

OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

MINUTES

of

Hearing held June 15, 1948

Santa Fe, New Mexico

- - - - -

Cases No. 143, 144, 145, 146 and 147.

NOTICE OF PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

"The State of New Mexico by its Oil Conservation Commission hereby gives notice pursuant to law of the following hearing to be held June 15, 1948, beginning at 10:00 o'clock a.m. on said day in the City of Santa Fe, New Mexico.

STATE OF NEW MEXICO TO:

All named parties in the following cases,  
and notice to the public:

"CASE NO. 143

In the matter of application of Wilson Oil Company for approval of an unorthodox location for well No. 25 in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ , section 23, Township 21 South, Range 34 East, N.M.P.M., in the West Eunice pool, Lea County, New Mexico.

"CASE NO. 144

In the matter of application of Weier Drilling Company for approval of an unorthodox well location for Gilbert 1-X to be 180 feet south of the north line, and 74 feet west of the east line of NE $\frac{1}{4}$ SW $\frac{1}{4}$  of section 7, Township 18 South, Range 27 East, N.M.P.M., in the Empire pool, Eddy County, New Mexico.

"CASE NO. 145

In the matter of application of Mid-Continent Petroleum Corporation for an order supplementing Order No. 637, the State-wide Proration Order (with deep pool adaptation) establishing a proportional factor for production from depths in excess of 12,000 feet and specifically relating to the U. D. Sawyer No. 1 deep well in SW $\frac{1}{4}$ SE $\frac{1}{4}$ , section 27, Township 9 South, Range 36 East, N.M.P.M., in Lea County, New Mexico.

"CASE NO. 146

In the matter of application of the New Mexico Oil Conservation Commission, upon its own motion, by suggestion of the Lea County Operators Committee, for an order amending, restating and clarifying existing regulations in the matter of transportation of crude petroleum, and to facilitate the purchase, transportation and handling thereof by pipe line companies and other transporters within the State of New Mexico.

"CASE NO. 147

In the matter of the application of Franklin, Aston & Fair for approval of an unorthodox well location 2590 feet south of the north line and 1370 feet east of the west line (in SE $\frac{1}{4}$ NW $\frac{1}{4}$ ) of section 7, Township 18 South, Range 30 East, N.M.P.M., in Eddy County, New Mexico.

"Given under the seal of the Oil Conservation Commission of New Mexico at Santa Fe, New Mexico, on May 26, 1948.

STATE OF NEW MEXICO

OIL CONSERVATION COMMISSION

By (signed) R. R. SPURRIER  
R. R. SPURRIER, Secretary"

(OIL CONSERVATION)  
(COMMISSION SEAL)

Said hearing was held at 10:00 o'clock a.m., Tuesday, June 15, 1948, in the Senate Chamber of the State Capitol Building, in the City of Santa Fe, New Mexico.

MEMBERS OF THE COMMISSION PRESENT:

Hon. John E. Miles, State Land Commissioner, Member  
Hon. R. R. Spurrier, Secretary, Oil Conservation Commission, Member  
Hon. George Graham, Attorney.

R E G I S T E R

<u>Name</u>	<u>Representing</u>	
J. H. Crocker	Mid-Continent Petroleum Corp.	Tulsa, Okla.
M. B. Penn	"	"
E. J. Pierce	"	Midland, Texas
Foster Morrell	U. S. Geological Survey	Roswell, N. M.
J. N. Dunlevey	Skelly Oil Co.	Hobbs, N. M.
G. W. Selinger	"	Tulsa, Okla.
C. D. Thomas	Sinclair Prairie Oil Co.	"
Mrs. U. D. Sawyer		Crossroads, N.M.
U. D. Sawyer		"
G. H. Gray	Repollo Oil Co.	Midland, Texas
Walter Famariss	Famariss Oil Co.	Hobbs, N. M.
Frank D. Gardner	Sinclair Prairie Oil Co.	Midland, Texas
Alexander Johnston	"	Tulsa, Okla.
Joe W. Lackey	Malco Refineries, Inc.	Roswell, N. M.
Donald B. Anderson	"	"
E. A. Paschal	Oil Development Co. of Texas	Amarillo, Texas
E. O. Hemenway	Santa Fe Railway	Albuquerque, N.M.
F. G. White	Magnolia Pipe Line Co.	Brownfield, Tex.
O. H. Beshells	"	Midland, Texas
Harvie H. Mayfield	Magnolia Petroleum Co.	"
Paul C. Evans	Gulf Oil Corp.	Hobbs, N. M.
E. P. Keeler	Magnolia Petroleum Co.	Dallas, Texas
C. B. Wentz	Continental Oil Co.	Ponca City, Okla.
R. S. Dewey	Humble Oil & Refining Co.	Midland, Texas
Bud Boggs		Artesia, N. M.
Chuck Aston	Consulting Petroleum Geolgst.	"
G. H. Cord	Stanolind Oil & Gas Co.	Ft. Worth, Tex.
J. O. Seth	"	Santa Fe, N.M.
M. T. Smith	Shell Oil Co.	Midland, Texas
F. C. Barnes	Oil Conservation Commission	Santa Fe, N.M.
N. R. Lamb	New Mexico Bureau of Mines	Artesia, N. M.
Glenn Staley	Lea County Operators Committee,	Hobbs, N.M.
Neil B. Watson	Weier Drilling Co.	Artesia, N.M.
A. D. Weier	"	"
Guy Shepard		Santa Fe, N. M.

P R O C E E D I N G S

The meeting was called to order by Commissioner Miles, Presiding Member. The docket was read by Mr. Graham.

COMMISSIONER MILES:

In the matter of the application for 500 barrel allowable in Case No. 145, this question is submitted to those who have an idea of what should be done, and I want your recommendations and comments. Please feel free to speak up.

Case No. 143

MR. SPURRIER:

Who is appearing for Mr. Wilson in this case?

If no one is appearing we will continue the case to some future date.

Case No. 144

BY MR. NEIL B. WATSON:

I am appearing for the applicant, Weier Drilling Company of Artesia, New Mexico, and request that Mr. Weier be sworn as a witness.

TESTIMONY OF MR. A. D. WEIER, after having been duly sworn:

MR. WATSON:

Q. Are you a member of the firm, Weier Drilling Company?

A. Yes.

Q. Is that a corporation?

A. Yes.

Q. What is your official position?

A. President.

Q. Is that company engaged in oil well drilling operations in New Mexico?

A. Yes sir.

Q. How long have you been so engaged?

A. About ten or eleven years.

MR. WATSON:

I have here the original oil and gas lease on the lands in question which I would like to submit in evidence and later withdraw, substituting a copy to be designated as "Petitioner's EXHIBIT #1."

