

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO
September 15, 1955

IN THE MATTER OF:

CASE NO. 942

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
605 SIMMS BUILDING
TELEPHONE 3-6691
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
September 15, 1955

IN THE MATTER OF:

Application of the Commission upon its own
motion for an order establishing rules and
procedure in exception to Rule 111 of the
Commission's Statewide Rules and Regulations
to permit the drilling of high angle drain
holes without requiring a deviational and
directional survey.

Case No. 942

BEFORE:

Honorable John F. Simms
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 942.

C H A R L E S M. R I E D E R ,

called as a witness, having been first duly sworn, testified as
follows:

DIRECT EXAMINATION

By MR. KITTS:

Q State your name and position, please.

A Charles M. Rieder, Engineer with the Oil Conservation
Commission.

Q Mr. Rieder, do you have any statement you wish to make in
connection with Case 942?

A Yes, sir. At the time of the last hearing an alternative
proposal was made to allow for administrative relief, and in grant-

ing exceptions to Rule 111 of the Statewide Rules and Regulations. At the time, it was anticipated that certain suggestions would be submitted to the Commission for consideration. The Commission has received a suggestion in addition to the Shell suggestion which was presented at the hearing last month. If I may I would like to read the suggested revisions that were submitted to the Commission by the Continental Oil Company.

Q Were they submitted to you in Hobbs?

A No, they were submitted to the Santa Fe Office. The first change that they would propose ---I will read this in so that everyone will be acquainted with it. They suggest that the word "validated" be removed in all paragraphs, and the word "sworn" be inserted in its stead. Their second suggestion dealt with Paragraph 2. The intention of Paragraph 2 was to limit administrative relief to wells which were located a distance greater than 600 feet from the lease boundaries. The language that they would suggest inserted is as follows:

"The footage drilled from the point offsetting the whipstock shall not exceed: (a) The distance that the surface location of said well from the nearest lease boundary exceeds the minimum distance allowed by the applicable rules; or (b) One half the horizontal distance from the location of the point offsetting the whipstock, as determined by directional survey, to the nearest lease boundary.

Their third suggestion which they propose here was for Paragraph 3. Paragraph 3 was just a further limitation on administrative approval in which they would say: "The taking of a directional survey is impracticable with equipment and technology existing at that time."

That is the extent of the suggestions which they made. I would at this time like to incorporate a few suggestions which I felt might combine, possibly, all three proposals, or the better part of all three, I hope. The proposed revision of Rule 111 would read as follows:

Section A would remain unchanged. Section B would remain unchanged. Section C would read: "The Secretary-Director of the Commission shall have the authority to grant an exception to the provisions of Paragraph (b), above, without notice and hearing, where application has been filed in due form and the following facts exist, and the following provisions are complied with."

I would like to make no change in the first Number 1 Paragraph under there which reads as follows: "A complete --" and here I would leave it up to legal counsel whether validated or sworn should be used. "A complete sworn statement of the proposed work to be performed and the purpose thereof must be submitted with a plat of the lease, showing the location of the well and offset ownership." That portion I would leave unchanged.

Number 2, I would insert the following: "A directional survey giving the exact location of the point offsetting the whipstock shall be required on all wells which are located 660 feet, or closer, to any outer boundary of the lease on which it is located.

3. The taking of a directional survey is impractical with the equipment and technology existing at this time.

Four. - These are the same, both 4 and 5, as were presented at the last hearing, dealing with the notification of offset operators with the 1,500 foot radius as a distance of the operators to be notified. The purpose of this, as I see it, it is conceivable that

some offset operators would object to the drilling of the drain-holes, irregardless of where the well was located, or how the bottom of the hole looked, and it would seem to me that it would eliminate the expense of going ahead and commencing operations on a well when the offset operator would object in any event. I would like to retain those portions. I would also retain Paragraph 6 which would require that the Commission be furnished a complete sworn report of the work performed on the well, giving to the best of the knowledge of the operator and the service company, with the technician and equipment available, indicating the direction that the whipstocks were set in.

