

BEFORE THE OIL CONSERVATION COMMISSION OF
THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF AMERADA PETROLEUM CORPORATION
FOR THE ESTABLISHMENT OF PRORATION
UNITS AND UNIFORM SPACING OF WELLS
FOR THE COMMON SOURCE OF SUPPLY
DISCOVERED IN AMERADA-STATE BTA NO. 1
WELL, NW/4 SE/4 SEC. 2, TOWNSHIP 12
SOUTH, RANGE 33 EAST,
LEA COUNTY, NEW MEXICO.

CAUSE NO. _____

ORDER NO. _____

A P P L I C A T I O N

COMES, NOW, Amerada Petroleum Corporation, Tulsa,
Oklahoma, and alleges and states:

1. That applicant has drilled and completed a well known as "State BTA No. 1" located in the center of the NW/4 SE/4 Sec. 2-12S-33E, Lea County, New Mexico, and discovered a new common source of supply found in said well at the approximate depth of from 10,770 feet to 11,000 feet, the probable productive limits of said common source of supply to be determined by the Commission.

2. That in addition to the discovery well referred to above, the following wells are now being drilled to said common source of supply in the area:

- (a) Amerada-State BTC No. 1, located in SE/4 SW/4 Sec. 35-11S-33E;
- (b) Texas, Pacific Coal and Oil Company No. 1, State "B"-Account No. 1, located in SE/4 NW/4 Sec. 2-12S-33E;
- (c) Mid-Continent Petroleum Corporation No. 1, State Land 65, located in SW/4 NW/4 Sec. 1-12S-33E;

3. That in addition to the above described wells the following wells have also been drilled, or are now drilling in the area:

- (a) Amerada No. 1 Caudle, located in the SE/4 NE/4 Sec. 10-12S-33E, which tested salt water in the same stratigraphic horizon that is producing oil in the discovery well described above, and has been completed as an oil well in a shallower formation;

- (b) Amerada-State BTB No. 1, located in NW/4 NW/4 Sec. 26-12S-33E, which tested oil in a formation that may be the same common source of supply in which the above described discovery well has been completed;

4. A plat of the area showing the location of the wells referred to above is attached hereto and marked "EXHIBIT A".

5. That in order to bring about the orderly and proper development of said common source of supply, prevent waste and to avoid the drilling of unnecessary wells, and to secure the greatest ultimate recovery therefrom, and to protect the correlative rights of the interested parties therein, it is necessary and proper for the Commission to enter its order providing for proration units of 80 acres each, such being the area which may be efficiently and economically drained by one well, and to provide for the uniform spacing of said wells in the center of the Northwest and Southeast forty-acre tracts of each quarter section, with a tolerance of 150 feet to avoid surface obstructions.

6. That the well now being drilled to said common source of supply known as "Mid-Continent Petroleum Corporation No. 1, State Land 65," located in SW/4 NW/4 Sec. 1-12S-33E, should be granted an exception to the spacing order established by the Commission hereunder and be considered as the well for the proration unit on which it is located.

WHEREFORE, applicant respectfully requests that the Commission set this application for public hearing at the time and place to be fixed by the Commission, that due and proper notice be given as required by law, and that at the conclusion of said hearing the Commission make and enter an order determining and defining the probable productive limits of the common source of supply referred to above, naming the pool, establish proration units of 80 acres each, and provide for a uniform spacing of such wells, designating the location of said wells

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF)	
AMERADA PETROLEUM CORPORATION FOR)	CASE NO. 191
THE ESTABLISHMENT OF PRORATION UNITS)	
AND THE UNIFORM SPACING OF WELLS IN)	ORDER NO. R-2
THE BAGLEY SILURO-DEVONIAN POOL IN)	
LEA COUNTY, NEW MEXICO)	

APPLICATION FOR REHEARING

Comes, now, Amerada Petroleum Corporation, Applicant herein, and alleges that on January 23, 1950, the Commission entered its order in the above styled case after due notice and hearing held on December 20, 1949, which said order denied the application heretofore filed herein by Amerada Petroleum Corporation for eighty-acre proration units and uniform spacing of wells in the Bagley Siluro-Devonian Pool, Lea County, New Mexico, and that such order is believed by Applicant to be erroneous in the following particulars, to wit:

1. That the Commission erred in finding the evidence insufficient to prove that the proposed plan of spacing would avoid the drilling of unnecessary wells, secure the greatest ultimate recovery from the pool, or protect correlative rights.

2. That the Commission erred in finding the evidence insufficient to prove that one well drilled on each eighty-acre tract would efficiently drain the recoverable oil from the pool.