Q. I hand you petitioner's Exhibit #1 and ask you to state what it is, please.

A. It is an oil and gas lease for the E $\frac{1}{2}$ SW $\frac{1}{4}$  Section 7, Township 18 South, Range 27 East.

Q. Who is the lessee named in that lease?

A. The Weier Drilling Company.

Q. What is the date of that lease, please?

A. The 30th day of October, 1947.

Q. Does that lease cover fee lands, state lands or government lands?

A. Fee lands.

MR. WATSON:

I offer in evidence Exhibit No. 1, which is an exact copy of the original oil and gas lease just identified.

Q. What field is that lease in?

A. It is known as the Empire pool.

Q. Have you drilled any wells in that area?

A. Yes sir.

Q. Did you drill a well offsetting this 80?

A. Yes sir, one well.

Q. Where was it located?

A. In the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 7.

Q. You are then familiar with that area; is that correct?

Yes sir.

Q. Are there some natural hazards with reference to drilling?

A. Yes; the river has bad bulges and places where the water stands the year round.

Q. Is that the Pecos River?

A. Yes sir.

Q. You have made application to drill a well in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$  of said Section 7, 74 feet west of the east line and 180 feet south of the north line of the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of said Section 7, to be known as Gilbert 1-X. Why is it necessary to make your location at that point instead of elsewhere?

A. We would have to build five or six miles of roads through the swamps.

Q. What difficulties would you incur in drilling?

A. The river would overflow the location.

Q. Did you have a survey made for this location?

A. Yes sir.

Q. Is there any other place in that forty that is accessible and would be a feasible location for a well?

A. No sir, there is not. We located it on the highest point we could find according to the survey.

Q. Have you heretofore filed with the Commission notice of intention to drill at this point?

A. Yes sir.

Q. In addition to the well you have drilled in the offsetting forty, are there any other wells producing in that forty?

A. Yes, in the NE<sup>1</sup>/<sub>4</sub>NW<sup>1</sup>/<sub>4</sub>SE<sup>1</sup>/<sub>4</sub> there is a small well.

Q. And besides these two there is no other development?

A. No sir.

Q. Do you know the names of the owners on the forty acres adjoining the tract where you are making application for this location?

A. Yes sir.

Q. Did you file with your petition a consent to the proposed location of these adjoining owners?

A. Yes sir.

Q. To the best of your knowledge, are any of those owners making any protest to this location?

A. No sir; none that I know of.

Q. The well that you previously drilled on the offsetting forty is a producing well, is it not?

A. Yes sir.

MR. WATSON:

Does the Commission have any questions?

MR. SPURRIER:

Has anyone anything further in this case? Does anyone wish to question the witness?

Case No. 144 is approved by the Commission as requested by the applicant.

COMMISSIONER MILES:

Before we proceed with the next case I want to introduce Mr. and Mrs. Sawyer of Crossroads.

Also, Mr. Guy Shepard, nominee for State Land Commissioner.

Case No. 145

BY MR. J. H. CROCKER:

My name is J. H. Crocker, Tulsa, Oklahoma. I represent the applicant in this matter. We have two witnesses here, but in the

interest perhaps of saving the record and taking up the time of the Commission unduly, it might be appropriate for me to make an observation or two; and I might start by saying that at the time this application was filed no proportional factor had been designated as requested. Since that time this has been done so far as a proration unit is concerned. There have been changed conditions since the application was filed; and if we were filing the application today it would be different in some respects. Our position before you today is that we think you have the jurisdiction to grant a temporary allowable for this well.

First and foremost we want to state we are not here seeking any advantage whatsoever at the cost or expense of any other operator. The Commission's jurisdiction has been invoked through the filing of an application yesterday with the secretary. This application was filed pursuant to the consensus of opinion evinced at a meeting held in Tulsa last Friday at which time a representative group assembled, representing, I should say, practically all the operators of the pool. At that meeting it was suggested that an application be filed seeking an order from the Commission establishing 80-acre proration units, fixing spacing as two wells staggered in the NE $\frac{1}{4}$  and SW $\frac{1}{4}$  of each government quarter section and fixing a daily well allowable for the Devonian formation in that area based upon proration units of 80 acres.

Coming to this application, we would like to have the Commission allow us 500 barrels a day for a 90 day period, and we are hopeful, if allowed, no part of it would be charged to any other producer. I presume everybody concedes we have brought in the discovery well and have so earned the reward for discovery which is generally considered to be just compensation. Our discovery allowable, I believe, if we could take it, amounts to an aggregate of about 60,000 barrels. Under your formula as we interpret it we may either take our top well allowable of 291 barrels or our discovery allowable of 165 barrels a day. Of course it is obvious that our choice is 291 barrels.

We seek this concession from the Commission upon the theory that it will not result in underground or surface waste. We do not think reservoir energy will be unduly impaired; and I would like here for the record to show that in the tests which have thus far been made our interpretations are available to the Commission, the Geological Survey, Mr. Staley and any operator operating in the pool. If we have any information, or develop any information as a result of future tests, that any of these operators desire, it is available to them. We have given most of the information to the press and any we have not given is available as I have stated.

We think that an added allowable will be beneficial in the progress of further tests and we are deeply concerned about conservation of reservoir energy and, as I say, we are not seeking anything that is not just, fair and equitable. It would be helpful we think in future tests if you will allow the 500 barrels a day for 90 days from this well, and the results of these tests might be very beneficial to other operators and the Commission if and when you set the time for hearing the application filed yesterday.

We believe that statement generally covers our attitude and the reason why we are here; and we are going to put on our chief petroleum engineer and I shall not draw him out at any great length unless the Commission or other operators desire to elicit further information. We also have our engineer, Mr. Pierce, who has been on the derrick floor all the time. It may not be necessary for him to testify unless you want to question him. I ask that Mr. Penn be sworn.

