fits into the picture because of the recitation in  
25 the order approving the unit, saying that you reserved juris-

1 diction to determine production from the lands in question,  
2 and we consider this to be a further continuation of your  
3 jurisdiction to determine who produces.

4 MR. STAMETS: All right. Now, Mr. McCasland  
5 has production in the Eumont Pool.

6 MR. REAGAN: Yes.

7 MR. STAMETS: Okay, and --

8 MR. REAGAN: By your order, yes, sir.

9 MR. STAMETS: All right, and that is through  
10 the base of the Queen?

11 MR. REAGAN: Yes.

12 MR. STAMETS: All right, and his wells are  
13 producing from the Queen.

14 MR. REAGAN: Well, he has packed off the  
15 well as a practical matter in compliance to Gulf's request  
16 to do so.

17 MR. STAMETS: Okay, but he seeks to produce.

18 MR. REAGAN: He seeks to produce, yes.

19 MR. STAMETS: Okay, and Gulf has a waterflood  
20 in the Grayburg.

21 MR. REAGAN: Grayburg, immediately below,  
22 yes, sir.

23 MR. STAMETS: Okay, does the unit agreement --

24 MR. REAGAN: Yes, sir, and the unit agreement  
25 recites that the Queen is covered subject to the order ap-

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1 proving the unit but says that the Commission determines who  
2 produces a formation.

3 MR. STAMETS: But the formation limit, or the  
4 pool limit, the vertical limit of the Penrose Skelly is the  
5 Grayburg?

6 MR. REAGAN: Yes, Penrose Skelly is on the  
7 Grayburg. That's where the waterflood is.

8 MR. STAMETS: Okay. Now, why -- what precipitated Mr. McCasland being here today?

9  
10 MR. REAGAN: Well, he cannot produce from the  
11 well in Section 7 economically enough to produce it. The  
12 Yates and Seven Rivers along will not support the well.

13 MR. STAMETS: Okay, and why can't he produce  
14 the Queen?

15 MR. REAGAN: Because Gulf won't let him.

16 MR. STAMETS: And why won't Gulf let him  
17 produce the Queen?

18 MR. REAGAN: Because Gulf says --

19 MR. STAMETS: What's the advantage?

20 MR. REAGAN: Well, I assume because of the  
21 Unit Agreement.

22 MR. STAMETS: Okay, they feel that they own  
23 the Queen formation.

24 MR. REAGAN: Under the Unit Agreement, yes,  
25 sir.

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1 MR. STAMETS: And they are the operator of  
2 the Queen formation?

3 MR. REAGAN: Yes.

4 MR. STAMETS: Mr. Kellahin.

5 MR. KELLAHIN: From looking at Mr. McCasland's  
6 application, it was my understanding that he sought permis-  
7 sion of the Commission to hear a case concerning the question  
8 of his rights to produce the Queen formation.

9 It is our contention that is a contractual  
10 matter between the unit and Mr. McCasland. As a result there-  
11 of, Gulf has filed suit in Lea County District Court.

12 I show you a certified true copy, attested  
13 to by Georgia C. Camp, District Court Clerk, of the Complaint  
14 and Attachments filed in that lawsuit.

15 It is our contention that the rights involved  
16 with regards to one or two Elliott Wells that Mr. McCasland  
17 owns are governed by that unit agreement and that the District  
18 Court has taken jurisdiction over the matter, and that what-  
19 ever relief Mr. McCasland has asked here today is not within  
20 the jurisdiction of the Commission to grant him that relief,  
21 and that the matter is to be resolved by the District Court  
22 in determining whether Mr. McCasland has the right to continue  
23 to produce from the Queen formation.

24 As Mr. Reagan has stated, the Eumont Pool  
25 consists of the Yates, Seven Rivers, and Queen. The Penrose

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1 Skelly consists only of the Grayburg. The unit, as approved  
2 by the Commission, extends from the top of the Queen to the  
3 top of the San Andres, and therefore includes the Queen and  
4 the Grayburg formations.

5 Mr. McCasland has perforations in the Queen  
6 formation and at our request he has shut-in the production  
7 from those zones until this matter could be adjudicated.

8 It is our position that the Commission having  
9 exercised jurisdiction over the unit agreement and clearly  
10 stating what the unitized formations were, there is nothing  
11 vague, ambiguous, or indefinite about any of the Commission  
12 orders, and therefore an application for clarification of  
13 any of those orders is inappropriate.