I would suggest a further provision, that in the event that the work is to be performed on a well which is located on any interior portion of a lease, such as a large lease owned by one single operator where the well would be 1,980 feet, or more, from any outer boundary, that there could be no conceivable objection by any operator, and that the taking of the bottom-hole survey at the point of kick-off, could be an unnecessary and expensive project to undertake when it certainly wouldn't be needed.

I think that there should be a Paragraph 7 inserted, which would give to the operator of any lease located 1,500 feet within its own boundaries, the option of performing the work without any survey and without setting the whipstock with any degree of accuracy. This shouldn't be included in the rule, however, it is going to be necessary in the taking of these wells, or the taking of the surveys of these wells, even though your offset operator has a given approval. I think that after the survey of the bottom-hole location has been taken, that it would only be prudent to contact the nearest operator

that might be affected, to assure yourself of being able to perform your work without any difficulty and without any hold-up in your allowable. That is all I have.

Q Are your suggestions incorporated in an exhibit you have there?

A More or less.

Q Anything you care to offer as an exhibit?

A I think we had better take it from the record.

MR. MACEY: Does anyone have a question of the witness? If no question of the witness, the witness may be excused.

(Witness excused.)

MR. MACEY: Does anyone have anything further in this case? If nothing further we will take the case under advisement.

STATE OF NEW MEXICO)
 : SS.
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 30th day of September, 1955.


Notary Public, Court Reporter

My Commission Expires:

June 19, 1959

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO
August 17, 1955

IN THE MATTER OF:

CASE NO. 942

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
605 SIMMS BUILDING
TELEPHONE 3-6691
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
August 17, 1955

IN THE MATTER OF:)

Application of the Commission upon its own)
motion for an order establishing rules and)
procedure in exception to Rule 111 of the)
Commission's Statewide Rules and Regula-)
tions to permit the drilling of high angle)
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al and directional survey.)

Case No. 942.

BEFORE:

Honorable John F. Simms
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 942.

C A R E Y B. O' C O N N O R ,

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. GURLEY:

Q Would you state your name and position, please?

A Carey B. O'Connor, vice-president of Petroleum Drainholes
Drilling Corporation, Houston, Texas.

Q Have you appeared before this Commission before?

A I have not.

Q Would you state your educational and experience background?

A A. B. Dartmouth. Petroleum Engineer, Oklahoma University.

For the previous two years I have been engaged in the development and perfection of the technique of high angle drainhole drilling; for five years previous to that I was technical advisor to the National Petroleum Council of Brazil, in Rio De Janerio.

MR. GURLEY: Are the witness's qualifications acceptable?

MR. MACEY: They are.

Q In your official capacity have you had an opportunity to study the subject technique?

A Yes, I have.

Q Do you have recommendations as a result of that study?

A I have.

Q Would you state your recommendations and your reasoning behind them to the Commission?

A Well, briefly to go into a little clarification of our technique, our tools allow a high angle hole be drilled from a very high angle whipstock, a whipstock more than three or four times a deflection of whipstocks previously used in drilling, or completing oil or gas wells. We have been pursuing this technique for the past four years. The reason for drilling these holes is generally to increase the drainage radius of a well in tight formations, or in formations where the gas pressure is depleted and no active water drive exists in fractured limestone or in dirty laminated formations. The main object behind this whole thing being to increase production.

The results we have observed have been on the order offrom two to five times in cases where strictly drainage is involved.

My reason for appearing here is to point out the impracticability or impossibility of obtaining a directional survey in an extremely high angle hole. Tools have not been developed. We have been actively

working on them. So far we have been unable to develop a tool which will give an accurate directional survey in a high angle hole. Therefore, in drilling high angle holes in the State of New Mexico we are unable to comply with the existing Oil and Gas Commission Regulations, requiring directional survey in a deviated hole.

Q Do you have any further recommendations to make at this time?

A I have not.

MR. MACEY: Does anyone have any questions of the witness?

A I will be glad to answer any questions pertaining to the subject of this hearing at the moment, any other questions I would be more than happy to answer after the hearing.

MR. MACEY: Mr. Lyon?

