

Sept. 25, 1952

GILBERT, WHITE AND GILBERT
ATTORNEYS AT LAW
SANTA FE, NEW MEXICO

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IN THE DISTRICT COURT OF LEA COUNTY, NEW MEXICO

IN THE MATTER OF THE PETITION OF
MID-CONTINENT PETROLEUM CORPORATION
AND WACOLLA PETROLEUM COMPANY FOR
REVIEW AND APPEAL OF PROCEEDINGS
BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO IN
CASE NO. 149 AND FROM ORDERS NO.
H-100 and No. H 100-B ENTERED THEREIN. No. 9910

MOTION TO STRIKE

Come now the New Mexico Oil Conservation Commission and moves the
Court to strike from the Petition For Review the following allegations on the
ground that they are redundant, immaterial to the issues herein, and impertinent.

1.

Strike all of paragraph numbered 1, except the last sentence wherein
reading as follows:

"By the terms and provisions of Order No. 779, the
Commission established eighty (80) new spacing and
drilling units for the Crossroads-Devonian Reservoir,
Lea County, New Mexico effective August 16, 1948."

2.

Strike all of paragraph numbered 2.

3.

Strike all of paragraph numbered 3 of the Petition For Review, read-
ing as follows:

"Nine test wells had been drilled and a tenth was
being drilled to the Devonian formation by the pool
operators when this matter was last before the
Commission. Over three million dollars has been
spent in developing this pool in reliance upon Order
No. 779 of the Oil Conservation Commission. ~~xxxxxx~~
A plat showing the development of this pool as it
existed when this case was last before the Conserva-
tion Commission is attached as "Exhibit A-1" and made
a part hereof."

4.

Strike all of sub-section c of paragraph numbered 4 in the Petition

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For Review.

Strike all of paragraph numbered 5 in the Petition For Review.

Strike all of sub-paragraphs (a) and (b) of paragraph numbered 6 in the Petition For Review.

Strike all of sub-paragraph "(2)" and "(3)" of paragraph numbered 8 in the Petition For Review; strike all that portion of sub-paragraph "(c)" in paragraph numbered 8 in the Petition For Review, reading as follows:

"This finding and order is clearly against the weight and preponderance of the evidence and contrary to Section 13 (b), Chapter 168 of the Laws of the State of New Mexico, 1949."

Strike all of sub-paragraph "(7)" of paragraph numbered 8.

Strike all that portion of sub-paragraph "(1)" of paragraph numbered 9 in the Petition For Review, reading as follows:

"This drilling of unnecessary wells creates fire and other hazards conducive to waste, and unnecessarily increases the production cost of oil or gas or both to the operator, and thereby also unnecessarily increases the cost of the products to the ultimate consumer. These orders referred to above, if allowed to remain in effect, will necessitate the needless and wasteful expenditure of thousands of tons of steel tubular goods at a time when steel is critical and so badly needed for National Defense."

That the reasons for said Motion are that the foregoing allegations are either foreign to the issue, superfluous, or set forth evidentiary details, and that none of said allegations adds anything to the statement of Petitioners case, and each of such allegations is wholly prejudicial to this Movant

II.

As an alternative to the foregoing Motion the Oil Conservation Commission moves the Court to dismiss the Petition for Review, and in support

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1 thereat, respectfully shows:

2 1.

3 That this Honorable Court has no jurisdiction over the subject
4 matter thereof.

5 2.

6 That said Petitioner fails to state a claim upon which relief can be
7 granted.

8 3.

9 That this Movant, New Mexico Oil Conservation Commission, repeats:
10 and re-alleges as part of this Motion each and all of the allegations as
11 contained in the Motion to Dismiss, heretofore filed on behalf of U. D. Sawyer
12 and Densie Sawyer with like effect, as if herein fully repeated.

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14 Respectfully submitted,

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16 Attorney for Oil Conservation Commission

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OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

February 13, 1953

Mr. G. T. Hanners, Attorney
Stansell Building
LOVINGTON, N. M.

Dear Mr. Hanners:

I have examined your proposed order sustaining motion to dismiss in the Crossroads case (Oil Conservation Commission Case 149) and wish to say that it meets with my approval. I presume you will hear from Mr. White in the matter also.

Sincerely,

George Graham, Attorney

GG:mr

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IN THE DISTRICT COURT OF LEA COUNTY, NEW MEXICO

IN THE MATTER OF THE PETITION OF
MID-CONTINENT PETROLEUM CORPORATION
AND MAGNOLIA PETROLEUM COMPANY FOR
REVIEW AND APPEAL OF PROCEEDING
BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO IN
CASE NO. 149 AND FROM ORDERS NO.
R-100 and No. R-100-B ENTERED THEREIN.)

CASE NO. 9910

PETITION FOR REVIEW

Comes, now Mid-Continent Petroleum Corporation and Magnolia Petroleum Company, and for their petition for the review of the action of the Oil Conservation Commission of the State of New Mexico in the above styled and numbered case, alleges and states:

1. That Case No. 149 originally came on to be heard before the Oil Conservation Commission of New Mexico on July 15, 1948 upon the application of the Mid-Continent Petroleum Corporation. Based upon the uncontroverted evidence and testimony presented in the July 15, 1948 hearing, the Commission on July 27, 1948 entered Order No. 779 in Case No. 149. Order No. 779 was based on a finding by the Commission

"That it is the intention of this order to cover all wells now or hereafter drilling to and producing from the common source of supply from which the discovery well as above described has been drilled to and is now producing from, whether within the probable area as above delineated or any extension thereto, so as to insure a proper and uniform spacing, developing, and producing plan for all wells in this common source of supply.

3. That due to conditions established by the aforesaid discovery well, the Commission finds it advisable to amend and supplement its present rules, regulations and orders to properly cover the question of development of leases and spacing of wells now or hereafter drilling to, into and producing from the Devonian formation, encountered at a depth below 12,000 feet in the Cross-roads Pool.

4. That the present rules, regulations, and orders of the Commission are adequate and sufficient to properly cover the drilling, equipping, and operating of wells to the new common source as found in said above described well and, therefore, the general Statewide Rules and Lea County Rules should remain in full force and effect except as hereinafter modified, amended or superseded.

5. That the Devonian formation, as found in the discovery well below 12,000 feet, is a common source of supply which should be drilled and developed on a program other than that normally followed under the present rules, regulations, and orders of the Commission, particularly Order No. 637, effective March 1, 1946, with respect to units of proration, spacing and assignment of allowables, because of the depth of such wells, the time necessary to drill, and the high costs attached thereto, in addition to the hazards and scarcity of materials."

By the terms and provisions of Order No. 779, the Commission established eighty (80) acre spacing and drilling units for the Crossroads-Devonian Reservoir, Lea County, New Mexico effective August 16, 1948.

2. Section 19 (a), Chapter 168 of the Laws of New Mexico of 1949 grants the right to any person affected by an order of the Oil Conservation Commission to apply for a rehearing in the case within twenty (20) days after the order being complained of is entered. Order No. 779 was entered and signed July 27, 1948 and became final twenty (20) days thereafter when no interested party filed an application for rehearing in the case.

3. The Crossroads-Devonian pool was developed by Magnolia Petroleum Company, Mid-Continent Petroleum Corporation, and the Oil Development Company of Texas pursuant to and in accordance with the specific provisions of Order No. 779. Nine test wells had been drilled and a tenth was being drilled to the Devonian formation by the pool operators when this matter was last before the Commission. Over three million dollars has been spent in developing this pool in reliance upon Order No. 779

of the Oil Conservation Commission. A copy of Order No. 779 is attached as "Exhibit A" and made a part hereof. A plat showing the development of this pool as it existed when this case was last before the Conservation Commission is attached as "Exhibit A-1" and made a part hereof.

4. (a) On September 2, 1950, U. D. Sawyer and Dessie Sawyer filed an "Information" with the New Mexico Oil Conservation Commission. This "Information" prayed that the Commission rescind Order No. 779. A copy of said "Information" is attached as "Exhibit B" and made a part hereof.

(b) In response to the "Information" referred to above, the Oil Conservation Commission cited the operators of the Crossroads Devonian pool to appear before them in Santa Fe, New Mexico at 10:00 A. M., November 21, 1950 and show cause why Order No. 779 should be continued in effect.

(c) In response to the citation referred to above, the operators of Crossroads-Devonian Pool appeared before the Conservation Commission on November 21, 1950.

The said operators filed a motion to have the matter dismissed on the grounds that the proceedings constituted a collateral attack on Order No. 779. Order No. 779 had become final; rights obtained thereunder had become vested and millions of dollars had been spent in reliance upon the expressed terms and provisions of the order. This motion to dismiss was denied by the Commission.

Three experienced and technically trained petroleum engineers testified at the November 2, 1950 hearing. All three of these experts testified that one well would efficiently and economically drain eighty (80) acres in the Crossroads-Devonian Reservoir, and that it was unnecessary and wasteful to drill on any denser spacing pattern. The testimony of these three engineers was uncontroverted and undisputed at the hearing.

Notwithstanding this fact, the Commission failed to issue a definite order, but continued the matter until March 21, 1951.

5. At 10:00 A. M., March 21, 1951, Case 149 again came before the Conservation Commission to be heard. Mid-Continent Petroleum Corporation presented one (1) expert geologist and two (2) expert petroleum engineers. Magnolia Petroleum Company and the Oil Development Company of Texas each presented one (1) expert engineer. All five of these expert witnesses were familiar with the pool in question and all five had made a detailed study of the reservoir conditions. Each and every one of these witnesses testified that one well would efficiently and economically drain eighty (80) acres in this pool.

U. D. Sawyer and Dessie Sawyer presented one witness at the March 21, 1951 hearing. This witness' testimony was in part conflicting with that of the five (5) experts presented by the oil operators.

6. On October 15, 1951, the Oil Conservation Commission of New Mexico issued Order No. R-100 in Case No. 149. By its expressed provisions Order No. R-100 rescinded Order No. 779. A copy of Order No. R-100 is attached as "Exhibit C" and made a part hereof.

7. Within the statutory time allowed Mid-Continent Petroleum Corporation, Magnolia Petroleum Company and the Oil Development Company of Texas filed an application for rehearing in Case No. 149. This rehearing was granted within the statutory time provided by law and the case again came before the Commission at 10:00 A. M., December 19, 1951. A copy of Mid-Continent Petroleum Corporation and Magnolia Petroleum Company's application for rehearing in Case No. 149 is attached as "Exhibit D" and made a part hereof.

(a) The petitioners for rehearing in Case No. 149 presented three expert petroleum engineers on December 19,

1951. Each of these men had worked in the Crossroads-Devonian Pool since its inception and were highly qualified to offer testimony in this case. These witnesses testified that one well would efficiently and economically drain 80 acres in the Crossroads-Devonian Reservoir and that no waste was occurring or had occurred through use of the 80 acre spacing pattern in the pool.