3. That the order entered herein is contrary to and in disregard of the evidence introduced at the hearing which established by a preponderance thereof that eighty acres is the area that may be efficiently and economically drained and developed by one well, and that the establishment of eighty-acre proration units and uniform spacing of wells, as

requested by Applicant, will prevent waste, avoid the drilling of unnecessary wells and protect the correlative rights of all parties interested in said pool.

4. That the order entered herein is contrary to law.

WHEREFORE, Applicant respectfully requests that a rehearing be granted and after rehearing that the Commission enter its order establishing eighty-acre proration units and uniform spacing of wells in the Bagley Siluro-Devonian Pool, in Lea County, New Mexico, as requested by the application filed herein and evidence presented at the hearing in support thereof.

SETH & MONTGOMERY

By _____

Harry D. Page

Booth Kellough

Attorneys for Applicant,
Amerada Petroleum Corporation.

IN THE DISTRICT COURT OF LEA COUNTY

STATE OF NEW MEXICO

IN THE MATTER OF THE PETITION OF)
AMERADA PETROLEUM CORPORATION FOR)
REVIEW AND APPEAL OF PROCEEDING)
BEFORE THE OIL CONSERVATION)
COMMISSION OF THE STATE OF NEW)
MEXICO IN CASE NO. 191)

Case No. 8485.

PRETRIAL ORDER

This matter having come on for hearing at pretrial conference at 9:00 a.m. on May 29, 1950 in the Court Chambers at the Courthouse of Roswell, New Mexico, pursuant to the provisions of Rule 16 of the Rules of the District Courts of the State of New Mexico, upon notices duly given to all parties, it was stipulated in open Court that said pretrial conference would be held before the Court at Roswell, New Mexico, in lieu of the conference being held in Lea County, New Mexico.

Petitioner Amerada Petroleum Corporation was represented by Clarence E. Hinkle for Hervey, Dow & Hinkle, Roswell, New Mexico, and Booth Kellough of Tulsa, Oklahoma, its attorneys of record. Respondent Texas Pacific Coal & Oil Company was represented by Jack M. Campbell and Ross L. Malone, Jr. for Atwood, Malone & Campbell, Roswell, New Mexico, and Eugene T. Adair, Fort Worth, Texas, its attorneys of record. Respondent Oil Conservation Commission of New Mexico was represented by Don G. McCormick, Special Assistant Attorney General and George A. Graham Special Assistant Attorney General, two of its attorneys of record.

The following proceedings were had:

1. Respondent Texas Pacific Coal & Oil Company, joined by Respondent Oil Conservation Commission of New Mexico, under paragraphs numbered 1 and 4 in the Notice of Pretrial conference

raised the question of the extent of the scope of the review by the Court of the order appealed from and presented argument that the Court in its review was limited to a determination of whether there was substantial evidence in the record before the commission to sustain its order. Petitioner requested additional time to submit a brief to the Court upon the question and pursuant to such request the pretrial conference was recessed pending furnishing of briefs by the parties and a determination by the Court as to the question raised.

2. Briefs having been submitted pursuant to instruction by the Court, the pretrial conference was resumed at Roswell, New Mexico, on September 11, 1950 at 1:30 p.m. due notice having been given to all parties. Petitioner Amerada Petroleum Corporation was represented by Clarence E. Hinkle for Hervey, Dow & Hinkle, Roswell, New Mexico, and Booth Kellough of Tulsa, Oklahoma, its attorneys of record. Respondent Texas Pacific Coal & Oil Company was represented by Jack M. Campbell and Ross L. Malone, Jr. for Atwood, Malone & Campbell, Roswell, New Mexico, and Eugene T. Adair, Fort Worth, Texas, its attorneys of record. Respondent Oil Conservation Commission of New Mexico was represented by George A. Graham, Special Assistant Attorney General, one of its attorneys of record.

3. The Court having considered the briefs submitted by the parties and having heard argument of counsel as to the scope and extent of the review by the Court of the order of the Oil Conservation Commission in accordance with its letter to counsel dated August 4, 1950, ordered:

1. That the Oil Conservation Commission of New Mexico is primarily an administrative body with certain delegated legislative powers; and that in entering the order complained of in the Petition for Review the Commission was acting in that capacity.