TESTIMONY OF MR. M. B. PENN, after being duly sworn:

BY MR. CROCKER:

Q. State your name.

A. M. B. Penn.

Q. What is your profession?

A. Petroleum engineer.

Q. With whom?

A. Mid-Continent Petroleum Corporation.

Q. How long have you been with that corporation?

A. Since 1935.

Q. Have you ever testified before this Commission?

A. No.

Q. Are you a graduate petroleum engineer?

A. Yes.

Q. When did you graduate?

A. In 1933.

Q. From what university?

A. The University of Tulsa.

Q. What has been your experience since you graduated?

A. The two years following my graduation I was a chemist in the testing and research department of the Sinclair Refining Company. In 1935 I became affiliated with the Mid-Continent Petroleum Corporation with the title of draftsman and subsequently chief draftsman; and later in the production department as petroleum engineer and subsequently as chief petroleum engineer, my present title.

Q. Mr. Penn, are you familiar with the engineering data of the drilling operations in connection with the drilling and completion of the U. D. Sawyer No. 1 discovery well in the Crossroads pool, Lea County, New Mexico?

A. I am.

Q. I wish you would, in your own method of expression, advise the Commission how the well was drilled, how it was completed, when it was completed, what tests have been made, and your interpretation of such tests. When was the well completed?

A. The well was completed as to drilling April 22, 1948, at a total depth of 12,255 feet. The pipe was run to the bottom of the hole and cemented.



A radial activity log was made; the well was perforated with 600 holes from 12,115 to 12,215 feet. The top of the section from which we are producing and which we judge to be the Devonian formation, is 12,106 feet.

The official production test was made May 16th, at which time the well produced 995 barrels in 6 hours and 20 minutes. Following that test we have taken, under the services of the West Texas Engineering Service Company, a series of gas-oil ratio and productivity index tests. We found static bottom hole pressure at a datum of minus 8100, which is 12,134 feet, to be 4885 pounds. When the well was operated with a 48/64 choke it produced 3792 barrels per day, with 193 pounds bottom hole pressure draw down, which gives us a P. I. of 19.6 barrels per day per pound drop. Through a 23/64 choke the well produced 3192 barrels per day with 165 pound draw down and P. I. of 19.34. Through a 16/64 choke the well produced 1523 barrels per day with 43 pound draw down and P. I. of 35.4. Through a 10/64 choke it produced 567 barrels a day with 15 pound draw down and P. I. of 37.8. We took a test through a 6/64 choke and found the rate to be 130 barrels a day and the draw down was 3 or 4 pounds, and the P. I. I would not want to say was determined because we were within the accuracy of the bottom hole pressure gauge.

I believe that these tests, which not only show very small draw down for these rates of production but also show a practically continuous build up as to static conditions, indicate that production at the rate of 500 barrels a day would certainly not be detrimental to the reservoir energy; and it is our intention to test the well further in order to obtain some history and production data that will allow us to make some further conclusions as to the characteristics of the reservoir. We have given the Commission a copy of the graphic chart of these tests.

MR. CROCKER:

Q. If this Crossroads area is as productive as we all hope it will be, I wish you would tell the Commission the number of wells we will be required to drill to fully develop the field and the number of direct and indirect offsets that will be required assuming this Commission fixes proration units at 80 acres with two wells to 160 acres.

A. On the acreage contiguous to the well we will have a total of ten wells. At the present time seven will be direct offsets to our discovery well under the spacing pattern you describe.

Q. Are there other wells drilling or rigging up in that area in addition to the completed well.

A. We have one well drilling and one well rigging up.

Q. Where is the drilling well?

A. It is a quarter-mile west and a quarter-mile south of the discovery well, in the NE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 23. We have a well rigging up, and it might be drilling by this time, which is

a quarter mile west and a quarter-mile north of the discovery well, in the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 27. The Magnolia Petroleum Company has a well drilling a half-mile east of our discovery well in the SW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 26. The Skelly Oil Company has a well in the process of drilling in the NE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 33, which is three-quarters of a mile west and a quarter-mile south of our discovery well.

Q. Mr. Penn, in the light of that testimony it would naturally follow, I assume, that we are very vitally interested in conserving the reservoir energy and producing the well under the most efficient means possible, and in not being responsible for underground or surface waste. Does this well produce any gas to speak of?

A. A very small amount.

Q. Is any gas being popped off?

A. What gas there is is being popped off. The ratios are all less than fifty to one: less than fifty cubic feet per barrel. That is an unusually low ratio.

Q. Is that all? Is there anything else?

A. I believe that is all.

MR. CROCKER:

The Commission may have the witness - and any operator who has any questions.

MR. SPURRIER:

Does anyone care to cross-examine the witness or ask any questions?

BY MR. SETH:

What was the time of the various tests through the different chokes?

A. On the 48/64 choke we produced five hours; on the 28/64, a two hour gauge was used; on the 16/64 test we produced for three hours and twenty minutes; on the 10/64 test we produced one hour; and on the 6/64 test, two hours. I would like to add to that statement that we took these tests over short periods of time because of the rapid build up and rapid draw down; and we are going to take some more tests along these lines beginning tomorrow.

Q. How much did the well cost?

A. Exclusive of flow lines, separators and tank batteries, etc., \$300,114.24.

Q. How long will it take to pay out with the present price of crude at approximately 300 barrels a day production?

A. I cannot answer that; I do not know what the price of this crude is and am not familiar with the deal with the Magnolia.

Q. What is the gravity of the oil?

A. Forty-two to forty-three.

Q. The Mid-Continent price per barrel is \$2.65, isn't it? And if you were hooked up to a pipe line it would pay out in a little over one and a-half years; is that correct?

A. That sounds reasonable.

BY MR. SELINGER, representing Skelly Oil Company:

Q. Mr. Penn, how long does it take to drill a well to the Devonian formation in that area?

A. We started drilling September 1, 1947, and we completed the well April 22, 1948; about seven months, I believe. We expect to complete our next well in six months, approximately.

Q. You expect to complete the next well in approximately six months?

A. That is correct.

Q. What size choke are you now using?

A. I believe about 10/64; but at the same time we will experiment with others.

Q. You will experiment with various size chokes?

A. That is correct.

Q. Is the well making any water?

A. Not a drop.

Q. What you say about the lack of gas would indicate a water drive?

A. That is my conclusion.

Q. And your request is for a temporary allowable for 500 barrels daily until such time as you complete your testing or until such time as the Commission might issue a permanent order in connection with the application filed yesterday afternoon?

A. That is right.

Q. That is all.

COMMISSIONER MILES:

Does anyone else have any questions?

MR. R. S. DEWEY, representing Humble Oil & Refining Company:

Q. The application filed yesterday will come up in 90 days for hearing whether or not the Commission sees fit to grant a temporary order; is that the way it is?