(b) U. D. Sawyer and Dessie Sawyer presented one expert witness at the December 19, 1951 hearing. This witness admitted that his study of the Crossroads-Devonian Reservoir was limited to 12 days. (Official transcript of December 19, 1951 hearing Page 99). This witness' testimony in part conflicted with the testimony of witnesses presented by the operators in the pool.

8. On March 6, 1952 the Oil Conservation Commission of New Mexico issued Order No. R-100-B in Case No. 149. A copy of this order is attached as "Exhibit E" and made a part hereof. Petitioner alleges that the Commission erred in issuing Order R-100-B in the following respects, to-wit:

(1) In rescinding Order No. 779 providing for 80 acre spacing in Crossroads-Devonian Reservoir.

(2) In completely ignoring and disregarding the preponderance of the evidence and weight of the testimony presented before the Commission.

(3) In denying this petitioner's motion to dismiss the collateral attack on Order No. 779 in Case No. 149.

(4) In failing to find that one well in the Crossroads-Devonian Reservoir would efficiently and economically drain 80 acres.

(5) In failing to find that no waste or impairment of correlative rights had occurred or is occurring under the 80 acre spacing program in the Crossroads-Devonian Reservoir.

(6) In ordering that 40 acre proration units be established for the Crossroads-Devonian Pool. This finding and order is clearly against the weight and preponderance of the evidence and contrary to Section 13 (b), Chapter 168 of the Laws of the State of New Mexico, 1949.

(7) In failing to base an order in Case NO. 149 upon the clear preponderance of the evidence before the Commission.

9. Petitioner further alleges that:

(1) Orders R-100 and R-100-B referred to above are contrary to the law and the evidence in this case, and should be reversed and held for naught. These orders if allowed to remain in full force and effect will result in the drilling of numerous unnecessary wells and needless expenditure of hundreds of thousands of dollars contrary to expressed provisions of Section 13 (b), Chapter 168 of the Laws of the State of New Mexico, 1949. This drilling of unnecessary wells creates fire and other hazards conducive to waste, and unnecessarily increases the production cost of oil or gas or both to the operator, and thereby also unnecessarily increases the cost of the products to the ultimate consumer. These orders referred to above, if allowed to remain in effect, will necessitate the needless and wasteful expenditure of thousands of tons of steel tubular goods at a time when steel is critical and so badly needed for National Defense.

(2) That Mid-Continent Petroleum Corporation and Magnolia Petroleum Company are the owners and operators of valid and producing oil leases within the Crossroads-Devonian Pool located in Lea County, New Mexico, and that this court has jurisdiction of this petition for review.

(3) That all of the matters and issues herein presented were heretofore presented to the Oil Conservation

Commission in Petitioners' Application for Rehearing and in the hearing granted pursuant thereto.

WHEREFORE, Petitioners respectfully pray the court, as authorized by Section 19b, Chapter 168 of the Laws of the State of New Mexico, 1949, that notice of this petition for review be served in the manner provided for the service of summons in civil proceedings upon the adverse parties, U. D. Sawyer and Dessie Sawyer, who reside in Lea County, New Mexico, and upon the Oil Conservation Commission of New Mexico by service upon R. R. Spurrier, Secretary and member of the Oil Conservation Commission, who resides and has his office in Santa Fe, New Mexico, and that this petition be set for trial, and upon the hearing thereof that this court review the action of the Oil Conservation Commission herein complained of and to enter its order vacating the orders of the Commission hereinabove referred to and to enter its order in lieu thereof establishing eighty (80) acre proration and drilling units in the Crossroads-Devonian Reservoir, Lea County, New Mexico, and that Order No. 779 originally entered in Case No. 149 be affirmed and made permanent in all respects.

HERVEY, DOW & HINKLE

By (Signed)
H. M. DOW

(Signed)
ROSS MADOLE

(Signed)
J. H. CROCKER

(Signed)
W. E. McKELLAR, JR.

ATTORNEYS FOR PETITIONER,
MID-CONTINENT PETROLEUM CORPORATION
TULSA, OKLAHOMA

ATTORNEYS FOR PETITIONER,
MAGNOLIA PETROLEUM COMPANY
BOX 900, DALLAS, TEXAS

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

"EXHIBIT B"

IN THE MATTER OF ORDER NO. 779,
MADE BY THE OIL CONSERVATION COM-
MISSION OF THE STATE OF NEW MEXICO
IN CASE NO. 149 ON JULY 27, 1948,
UPON THE APPLICATION OF THE MID-
CONTINENT PETROLEUM CORPORATION,
ESTABLISHING THE 80-ACRE DRILLING
PATTERN AND PRORATION UNIT FOR THE
CROSSROADS DEVONIAN FIELD BELOW
12,000 FEET, LEA COUNTY, NEW MEXICO.

CASE NO. 149

INFORMATION

Come now U. D. Sawyer and Dessie Sawyer, and respectfully show
to the Commission as follows:

1.

That they are husband and wife, and residents of Crossroads,
Lea County, New Mexico, and that they are the owners of an undivided
11/12ths interest in the oil, gas and other minerals in and under the
following described lands in Township 9 South, Range 36 East, in the
Crossroads Devonian Field, in Lea County, New Mexico, to-wit:

N $\frac{1}{2}$	Section 27	Subject to lease held by Mid-Continent Petroleum Corporation
SW $\frac{1}{4}$	Section 27	Subject to lease held by Mid-Continent Petroleum Corporation
NE $\frac{1}{4}$	Section 33	Not leased
N $\frac{1}{2}$ SW $\frac{1}{4}$	Section 35	Subject to lease held by Gulf Oil Corporation
N $\frac{1}{2}$	Section 34	Mid-Continent lease, terminated by non-payment of rental
SE $\frac{1}{4}$	Section 34	

Containing 1,200 acres, more or less.

2.

That on May 6, 1948, the Mid-Continent Petroleum Corporation
completed its discovery well know as the Mid-Continent-Sawyer No. 1 in the
SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 27, Township 9 South, Range 36 East, at a total depth
of 12,258, as a substantial producer from the Devonian formation; and
that soon thereafter and on July 27, 1948, and upon the application of the
Mid-Continent Petroleum Corporation, the Oil Conservation Commission of
the State of New Mexico adopted its Order No. 779 in case No. 149,
establishing the 80-acre drilling pattern and proration unit for the
production of oil from the Devonian formation below 12,000 feet in an area

comprising 2,560 acres, including most of the lands of these informants, in a four-section square, known as the Crossroads Devonian Field, and embracing the following described lands in said township and range, to-wit:

West Half	Section 26
All	Section 27
East Half	Section 28
East Half	Section 33
All	Section 34
West Half	Section 35

and that in said Order the Oil Conservation Commission of the State of New Mexico specifically retained jurisdiction of the case for the purpose of issuing such further and additional orders as might be necessary to meet changed conditions, preclude inequities and preserve correlative rights.

3.

That thereafter three additional wells were drilled in said area and resulted in successful production of oil from the Devonian formation below 12,000 feet, which wells are known and identified as follows:

Mid-Continent Dessie Sawyer	NE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 27
Mid-Continent Sawyer D	SW $\frac{1}{4}$ NE $\frac{1}{4}$ Section 27
Magnolia - Santa Fe - 1-C	SW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 26

and three other wells were drilled in said area to depths considered sufficient to test the Devonian formation below 12,000 feet and then abandoned as dry holes, which wells are known and identified as follows:

Mid-Continent Sawyer - 1-B	NE $\frac{1}{4}$ NW $\frac{1}{4}$ Section 34
Skelly Oil Co. - Sawyer - 1	NE $\frac{1}{4}$ NE $\frac{1}{4}$ Section 33
Oil Development Co-Santa Fe-1	SW $\frac{1}{4}$ NW $\frac{1}{4}$ Section 27

and two other wells were drilled in said area resulting in successful production from the Pennsylvanian formation at depths of approximately 9,700 feet, which wells are known and identified as follows:

Magnolia- Santa Fe-1-B	NE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 28
Magnolia- Santa Fe-1-D	SW $\frac{1}{4}$ SE $\frac{1}{4}$ Section 22 (outside Devonian Field)

and three other wells are now drilling in said area, which wells are known and identified as follows:

Mid-Continent- Sawyer-1-C	NE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 27
Oil Development Co-Santa Fe-2-27	SE $\frac{1}{4}$ NW $\frac{1}{4}$ Section 27
Oil Development Co-Santa Fe-1-22	SE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 22 (outside Devonian Field)

and that a plat, showing the location of all of said wells, is hereto attached, marked Exhibit "A" and made a part hereof.

4.

That at the time of the adoption of such Devonian 80-acre spacing pattern there was only one producing well in the Crossroads Field, that being the discovery well known as the Mid-Continent-Sawyer-1 in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 27, and that said 80-acre spacing pattern was not based on past experience in said field, but was adopted as an exception to the Statewide normal 40-acre spacing pattern on the assumption that oil would be encountered in the Devonian formation below 12,000 feet under all of the lands comprising such four-section Devonian Field, and was adopted in anticipation of other circumstances and conditions then assumed to exist.

5.

That experience in the drilling of the dry holes known as Mid-Continent-Sawyer-1-B in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 34 and the Skelly-Sawyer-1 in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 33 has demonstrated that the lands south of the discovery well were not productive of oil from the Devonian formation, and that experience in the drilling of the dry hole known as Oil Development Company-Santa Fe-1 in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 27 has demonstrated that the lands in the west half of the Northwest Quarter of Section 27 were not productive of oil from the Devonian formation; and that of all of the wells drilled in or near such Crossroads Devonian Field, four have encountered oil in the Devonian formation below 12,000 feet, three have been abandoned as dry holes after being drilled to depths below 12,000 feet, and two have been completed as producers from the Pennsylvanian formation at depths of approximately 9,700 feet.

6.

That after the completion of its dry hole known as Oil Development Company-Santa Fe-1 in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 27, and on or about January 11, 1950, the Santa Fe Pacific Railroad Company and Oil Development Company of Texas

abandoned such 80-acre spacing pattern, and obtained permission from the Oil Conservation Commission to depart from such 80-acre pattern and to locate its Oil Development Co-Santa Fe-2-27 in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 27, as a direct westerly offset to the Mid-Continent-Sawyer-D and as a direct northerly offset to the Mid-Continent-Dessie Sawyer No. 1, and that such Oil Development Co-Santa Fe-2-27 is now drilling at such location, intended to ultimately test the Devonian formation below 12,000 feet.

7.

That these informants are now entitled to offset wells in the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 27 to protect against drainage in the Pennsylvanian formation by the Magnolia-Santa Fe-1-B in the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of section 28 and in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of section 27 to protect against drainage in the Pennsylvanian formation by the Magnolia-Santa Fe-1-D in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 22; that the two locations at which they are now entitled to offset wells are midway between producing Devonian wells upon their lands and producing Pennsylvanian wells upon lands not owned by them, and that if the Oil Development Co-Santa Fe-2-27 now drilling in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 27 should be successful in encountering the Devonian formation, it would be reasonable to assume that each of such offset wells should also be drilled into the Devonian formation, and by reason of the implied covenants of the oil and gas leases covering such lands they would be entitled to the drilling of such wells into the lower or Devonian formation, but that under the present 80-acre spacing pattern, Devonian wells are not to be located or drilled at either of such locations.