2. That this Court is without power to substitute its own independent judgment for that of the Commission as reflected in the Order complained of.
3. That the nature and scope of the review in this case will be confined generally to the Validity of the Order and specifically to
 - (a) the power of the Commission to enter the order complained of;
 - (b) the existence of substantial evidence before the commission supporting the order complained of; and
 - (c) the reasonableness of the order.
4. A transcript of the proceeding before the Commission including the evidence taken in a hearing or hearings by the Commission shall be received in evidence by the Court in whole or in part upon offer by either party, subject to legal objections to evidence.
5. Evidence in addition to that contained in the transcript of the proceeding before the Commission will be limited to
 - (a) such matters as to which legal objections are made and sustained to evidence thereon appearing in the transcript of the proceedings before the Commission; and
 - (b) facts bearing upon the question of whether or not the Order of the Commission was arbitrary, capricious or unreasonable, or whether the Commission acted beyond its power.
6. With reference to sub-paragraph (a) of paragraph No. 3 above set forth and in order that there may be no confusion or misunderstanding as to the meaning of said sub-paragraph, you are specifically informed that the Court does not look with favor upon the proposition urged under point "V" of Petitioner's memorandum brief filed with the Court, being the contention that the ultimate fact was a jurisdictional one which could be heard de novo, and that the Court will not permit the introduction of evidence based upon the proposition that the action of the Commission with reference to the application under consideration by it was one of jurisdiction or power but that it was an action involving the exercise of discretion and judgment only.

4. Petitioner Amerada Petroleum Corporation excepted to all of the aforesaid order and Respondent Texas Pacific Coal & Oil Company excepted to that portion of the order which provided that the evidence taken in a hearing before the commission was subject to legal objections before the Court and that additional

evidence might be heard upon such matter as to which legal objections are made. Petitioner Amerada Petroleum Corporation then by written motion moved the Court to dismiss its appeal without prejudice. The Texas Pacific Coal & Oil Company resisted the motion on the ground that any dismissal of the appeal should be with prejudice. The Commission offered no objection to the motion. The Court having heard argument of counsel and having fully considered the matter announced that it would dismiss the case with prejudice but deny the motion to dismiss without prejudice, whereupon counsel for Petitioner stated that it would proceed with the trial of the matter unless a dismissal without prejudice were granted. The Court announced it would enter its order denying the motion to dismiss without prejudice.

5. It was agreed by all parties that subject to the exceptions hereinafter noted the transcript of testimony and the exhibits attached thereto at the hearing before the Oil Conservation Commission would be received in evidence without objection. The following exceptions were agreed upon.

(a) It was agreed and stipulated between the parties that Respondent Texas Pacific Coal & Oil Company's Exhibit "E" and all testimony relating thereto would not be considered by the Court.

(b) It was further agreed and stipulated between the parties that Respondent Texas Pacific Coal & Oil Company's Exhibit "F" and testimony relating thereto would be considered by the Court only to the extent that such exhibit and testimony might tend to prove the impracticability and lack of feasibility of such pooling as might be required under the order sought by Petitioner.

(c) It was further agreed and stipulated between the parties that a schedule of mineral, leasehold, and royalty ownership under leases of Petitioner Amerada Petroleum Corporation could be included and made a part of the transcript of record to

be considered by the Court as showing such mineral, leasehold and royalty ownership as reflected by the files of Amerada Petroleum Corporation on the dates shown in the schedules.

6. It was further agreed and stipulated between the parties that Petitioner Amerada Petroleum Corporation could prepare a written motion by which it might tender proof setting out such matters as authorized under the Rules of Civil Procedure if the matter were tried in open Court, specifically identifying witnesses and the matters concerning which they would testify, the motion to be submitted to counsel for Respondents Texas Pacific Coal & Oil Company and Oil Conservation Commission of New Mexico before filing for approval with the Court.

7. Respondent Oil Conservation Commission of New Mexico with approval of the Court and without objection filed a copy of the transcript of testimony before the Oil Conservation Commission, including all exhibits, as a part of its answer to the petition. It was stipulated and agreed between the parties that copies of the records before the Commission might be used and considered by the Court in lieu of original records.

8. Respondent Texas Pacific Coal & Oil Company objected to paragraph 6 (d) of the petition on the ground that the assignment of error was too general in its nature to be considered by the Court. Petitioner agreed to delete this paragraph with the understanding that it would not prejudice petitioner's right to raise jurisdictional questions and the Court so ordered.

9. It was stipulated and agreed that the following typographical errors in the transcript would be corrected and considered by the court as corrected:

(1.) At page 29 of the transcript on the thirteenth line from the top of said page commencing with the semicolon

the clause should read "the royalty owner wants" etc.

(2.) At page 41 of the transcript in the fifteenth line from the top of said page the word "prove" should be changed to the word "pool".