14 We believe that, as I stated earlier, that  
15 the question is one that ought to be left to the District  
16 Court to resolve, and that is where the suit is now, and  
17 therefore we move to dismiss Mr. McCasland's application in  
18 this case here.

19 MR. STAMETS: If I understand everybody  
20 correctly to this point, there's no problem with the pool  
21 limits. No one is concerned about where the Queen formation  
22 is and whether the Queen formation is in the Penrose Skelly  
23 on the Eumont Pool, is that correct?

24 MR. KELLAHIN: That is my understanding.

25 MR. REAGAN: I think that's correct, subject

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1 to the problem of the Order MC-2225 saying he can produce  
2 from the Eumont, which happens to include the Queen.

3 Let me point out before we go too far afield,  
4 that lawsuit does not involve the same well that is covered  
5 specifically by MC-2225. That lawsuit relates only to Sec-  
6 tion 7 -- I mean Section 6, not Section 7. There is no  
7 prayer in that Complaint whatsoever relating to Section 7.  
8 The prayer is for oil that Mr. McCasland has taken that may  
9 have come from the Queen in Section 6. There's nothing in  
10 there about anything in Section 7.

11 So what I'm asking for today has nothing to  
12 do with that lawsuit, at all, and the prayer shows that; the  
13 Complaint throughout talks about Section 6 only. He has not  
14 been producing Section 7 because of the dual completion and  
15 there's no allegation that he's taking anything out of 29.

16 MR. REAGAN: No matter what we may have  
17 authorized in MC-2225, that is on the basis of the applicant  
18 saying that he has the rights to those formation, the rights  
19 to drill and produce, and we cannot adjudicate those rights.

20 This sounds as though it is a matter for the  
21 courts and I'm not certain that we can provide any relief in  
22 this forum. There seems to be no -- no question whatsoever  
23 about the limits of these pools. The question seems to be  
24 as to who owns the rights to the Queen formation in Section  
25 6 and 7, and this is not a forum for that determination.

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1 MR. REAGAN: Then you're saying your order  
2 has no meaning?

3 MR. STAMETS: No, sir, I don't think that's  
4 the case.

5 MR. REAGAN: Well, I'm just trying to clarify  
6 where you are on it.

7 MR. STAMETS: I would say that this is an  
8 analogous to an operator coming in and filing notice of in-  
9 tent to drill. When he does that he certifies to us, in  
10 essence, that he has the right to drill there, which he may  
11 or may not have. We don't make that determination. As long  
12 as he complies with our rules and regulations we have issued  
13 him the permit to drill.

14 MR. REAGAN: Okay. Well, what about the  
15 fact that you gave notice, as I understand the Order MC-2225,  
16 to Gulf and other people, and they didn't object at that  
17 time? Does that still not affect your decision at all?

18 Going back to the R-2789, which says speci-  
19 fically that the Commission retains jurisdiction to determine  
20 who produces from that pool, which is what I construe your  
21 MC-2225 to have done.

22 MR. STAMETS: Yeah. I don't believe it does  
23 that.

24 MR. REAGAN: Okay.

25 MR. STAMETS: It just simply gives him the



1 right to multiply complete the well if he has indeed the  
2 rights --

3 MR. REAGAN: If he otherwise has title.

4 MR. STAMETS: -- to those formations.

5 MR. REAGAN: Okay.

6 MR. STAMETS: And an order like that certainly  
7 could not take away anybody else's property.

8 MR. REAGAN: Okay. While I am here, let me  
9 ask, also -- this is not covered by the application specifi-  
10 cally, but I think it's a question that we could file a proper  
11 application for -- what about the question of have you ever  
12 come in and unitized under the statutory unitization act of  
13 1975 any of these units that were set up by voluntary agree-  
14 ment years ago before 1975? Have you ever done that?

15 MR. STAMETS: Not to my knowledge. We had --  
16 the original one concerned an existing voluntary unit, but  
17 I don't believe the voluntary unit had ever been formed.