8.

These informants respectfully show to the Commission that drilling experience in such Crossroads Devonian Field and the facts and circumstances subsequent to the adoption of such Devonian 80-acre spacing pattern have not demonstrated, in and of themselves, that such Devonian 80-acre pattern should be further continued in effect as an exception to the normal Statewide 40-acre spacing pattern; that these informants have a valuable property interest in the oil, gas and other minerals in and under and that may be produced from their lands above described, and that if such Devonian 80-acre pattern be continued in effect after subsequent facts and circumstances have failed to demonstrate that the same should be so continued, the value of their property interest will be unjustly diminished and

and the marketability thereof unduly impaired, and that inequities and injustices will result.

WHEREFORE, these informants pray that the Oil Conservation Commission take notice that experience in such Crossroads Devonian Field and the facts and circumstances subsequent to the adoption of its Order No. 779 establishing such Devonian 80-acre spacing pattern have not demonstrated, in and of themselves, that the same should be further continued in effect as an exception to the Statewide normal 40-acre spacing pattern, and that the Commission, upon its own motion, require the Mid-Continent Petroleum Corporation, applicant for the aforementioned order, and any other interested parties, to show cause, if any it or they may have, why such Order No. 779 should be further continued in effect, and that upon the hearing in this matter, if said parties fail to show proper cause for the continuation of said Order No. 779, that the same be rescinded by the Commission.

Dated at Lovington, New Mexico, this 2nd day of September, 1950, and respectfully submitted.

s/ G. T. Hanners
Attorney for Sawyers
Lovington, New Mexico

Distributed
By Proration Department
October 19, 1950

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. 149

ORDER NO. 779

THE APPLICATION OF MID-CONTINENT PETROLEUM CORPORATION, TULSA, OKLAHOMA, FOR AN ORDER OF THE COMMISSION TO ESTABLISH EIGHTY-ACRE PRORATION UNITS; ALSO TO ESTABLISH A UNIFORM PATTERN FOR THE SPACING AND DRILLING WELLS WITH ALLOWANCE FOR TOLERANCE FOR SURFACE OBSTRUCTIONS AND FOR AN ORDER FIXING AND ESTABLISHING ALLOWABLES FOR WELLS DRILLED IN THE CROSSROADS POOL TO A DEPTH BELOW 12,000 FEET, LEA COUNTY, NEW MEXICO. (DEVONIAN FORMATION.)

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 10:00 o'clock a.m., July 15, 1948, at Santa Fe, New Mexico, before the Oil Conservation Commission of the State of New Mexico, hereinafter referred to as the "Commission."

NOW, on this the 27th day of July, 1948, the Commission having before it for consideration the testimony adduced at the hearing of said case and being fully advised in the premises:

FINDS:

1. That on May 6, 1948, the applicant, Mid-Continent Petroleum Corporation, completed an initial and exploratory test well located in the approximate center of the SW $\frac{1}{4}$ of the SE $\frac{1}{4}$ of section 27, Township 9 South, Range 36 East, Lea County, New Mexico (Crossroads Pool), at a total depth of 12,258 feet; said well having been perforated from a depth of 12,115 feet to a depth of 12,215 feet, with an initial production of 995 barrels of oil, and no water, through a 3/4-inch choke, for a period of six (6) hours, twenty (20) minutes.
2. That the probable area has been delineated and recommended by the Nomenclature Committee for Devonian production as discovered by the above described well as follows:

West half of section 26,
All of section 27,
East half of section 28,
East half of section 33,
All of section 34,
West half of section 35,
All in Township 9 South,
Range 36 East,
Lea County, New Mexico.

That the discovery producing well in center of SW $\frac{1}{4}$ SE $\frac{1}{4}$ section 27, and the drilling wells in center of NE $\frac{1}{4}$ NE $\frac{1}{4}$ section 33, and center of NE $\frac{1}{4}$ NW $\frac{1}{4}$ of section 34, center of NE $\frac{1}{4}$ SW $\frac{1}{4}$ section 27, and center of SW $\frac{1}{4}$ SW $\frac{1}{4}$ section 26, all are within the probable area as above described;

That it is the intention of this order to cover all wells now or hereafter drilling to and producing from the common source of supply from which the discovery well as above described has been drilled to and is now producing from, whether within the probable area as above delineated or any extension thereto, so as to insure a proper and uniform spacing, developing, and producing plan for all wells in this common source of supply.

3. That due to conditions established by the aforesaid discovery well, the Commission finds it advisable to amend and supplement its present rules, regulations and orders to properly cover the question of development of leases and spacing of wells now or hereafter drilling to, into and producing from the Devonian formation, encountered at a depth below 12,000 feet in the Crossroads Pool.

4. That the present rules, regulations, and orders of the Commission are adequate and sufficient to properly cover the drilling, equipping, and operating of wells to the new common source as found in said above described well and, therefore, the general Statewide Rules and Lea County Rules should remain in full force and effect except as hereinafter modified, amended or superseded.

5. That the Devonian formation, as found in the discovery well below 12,000 feet, is a common source of supply which should be drilled and developed on a program other than that normally followed under the present rules, regulations, and orders of the Commission, particularly Order No. 637, effective March 1, 1946, with respect to units of proration, spacing and assignment of allowables, because of the depth of such wells, the time necessary to drill, and the high costs attached thereto, in addition to the hazards and scarcity of materials.

6. That in the interest of the State of New Mexico and in the interest of the general public, encouragement should be given to operators to explore and develop the natural resources of the State by the establishment of a proper and equitable spacing and development program.

IT IS THEREFORE ORDERED:

SECTION 1. That the Mid-Continent, Sawyer No. 1 well, located in the center of the SW $\frac{1}{4}$ SE $\frac{1}{4}$ Section 27, is producing from the Devonian formation, a new common source of supply not heretofore discovered and produced in the State, and that the probable area for such production is as follows:

West half of section 26,
All of section 27,
East half of section 28,
East half of section 33,
All of section 34,
West half of section 35,
All in Township 9 South,
Range 36 East,
Lea County, New Mexico.

That this order is meant to cover all of the Devonian formation common source of supply productive in the Mid-Continent, Sawyer No. 1, located in the center of the SW $\frac{1}{4}$ SE $\frac{1}{4}$ section 27, and any well drilled within, or outside the area spaced herein, to the same common source of supply as an extension thereof, shall be drilled on the pattern provided for herein.

SECTION 2. That 80-acre spacing and drilling units be established as herein-after provided for the production of oil and gas from the Devonian formation underlying the area as hereinabove set forth.

SECTION 3. That each governmental quarter section be divided into two rectangular spacing units by a line drawn through such quarter section, all as shown on a plat attached hereto, and made a part hereof, and marked Exhibit "A", with the wells to be drilled, one in the center of the northeast quarter and one in the center of the southwest quarter of each quarter section, all as shown on Exhibit "A"; however, if surface conditions justify, locations may be made within a radius of 150 feet from the centers thereof, provided further, however, that the units within a quarter section, as established by this order as shown on Exhibit "A", may be changed by agreement of the operators within said quarter section upon proper showing to the Commission.

SECTION 4. That the allowable be assigned on the basis of proration units as herein established, and any proration unit of less than the normal one-half of a governmental quarter section as the result of an exception granted by the Commission after notice and hearing, shall be assigned an allowable in proportion to the assignable acreage of that unit as it bears to the normal one-half of a governmental quarter section.

SECTION 5. That the daily oil allowable of a normal unit of one-half of a quarter section assigned to the discovery well and all other wells hereafter drilled and produced in accordance with the terms of this order shall be the proportional factor of 6.75 times top allowable until such time as the Commission may issue such further and additional orders as may be deemed necessary.

SECTION 6. All rules, regulations and orders heretofore issued by this Commission which may conflict herewith are superseded, only with respect to Devonian formation production below 12,000 feet in the Crossroads Pool.

SECTION 7. That this order shall become effective on August 16, 1948.

SECTION 8. The Commission retains jurisdiction in this case for the purpose of issuing such further and additional orders as may be necessary to meet changed conditions, preclude inequities, and preserve correlative rights; all upon the motion of the Commission or upon the petition of any interested operator upon a public hearing, after notice as provided by law.

DONE at Santa Fe, New Mexico, this 27th day of July, 1948.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

(Signed)
THOMAS J. MABRY, Chairman

JOHN E. MILES, Member

(Signed)
R. R. SPURRIER, Secretary

SEAL

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

EXHIBIT "C"

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO UPON ITS
OWN MOTION FOR THE PURPOSE OF RECON-
SIDERING:

CASE NO. 149
ORDER NO. R-100

ORDER NO. 779 OF THE OIL CONSERVATION
COMMISSION OF NEW MEXICO ENTERED IN
CASE NO. 149 ON JULY 27, 1948, ESTABLISHING-
ING 80-ACRE SPACING AND PRORATION UNITS
FOR THE CROSSROADS (DEVONIAN) POOL BELOW
12,000 FEET, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing on July 15, 1948, and for further hearings on November 21, 1950 and March 21, 1951, in Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 15th day of October, 1951, the Commission, a quorum being present, having fully considered the testimony adduced at said hearings, the record made in this case, and the exhibits received, and being fully advised in the premises,

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

(2) That the Commission, after due notice and hearing, entered its Order No. 779 on July 27, 1948, whereby 80-acre spacing and drilling units were established for the production of oil and gas from the Devonian formation below 12,000 feet, underlying the Crossroads Devonian pool, as is more fully described and defined in said Order No. 779, and set the daily oil allowable of a normal unit for said Crossroads Devonian pool, as an exception to the general 40-acre spacing pattern and drilling unit as theretofore established and promulgated by the Rules and Regulations of this Commission.

(3) That by Section 8 of Order No. 779, the Commission retained jurisdiction of this case for the purpose of issuing such further and additional orders as may be necessary to meet changed conditions, preclude inequities, and preserve correlative rights.

(4) That pursuant to its retained jurisdiction, the Commission, after due notice as required by law, held hearings on November 21, 1950, and March 21, 1951, for the purpose of taking additional testimony and receiving further evidence in this cause.

(5) That there was substantial evidence, though controverted to some extent, that waste and impairment of correlative rights will result if 80-acre spacing as provided for in Order No. 779 is continued in effect.

(6) That there was no showing that pressure maintenance or other secondary recovery methods were under consideration by operators in the pool as a matter of preventing waste and protecting correlative rights.

IT IS THEREFORE ORDERED:

1. That Order No. 779 in this Case No. 149, dated July 27, 1948, be, and the same hereby is rescinded.

2. Nothing contained herein shall be construed to be a determination by the Commission as to what constitutes "reasonable development" of any lease in the pool in relation to the implied covenants of any such lease.