(3.) At page 53 of the transcript in the first line thereof the word "flat" should be changed to the word "flank".

This order is entered pursuant to and in compliance with Rule 16 of pretrial procedure of the rules of civil procedure of the District Courts of the State of New Mexico and will control the subsequent course of this action.

District Judge

Done this ___ day of _____, 1950.

One of the Attorneys for Petitioner

One of the Attorneys for the Oil Conservation Commission

One of the Attorneys for Texas Pacific Coal & Oil Company

IN THE DISTRICT COURT OF LEA COUNTY

STATE OF NEW MEXICO

IN THE MATTER OF THE PETITION OF)
AMERADA PETROLEUM CORPORATION FOR)
REVIEW AND APPEAL OF PROCEEDING)
BEFORE THE OIL CONSERVATION COM-)
MISSION OF THE STATE OF NEW MEXICO)
IN CASE NO. 191)

No. 8485

SEPARATE ANSWER OF TEXAS PACIFIC COAL AND OIL COMPANY

Comes now Texas Pacific Coal and Oil Company and
for its answer to the Petition for Review, states:

First Defense

1. Answering Paragraph 2, it denies that Petitioner established by a clear preponderance of the evidence the matters alleged in Sub-paragraphs (c) through (i) inclusive.

2. Answering Paragraphs 6(a), 6(b) and 6(c), it denies that the Commission erred in any of the respects therein alleged.

3. Answering Paragraph 6(d), it specifically denies that the Orders of the Commission, referred to therein, are contrary to law, and further answering said Paragraph, it states that said allegation of error is so general in nature that it is unavailing to Petitioner.

Second Defense

1. Order R-2 of the Oil Conservation Commission of New Mexico, in Case #191, was supported by substantial evidence, was not arbitrary, capricious or unreasonable, and constituted a valid exercise of the powers of the Commission.

WHEREFORE, Texas Pacific Coal and Oil Company respectfully prays that the Order of the Commission entered

herein be affirmed; that the appeal be dismissed; that it recover its costs herein expended, and for such other and further relief as to the Court may seem proper.

s/ Eugene T. Adair
Eugene T. Adair
Fort Worth, Texas

ATWOOD, MALONE & CAMPBELL

s/ By: Jack M. Campbell
Roswell, New Mexico

Attorneys for Texas Pacific Coal
and Oil Company.

CERTIFICATE

Jack M. Campbell, being one of the attorneys for Texas Pacific Coal and Oil Company, hereby certifies that on March 24, 1950 he caused a copy of the foregoing Separate Answer of Texas Pacific Coal and Oil Company to be mailed to Hervey, Dow & Hinkle, Roswell, New Mexico, Seth & Montgomery, Santa Fe, New Mexico, Harry D. Page, Tulsa, Oklahoma and Booth Killough, Tulsa, Oklahoma, all attorneys for Petitioner.

s/ Jack M. Campbell
Jack M. Campbell

IN THE DISTRICT COURT OF LEA COUNTY

STATE OF NEW MEXICO

IN THE MATTER OF THE PETITION OF
AMERADA PETROLEUM CORPORATION FOR
REVIEW AND APPEAL OF PROCEEDING
BEFORE THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW MEXICO,
IN CASE NO. 191

Case No. _____

ANSWER OF OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO
TO PETITION FOR REVIEW

Comes now the Oil Conservation Commission of the State of New Mexico, and for its answer to the Petition for Review filed herein by Amerada Petroleum Corporation, states:

1. The Commission admits Paragraph 1.
2. The Commission admits that a hearing was held on 20 December, 1949, as alleged in Paragraph 2 and admits that at such hearing the petitioner established by a clear preponderance of the evidence, the facts alleged in sub-paragraphs 2-a and 2-b. The Commission denies that at such hearing the petitioner established by any evidence the facts alleged in the remainder of Paragraph 2.
3. The Commission admits Paragraph 3.
4. The Commission admits Paragraph 4.
5. The Commission admits Paragraph 5.
6. The Commission admits that petitioner is relying on the matters alleged in Paragraph 6, but denies that the Commission erred, as alleged in sub-paragraph 6-a and 6-b, or that the orders entered by the Commission were contrary to the evidence and the law, as alleged in sub-paragraphs 6-c and 6-d.
7. The Commission reserves the right to file herein and to make a part of this answer a transcript of the proceedings had in case No. 191 before the Commission.