MR. SPURRIER:

Tentatively, Mr. Dewey, we hope to

hear that application on the 15th day of July.

Q. This matter will be heard on the 15th day of July; is that right?

MR. SPURRIER:

That depends on what Mr. Crocker asks for; that application as presented yesterday deals with spacing and proration units and allowable, and the application today deals with allowable. Now perhaps Mr. Crocker can clarify that.

BY MR. CROCKER:

Q. You were not represented at the Tulsa meeting, Mr. Dewey?

MR. DEWEY:

A. No, and I am just trying to get it clear.

MR. CROCKER:

As I stated in my opening statement, the meeting at Tulsa last Friday was attended by practically all operators in that area I believe except your company and two others. I filed the application yesterday pursuant to the consensus of opinion and a vote taken on Friday. Now that application covers three points upon which we invoked the jurisdiction of the Commission: The first is to establish proration units of 80 acres; second, to fix well spacing as two wells to a government quarter section, one in the NE $\frac{1}{4}$  of the quarter and one in the SW $\frac{1}{4}$ , with proper tolerance for surface obstructions; and third, and last, if the Commission grants the 80 acre proration units and requested well spacing, that it fix daily production allowable in the Crossroads pool from the Devonian formation at 500 barrels a day.

MR. DEWEY:

The allowable will have to be discussed at that hearing?

MR. CROCKER:

If and when the Commission grants that application it will fix a daily well allowable and 80 acre proration units under which the Crossroads field and our No. 1 Sawyer will be operated.

MR. DEWEY: Thank you.

BY MR. F. G. WHITE, representing Magnolia Pipe Line Company:

If the Commission sees fit to grant the 500 barrel daily allowable, the Magnolia will nominate to purchase and transport to Eunice the crude, where there are adequate transportation facilities outside the state.

MR. SPURRIER:

Is there anything further?

If not, Mr. Penn is excused.

MR. CROCKER:

I am inclined, unless somebody otherwise suggests, to forego putting Mr. Pierce on the stand. But if anyone wishes it he will. If he does not go on, I would like to make a further suggestion. If the Commission is willing to do it, and assuming, of course, that they grant the request for a 500 barrel allowable, we would like to have it date back to the 16th day of May. If the Commission doubts the wisdom of this or any operator objects we would not press the point. We would like to have the decision of the Commission today, and start tomorrow on the new production schedule.

We believe our case is closed.

MR. SPURRIER:

Does anyone have anything further? Mr. Morrell, would you like to put something in the record?

MR. MORRELL:

A. I think I have no comment to add.

MR. SPURRIER:

One last request - is there anyone else to be heard? If not, the Commission will announce that they approve the MidContinent's application as requested.

MR. GLENN STALEY, Representing Lea County Operators' Committee:

I do not know that I can add anything. Of course it always complicates the bookkeeping when changes are made, but we have plenty of ink eradicator so the effective date of allowable can be changed. As you know the books consist of ledger forms and the allowable for each proration period is entered on that set of books, and if the order is made retroactive they will have to be changed.

MR. SPURRIER:

If it is made effective as of May 16th does that involve this problem?

MR. STALEY:

A. It certainly does.

COMMISSIONER MILES:

What is your reason for the request that it be set back to May 16th?

MR. CROCKER:

That is the day the well officially came in, and if that is out of order we suggest it be thrown out, but if it could be granted without involving too much inconvenience or expense, we would appreciate it.

COMMISSIONER MILES:

Do you think it would throw you out of gear too much if we set it back to May 16th, Mr. Staley?

A. No, it would just change the amount charged to the well, and the Commission would have to notify the producer the amount of back allowable from that date on.

COMMISSIONER MILES:

I do not know how Mr. Staley feels, but I feel this is a special case, and if it can be granted without too much disturbance I would like to grant the request.

MR. SELINGER:

We are drilling a well in that area and are down approximately 4500 feet. Of course from a selfish point of view we would like to have the allowable held down to 100 barrels until we brought ours in. You gentlemen will recall the bonus order only goes down to a certain depth, and operators at that time had no idea of production beyond 10,000 feet, and wells below that depth were not given the favorable consideration of wells above 10,000. As we are all aware, the Mid-Continent has brought in this discovery well and we believe they are entitled to some sort of bonus. At the meeting Friday some discussion was had as to modifying the bonus and deep well adaptation and permitting wells below 10,000 to receive equal consideration with those above. As an interested operator, we would have no objection to the date being fixed as May 16th for the reason it is merely a temporary allowable, subject to the order of the Commission at the July 15th hearing, and only gives 60 days extra consideration, and I would like to say that is a good extra allowable for the 60 day period.

COMMISSIONER MILES:

Would anyone else like to make a statement?

MR. SPURRIER:

Is there anyone else to be heard in this case?

If not, the Commission will grant the application as requested.

MR. CROCKER:

Thank you.

INSERT HERE: Case No. 146- pp 14, 15, 16, 17

Case No. 147

TESTIMONY OF MR. CHUCK ASTON, after having been duly sworn:

MR. ASTON:

I represent Franklin, Aston & Fair in this case, and, if the Commission please, this petition concerns an unorthodox well location in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 7, Township 18 South, Range 30 East, in the Loco Hills pool, Eddy County, New Mexico, same being Federal Lease Las Cruces #047269-A, operated by Franklin, Aston & Fair.

As stated in the petition, all 40 acre tracts concerned in this petition are subject to the rules and regulations of the United States Geological Survey, and said Department makes no objection to this request, as evidenced by "EXHIBIT A" in your file in this case.

This well is to be located 2590 feet from the north line and 1370 feet from the west line of Section 7, Township 18 South, Range 30 East, and is to be drilled to a total depth of approximately 2850 feet to test the Loco Hills pay sand.

I have filed with the Commission "EXHIBIT B" which is a map showing a part of the Loco Hills oil field. On this map are located the producing wells in the section in question, as well as the unorthodox location requested in this petition; and further, a dashed line approximating the structural contour determining the water-oil contact in this section of the Loco Hills field. From a study of that map it is easy to see that an orthodox location, either 10 acre or 40 acre, in the forty in question, would lie directly on the dashed line or on the water side of said dashed line; and therefore a well drilled in an orthodox location would be economically unsound.