3. Nothing contained herein shall be construed to require the drilling of one well on each 40-acre tract in the pool.

4. The effective date of this order shall be November 1, 1951.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

(Signed)
EDWIN L. MECHEM, Chairman

(Signed)
GUY SHEPARD, Member

(Signed)
R. R. SPURRIER, Secretary

SEAL

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF WELL SPACING
IN THE CROSSROADS DEVONIAN
RESERVOIR

CASE 149
ORDER NO. R-100

APPLICATION FOR REHEARING

TO SAID CONSERVATION COMMISSION:

Comes now MID-CONTINENT PETROLEUM CORPORATION and MAGNOLIA PETROLEUM COMPANY, interested parties in the above styled and numbered cause, and file this, their application for rehearing in the above styled and numbered cause, upon the following grounds, to-wit:

1.

Six and one-half months elapsed between the hearing in the above styled and numbered case and the date on which said order No. R-100 was signed and entered. During this six and one-half months the above petitioners have continued to gather reservoir data on the Crossroads Devonian Reservoir and have recently accumulated data which is highly pertinent and essential in a final determination of the case. This evidence is especially essential in view of the Commission's finding No. 6 on which order No. R-100 is predicated, namely that there was no showing that pressure maintenance or other secondary recovery methods were under consideration by operators in the pool as a matter of preventing waste and protecting correlative rights.

2.

These petitioners believe that the Commission erred in its finding No. 5, there being no substantial evidence in the record that one well would not drain eighty acres in the Crossroads Devonian Reservoir especially in view of the testimony of five highly qualified petroleum engineers that one well would drain eighty acres in the Crossroads Devonian Reservoir without creating waste and without the impairment of correlative rights.

3.

The petitioners allege that order No. R-100 violates the clear language and intent of Section 13 (b) in chapter 168 of the laws of New Mexico of 1949. This statute reads as follows:

"No owner of a property in a pool shall be required by the Commission, directly or indirectly, to drill more wells than are reasonably necessary to secure his proportionate part of the production. To avoid the drilling of unnecessary wells a proration unit for each pool may be fixed, such being the area which may be efficiently and economically drained and developed by one well. The drilling of unnecessary wells creates fire and other hazards conducive to waste, and unnecessarily increases the production cost of oil or gas or both to the operator, and thus also unnecessarily increases the cost of the products to the ultimate consumer."

The preponderance of the evidence presented to the Commission in case No. 149 was to the effect that one well would drain eighty acres in the Crossroads Devonian Reservoir and that wells drilled on a closer pattern as a field-wide rule were unnecessary, conducive to waste and therefore a violation of Section 13 (b) of the above statute.

WHEREFORE, premises considered, these petitioners request that the conservation Commission of New Mexico grant a rehearing in the above styled and numbered cause and further that order No. R-100 be suspended until such time as the Commission has had an opportunity to hear the testimony presented at the rehearing

(SIGNED) HIRAM M. DOW
HIRAM M. DOW
J. H. CROCKER
W. E. McKELLAR, JR.

ATTORNEYS FOR PETITIONERS

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

EXHIBIT "C"

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO UPON ITS
OWN MOTION FOR THE PURPOSE OF RECON-
SIDERING:

CASE NO. 149
ORDER NO. R-100

ORDER NO. 779 OF THE OIL CONSERVATION
COMMISSION OF NEW MEXICO ENTERED IN
CASE NO. 149 ON JULY 27, 1948, ESTABLISHING-
ING 80-ACRE SPACING AND PRORATION UNITS
FOR THE CROSSROADS (DEVONIAN) POOL BELOW
12,000 FEET, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing on July 15, 1948, and for further hearings on November 21, 1950 and March 21, 1951, in Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 15th day of October, 1951, the Commission, a quorum being present, having fully considered the testimony adduced at said hearings, the record made in this case, and the exhibits received, and being fully advised in the premises,

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

(2) That the Commission, after due notice and hearing, entered its Order No. 779 on July 27, 1948, whereby 80-acre spacing and drilling units were established for the production of oil and gas from the Devonian formation below 12,000 feet, underlying the Crossroads Devonian pool, as is more fully described and defined in said Order No. 779, and set the daily oil allowable of a normal unit for said Crossroads Devonian pool, as an exception to the general 40-acre spacing pattern and drilling unit as theretofore established and promulgated by the Rules and Regulations of this Commission.

(3) That by Section 8 of Order No. 779, the Commission retained jurisdiction of this case for the purpose of issuing such further and additional orders as may be necessary to meet changed conditions, preclude inequities, and preserve correlative rights.

(4) That pursuant to its retained jurisdiction, the Commission, after due notice as required by law, held hearings on November 21, 1950, and March 21, 1951, for the purpose of taking additional testimony and receiving further evidence in this cause.

(5) That there was substantial evidence, though controverted to some extent, that waste and impairment of correlative rights will result if 80-acre spacing as provided for in Order No. 779 is continued in effect.

(6) That there was no showing that pressure maintenance or other secondary recovery methods were under consideration by operators in the pool as a matter of preventing waste and protecting correlative rights.

IT IS THEREFORE ORDERED:

1. That Order No. 779 in this Case No. 149, dated July 27, 1948, be, and the same hereby is rescinded.

2. Nothing contained herein shall be construed to be a determination by the Commission as to what constitutes "reasonable development" of any lease in the pool in relation to the implied covenants of any such lease.

3. Nothing contained herein shall be construed to require the drilling of one well on each 40-acre tract in the pool.

4. The effective date of this order shall be November 1, 1951.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

(Signed)
EDWIN L. MECHEM, Chairman

(Signed)
GUY SHEPARD, Member

(Signed)
R. R. SPURRIER, Secretary

SEAL

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

EXHIBIT "E"

IN THE MATTER OF PETITION OF
MID-CONTINENT PETROLEUM COMPANY,
MAGNOLIA PETROLEUM COMPANY, AND
OTHERS REQUESTING A REHEARING TO
RESCIND OIL CONSERVATION COMMISSION
ORDER R-100 RELATING TO SPACING IN
THE CROSSROADS POOL (Lea County, New Mexico)

CASE NO. 149
ORDER NO. R-100-B

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause having come on for special hearing at 10:00 o'clock December 19, 1951, at Santa Fe, New Mexico, before the Oil Conservation Commission hereinafter called the "Commission", upon the application of Mid-Continent Petroleum Company, Magnolia Petroleum Company, Oil Development Company of Texas and Santa Fe Pacific Railroad Company for a rehearing in the matter of oil well spacing in the Crossroads-Devonian pool, Lea County, New Mexico, and for the rescission of the Commission's Order No. R-100 relating thereto;

NOW, on this 6th day of March 1952, the Commission, a quorum being present, having considered the testimony adduced and the exhibits received at said hearing, and being otherwise fully advised in the premises finds:

1. That an active water drive is present within the Crossroads Devonian pool.
2. That the loss of the bottom-hole pressure during the life of the field, three years, has been approximately 28 lbs., half of which loss has occurred within the last seven months.
3. From the evidence it appears that core analyses taken within the Crossroads-Devonian formation show a wide range of permeability and porosity within the pool.
4. That the water-drive movement can be made more uniform through the permeable channels of the formation by the adoption of a 40-acre spacing pattern than can be obtained by an 80-acre spacing program.
5. That the combination of the active water drive within the field and the non-uniform permeability within the formation has the inherent danger of channeling water when wells are produced at high daily per-well rates, and that a 40-acre spacing program would permit the continued producing capacity of said reservoir at lower daily per-well rates, would reduce the tendency of the water channeling or coning, and would minimize the danger of the by-passing of oil within said reservoir by reason of a more uniform encroachment of the water.

6. That a proration unit of 40 acres should be established in the Crossroads-Devonian pool, Lea County, New Mexico, as being the area necessary for one well to effectively, efficiently and economically drain and develop said reservoir and to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED, That petitioners' application be and the same hereby is denied and the Commission's Order No. R-100 be and the same hereby is affirmed in all respects, except the finding of fact No. 6 is hereby withdrawn.

IT IS FURTHER ORDERED, That a proration unit of 40 acres per well be and the same hereby is established for the Crossroads Devonian pool, Lea County, New Mexico.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

(Signed)
EDWIN L. MECHEM, Chairman

(Signed)
GUY SHEPARD, Member

(Signed)
R. R. SPURRIER, Secretary

SEAL

IN THE DISTRICT COURT OF LEA COUNTY, STATE OF NEW MEXICO

IN THE MATTER OF THE PETITION
OF MID-CONTINENT PETROLEUM
CORPORATION AND MAGNOLIA PETROLEUM
COMPANY FOR REVIEW AND APPEAL OF
PROCEEDING BEFORE THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW MEXICO
IN CASE NO. 149 AND FROM ORDERS
NO. R-100 AND NO. R-100 B ENTERED
THEREIN

NO. 9910

ORDER SUSTAINING MOTION TO DISMISS

This cause came on for hearing before the Court on January 29, 1953, the Sawyer movants appearing by their attorneys, G. T. Hanners, of Lovington, New Mexico, and Jack M. Campbell, of Roswell, New Mexico, the Oil Conservation Commission appearing by its attorneys, L. C. White and George A. Graham, of Santa Fe, New Mexico, the Mid-Continent Petroleum Corporation appearing by its attorneys, H. M. Dow of Roswell, New Mexico, and J. P. Greve, of Tulsa, Oklahoma, and the Magnolia Petroleum Company appearing by its attorney, Ross Madole, now of Dallas, Texas; and at the same time there came on to be heard the Motion to Strike by the Oil Conservation Commission; and the Court, after considering the arguments of counsel and after being fully advised in the premises, is of the opinion:

1. That the Motion to Strike should be overruled.
2. That the Oil Conservation Commission is an administrative agency with delegated powers of legislative or quasi legislative nature, and that in the making and entry of the order appealed from the Oil Conservation Commission was acting in a legislative or quasi legislative capacity.

3. That the order appealed from was not beyond the authority of the Commission to make.

4. That the jurisdiction of the Court on appeal from an order or decision of the Commission is limited to a determination of whether or not (a) there was substantial evidence before the Commission to support such order or decision, (b) the same was arbitrary or capricious and (c) was within or beyond the authority of the Commission to make.

5. That insofar as Section 69-223 purports to confer upon the Court jurisdiction to proceed as by trial de novo, to determine issues of fact, to receive additional evidence and, from a preponderance of the evidence, to modify the order of the Commission, and to enter in lieu thereof such order as the Court may determine to be proper is in violation of Article 3, Section 1 of the New Mexico Constitution, and is void; but that said statute is not unconstitutional when the scope of judicial review is limited to the determination of the factors last above enumerated.

6. That the appellants do not allege and do not contend that the order or decision appealed from was arbitrary or capricious.

7. That the Petition for Review shows on its face that there was substantial evidence before the Commission to support the order appealed from, and that for purposes of the Motion to Dismiss the appellants do not challenge the sufficiency or substantiality of the evidence before the Commission.

8. That the Motion to Dismiss is well taken and should be sustained.

IT IS THEREFORE ORDERED that the Motion to Strike by the Oil Conservation Commission be and the same hereby is overruled.

