

EXHIBIT NO. 3

*Amerada*  
*Case 314*

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. 204  
ORDER NO. R-23

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

ORDER OF THE COMMISSION

This matter came on for hearing at Santa Fe, New Mexico, on March 21, 1950, pursuant to Order No. R-6, granting a rehearing, and pursuant to order of continuance entered in the minutes of the Commission on February 21, 1950. The applicant, Amerada Petroleum Corporation, was represented by the attorneys, Booth Kellough and Seth and Montgomery; Robert Childers, Alice L. Childers and other royalty owners were represented by U. M. Rose of Hobbs, New Mexico.

The Commission having considered the evidence introduced and the argument of counsel,

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of the subject matter and of the interested parties.

2. The Amerada Petroleum Corporation drilled the discovery well in the Knowles Pool in Lea County, New Mexico, and has since completed two other wells, all of which produce from the Devonian formation at a depth of approximately 12,500 feet. The limits of the productive area surrounding said wells have not been determined, but will probably be

greater than the area now officially designated as the Knowles Pool and will probably embrace all the following lands:

Sections 34, 35 and 36, Township 16 South, Range 38 East, and Sections 1, 2 and 3, Township 17 South, Range 38 East, Lea County, New Mexico.

3. The cost of drilling additional wells in the above area to the Devonian formation is approximately \$260,000.00 per well.

4. Due to the relatively short history of the wells in the Knowles Pool and the lack of adequate geological and engineering data, it is impossible for the Commission to determine at this time if a spacing pattern of one well to an 80-acre tract will economically drain the oil within the common reservoir. It is in the interests of conservation that a drilling pattern of one well to an 80-acre tract be adhered to temporarily and until other wells are completed which will furnish more complete data on the characteristics of the common reservoir.

IT IS THEREFORE ORDERED:

1. The drilling pattern proposed by Amerada Petroleum Corporation for the area described above is temporarily approved, and the following drilling pattern is hereby temporarily established;

- a. Only two wells shall be drilled to each quarter section of approximately 160 acres, the locations to be in the center of the northwest and in the center of the southeast 40-acre tracts of each quarter section with a tolerance of 150 feet in any direction to avoid surface obstructions.
- b. The Amerada-Hamilton No. 1 well located in the NE/4SW/4, Section 35, Township 16 South, Range 38 East, being a completed well is hereby allowed as an exception to the drilling pattern.

2. Each well now producing or hereafter completed as a producer in the common reservoir described above shall have a top unit allowable equivalent to that of a well drilled on a 40-acre proration unit to the same depth.

3. No wells shall be drilled in the area described above except in conformity to said drilling pattern, until the further order of the Commission.

4. As to all wells drilled in said area following the issuance of this order, the operators of such wells shall,

at their expense, gather as complete geological and engineering data as practicable, including cores, bottom hole pressure tests and other like data.

5. During the period this temporary order remains in effect no royalty owners or lease owners shall acquire any vested property rights to a continuance of the spacing pattern and this order shall be without prejudice to the right of the Commission to later change the spacing pattern to that of one well to 40 acres.

6. This case is hereby continued until December 20, 1950, at 10. a.m. at which time a further hearing will be held at the State Capitol Building, Santa Fe, New Mexico, to determine, on the basis of the evidence then submitted, a permanent spacing pattern.

DONE this 14th day of June, 1950.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

THOMAS J. MABRY, CHAIRMAN

(SEAL)

s/ Guy Shepard  
GUY SHEPARD, MEMBER

s/ R. R. Spurrier  
R. R. SPURRIER, SECRETARY