1 WHEREFORE, it is prayed that the petitioner take nothing
2 by its Petition for Review and that the court enter its judgment
3 herein affirming the orders of the Commission.
4

5 _____
6 Joe L. Martinez
7 Attorney General

8 _____
9 Phillip Dunleavy
10 Assistant Attorney General

11 _____
12 Don G. McCormick
13 Special Assistant Attorney General

14 _____
15 George L. Graham
16 Special Assistant Attorney General

17 ATTORNEYS FOR OIL CONSERVATION
18 COMMISSION OF NEW MEXICO.

19 CERTIFICATE OF SERVICE

20 The undersigned hereby certifies that true copies of
21 the foregoing Answer were served as follows:

22 Hervey, Dow & Hinkle
23 Roswell, New Mexico

24 Seth and Montgomery
25 Santa Fe, New Mexico

26 Booth Kellough
27 c/o Amerada Petroleum Corporation
28 Tulsa, Oklahoma

29 all of whom are attorneys for petitioner, and

30 Atwood, Malone & Campbell
31 Roswell, New Mexico

32 attorneys for Texas-Pacific Coal and Oil Company, and that such
service was made by ordinary mail addressed to the above named on
March _____, 1950.

IN THE DISTRICT COURT OF LEA COUNTY, NEW MEXICO

IN THE MATTER OF THE PETITION OF
AMERADA PETROLEUM CORPORATION FOR
REVIEW AND APPEAL OF PROCEEDING
BEFORE THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW
MEXICO IN CASE NO. 191.

CASE NO. 8485

THE STATE OF NEW MEXICO

TO: THOMAS J. MABRY, Chairman,
GUY SHEPARD, Member, and
R.R. SPURRIER, Secretary,
of the Oil Conservation Commission
of the State of New Mexico;
TEXAS PACIFIC COAL AND OIL COMPANY,
a foreign corporation,

GREETINGS:

NOTICE

You are hereby commanded to appear, in your
official capacity designated above, before the District
Court of the Fifth Judicial District of the State of New
Mexico, Division No. 2, sitting within and for the County
of Lea at Lovington, New Mexico, that being the county and
place in which the petition for review herein is filed,
within thirty (30) days after service of this notice, then
and there to answer the petition for review of the Amerada
Petroleum Corporation, Petitioner in the above cause.

You are notified that unless you so appear and
answer, the Petitioner, Amerada Petroleum Corporation, will
appeal to the court for the relief demanded in its petition
for review, which is marked "Exhibit A", attached hereto and
made a part hereof to the same extent as if set out in this
notice.

WITNESS the Honorable G.T. Harris, District Judge
of the said Fifth Judicial District Court, Division No. 2,
of the State of New Mexico, and the seal of the District
Court of Lea County, New Mexico, Division No. 2, this 23rd
day of February, 1950.

W.M. Beauchamp
W.M. Beauchamp, Clerk of the
said District Court.

(Seal)

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By _____
Deputy

STATE OF NEW MEXICO

COUNTY OF _____

} 83

I, _____, Sheriff of
_____ County, New Mexico, do hereby certify
that this within notice came to hand the ____ day of
February, 1950, and there were at the same time delivered
to me for service herewith true copies of this notice and of
the petition for review filed in the within cause; and that
I made service herein by delivering one copy of this notice
and one copy of the said petition for review herein to each
of the within named persons within the said County of
_____, as follows, to wit:

1. THOMAS J. MARRY, by delivering the same to

on February ____, 1950.

2. GUY SHEPARD, by delivering the same to

on February ____, 1950.

3. R. R. SPURRIER, by delivering the same to

on February ____, 1950.

4. Texas Pacific Coal and Oil Company, a foreign
corporation, by serving

its Service Agent for the State of New
Mexico, by delivering the same to

on February ____, 1950.

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IN THE DISTRICT COURT OF LEA COUNTY, NEW MEXICO

IN THE MATTER OF THE PETITION OF
AMERADA PETROLEUM CORPORATION FOR
REVIEW AND APPEAL OF PROCEEDING
BEFORE THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW MEXICO,
IN CASE NO. 191

} Case No. 8485

PETITION FOR REVIEW

Comes, now Amerada Petroleum Corporation, and
for its petition for the review of the action of the Oil
Conservation Commission of the State of New Mexico in the
proceeding referred to above, alleges and states:

1. That on July 29, 1949, Petitioner filed its
application with the Oil Conservation Commission of the
State of New Mexico for the establishment of eighty-acre
proration units and the uniform spacing of wells in the
Bagley Siluro-Devonian Pool, Lea County, New Mexico, and
for the uniform spacing of wells in said pool, which appli-
cation was given Case No. 191 by the Commission.