IT IS FURTHER ORDERED that the Sawyer Motion to Dismiss be and the same hereby is sustained, and the Petition for Review is hereby dismissed.

To all of which the Mid-Continent and Magnolia appellants are allowed an exception.

Judge Presiding

SUMMONS

IN THE DISTRICT COURT, COUNTY OF LEA, STATE OF NEW MEXICO

IN THE MATTER OF THE PETITION OF
MID-CONTINENT PETROLEUM CORPORATION
AND MAGNOLIA PETROLEUM COMPANY FOR
REVIEW AND APPEAL OF PROCEEDING
BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO IN
CASE NO. 149 AND FROM ORDERS NO.
R-100 and NO. R-100-B ENTERED THEREIN.

NO. 9910
MAR 26 1952
CLERK OF DISTRICT COURT
COUNTY OF LEA, NEW MEXICO

THE STATE OF NEW MEXICO

TO: NEW MEXICO OIL CONSERVATION COMMISSION

Defendant.....

Greeting:

You are hereby commanded to appear before the Fifth Judicial District Court of the State of New Mexico, sitting within and for the County of Lea, that being the county in which the complaint herein is filed, within thirty days after service of this summons, then and there to answer the ~~complaint of~~

Petition For Review ~~Petition~~
in the above cause.

Petitioners

You are notified that unless you so appear and answer, the ~~plaintiff~~ will apply to the court for the relief demanded in the complaint together with costs of suit.

WITNESS, the Honorable C. ROY ANDERSON,
District Judge of the Fifth Judicial
District Court of the State of New Mexico,
and the Seal of the District Court of Lea County,

this 21st. day of March, A. D., 1952
W.M. BEAUCHAMP

Clerk of the District Court.
By Lucille B. Foster
Deputy

A statement of the nature of the action in general terms, viz: More particularly appears
in the Petition For Review, copy of which is attached hereto.

W.M. BEAUCHAMP
Clerk of the District Court
By Lucille B. Foster

SHERIFF'S RETURN

State of New Mexico,
County of Lea

I, _____
Sheriff of Lea County, New Mexico, do here-
by certify that this writ came to hand the
_____ day of _____, 19____
and there was at the same time delivered to
me for service herewith _____ cop____
of this summons and _____ cop____
of the complaint filed therein; that I made
service herein by delivering one copy of this
summons and one copy of the complaint here-
in to each of the within named defendant _____
within the said County of Lea, as follows to-
wit: _____

(Name)

on _____ and
(Date of Service)

on _____

FEES FOR SERVICE

Serving writ and return..... \$ _____

Mileage \$ _____

Total \$ _____

_____, Sheriff

By _____ Deputy

AFFIDAVIT OF SERVICE

STATE OF NEW MEXICO
COUNTY OF LEA

SS.

I, _____, being first duly sworn, on oath, state: That I am a citizen
of the United States and over the age of eighteen years, and not a party of said action; that I have made service of the
within summons in the above-named county and state by delivering a true copy of this summons together with a copy
of the complaint, filed in said cause to (each of) the following defendant_____ herein named, to-wit:

_____ on _____, 19____
_____ on _____, 19____
_____ on _____, 19____

Subscribed and sworn to before me this _____ day of _____, 19____

No. 9910

IN THE
DISTRICT COURT
LEA COUNTY, NEW MEXICO

IN THE MATTER OF THE PETITION
OF MID-CONTINENT PETROLEUM CORPORATION
AND MAGNILLIA PETROLEUM COMPANY FOR
REVIEW AND APPEAL OF PROCEEDING
BEFORE THE OIL CONVERSION COMMISSION
OF THE STATE OF NEW MEXICO IN CASE
NO. 149 AND FROM ORDERS NO. R-100
and NO. R 100-B ENTERED THEREIN.

Defendant_____

SUMMONS

HERVEY-DOW-HINKLE
ROSWELL, NEW MEXICO
ATTORNEYS FOR PETITIONER

Attorney_____ for Plaintiff_____

IN THE DISTRICT COURT OF LEA COUNTY, NEW MEXICO

IN THE MATTER OF THE PETITION OF)
MID-CONTINENT PETROLEUM CORPORATION)
AND MAGNOLIA PETROLEUM COMPANY FOR)
REVIEW AND APPEAL OF PROCEEDING)
BEFORE THE OIL CONSERVATION COMMIS-)
SION OF THE STATE OF NEW MEXICO IN)
CASE NO. 149 AND FROM ORDERS NO.)
R-100 and NO. R 100-B ENTERED THEREIN.)

CASE NO. 9910

ON CONSERVATION
MAR 26 1948
FILED

PETITION FOR REVIEW

Comes, now Mid-Continent Petroleum Corporation and Magnolia Petroleum Company, and for their petition for the review of the action of the Oil Conservation Commission of the State of New Mexico in the above styled and numbered case, alleges and states:

1. That Case No. 149 originally came on to be heard before the Oil Conservation Commission of New Mexico on July 15, 1948 upon the application of the Mid-Continent Petroleum Corporation. Based upon the uncontroverted evidence and testimony presented in the July 15, 1948 hearing, the Commission on July 27, 1948 entered Order No. 779 in Case No. 149. Order No. 779 was based on a finding by the Commission

"That it is the intention of this order to cover all wells now or hereafter drilling to and producing from the common source of supply from which the discovery well as above described has been drilled to and is now producing from, whether within the probable areas above delineated or any extension thereto, so as to insure a proper and uniform spacing, developing, and producing plan for all wells in this common source of supply.

3. That due to conditions established by the aforesaid discovery well, the Commission finds it advisable to amend and supplement its present rules, regulations and orders to properly cover the question of development of leases and spacing of wells now or hereafter drilling to, and producing from the Devonian formation, encountered at a depth below 12,000 feet in the Crossroads Pool.

4. That the present rules, regulations, and orders of the Commission are adequate and sufficient to properly cover the drilling, equipping, and operating of wells to the new common source as found in said above described well and, therefore, the general Statewide Rules and Lea County Rules should remain in full force and effect except as hereinafter modified, amended or superseded.

5. That the Devonian formation, as found in the discovery well below 12,000 feet, is a common source of supply which should be drilled and developed on a program other than that normally followed under the present rules, regulations, and orders of the Commission, particularly Order No. 637, effective March 1, 1946, with respect to units of proration, spacing and assignment of allowables, because of the depth of such wells, the time necessary to drill, and the high costs attached thereto, in addition to the hazards and scarcity of materials."

By the terms and provisions of Order No. 779, the Commission established eighty (80) acre spacing and drilling units for the Crossroads-Devonian Reservoir, Lea County, New Mexico effective August 16, 1948.

2. Section 19 (a), Chapter 168 of the Laws of New Mexico of 1949 grants the right to any person affected by an order of the Oil Conservation Commission to apply for a rehearing in the case within twenty (20) days after the order being complained of is entered. Order No. 779 was entered and signed July 27, 1948 and became final twenty (20) days thereafter when no interested party filed an application for rehearing in the case.

3. The Crossroads-Devonian pool was developed by Magnolia Petroleum Company, Mid-Continent Petroleum Corporation, and the Oil Development Company of Texas pursuant to and in accordance with the specific provisions of Order No. 779. Nine test wells had been drilled and a tenth was being drilled to the Devonian formation by the pool operators when this matter was last before the Commission. Over three million dollars has been spent in developing this pool in reliance upon Order No. 779

of the Oil Conservation Commission. A copy of Order No. 779 is attached as "Exhibit A" and made a part hereof. A plat showing the development of this pool as it existed when this case was last before the Conservation Commission is attached as "Exhibit A-1" and made a part hereof.

4. (a) On September 2, 1950, U. D. Sawyer and Dessie Sawyer filed an "Information" with the New Mexico Oil Conservation Commission. This "Information" prayed that the Commission rescind Order No. 779. A copy of said "Information" is attached as "Exhibit B" and made a part hereof.

(b) In response to the "Information" referred to above, the Oil Conservation Commission cited the operators of the Crossroads Devonian pool to appear before them in Santa Fe, New Mexico at 10:00 A. M., November 21, 1950 and show cause why Order No. 779 should be continued in effect.

(c) In response to the citation referred to above, the operators of Crossroads-Devonian Pool appeared before the Conservation Commission on November 21, 1950.

The said operators filed a motion to have the matter dismissed on the grounds that the proceedings constituted a collateral attack on Order No. 779. Order No. 779 had become final; rights obtained thereunder had become vested and millions of dollars had been spent in reliance upon the expressed terms and provisions of the order. This motion to dismiss was denied by the Commission.

Three experienced and technically trained petroleum engineers testified at the November 2, 1950 hearing. All three of these experts testified that one well would efficiently and economically drain eighty (80) acres in the Crossroads-Devonian Reservoir, and that it was unnecessary and wasteful to drill on any denser spacing pattern. The testimony of these three engineers was uncontroverted and undisputed at the hearing.

Notwithstanding this fact, the Commission failed to issue a definite order, but continued the matter until March 21, 1951.

5. At 10:00 A. M., March 21, 1951, Case 149 again came before the Conservation Commission to be heard. Mid-Continent Petroleum Corporation presented one (1) expert geologist and two (2) expert petroleum engineers. Magnolia Petroleum Company and the Oil Development Company of Texas each presented one (1) expert engineer. All five of these expert witnesses were familiar with the pool in question and all five had made a detailed study of the reservoir conditions. Each and every one of these witnesses testified that one well would efficiently and economically drain eighty (80) acres in this pool.

U. D. Sawyer and Dessie Sawyer presented one witness at the March 21, 1951 hearing. This witness' testimony was in part conflicting with that of the five (5) experts presented by the oil operators.

6. On October 15, 1951, the Oil Conservation Commission of New Mexico issued Order No. R-100 in Case No. 149. By its expressed provisions Order No. R-100 rescinded Order No. 779. A copy of Order No. R-100 is attached as "Exhibit C" and made a part hereof.

7. Within the statutory time allowed Mid-Continent Petroleum Corporation, Magnolia Petroleum Company and the Oil Development Company of Texas filed an application for rehearing in Case No. 149. This rehearing was granted within the statutory time provided by law and the case again came before the Commission at 10:00 A. M., December 19, 1951. A copy of Mid-Continent Petroleum Corporation and Magnolia Petroleum Company's application for rehearing in Case No. 149 is attached as "Exhibit D" and made a part hereof.

(a) The petitioners for rehearing in Case No. 149 presented three expert petroleum engineers on December 19,

1951. Each of these men had worked in the Crossroads-Devonian Pool since its inception and were highly qualified to offer testimony in this case. These witnesses testified that one well would efficiently and economically drain 80 acres in the Crossroads-Devonian Reservoir and that no waste was occurring or had occurred through use of the 80 acre spacing pattern in the pool.

(b) U. D. Sawyer and Dessie Sawyer presented one expert witness at the December 19, 1951 hearing. This witness admitted that his study of the Crossroads-Devonian Reservoir was limited to 12 days. (Official transcript of December 19, 1951 hearing Page 99). This witness' testimony in part conflicted with the testimony of witnesses presented by the operators in the pool.