The petitioner represents that drilling a well in this requested unorthodox location will more adequately drain the Loco Hills reservoir and, as before stated, would make it a more economical venture for the operator. The petitioner further requests that the Loco Hills top allowable which has governed under the order of the Commission be granted to this unorthodox well if it is a producer.

As an expert witness as petroleum geologist, it is my considered opinion that the water-oil contact as shown on "EXHIBIT B" is as near the true water-oil contact as it is possible to show with the present geological evidence.

That is all I have if the Commission pleases.

COMMISSIONER MILES:

Has anyone any questions they would like to ask?

The petition is granted as requested.

- - - - -

The hearing was adjourned.



1 copy order 776 mailed 7-21-48 to:

Neil B. Watson, Artesia

Glenn Staley

Artesia office

---

BEFORE THE OIL CONSERVATION COMMISSION OF THE  
STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY  
THE OIL CONSERVATION COMMISSION OF THE  
STATE OF NEW MEXICO FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 144

ORDER NO. 776

THE APPLICATION OF WEIER DRILLING COM-  
PANY FOR APPROVAL OF AN UNORTHODOX WELL  
LOCATION FOR GILBERT 1 - X TO BE 180'  
SOUTH OF THE NORTH LINE AND 74' WEST OF  
THE EAST LINE OF NE $\frac{1}{4}$  SW $\frac{1}{4}$  OF SECTION 7,  
TOWNSHIP 18 S. R. 27 E N.M.P.M. IN THE  
EMPIRE POOL, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 10:00 o'clock am June 15, 1948 at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereafter referred to as the "Commission".

NOW:

On this 12th day of July, 1948 the Commission having before it for consideration the testimony adduced at the hearing of said cause and being fully advised in the premises.

FINDS:

1. That due public notice of said cause having been given as required by law, the Commission has jurisdiction of the case.
2. That the meandering of the Pecos River and the location of swamp areas in the immediate vicinity makes it an uneconomic operation to drill an orthodox location, or location other than as applied for.
3. That owners of offset acreage to the proposed location have offered no objection to petitioners application.
4. The acreage involved in privately owned.

IT IS THEREFORE ORDERED:

That the application of Weier Drilling Company for an order is hereby approved for a location of its Gilbert 1 - X well location in NE $\frac{1}{4}$ SW $\frac{1}{4}$ , of section 7, in township 18 S. R. 27 E. N.M.P.M., being more particularly described as 74' west of the east line, and 180' south of the north line of the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of said section 7 in said township and range.

IT IS FURTHER ORDERED:

That an event production is had in said Gilbert 1 - X, the same well, by itself or in conjunction with other wells on NE $\frac{1}{4}$ SE $\frac{1}{4}$ , shall not be produced in excess of the allowable for the Empire pool.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

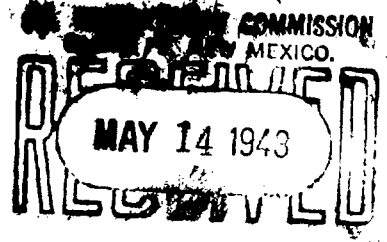
  
Thomas J. Mabry, CHAIRMAN

  
John E. Miles, MEMBER

  
R. R. Spurrier, SECRETARY

NEIL B. WATSON  
ATTORNEY AT LAW  
ARTESIA, NEW MEXICO

May 11, 1948



Oil Conservation Commission,  
Santa Fe, New Mexico.

Attention: Mr. Spurrier

Dear Mr. Spurrier:

*Graham*  
*A*  
We herewith enclose Petition of Weier Drilling Company for unorthodox well location on its Weier Drilling Company - Gilbert 1-X Well in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 7, Township 18 South, Range 27 East, N.M.P.M.

I am filing only the original for the reason that I do not have copies of the Consents. If you need an additional copy of the Petition, we can type copies of the Consent and send them in.

Yours very truly,

*Neil B. Watson*  
Neil B. Watson.

NBW:lve

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE  
STATE OF NEW MEXICO

\* \*

Re: Petition of Weier Drilling Company,  
a corporation, for unorthodox well  
location.

P E T I T I O N

COMES NOW Weier Drilling Company, by its attorney, Neil B. Watson, of Artesia, New Mexico, and petitions the Oil Conservation Commission of the State of New Mexico for an order permitting an unorthodox oil and gas well location, and states:

1. That the Weier Drilling Company, a Texas corporation of Monohans, Texas, has a contract providing for the drilling of a well for oil and gas in the E $\frac{1}{2}$ SW $\frac{1}{4}$  of Section 7, Township 18 South, Range 27 East, N.M.P.M., which said lands are fee lands. That said contract provides that said Weier Drilling Company will receive an oil and gas lease covering said lands at such time as Weier Drilling Company actually spuds and commences drilling of a well on said lands.

2. That said lands are within what is designated as the Empire Field in Eddy County, New Mexico, and there are two producing wells now located in the N $\frac{1}{2}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$  of said Section 7, one of said wells being located in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$  and the other of said wells being located in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$  of said Section 7. That applicant, Weier Drilling Company, drilled the said well in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 7 and is the operator of said well.

3. That the Pecos River flows through this

area and it will be necessary for petitioner to make its well location at a point in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 7, Township 18 South, Range 27 East, N.M.P.M., 74 feet west of the east line and 180 feet south of the north line of the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of said Section 7 by reason of the location of the river. That said well is to be known as the Weier Drilling Company - Gilbert 1-X.

4. That petitioner originally desired to drill said well 180 feet south of the north line and 32 feet west of the east line of said NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 7 and obtained consents, as hereinafter set forth, of the owners of the oil and gas leasehold estate and minerals, on the basis of petitioner's intention to so locate said well, but subsequent information has developed it would be more feasible to locate said well at the point above set forth, to wit: 180 feet south of the north line and 74 feet west of the east line of the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 7, Township 18 South, Range 27 East, N.M.P.M.

5. That the petitioners heretofore filed its Notice of Intention to Drill said Weier Drilling Company - Gilbert 1-X well, and petitioner respectfully requests approval of the unorthodox location and of petitioner's said Notice of Intention to Drill.

6. That the ownership of the oil, gas and other minerals and any existing oil and gas leasehold estates or operating rights on adjoining forty acre tracts that might be affected by the well location are as follows:

SE $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 7, Township  
18 South, Range 27 East, N.M.P.M.

OWNERSHIP OF MINERALS AND ROYALTY INTEREST

Will Sterling, Houck, Arizona

Malco Refineries, Inc., Roswell, New Mexico

OWNERSHIP OF OIL AND GAS LEASEHOLD ESTATE  
OR OPERATING RIGHTS

None known to petitioner.