2. Petitioner further states that due notice
having been given said application came on for hearing before
the Oil Conservation Commission of the State of New Mexico
on December 20, 1949, at which hearing Petitioner introduced
evidence in support of its application, establishing by a
clear preponderance thereof the following facts which
Petitioner hereby realleges, to wit:

(a) That on July 26, 1949, Petitioner completed
a well known as the "Amerada-State BTA No. 1 Well" located
in the center of the NW/4 SE/4 of Section 2, Township 12 South,
Range 33 East, Lea County, New Mexico, which said well dis-
covered a new common source of supply known as the Bagley
Siluro-Devonian Pool, found at the approximate depth of
10,790 feet to 10,980 feet.

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(b) That the probable productive limits of said Bagley Siluro-Devonian Pool is as follows:

E/2 of Sec. 34
All of Sec. 35
W/2 of Sec. 36, all in T11S-R33E

E/2 of Sec. 3
All of Sec. 2
W/2 of Sec. 1
N/2 of Sec. 11
NW/4 of Sec. 12, all in T12S-R33E
Lea County, New Mexico

(c) That one well in said pool will adequately, efficiently and economically drain an area of at least eighty acres and that to require the drilling of more than one well to eighty acres in said pool will result in the drilling of unnecessary wells and will require Petitioner to drill more wells than are reasonably necessary to secure its proportionate part of the production from said pool.

(d) That because of the effective drainage area of each well in said pool, the great depth thereof and the high cost and expense required in the drilling and completion of said wells, proration units of eighty acres or one-half of a governmental quarter section should be established.

(e) That to protect the correlative rights of all parties hereto and to prevent the unnecessary pooling of separately owned tracts within a proration unit, the unit should be formed by dividing each governmental quarter section by a line from north to south through the center thereof, so that the unit shall comprise the East Half and the West Half of each governmental quarter section, except the following units, to wit:

N/2 NW/4 Sec. 35-11S-33E
S/2 NW/4 Sec. 35-11S-33E
N/2 NE/4 Sec. 2-12S-33E
SW/4 NE/4 & NW/4 SE/4 Sec. 2-12S-33E
SE/4 NE/4 & NE/4 SE/4 Sec. 2-12S-33E
S/2 Sec. 2-12S-33E
N/2 NE/4 Sec. 11-12S-33E
S/2 NE/4 Sec. 11-12S-33E

(f) That to insure the proper and uniform spacing of all wells drilled to the common source of supply, and to

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protect the correlative rights of all parties interested therein, all wells drilled into said common source of supply should be located in the center of the northwest and southeast quarters of each governmental quarter section with a tolerance of 150 feet in any direction to avoid surface obstructions.

(g) That the order of the Commission should cover all wells now or hereafter drilled to and producing from the common source of supply from which the discovery well as above described is now producing, known as the Bagley Siluro-Devonian Pool, whether within the probable productive area as delineated above or any extension thereof, as may be determined by further development, so as to insure a proper and uniform spacing, developing and producing plan for all wells in the common source of supply.

(h) That the daily oil allowable of a normal unit of eighty acres, or an area equivalent to one-half of a governmental quarter section assigned to each and every well hereafter drilled and produced in conformity with the spacing pattern hereinabove provided, should be the proportional factor of 4.67 times the top allowable until such time as the development of said pool, based upon evidence submitted to the Commission after notice and hearing, justifies an increase in allowable without injury to the reservoir, and that the Commission should retain jurisdiction to increase said allowable if the evidence so justifies.

(i) That in the event good cause is shown for the granting of an exception to the well location pattern proposed by Petitioner such exception should be granted by the Commission after notice and hearing, but in the event such exception is granted the allowable for said well should be reduced in an amount to be determined by the Commission in its discretion in accordance with the evidence presented at the hearing in order to protect the correlative rights of all parties in said common source of supply.

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3. Attached hereto marked "Exhibit A" and made a part hereof is a plat showing the location of the Bagley Siluro-Devonian Pool as delineated above, the leasehold ownership, the wells drilled in said pool, the proposed spacing pattern for wells to be drilled in said pool and the proposed location of the proration units constituting an exception to the regular proration units comprising the West Half and the East Half of each governmental quarter section.

4. That thereafter on January 23, 1950, the Oil Conservation Commission entered its Order No. R-2 in Case #191, denying the application of Petitioner, which order is attached hereto marked "Exhibit B" and made a part hereof to the same extent as if set out in full herein.