8. On March 6, 1952 the Oil Conservation Commission of New Mexico issued Order No. R-100-B in Case No. 149. A copy of this order is attached as "Exhibit E" and made a part hereof. Petitioner alleges that the Commission erred in issuing Order R-100-B in the following respects, to-wit:

(1) In rescinding Order No. 779 providing for 80 acre spacing in Crossroads-Devonian Reservoir.

(2) In completely ignoring and disregarding the preponderance of the evidence and weight of the testimony presented before the Commission.

(3) In denying this petitioner's motion to dismiss the collateral attack on Order No. 779 in Case No. 149.

(4) In failing to find that one well in the Crossroads-Devonian Reservoir would efficiently and economically drain 80 acres.

(5) In failing to find that no waste or impairment of correlative rights had occurred or is occurring under the 80 acre spacing program in the Crossroads-Devonian Reservoir.

(6) In ordering that 40 acre proration units be established for the Crossroads-Devonian Pool. This finding and order is clearly against the weight and preponderance of the evidence and contrary to Section 13 (b), Chapter 168 of the Laws of the State of New Mexico, 1949.

(7) In failing to base an order in Case No. 149 upon the clear preponderance of the evidence before the Commission.

9. Petitioner further alleges that:

(1) Orders R-100 and R-100-B referred to above are contrary to the law and the evidence in this case, and should be reversed and held for naught. These orders if allowed to remain in full force and effect will result in the drilling of numerous unnecessary wells and needless expenditure of hundreds of thousands of dollars contrary to expressed provisions of Section 13 (b), Chapter 168 of the Laws of the State of New Mexico, 1949. This drilling of unnecessary wells creates fire and other hazards conducive to waste, and unnecessarily increases the production cost of oil or gas or both to the operator, and thereby also unnecessarily increases the cost of the products to the ultimate consumer. These orders referred to above, if allowed to remain in effect, will necessitate the needless and wasteful expenditure of thousands of tons of steel tubular goods at a time when steel is critical and so badly needed for National Defense.

(2) That Mid-Continent Petroleum Corporation and Magnolia Petroleum Company are the owners and operators of valid and producing oil leases within the Crossroads-Devonian Pool located in Lea County, New Mexico, and that this court has jurisdiction of this petition for review.

(3) That all of the matters and issues herein presented were heretofore presented to the Oil Conservation

Commission in Petitioners' Application for Rehearing and in the hearing granted pursuant thereto.

WHEREFORE, Petitioners respectfully pray the court, as authorized by Section 19b, Chapter 166 of the Laws of the State of New Mexico, 1949, that notice of this petition for review be served in the manner provided for the service of summons in civil proceedings upon the adverse parties, U. D. Sawyer and Dessie Sawyer, who reside in Lea County, New Mexico, and upon the Oil Conservation Commission of New Mexico by service upon R. R. Spurrier, Secretary and member of the Oil Conservation Commission, who resides and has his office in Santa Fe, New Mexico, and that this petition be set for trial, and upon the hearing thereof that this court review the action of the Oil Conservation Commission herein complained of and to enter its order vacating the orders of the Commission hereinabove referred to and to enter its order in lieu thereof establishing eighty (80) acre proration and drilling units in the Crossroads-Devonian Reservoir, Lea County, New Mexico, and that Order No. 779 originally entered in Case No. 149 be affirmed and made permanent in all respects.

HERVEY, DOW & HINKLE

By H. M. Dow
H. M. DOW

Ross Madole
ROSS MADOLE

J. H. Crocker
J. H. CROCKER

W. F. McKellar, Jr.
W. F. MCKELLAR, JR.

ATTORNEYS FOR PETITIONER,
MID-CONTINENT PETROLEUM CORPORATION
TULSA, OKLAHOMA

ATTORNEYS FOR PETITIONER,
MAGNOLIA PETROLEUM COMPANY
BOX 900, DALLAS, TEXAS

SUMMONS

IN THE DISTRICT COURT, COUNTY OF LEA, STATE OF NEW MEXICO

IN THE MATTER OF THE PETITION OF
MID-CONTINENT PETROLEUM CORPORATION
AND MAGNOLIA PETROLEUM COMPANY FOR
REVIEW AND APPEAL OF PROCEEDINGS
BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO IN
CASE NO. R-100-B ENTERED THEREIN.

VS.

NO. 9910

_____, Defendant.

THE STATE OF NEW MEXICO

TO: NEW MEXICO OIL CONSERVATION COMMISSION

Defendant.

Greeting:

You are hereby commanded to appear before the Fifth Judicial Court District of the State of New Mexico, sitting within and for the County of Lea, that being the county in which the complaint herein is filed, within thirty days after service of this summons, then and there to answer the complaint of Mid-Continent Petroleum Corp. and Magnolia Petroleum Co, Plaintiff.

in the above cause.

You are notified that unless you so appear and answer, the plaintiff will apply to the court for the relief demanded in the complaint together with costs of suit.

WITNESS, the Honorable C. ROY ANDERSON,
District Judge of the Fifth Judicial
District Court of the State of New Mexico,
and the Seal of the District Court of Lea County,

21 April 1952
this day of , A. D., 1952
W.M.BEAUCHAMP

Clerk of the District Court.

By Lucille B. Luter
Deputy.

A statement of the nature of the action in general terms, viz: "Petition for Review" by Mid-Continent Petroleum Corp. and Magnolia Petroleum Company of the action of the Oil Conservation Commission of the State of New Mexico, taken in its Order of March 6, 1952, No. R-100-B in Case No. 149 before the Oil Conservation Commission of New Mexico, and otherwise as stated in the Petition.

W.M.BEAUCHAMP District Court.
By Lucille B. Luter

AFFIDAVIT OF SERVICE

STATE OF NEW MEXICO }
COUNTY OF LEA } SS.

I, _____, being first duly sworn, on oath, state: That I am a citizen of the United States and over the age of eighteen years, and not a party of said action that I have made service of the within summons in the above-named county and state by delivering a true copy of this summons together with a copy of the complaint, filed in said cause to (each of) the following defendant..... herein named, to-wit:

_____ on _____, 19____
_____ on _____, 19____
_____ on _____, 19____

Subscribed and sworn to before me this _____ day of _____, 19____

No. 9910

IN THE
DISTRICT COURT
LEA COUNTY, NEW MEXICO

IN THE MATTER OF THE PETITION
OF MID-CONTINENT PETROLEUM
CORPORATION AND MAGNOLIA PET*
ROLEUM COMPANY FOR REVIEW AND
APPEAL OF PROCEED NGS BEFORE
THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO IN
CASE NO. R 100-B ENTERED HEREIN
VS.

Defendant.....

SUMMONS

Hervoy-Dow-Hinkle
Roswell, New Mexico

Attorney..... for Plaintiff.....

SHERIFF'S RETURN

State of New Mexico,
County of Lea

I, _____
Sheriff of Lea County, New Mexico, do here-
by certify that this writ came to hand the
_____ day of _____, 19____
and there was at the time delivered to me
for service herewith _____ cop.....
of this summons and _____ cop.....
of the complaint filed therein; that I made
service herein by delivering one copy of this
summons and one copy of the complaint here-
in to each of the within named defendant.....
within the said County of Lea, as follows
to-wit:

(Name)
on _____ and
(Date of Service)

on _____

FEEES FOR SERVICE
Serving writ and return \$ _____
Mileage \$ _____
Total \$ _____
_____, Sheriff
By _____, Deputy

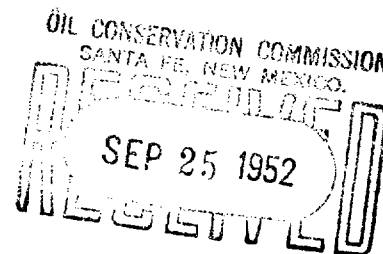
Case 147

Worm

GILBERT, WHITE AND GILBERT
ATTORNEYS AND COUNSELORS AT LAW
BISHOP BUILDING
SANTA FE, NEW MEXICO

CARL H. GILBERT
L. C. WHITE
WILLIAM W. GILBERT
SUMNER S. KOCH

September 23, 1952



Mr. H. M. Dow
c/o Hervey, Dow and Hinkle
First National Bank Building
Roswell, New Mexico

Dear Mr. Dow:

In accordance with Mr. Hanners letter of September 17th I have this day forwarded the original of the enclosed Motion to Strike to the Clerk of the District Court of Lea County to be filed on behalf of the Oil Conservation Commission. I appreciate and want to thank you for allowing us to let the matter rest in abeyance during the Summer. You will find enclosed extra copies of the Motion for your use.

With kind personal regards, I am

Sincerely yours,

L. C. WHITE

LCW-c



September 23, 1952

Mr. G. T. Hanners
Attorney at Law
Stansell Building
Lovington, New Mexico

Re: Mid-Continent Appeal and
Crossroads Space Order
No. 9910 Lea County

Dear Mr. Hanners:

This will acknowledge receipt of your letter of September 17th, 1952 wherein you advise that you have filed your Motion to Dismiss as of that date. I am this day, on behalf of the Oil Conservation Commission, forwarding to the Clerk of the District Court of Lea County our Motion to Strike, copy of which I have previously forwarded to you.

I am sending a copy of this letter together with copy of our Motion to strike to Jack M. Campbell for his information.

Looking forward to seeing you when in Santa Fe,
I remain,

Very truly yours,

L. C. WHITE

LCW-c

RECEIVED
SEP 25 1952

IN THE DISTRICT COURT OF LEA COUNTY, NEW MEXICO

IN THE MATTER OF THE PETITION OF
MID-CONTINENT PETROLEUM CORPORATION
AND MACIELLA PETROLEUM COMPANY FOR
REVIEW AND APPEAL OF PROCEEDINGS
BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO IN
CASE NO. 149 AND FROM ORDER NO.
E-100 and No. E 100-B ENTERED THEREIN.

No. 9910

MOTION TO STRIKE

Come now the New Mexico Oil Conservation Commission and moves the
Court to strike from the Petition for Review the following allegations on the
ground that they are redundant, immaterial to the issues herein, and imparti-
nent.

1.

Strike all of paragraph numbered 1, except the last sentence thereof,
reading as follows:

"By the terms and provisions of Order No. 779, the
Commission established eighty (80) new spacing and
drilling units for the Grosvenor-Devonian Reservoir,
Lea County, New Mexico effective August 16, 1943."

2.

Strike all of paragraph numbered 2.

3.

Strike all of paragraph numbered 3 of the Petition for Review, read-
ing as follows:

"Nine test wells had been drilled and a tenth was
being drilled to the Devonian formation by the pool
operators when this matter was last before the
Commission. Over three million dollars has been
spent in developing this pool in reliance upon Order
No. 779 of the Oil Conservation Commission. ~~However~~
A plat showing the development of this pool as it
existed when this case was last before the Conserva-
tion Commission is attached as "Exhibit A-1" and made
a part hereof."

4.