SW $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 7, Township 18  
South, Range 27 East, N.M.P.M.

OWNERSHIP OF MINERALS AND ROYALTY INTEREST

Lee Vandagriff, Artesia, New Mexico

Mildred Crane Hudson, Artesia, New Mexico

Heirs of E. C. Higgins, Deceased, c/o  
Mary Lorena Higgins, Trustee,  
Auburn, Georgia.

OWNERSHIP OF OIL AND GAS LEASEHOLD ESTATE  
OR OPERATING RIGHTS

Malco Refineries, Inc., Roswell, New Mexico

NW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 7, Township 18  
South, Range 27 East, N.M.P.M.

OWNERSHIP OF MINERALS AND ROYALTY INTEREST

Birdie Kaiser, Artesia, New Mexico

Birdie Kaiser, Executrix of the Will of  
A. A. Kaiser, deceased, Artesia, New Mexico

Birdie Kaiser, as Mother and natural guardian  
of Mary Lou Kaiser and Margaret Kaiser,  
Minors, Artesia, New Mexico.

Lee Vandagriff, Artesia, New Mexico.

OWNERSHIP OF OIL AND GAS LEASEHOLD ESTATE  
OR OPERATING RIGHTS

Weier Drilling Company, Monohans, Texas.

That there is attached hereto and made a part hereof, marked Exhibit "A", Consent to Location of Well, which has been executed by Malco Refineries, Inc., Lee Vandagriff, Mildred Crane Hudson, Birdie Kaiser, individually, and as executrix of the Will of A. A. Kaiser, deceased, and as Mother and natural guardian of Mary Lou Kaiser and Margaret Kaiser, Minors. That said Consent was executed by the parties at a time when petitioner intended to make said well location 32 feet west of the east line instead of 74 feet west of the east line of the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of said Section 7, but the present proposed location would be a greater distance from any of the adjoining forty acre tracts.

7. That the existing development in the area

indicates that the well to be drilled in the E $\frac{1}{2}$ SW $\frac{1}{4}$  of Section 7, Township 18 South, Range 27 East, N.M.P.M., should be drilled in the most northern portion of said eighty acre tract, and that the location herein applied for is the only feasible location, by reason of the fact that the Pecos River flows through this tract and in this area.

WHEREFORE, petitioner prays that it be granted permission to drill a well for oil and gas at the location above set forth, and that a date be set for hearing this Petition; and that all proper orders be made in the premises.

WEIER DRILLING COMPANY

by Neil Blumstein  
Attorney for Petitioner,  
Artesia, New Mexico.

EXHIBIT "A"

CONSENT TO LOCATION OF WELL

WHEREAS, Weier Drilling Company, a corporation, is the record owner of an oil and gas lease covering the E $\frac{1}{2}$ SW $\frac{1}{4}$  of Section 7, Township 18 South, Range 27 East, N.M.P.M., and Weier Drilling Company is making an application to drill a well for oil and gas in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$  of said Section 7, Township 18 South, Range 27 East, N.M.P.M., and, by reason of the fact that the Pecos River flows through the area, it will be necessary to make said location at a point in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 7, Township 18 South, Range 27 East, N.M.P.M., 32 feet west of the east line and 180 feet south of the north line of the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of said Section 7; and,

WHEREAS, ownership of the oil, gas and other minerals and the oil and gas leasehold estate or operating rights on the adjoining lands that might be affected by said location are as follows:

SE $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 7,  
Township 18 South, Range  
27 East, N.M.P.M.:

OWNERSHIP OF MINERALS AND ROYALTY  
INTEREST:

Will Sterling

Malco Refineries, Inc.

OWNERSHIP OF OIL AND GAS LEASE-  
HOLD ESTATE OR OPERATING RIGHTS:



SW $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 7,  
Township 18 South, Range  
27 East, N.M.P.M.:

OWNERSHIP OF MINERALS AND ROYALTY  
INTEREST:

Lee Vandagriff

Mildred Crane Hudson

Heirs of E. C. Higgins, Deceased,  
c/o Mary Lorena Higgins, Trustee.

OWNERSHIP OF OIL AND GAS LEASE-  
HOLD ESTATE OR OPERATING RIGHTS:

Malco Refineries, Inc.

\_\_\_\_\_

\_\_\_\_\_

NW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 7,  
Township 18 South, Range  
27 East, N.M.P.M.:

OWNERSHIP OF MINERALS AND ROYALTY  
INTEREST:

Birdie Kaiser

Birdie Kaiser, Executrix of the  
Will of A. A. Kaiser, Deceased

Birdie Kaiser, Guardian for  
Mary Lou Kaiser and Margaret  
Kaiser, Minors.

Lee Vandagriff (O.R.R.)

OWNERSHIP OF OIL AND GAS LEASE-  
HOLD ESTATE OR OPERATING RIGHTS:

Weier Drilling Company

\_\_\_\_\_

\_\_\_\_\_

and,

WHEREAS, the owners of the oil, gas and other minerals and holders of royalty interests as above set forth, and the leasehold estate or operating rights as above set forth, desire to consent to the location of a test well in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 7, Township 18 South, Range 27 East, N.M.P.M., at the place above set forth.

NOW, THEREFORE, the undersigned who have executed this instrument, do hereby expressly consent and agree that a well may be drilled for oil and gas in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 7, Township 18 South, Range 27 East, N.M.P.M., at a location 32 feet west of the east line and 180 feet south of the north line of the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 7, Township 18 South, Range 27 East, N.M.P.M.; and the undersigned do hereby expressly agree that the Oil Conservation Commission of the State of New Mexico may make an order herein approving such location.

The undersigned further agree that, upon the drilling and completion of said well, the oil and gas encountered therein may be produced therefrom; and the undersigned, consenting to such location, waive any and all claims for any drainage or any other claims arising out of such unorthodox location.

Each of the undersigned further agree that this Consent may be executed in counterparts and shall be binding upon each of the undersigned upon his execution of any counterpart thereof, and that all executed counterparts may be considered together as a single instrument.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands this the 25<sup>th</sup> day of March, 1948.

ATTEST:

Joe W. L. *Lacey*  
Secy.

Males Refining Co.  
by Robt. B. Aderson Pres.