5. That thereafter on February 6, 1950, Petitioner filed its timely application for rehearing before the Oil Conservation Commission of the State of New Mexico and said application for rehearing was denied by said Commission by Order No. R-8 in Case #191 on February 8, 1950, which said order is attached hereto, marked "Exhibit C" and made a part hereof to the same extent as if set out in full herein.

6. Petitioner further alleges that the grounds of invalidity of the orders of the Commission referred to above, upon which it relies and will rely, are as follows, to wit:

(a) That the Commission erred in finding the evidence insufficient to prove that the proposed plan of spacing would avoid the drilling of unnecessary wells, secure the greatest ultimate recovery from the pool, or protect correlative rights.

(b) That the Commission erred in finding the evidence insufficient to prove that one well drilled on each eighty-acre tract would efficiently drain the recoverable oil from the pool.

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(c) That the orders entered by said Commission denying said application and denying the rehearing thereof are contrary to and in disregard of the evidence introduced at the hearing which established by a preponderance thereof the facts and matters alleged above and that eighty acres is the area that may be efficiently and economically drained and developed by one well and that the establishment of eighty-acre proration units and uniform spacing of wells as requested by Petitioner will prevent waste, avoid the drilling of unnecessary wells and protect the correlative rights of all parties interested in said pool.

(d) That the orders of the Commission referred to above are contrary to law.

Petitioner further alleges that all of the matters and questions herein presented were heretofore presented to the Commission by the Application for Rehearing.

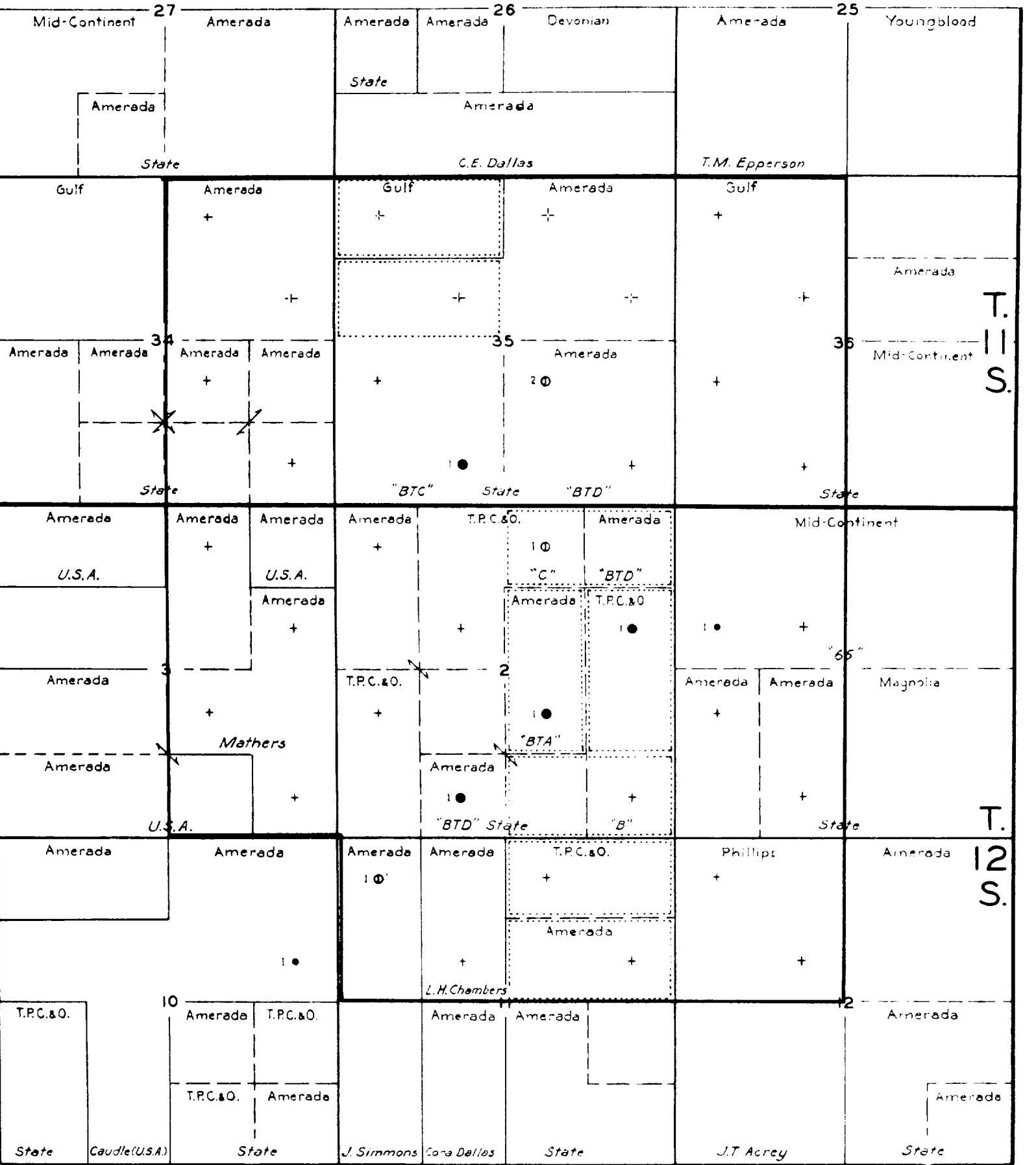
WHEREFORE, Petitioner respectfully prays the Court, as authorized by Section 19b, Chapter 168 of the Laws of the State of New Mexico, 1949, to review the action of the Oil Conservation Commission herein complained of and to enter its order vacating the orders of the Commission hereinabove referred to and to enter its order in lieu thereof establishing eighty-acre proration units and the uniform spacing of wells in the Bagley Siluro-Devonian Pool, Lea County, New Mexico, as requested by the application of Amerada Petroleum Corporation filed with said Commission and in accordance with the evidence presented at the hearing before said Commission in support thereof as set out above and the evidence presented upon the trial de novo upon appeal, all as authorized by the laws of the State of New Mexico.