Strike all of sub-section c of paragraph numbered 4 in the Petition

GILBERT, WHITE AND GILBERT
ATTORNEYS AT LAW
SANTA FE, NEW MEXICO

ILLEGIBLE

For Review.

Strike all of paragraph numbered 5 in the Petition For Review.

Strike all of sub-paragraphs (a) and (b) of paragraph numbered 7 in the Petition For Review.

Strike all of sub-paragraph "(2)" and "(3)" of paragraph numbered 8 in the Petition For Review; strike all that portion of sub-paragraph "(c)" in paragraph numbered 8 in the Petition for Review, reading as follows:

"This finding and order is clearly against the weight and preponderance of the evidence and contrary to Section 19 (b), Chapter 168 of the Laws of the State of New Mexico, 1949."

Strike all of sub-paragraph "(7)" of paragraph numbered 9.

Strike all that portion of sub-paragraph "(1)" of paragraph numbered 9 in the Petition For Review, reading as follows:

"This drilling of unnecessary wells creates fire and other hazards conducive to waste, and unnecessarily increases the production cost of oil or gas or both to the operator, and thereby also unnecessarily increases the cost of the products to the ultimate consumer. These orders referred to above, if allowed to remain in effect, will necessitate the needless and wasteful expenditure of thousands of tons of steel tubular goods at a time when steel is critical and so badly needed for National Defense."

That the reasons for said Motion are that the foregoing allegations are either foreign to the issues, superfluous, or set forth evidentiary details, and that none of said allegations add anything to the statement of Petitioners case, and each of such allegations is wholly prejudicial to this Movant.

II.

As an alternative to the foregoing Motion the Oil Conservation Commission moves the Court to dismiss the Petition for Review, and in support

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thereof, respectfully shows:

1.

That this Honorable Court has no jurisdiction over the subject matter thereof.

2.

That said Petition fails to state a claim upon which relief can be granted.

3.

That this Honorable Court, New Mexico Oil Conservation Commission, repeats and re-alleges as part of this Motion each and all of the allegations as contained in the Motion to Dismiss, heretofore filed on behalf of U. P. Senger and Jessie Senger with like effect, as if herein fully repeated.

Respectfully submitted,


Attorney for Oil Conservation Commission

ILLEGIBLE

IN THE DISTRICT COURT OF LEA COUNTY, NEW MEXICO

IN THE MATTER OF THE PETITION OF
MID-CONTINENT PETROLEUM CORPORATION
AND MAGNOLIA PETROLEUM COMPANY FOR
REVIEW AND APPEAL OF PROCEEDING
BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO IN
CASE NO. 149 AND FROM ORDERS NO.
R-100 and No. R-100-B ENTERED THEREIN.)

CASE NO. 9910

PETITION FOR REVIEW

Comes, now Mid-Continent Petroleum Corporation and Magnolia Petroleum Company, and for their petition for the review of the action of the Oil Conservation Commission of the State of New Mexico in the above styled and numbered case, alleges and states:

1. That Case No. 149 originally came on to be heard before the Oil Conservation Commission of New Mexico on July 15, 1948 upon the application of the Mid-Continent Petroleum Corporation. Based upon the uncontroverted evidence and testimony presented in the July 15, 1948 hearing, the Commission on July 27, 1948 entered Order No. 779 in Case No. 149. Order No. 779 was based on a finding by the Commission

*That it is the intention of this order to cover all wells now or hereafter drilling to and producing from the common source of supply from which the discovery well as above described has been drilled to and is now producing from, whether within the probable area as above delineated or any extension thereto, so as to insure a proper and uniform spacing, developing, and producing plan for all wells in this common source of supply.

3. That due to conditions established by the aforesaid discovery well, the Commission finds it advisable to amend and supplement its present rules, regulations and orders to properly cover the question of development of leases and spacing of wells now or hereafter drilling to, into and producing from the Devonian formation, encountered at a depth below 12,000 feet in the Crossroads Pool.

4. That the present rules, regulations, and orders of the Commission are adequate and sufficient to properly cover the drilling, equipping, and operating of wells to the new common source as found in said above described well and, therefore, the general Statewide Rules and Lea County Rules should remain in full force and effect except as hereinafter modified, amended or superseded.

5. That the Devonian formation, as found in the discovery well below 12,000 feet, is a common source of supply which should be drilled and developed on a program other than that normally followed under the present rules, regulations, and orders of the Commission, particularly Order No. 637, effective March 1, 1946, with respect to units of proration, spacing and assignment of allowables, because of the depth of such wells, the time necessary to drill, and the high costs attached thereto, in addition to the hazards and scarcity of materials."

By the terms and provisions of Order No. 779, the Commission established eighty (80) acre spacing and drilling units for the Crossroads-Devonian Reservoir, Lea County, New Mexico effective August 16, 1948.

2. Section 19 (a), Chapter 168 of the Laws of New Mexico of 1949 grants the right to any person affected by an order of the Oil Conservation Commission to apply for a rehearing in the case within twenty (20) days after the order being complained of is entered. Order No. 779 was entered and signed July 27, 1948 and became final twenty (20) days thereafter when no interested party filed an application for rehearing in the case.

3. The Crossroads-Devonian pool was developed by Magnolia Petroleum Company, Mid-Continent Petroleum Corporation, and the Oil Development Company of Texas pursuant to and in accordance with the specific provisions of Order No. 779. Nine test wells had been drilled and a tenth was being drilled to the Devonian formation by the pool operators when this matter was last before the Commission. Over three million dollars has been spent in developing this pool in reliance upon Order No. 779

of the Oil Conservation Commission. A copy of Order No. 779 is attached as "Exhibit A" and made a part hereof. A plat showing the development of this pool as it existed when this case was last before the Conservation Commission is attached as "Exhibit A-1" and made a part hereof.

4. (a) On September 2, 1950, U. D. Sawyer and Dessie Sawyer filed an "Information" with the New Mexico Oil Conservation Commission. This "Information" prayed that the Commission rescind Order No. 779. A copy of said "Information" is attached as "Exhibit B" and made a part hereof.

(b) In response to the "Information" referred to above, the Oil Conservation Commission cited the operators of the Crossroads Devonian pool to appear before them in Santa Fe, New Mexico at 10:00 A. M., November 21, 1950 and show cause why Order No. 779 should be continued in effect.

(c) In response to the citation referred to above, the operators of Crossroads-Devonian Pool appeared before the Conservation Commission on November 21, 1950.

The said operators filed a motion to have the matter dismissed on the grounds that the proceedings constituted a collateral attack on Order No. 779. Order No. 779 had become final; rights obtained thereunder had become vested and millions of dollars had been spent in reliance upon the expressed terms and provisions of the order. This motion to dismiss was denied by the Commission.

Three experienced and technically trained petroleum engineers testified at the November 2, 1950 hearing. All three of these experts testified that one well would efficiently and economically drain eighty (80) acres in the Crossroads-Devonian Reservoir, and that it was unnecessary and wasteful to drill on any denser spacing pattern. The testimony of these three engineers was uncontroverted and undisputed at the hearing.

Notwithstanding this fact, the Commission failed to issue a definite order, but continued the matter until March 21, 1951.

5. At 10:00 A. M., March 21, 1951, Case 149 again came before the Conservation Commission to be heard. Mid-Continent Petroleum Corporation presented one (1) expert geologist and two (2) expert petroleum engineers. Magnolia Petroleum Company and the Oil Development Company of Texas each presented one (1) expert engineer. All five of these expert witnesses were familiar with the pool in question and all five had made a detailed study of the reservoir conditions. Each and every one of these witnesses testified that one well would efficiently and economically drain eighty (80) acres in this pool.

U. D. Sawyer and Dessie Sawyer presented one witness at the March 21, 1951 hearing. This witness' testimony was in part conflicting with that of the five (5) experts presented by the oil operators.

6. On October 15, 1951, the Oil Conservation Commission of New Mexico issued Order No. R-100 in Case No. 149. By its expressed provisions Order No. R-100 rescinded Order No. 779. A copy of Order No. R-100 is attached as "Exhibit C" and made a part hereof.

7. Within the statutory time allowed Mid-Continent Petroleum Corporation, Magnolia Petroleum Company and the Oil Development Company of Texas filed an application for rehearing in Case No. 149. This rehearing was granted within the statutory time provided by law and the case again came before the Commission at 10:00 A. M., December 19, 1951. A copy of Mid-Continent Petroleum Corporation and Magnolia Petroleum Company's application for rehearing in Case No. 149 is attached as "Exhibit D" and made a part hereof.

(a) The petitioners for rehearing in Case No. 149 presented three expert petroleum engineers on December 19,

1951. Each of these men had worked in the Crossroads-Devonian Pool since its inception and were highly qualified to offer testimony in this case. These witnesses testified that one well would efficiently and economically drain 80 acres in the Crossroads-Devonian Reservoir and that no waste was occurring or had occurred through use of the 80 acre spacing pattern in the pool.

(b) U. D. Sawyer and Dessie Sawyer presented one expert witness at the December 19, 1951 hearing. This witness admitted that his study of the Crossroads-Devonian Reservoir was limited to 12 days. (Official transcript of December 19, 1951 hearing Page 99). This witness' testimony in part conflicted with the testimony of witnesses presented by the operators in the pool.

8. On March 6, 1952 the Oil Conservation Commission of New Mexico issued Order No. R-100-B in Case No. 149. A copy of this order is attached as "Exhibit E" and made a part hereof. Petitioner alleges that the Commission erred in issuing Order R-100-B in the following respects, to-wit:

(1) In rescinding Order No. 779 providing for 80 acre spacing in Crossroads-Devonian Reservoir.

(2) In completely ignoring and disregarding the preponderance of the evidence and weight of the testimony presented before the Commission.

(3) In denying this petitioner's motion to dismiss the collateral attack on Order No. 779 in Case No. 149.

(4) In failing to find that one well in the Crossroads-Devonian Reservoir would efficiently and economically drain 80 acres.

(5) In failing to find that no waste or impairment of correlative rights had occurred or is occurring under the 80 acre spacing program in the Crossroads-Devonian Reservoir.

(6) In ordering that 40 acre proration units be established for the Crossroads-Devonian Pool. This finding and order is clearly against the weight and preponderance of the evidence and contrary to Section 13 (b), Chapter 168 of the Laws of the State of New Mexico, 1949.

(7) In failing to base an order in Case NO. 149 upon the clear preponderance of the evidence before the Commission.

9. Petitioner further alleges that:

(1) Orders R-100 and R-100-B referred to above are contrary to the law and the evidence in this case, and should be reversed and held for naught. These orders if allowed to remain in full force and effect will result in the drilling of numerous unnecessary wells and needless expenditure of hundreds of thousands of dollars contrary to expressed provisions of Section 13 (b), Chapter 168 of the Laws of the State of New Mexico, 1949. This drilling of unnecessary wells creates fire and other hazards conducive to waste, and unnecessarily increases the production cost of oil or gas or both to the operator, and thereby also unnecessarily increases the cost of the products to the ultimate consumer. These orders referred to above, if allowed to remain in effect, will necessitate the needless and wasteful expenditure of thousands of tons of steel tubular goods at a time when steel is critical and so badly needed for National Defense.