Lee Vandagriff

Mildred Crane Hudson

B. F. Kaiser

George E. Kaiser

B. F. Kaiser

Birdie Kaiser  
Birdie Kaiser

Birdie Kaiser  
Executrix of the Will of A. A.  
Kaiser, Deceased.

Birdie Kaiser  
Guardian for Mary Lou Kaiser and  
Margaret Kaiser, Minors.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

STATE OF NEW MEXICO )  
COUNTY OF EDDY ) ss.

On this 17th day of <sup>April</sup>~~March~~, 1948, before me  
personally appeared Birdie Kaiser

to me known to be the person described in and who executed  
the foregoing instrument and acknowledged that she  
executed the same as her free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand  
and seal the day and year above written.

My Commission Expires:

Oct. 8, 1950

[Signature]  
Notary Public

\* \* \* \* \*

STATE OF NEW MEXICO )  
COUNTY OF Eddy ) ss.

On this 17th day of <sup>April</sup>~~March~~, 1948, before me  
personally appeared Birdie Kaiser, Executrix of the Will of  
A. A. Kaiser, Deceased; and Birdie Kaiser, Guardian for Mary Lou  
Kaiser and Margaret Kaiser, Minors.

to me known to be the person described in and who executed  
the foregoing instrument and acknowledged that she  
executed the same as her free act and deed, and in the  
capacity therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand  
and seal the day and year above written.

My Commission Expires:

Oct. 8, 1950

[Signature]  
Notary Public

\* \* \* \* \*

STATE OF NEW MEXICO )  
COUNTY OF \_\_\_\_\_ ) ss.

On this \_\_\_\_\_ day of March, 1948, before me  
personally appeared \_\_\_\_\_

to me known to be the person described in and who executed  
the foregoing instrument and acknowledged that \_\_\_\_\_ executed  
the same as \_\_\_\_\_ free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand  
and seal the day and year above written.

My Commission Expires:

Notary Public

STATE OF NEW MEXICO )  
COUNTY OF EDDY ) ss.

On this 26<sup>th</sup> day of March, 1948, before me personally appeared Lee Handgrieff and Mildred Crane Handgrieff to me known to be the person a described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year above written.

My Commission Expires:

Oct. 8, 1950

W. L. Whitsett  
Notary Public

\* \* \* \* \*

STATE OF NEW MEXICO )  
COUNTY OF Eddy ) ss.

On this 3<sup>rd</sup> day of April March, 1948, before me personally appeared B. F. Kaiser and Geo. E. Kaiser to me known to be the person a described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year above written.

My Commission Expires:

May 31, 1949

Martha Broache  
Notary Public

\* \* \* \* \*

STATE OF VIRGINIA )  
COUNTY OF NORFOLK ) ss.

On this 5 day of April March, 1948, before me personally appeared B. F. KAISER, JR.

to me known to be the person a described in and who executed the foregoing instrument and acknowledged that HE executed the same as HIS free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year above written.

My Commission Expires:

W. L. Whitsett  
Notary Public

ILLEGIBLE

STATE OF New Mexico )  
COUNTY OF Chaves ) ss.

On this 25th day of March, 1948, before me personally appeared Robert O. Anderson, to me personally known, who, being by me duly sworn, did say that he is the \_\_\_\_\_ president of the Meko Refining Inc, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Robert O. Anderson acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year above written.

My Commission Expires:

NOTARY PUBLIC STATE OF NEW MEXICO 1950

William B. McLeod Jr.  
Notary Public

\* \* \* \* \*

STATE OF Virginia )  
COUNTY OF Norfolk ) ss.

On this 5 day of March, 1948, before me personally appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn, did say that he is the \_\_\_\_\_ president of the \_\_\_\_\_, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year above written.

\_\_\_\_\_  
Notary Public

My Commission Expires:

County of Eddy ss.

County of \_\_\_\_\_, State of \_\_\_\_\_,  
On this 30th day of October, 1947, before me personally appeared B. F. Kaiser, a widower, G. E. Kaiser & Vera L. Kaiser, his wife, Mrs. Birdie Kaiser, a widow, individually and as executrix of the Last Will and Testament of A. A. Kaiser, deceased, to me known to be the person or persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.  
and in the capacity therein set forth.  
Witness my hand and official seal the day and year last above written.

LELA ELLICOTT

Notary Public

(SEAL)

My commission expires October 8, 1950

Postoffice Artesia, New Mexico

County of Eddy } ss.

On this 30th day of October, 1947, before me personally appeared Mrs. Emma Y. Gilbert, a widow, and R. L. Paris, administrator of the estate of S. W. Gilbert, deceased, to me known to be the person(s) described in and who executed the foregoing instrument, and acknowledged that they and in the capacity therein set forth executed the same as their free act and deed.

Witness my hand and official seal the day and year last above written.

LELA ELLICOTT

Notary Public

(SEAL)

My commission expires October 8, 1950

Postoffice Artesia, New Mexico

County of \_\_\_\_\_ ss.

On this..... day of....., 19....., before me personally appeared.....  
.....  
to me personally known, who being by me duly sworn did say that he is the..... president of  
..... and that the seal affixed to said instrument is the  
corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and  
said ..... acknowledged said instrument  
to be the free act and deed of said corporation.

Witness my hand and official seal the day and year last above written.

My commission expires.....

Notary Public

No. \_\_\_\_\_

**OIL AND GAS LEASE**

FROM \_\_\_\_\_

TO \_\_\_\_\_

Date \_\_\_\_\_, 19\_\_\_\_

Section \_\_\_\_\_, Township \_\_\_\_\_, Range \_\_\_\_\_

County \_\_\_\_\_, New Mexico

No. of Acres \_\_\_\_\_ Term \_\_\_\_\_

STATE OF NEW MEXICO, } ss.

County of \_\_\_\_\_

This instrument was filed for record on the \_\_\_\_\_

day of \_\_\_\_\_, 19\_\_\_\_

at \_\_\_\_\_ o'clock \_\_\_\_\_ M., and duly recorded

in book \_\_\_\_\_ page \_\_\_\_\_ of the

records of this office.

County Clerk—Register of Deeds.

By \_\_\_\_\_ Deputy.

Record and Mail to: \_\_\_\_\_

Burkhart Printing & Stationery Co., Tulsa, Okla.

[illegible]

On this 10th day of November, 1947, before me personally appeared Ben F. Kaiser, Jr. and Reatha Kaiser, his wife, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

WITNESS MY hand and seal the day and year above written.