18 MR. REAGAN: Okay.

19 MR. STAMETS: And at this point I don't think  
20 we've had such as that. I don't know how you'd do that.

21 MR. REAGAN: So it would be the first im-  
22 pression all the way, I assume, if we want to try that.

23 Okay, I think that's all I have and thank  
24 you.

25 MR. STAMETS: I don't believe we can do any-

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1 thing for you and --

2 MR. REAGAN: Did you want to say anything?

3 Thank you very much.

4 MR. STAMETS: All right, and the Examiner  
5 will recommend to the Director that this case be dismissed.

6 (Hearing concluded.)  
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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, C.S.R.

I do hereby certify that the foregoing is a complete transcript of the proceedings in the examiner's hearing of Case No. 6464 heard by me on 2-28-79.  
*Richard L. Stamm*, Examiner  
Oil Conservation Division

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CERTIFIED SHORTHAND REPORTER  
3080 Plum Avenue (105) 471-2402  
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- CASE 6464: Application of Dallas McCasland for clarification of Orders Nos. R-2789 and R-2794, Lea County, New Mexico. Applicant, in the above-styled cause, seeks clarification of Orders Nos. R-2789 and R-2794 to determine what formations have been unitized and what formations are subject to a waterflood project under the South Penrose-Skelly Unit, Sections 6 and 7, Township 22 South, Range 37 East, Lea County, New Mexico, and of the vertical limits of the Eumont and Penrose-Skelly Pools in said sections.
- CASE 6465: Application of Getty Oil Company for an unorthodox well location and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard gas proration unit comprising the SE/4 of Section 31, Township 24 South, Range 37 East, Jalmat Gas Pool, Lea County, New Mexico, to be dedicated to its J. W. Sherrell Well No. 9 located 2250 feet from the South line and 1650 feet from the East line of said Section 31.
- CASE 6466: Application of Getty Oil Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its State 35 Well No. 1 located in Unit K of Section 35, Township 21 South, Range 34 East, Lea County, New Mexico, to produce oil from an undesignated Wolfcamp pool and gas from the Grama Ridge-Morrow Gas Pool through parallel strings of tubing.
- CASE 6467: Application of Getty Oil Company for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order creating a new oil pool in the Wolfcamp formation for its State 35 Well No. 1 located in Unit K of Section 35, Township 21 South, Range 34 East, Lea County, New Mexico, and for promulgation of special pool rules, including provision for 160-acre spacing.
- CASE 6468: Application of Dome Petroleum Corporation for an exception to Order No. R-1069, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 2 of Order No. R-1069, as amended, for the Bisti-Lower Gallup Oil Pool to approve the following 13 non-standard proration units: the W/2 NW/4, W/2 NE/4, E/2 SW/4, and the E/2 SE/4 of Sections 3, 4, and 9, and the W/2 NW/4 of Section 10, all in Township 26 North, Range 14 West, San Juan County, New Mexico.
- CASE 6469: Application of Continental Oil Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Fed. 34 Well No. 1 located in Unit N of Section 34, Township 20 South, Range 26 East, Eddy County, New Mexico, to produce gas from the Springs-Upper Pennsylvanian Pool and an undesignated Morrow pool through parallel strings of tubing.
- CASE 6470: Application of Phillips Petroleum Company for approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well spacing requirements to permit an infill drilling program in its East Vacuum Unit Area, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico, and a finding that such infill wells are necessary to effectively and efficiently drain that portion of their proration units which is not presently being drained by any existing well. Applicant specifically seeks such waivers and findings now for ten wells, all in Township 17 South, Range 35 East, and located as follows: Unit K of Section 27; Units M and O, Section 28; Units B, I, and M of Section 32; Units C, H, and M of Section 33; and Unit C of Section 34.
- CASE 6471: Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its Freeman Well No. 1-A to be located in Unit C of Section 11, Township 31 North, Range 13 West, Basin-Dakota Pool, San Juan County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.
- CASE 6472: Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its Jenny Well No. 1-A to be located in Unit P of Section 13, Township 26 North, Range 4 West, Basin-Dakota Pool, Rio Arriba County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.
- CASE 6473: Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its McIntyre Well No. 1-A to be located in Unit K of Section 11, Township 26 North, Range 4 West, Basin-Dakota Pool, Rio Arriba County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.
- CASE 6474: Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its Williams Well No. 1-A to be located in Unit C of Section 24, Township 31 North, Range 13 West, Basin-Dakota Pool, San Juan County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

## WILLIAMS, JOHNSON, REAGAN &amp; PORTER

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JOHN T. PORTER

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3118

January 25, 1979

Mr. Joe D. Ramey  
 Secretary-Director  
 Oil Conservation Commission  
 State of New Mexico  
 P. O. Box 288  
 Santa Fe, New Mexico 87500

APPLICATION FOR HEARING

Case 6464

Re: Eumont Gas Pool, Penrose-Skelly Pool, South Penrose-Skelly Unit (Dallas McCasland-Gulf Energy and Minerals Co.-U.S.)