(2) That Mid-Continent Petroleum Corporation and Magnolia Petroleum Company are the owners and operators of valid and producing oil leases within the Crossroads-Devonian Pool located in Lea County, New Mexico, and that this court has jurisdiction of this petition for review.

(3) That all of the matters and issues herein presented were heretofore presented to the Oil Conservation

Commission in Petitioners' Application for Rehearing and in the hearing granted pursuant thereto.

WHEREFORE, Petitioners respectfully pray the court, as authorized by Section 19b, Chapter 168 of the Laws of the State of New Mexico, 1949, that notice of this petition for review be served in the manner provided for the service of summons in civil proceedings upon the adverse parties, U. D. Sawyer and Dessie Sawyer, who reside in Lea County, New Mexico, and upon the Oil Conservation Commission of New Mexico by service upon R. R. Spurrier, Secretary and member of the Oil Conservation Commission, who resides and has his office in Santa Fe, New Mexico, and that this petition be set for trial, and upon the hearing thereof that this court review the action of the Oil Conservation Commission herein complained of and to enter its order vacating the orders of the Commission hereinabove referred to and to enter its order in lieu thereof establishing eighty (80) acre proration and drilling units in the Crossroads-Devonian Reservoir, Lea County, New Mexico, and that Order No. 779 originally entered in Case No. 149 be affirmed and made permanent in all respects.

HERVEY, DOW & HINKLE

By (Signed)
H. M. DOW

(Signed)
ROSS MADOLE

(Signed)
J. H. CROCKER

(Signed)
W. E. McKELLAR, JR.

ATTORNEYS FOR PETITIONER,
MID-CONTINENT PETROLEUM CORPORATION
TULSA, OKLAHOMA

ATTORNEYS FOR PETITIONER,
MAGNOLIA PETROLEUM COMPANY
BOX 900, DALLAS, TEXAS

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

"EXHIBIT B"

IN THE MATTER OF ORDER NO. 779,
MADE BY THE OIL CONSERVATION COM-
MISSION OF THE STATE OF NEW MEXICO
IN CASE NO. 149 ON JULY 27, 1948,
UPON THE APPLICATION OF THE MID-
CONTINENT PETROLEUM CORPORATION,
ESTABLISHING THE 80-ACRE DRILLING
PATTERN AND PRORATION UNIT FOR THE
CROSSROADS DEVONIAN FIELD BELOW
12,000 FEET, LEA COUNTY, NEW MEXICO.

CASE NO. 149

INFORMATION

Come now U. D. Sawyer and Dessie Sawyer, and respectfully show
to the Commission as follows:

1.

That they are husband and wife, and residents of Crossroads,
Lea County, New Mexico, and that they are the owners of an undivided
11/12ths interest in the oil, gas and other minerals in and under the
following described lands in Township 9 South, Range 36 East, in the
Crossroads Devonian Field, in Lea County, New Mexico, to-wit:

E $\frac{1}{2}$	Section 27	Subject to lease held by Mid-Continent Petroleum Corporation
SW $\frac{1}{4}$	Section 27	Subject to lease held by Mid-Continent Petroleum Corporation
NE $\frac{1}{4}$	Section 33	Not leased
N $\frac{1}{2}$ SW $\frac{1}{4}$	Section 35	Subject to lease held by Gulf Oil Corporation
N $\frac{1}{2}$	Section 34	Mid-Continent lease, terminated by non-payment of rental
SE $\frac{1}{4}$	Section 34	

Containing 1,200 acres, more or less.

2.

That on May 6, 1948, the Mid-Continent Petroleum Corporation
completed its discovery well know as the Mid-Continent-Sawyer No. 1 in the
SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 27, Township 9 South, Range 36 East, at a total depth
of 12,358', as a substantial producer from the Devonian formation; and
that soon thereafter and on July 27, 1948, and upon the application of the
Mid-Continent Petroleum Corporation, the Oil Conservation Commission of
the State of New Mexico adopted its Order No. 779 in case No. 149,
establishing the 80-acre drilling pattern and proration unit for the
production of oil from the Devonian formation below 12,000 feet in an area

comprising 2,560 acres, including most of the lands of these informants, in a four-section square, known as the Crossroads Devonian Field, and embracing the following described lands in said township and range, to-wit:

West Half	Section 26
All	Section 27
East Half	Section 28
East Half	Section 33
All	Section 34
West Half	Section 35

and that in said Order the Oil Conservation Commission of the State of New Mexico specifically retained jurisdiction of the case for the purpose of issuing such further and additional orders as might be necessary to meet changed conditions, preclude inequities and preserve correlative rights.

3.

That thereafter three additional wells were drilled in said area and resulted in successful production of oil from the Devonian formation below 12,000 feet, which wells are known and identified as follows:

Mid-Continent Dessie Sawyer	NE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 27
Mid-Continent Sawyer D	SW $\frac{1}{4}$ NE $\frac{1}{4}$ Section 27
Magnolia - Santa Fe - 1-C	SW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 26

and three other wells were drilled in said area to depths considered sufficient to test the Devonian formation below 12,000 feet and then abandoned as dry holes, which wells are known and identified as follows:

Mid-Continent Sawyer - 1-B	NE $\frac{1}{4}$ NW $\frac{1}{4}$ Section 34
Skelly Oil Co. - Sawyer - 1	NE $\frac{1}{4}$ NE $\frac{1}{4}$ Section 33
Oil Development Co-Santa Fe-1	SW $\frac{1}{4}$ NW $\frac{1}{4}$ Section 27

and two other wells were drilled in said area resulting in successful production from the Pennsylvanian formation at depths of approximately 9,700 feet, which wells are known and identified as follows:

Magnolia- Santa Fe-1-B	NE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 28
Magnolia- Santa Fe-1-D	SW $\frac{1}{4}$ SE $\frac{1}{4}$ Section 22 (outside Devonian Field)

and three other wells are now drilling in said area, which wells are known and identified as follows:

Mid-Continent- Sawyer-1-C	NE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 27
Oil Development Co-Santa Fe-2-27	SE $\frac{1}{4}$ NW $\frac{1}{4}$ Section 27
Oil Development Co-Santa Fe-1-22	SE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 22 (outside Devonian Field)

and that a plat, showing the location of all of said wells, is hereto attached, marked Exhibit "A" and made a part hereof.

4.

That, at the time of the adoption of such Devonian 80-acre spacing pattern there was only one producing well in the Crossroads Field, that being the discovery well known as the Mid-Continent-Sawyer-1 in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 27, and that said 80-acre spacing pattern was not based on past experience in said field, but was adopted as an exception to the Statewide normal 40-acre spacing pattern on the assumption that oil would be encountered in the Devonian formation below 12,000 feet under all of the lands comprising such four-section Devonian Field, and was adopted in anticipation of other circumstances and conditions then assumed to exist.

5.

That experience in the drilling of the dry holes known as Mid-Continent-Sawyer-1-B in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 34 and the Skelly-Sawyer-1 in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 33 has demonstrated that the lands south of the discovery well were not productive of oil from the Devonian formation, and that experience in the drilling of the dry hole known as Oil Development Company-Santa Fe-1 in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 27 has demonstrated that the lands in the west half of the Northwest Quarter of Section 27 were not productive of oil from the Devonian formation; and that of all of the wells drilled in or near such Crossroads Devonian Field, four have encountered oil in the Devonian formation below 12,000 feet, three have been abandoned as dry holes after being drilled to depths below 12,000 feet, and two have been completed as producers from the Pennsylvanian formation at depths of approximately 9,700 feet.

6.

That after the completion of its dry hole known as Oil Development Company-Santa Fe-1 in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 27, and on or about January 11, 1950, the Santa Fe Pacific Railroad Company and Oil Development Company of Texas

abandoned such 80-acre spacing pattern, and obtained permission from the Oil Conservation Commission to depart from such 80-acre pattern and to locate its Oil Development Co-Santa Fe-2-27 in the $SE\frac{1}{4}NW\frac{1}{4}$ of Section 27, as a direct westerly offset to the Mid-Continent-Sawyer-D and as a direct northerly offset to the Mid-Continent-Dessie Sawyer No. 1, and that such Oil Development Co-Santa Fe-2-27 is now drilling at such location, intended to ultimately test the Devonian formation below 12,000 feet.

7.

That these informants are now entitled to offset wells in the $NW\frac{1}{4}SW\frac{1}{4}$ of Section 27 to protect against drainage in the Pennsylvanian formation by the Magnolia-Santa Fe-1-B in the $NE\frac{1}{4}SE\frac{1}{4}$ of section 28 and in the $NW\frac{1}{4}NE\frac{1}{4}$ of section 27 to protect against drainage in the Pennsylvanian formation by the Magnolia-Santa Fe-1-D in the $SW\frac{1}{4}SE\frac{1}{4}$ of Section 22; that the two locations at which they are now entitled to offset wells are midway between producing Devonian wells upon their lands and producing Pennsylvanian wells upon lands not owned by them, and that if the Oil Development Co-Santa Fe-2-27 now drilling in the $SE\frac{1}{4}NW\frac{1}{4}$ of Section 27 should be successful in encountering the Devonian formation, it would be reasonable to assume that each of such offset wells should also be drilled into the Devonian formation, and by reason of the implied covenants of the oil and gas leases covering such lands they would be entitled to the drilling of such wells into the lower or Devonian formation, but that under the present 80-acre spacing pattern, Devonian wells are not to be located or drilled at either of such locations.

8.

These informants respectfully show to the Commission that drilling experience in such Crossroads Devonian Field and the facts and circumstances subsequent to the adoption of such Devonian 80-acre spacing pattern have not demonstrated, in and of themselves, that such Devonian 80-acre pattern should be further continued in effect as an exception to the normal Statewide 40-acre spacing pattern; that these informants have a valuable property interest in the oil, gas and other minerals in and under and that may be produced from their lands above described, and that if such Devonian 80-acre pattern be continued in effect after subsequent facts and circumstances have failed to demonstrate that the same should be so continued, the value of their property interest will be unjustly diminished and

and the marketability thereof unduly impaired, and that inequities and injustices will result.

WHEREFORE, these informants pray that the Oil Conservation Commission take notice that experience in such Crossroads Devonian Field and the facts and circumstances subsequent to the adoption of its Order No. 779 establishing such Devonian 80-acre spacing pattern have not demonstrated, in and of themselves, that the same should be further continued in effect as an exception to the Statewide normal 40-acre spacing pattern, and that the Commission, upon its own motion, require the Mid-Continent Petroleum Corporation, applicant for the aforementioned order, and any other interested parties, to show cause, if any it or they may have, why such Order No. 779 should be further continued in effect, and that upon the hearing in this matter, if said parties fail to show proper cause for the continuation of said Order No. 779, that the same be rescinded by the Commission.

Dated at Lovington, New Mexico, this 2nd day of September, 1950, and respectfully submitted.

s/ G. T. Hanners
Attorney for Sawyers
Lovington, New Mexico

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