My Commission Expires:

October 31, 1950  
(SEAL)

VINCENT P. MORRIS  
Notary Public

OIL AND GAS LEASE

AGREEMENT, made and entered into this 30th day of October, 1947, by and between B. F. KAISER, a widower, BEN F. KAISER, JR. and Reatha Kaiser, his wife, G. E. KAISER and VERA L. KAISER, his wife, MRS. BIRDIE KAISER, a widow, individually and as executrix of the Last Will and Testament of A. A. Kaiser, deceased, MRS. EMMA Y. GILBERT, a widow, and R. L. PARIS, administrator of the estate of S. W. Gilbert, deceased, Parties of the first part, herein-after called lessor (whether one or more) and

Weier Drilling Company, a Texas corporation, Party of the second part, hereinafter called lessee.

WITNESSETH, That the said lessor, for and in consideration of One Dollar & other considerations cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of lessee to be paid, kept and performed, has granted, demised, leased, and let and by these presents does grant, demise, lease and let unto the said lessee, for the sole and only purpose of mining and operating for oil and gas, and laying pipe lines, and building tanks, powers, stations and structures thereon to produce, save and take care of said products, all that certain tract of land situate in the County of Eddy, State of New Mexico, described as follows, to-wit:

E1SW1/4 of Section 7, Township 18 South, Range 27 East, N.M.P.M.

It is agreed that this lease shall remain in force for a term of five years from date, and as long thereafter as oil or gas, or either of them, is produced from said land by the lessee.

In consideration of the premises the said lessee covenants and agrees: FIRST. To deliver to the credit of lessor, free of cost, in the pipe line to which he may connect his wells, the equal of one-eighth (1/8) part of all oil produced and saved from the leased premises.

SECOND. To pay lessor for gas from each well where gas only is found, the equal one-eighth (1/8) of the gross proceeds at the prevailing market rate, for all gas used off the premises, said payments to be made quarterly and lessor to have gas free of cost from any such well for all stoves and all inside lights in the principal dwelling house on said land during the same time by making his own connections with the well at his own risk and expense.

THIRD. To pay lessor for gas produced from any oil well and used off the premises, or for the manufacture of casing-head gasoline or dry commercial gas, one-eighth (1/8) of the gross proceeds at the prevailing market rate for the gas during which time such gas shall be used, said payments to be made quarterly.

If no well be commenced on said land on or before the day of 19, this lease shall terminate as to both parties, unless the lessee on or before that date shall pay or tender to the lessor or to the lessor's credit in the First National Bank of Artesia at Artesia, New Mexico,

or its successor or successors, or any bank with which it may be merged, or consolidated, or which succeeds to its business or assets, or any part thereof, by purchase or otherwise, which shall continue as the depository regardless of changes in the ownership of the said land, the sum of One Hundred and Twenty - - - - - DOLLARS,

which shall operate as a rental and cover the privilege of deferring the commencement of a well for twelve months from said date. In like manner and upon like payments or tenders the commencement of a well may be further deferred for like periods of the same number of months successively. And it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privileges granted to the date when said first rental is payable as aforesaid, but also the lessee's option of extending that period as aforesaid, and any and all other rights conferred.

Should the first well drilled on the above described land be a dry hole or cease to produce, then and in that event, if a second well is not commenced on said land within twelve months from the expiration of the last rental period which rental has been paid, this lease shall terminate as to both parties, unless the lessee on or before the expiration of said twelve months shall resume the payment of rentals in the same amount and in the same manner as hereinbefore provided. And it is agreed that upon the resumption of the payment of rentals, as before provided, that the last preceding paragraph hereof, governing the payment of rentals and the effect thereof, shall continue in force as though there had been no interruption in the rental payments.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the lessor only in proportion which his interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operation thereon, except water from wells of lessor. When requested by the lessor, lessee shall bury his pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor. Lessee shall pay for damages caused by its operations to growing crops on said lands.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing. If the lessee shall commence to drill a well within the term of this lease or any extension thereof, the lessee shall have the right to drill such well to completion with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed within the term of years herein, first mentioned.

If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a certified copy thereof. In the event of the death of lessor or his successor in title, any rental payment which may be made hereunder shall be deposited in the depository bank to the credit of the estate of such deceased lessor or his successor in title until lessee shall have been furnished with certified copies of all muniments of title deraigning title from such deceased lessor or successor in title to the person succeeding to such interest. And it is hereby agreed in the event this lease shall be assigned as to a part or parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said lands which the said lessee or any assignee thereof shall make due payment of said rentals. An assignment of this lease, in whole or in part, shall as to the extent of such assignment relieve and discharge the lessee of all obligation hereunder.

Compliance with any now or hereafter existing act, bill or statute purporting to be enacted by any Federal or State legislative authority, or with orders, judgments, decrees, rules, regulations made or promulgated by State or Federal courts, State or Federal offices, boards, commissions or committees purporting to be made under authority of any such act, bill or statute, shall not constitute a violation of any of the terms of this lease or be considered a breach of any clause, obligation, covenant, undertaking, condition or stipulation contained herein, nor shall it be or constitute a cause for the termination, forfeiture, revision or revesting of any estate or interest herein and hereby created and set out, nor shall any such compliance confer any right of entry or become the basis of any action for damages or suit for the forfeiture or cancellation hereof; and while any such purport to be in force and effect they shall, when complied with by lessee or assigns, to the extent of such compliance operate as modifications of the terms and conditions of this lease where inconsistent therewith.

Lessee may at any time surrender this lease, in whole or in part, by delivering or mailing a release to the lessor, or by placing a release of record in the proper county.

Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to redeem for lessor, by payment, any mortgage, taxes or other liens on the above described lands in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof.

IN TESTIMONY WHEREOF WE SIGN, this the 30th day of October, 1947.

G. E. KAISER  
G. E. Kaiser

VERA L. KAISER  
Vera L. Kaiser

MRS. BIRDIE KAISER  
Mrs. Birdie Kaiser, individually  
and as executrix of the Last  
Will and Testament of A. A.  
Kaiser, deceased.

B. F. KAISER  
B. F. Kaiser

BEN F. KAISER, JR.  
Ben F. Kaiser, Jr.

REATHA KAISER  
Reatha Kaiser

MRS. EMMA Y. GILBERT  
Mrs. Emma Y. Gilbert

R. L. PARIS  
R. L. Paris, administrator of  
the estate of S. W. Gilbert,  
deceased.