Dear Joe:

Dallas McCasland has asked us to request a hearing concerning the question of his right to produce from the Queen Formation in the Eumont Gas Pool and the Penrose-Skelly Pool in Section 6 and the East 1/2 of Section 7, Township 22 South, Range 37 East, Lea County, New Mexico, (Dallas McCasland-Elliott No. 1 and 2). Gulf Energy and Minerals Co.-U.S., has challenged his right to produce from the Queen Formation. Gulf contends that it has water flood rights the Queen Formation as to the Penrose-Skelly Pool in the South Penrose-Skelly Unit area in Sections 6 and 7, Township 22 South, Range 37 East, N.M.P.M., Lea County, New Mexico. Gulf's address is P. O. Box 670, Hobbs, New Mexico 88240.

This question will involve consideration of Orders R-767, R-2789, R-2794, R-520, R-264A and MC-2225.

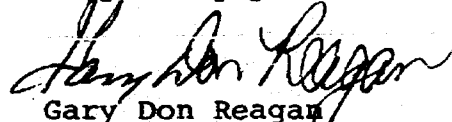
*dy. Eumont 5*      *2- dy. Eumont*

We shall appreciate your setting this matter for hearing at the earliest possible time and publishing the required notice and notifying all parties required to be notified.

Please advise if Mr. McCasland needs to furnish any additional information at this time or prior to the hearing.

Thank you very much.

Very truly yours,



Gary Don Reagan  
 of Williams, Johnson,  
 Reagan & Porter, Attorneys  
 for Dallas McCasland

slv

*1- defines Penrose-Skelly Oil Pool*

TO Lynn

DATE \_\_\_\_\_ TIME \_\_\_\_\_

WHILE YOU WERE OUT

MR. Larry Cross

OF Buff

PHONE 915 682-7301 AREA CODE \_\_\_\_\_

TELEPHONED	<input checked="" type="checkbox"/>	PLEASE PHONE	<input checked="" type="checkbox"/>
CALLED TO SEE YOU	<input type="checkbox"/>	WILL CALL AGAIN	<input type="checkbox"/>
WANTS TO SEE YOU	<input type="checkbox"/>	RETURNED YOUR CALL	<input type="checkbox"/>

MESSAGE \_\_\_\_\_

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MESSAGE TAKEN BY D

Feb. 28

Application of Dallas McCasland for  
clarification of Orders Nos. R-2789  
and R-2794, Lea County, N.M.

Applicant in the above-styled  
causes seeks clarification of Orders Nos.  
R-2789 and R-2794 to determine  
what ~~substances~~<sup>formations</sup> have been unitized,  
and what formations are subject to  
~~the~~<sup>a</sup> waterflood project under the South  
Penrose-Skelley Unit, Sections 6 & 7,  
T22S, R37E, Lea County, N.M.,  
and of the ~~definition~~ vertical limits  
of the Cumont and Penrose-Skelley Pools  
in said sections.

Send copy of docket to: Mr. Terry Cross  
& application Gulf Oil Corp.  
Box 1150  
Midland 79702

N.B. - Queen & Grayburg appear to be  
unitized. Only the Grayburg  
is part of the waterflood project.

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. 6464

Order No. R-5963

APPLICATION OF DALLAS MCCASLAND  
FOR CLARIFICATION OF ORDERS  
NOS. R-2789 AND R-2794, LEA  
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on February 28  
19 79, at Santa Fe, New Mexico, before Examiner Richard L. Stamey

NOW, on this \_\_\_\_\_ day of March, 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. See attached.

~~That Case No 6464 should be dismissed~~

IT IS WHEREFORE ORDERED:  
That Case No 6464 is hereby dismissed.

Done



(1) That due public notice...

(2) That interested parties appeared <sup>in opposition</sup> ~~the~~ to the application in this case at said hearing.

(3) That <sup>all</sup> ~~the~~ parties <sup>to the subject case</sup> agreed that Case No. 0464 should be dismissed.