HERVEY, DOW & HINKLE

SI/ By Clarence Hinkle
SETH & MONTGOMERY
SI/ By Oliver Seth
SI/ Harry D. Page
SI/ Booth Kellough
-5-

Attorneys for Petitioner
Amerada Petroleum Corporation.

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R.33 E.

BAGLEY FIELD
LEA COUNTY NEW MEXICO

- BAGLEY - SILURO-DEVONIAN POOL WELLS
- BAGLEY - PENNSYLVANIAN POOL WELLS

APPLICATION AMERADA PETROLEUM CORPORATION
DECEMBER 20, 1949

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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. 191
ORDER NO. R-2

IN THE MATTER OF THE APPLICATION OF
AMERADA PETROLEUM CORPORATION FOR THE
ESTABLISHMENT OF PRORATION UNITS AND
UNIFORM SPACING OF WELLS IN THE
BAGLEY SILURO-DEVONIAN POOL IN LEA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This matter came on for hearing before the Commission on December 20, 1949, on the application of Amerada Petroleum Corporation to establish proration units and uniform spacing of wells in the Bagley Siluro-Devonian Pool in Lea County, New Mexico.

The Commission having heard the evidence, the argument of counsel and being duly advised,

FINDS:

1. The Commission has jurisdiction of the subject matter and of the interested parties, due notice of the hearing having been given.
2. The evidence is insufficient to prove that the proposed plan of spacing would avoid the drilling of unnecessary wells, secure the greatest ultimate recovery from the pool or protect correlative rights.
3. The evidence is insufficient to prove that one well drilled on each 80-acre tract would efficiently drain the recoverable oil from the pool.

IT IS THEREFORE ORDERED:

1. The application of Amerada Petroleum Corporation is denied.
2. Nothing contained herein shall be construed to require the drilling of one well on each 40-acre tract in the pool.
3. 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.

DONE at Santa Fe, New Mexico, on the 23rd day of January, 1950.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Signed by:

Thomas J. Mabry, Chairman
Guy Shepard, Member
R. R. Spurrier, Secretary

ILLEGIBLE

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. 191
ORDER NO. R-8

IN THE MATTER OF THE APPLICATION OF
AMERADA PETROLEUM CORPORATION FOR THE
ESTABLISHMENT OF PRORATION UNITS AND
UNIFORM SPACING OF WELLS IN THE BAGLEY-
SILURO/DEVONIAN POOL IN LEA COUNTY,
NEW MEXICO.

ORDER DENYING REHEARING

BY THE COMMISSION:

Amerada Petroleum Corporation having filed herein
an application for rehearing on the alleged grounds that
Order No. R-2 heretofore entered on 23 January 1950 was
erroneous, and the Commission having considered said motion
and having concluded that it is not well taken,

IT IS THEREFORE ORDERED that the application for
rehearing filed by Amerada Petroleum Corporation will be
denied.

DONE this 8th day of February, 1950, at Santa Fe,
New Mexico.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

/s/ THOMAS J. MABRY, CHAIRMAN
/s/ GUY SHEPARD, MEMBER
/s/ R. R. SPURRIER, SECRETARY

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