CROSS EXAMINATIONS

By MR. LYON:

Q Could you tell us how far you can drill from your whipstock at your takeoff point with the equipment that you have?

A The longest hole drilled to date is one hundred twenty linear feet, that is total hole. The longest displacement we have measured from the main bore by means of inclination survey, and we have no indication as to its accuracy because of lack of directional indication, has been 77 feet.

Q Well, is your company the company that has published the little brochures that the Commission has?

A Yes.

Q In that brochure, as I recall, there were plots of wells which had been deviated. Could you tell me how you measured the deviation in those?

A Those were either measured with an Eastman deviational survey

tool, the accuracy of those is questionable, is extremely questionable since we are unable to get the tool far enough away from magnetic influence to give a true reading. I believe that the brochures that the Oil and Gas Commission have show only inclination. As far as I know, none of our attempts at deviational surveys have been published.

Q How nearly horizontal are your drainage holes?

A We generally attain horizontal within 15 feet of our kick-off point.

Q That is total distance drilled?

A No, that is vertical distance, that will generally be a total distance of 22 feet. We have run horizontal out to 70 feet. That has been actually surveyed by means of an inclinational survey.

Q Just for my own information, and out of my own curiosity, how far do you normally drill a well in your drain holes from the kick-off point in order to achieve your greater drainage radius?

A The average of all our work is slightly over 50 feet. If you will start from inception, lately most of the holes we have been required, and this distance has been set by the operators themselves, has been 75 feet. However, the overall average to date is 50 feet, slightly in excess of 50 feet.

Q How many high hole drain holes do you drill in one wellbore, ordinarily?

A That depends on the operator. We have drilled, to my knowledge the maximum in one wellbore was 11.

MR. MACEY: Anyone else have a question of the witness?

MR. NESTOR: A. W. Nestor, for Shell.

By MR. NESTOR:

Q Mr. O'Connor, in deviating your holes, you do position a whipstock in a hole, is that correct?

A That is correct. The whipstock is position of bottom hole by means of tailpipe.

Q Do you locate that thing with respect to direction?

A We can if it is required. That is done by means of the Eastman-Stockenberry method of orientation.

Q Having done that, do you suppose that with the tests that you have made, that you might reasonably establish the direction of the holes, and the possible point under the lease where a drain hole has been completed?

A I would certainly give you a possible point, but I would hate to state whether or not we were anywhere near that possible point, since each hole that we have surveyed has a complete void behaviour.

Q They don't normally go straight?

A They don't normally go straight. They have a tendency, because of the right-hand rotation, to walk to the right. How much the degree they walk off is an individual in each case.

Q What sort of range have you observed so far?

A Anywhere from five to 45 degrees.

MR. MACEY: Anyone else have a question of the witness? If not the witness may be excused.

(Witness excused.)

C H A R L E S M. R I E D E R ,

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. GURLEY:

Q State your name, please.

A Charles M. Rieder.

Q What is your position?

A Engineer with the Oil Conservation Commission.

Q Have you, in your official capacity made a study of the subject technique?

A Yes, sir.

Q Do you have recommendations as a result of that study?

A I have.

Q Would you please state your recommendations and the reason behind them, please?

A As was pointed out by Mr. O'Connor, to permit the use of this technique would be in conflict with Statewide Rule R-111. I propose an amendment to Rule 111 to permit the use of this technique on wells in the State of New Mexico, by securing an administrative approval of such a proposed operation. I will read the change to R-111 for those who do not have a copy.

Paragraph (a) will remain unchanged. Paragraph (b) will remain unchanged.

Paragraph (c) will read briefly as follows:

" (c) The Secretary-Director of the Commission shall have the authority to grant an exception to the provisions of paragraph (b) above without Notice and Hearing where application has been filed in due form and the following facts exist and the following provisions are complied with:

1. A complete, validated statement of the proposed work to be performed and the purpose thereof must be submitted with a plat of the lease showing the location of the well and offset ownership.
2. The well on which the sidetrack is to be performed must not be closer than 600 feet to any outer boundary of the lease on which it is located.
3. The taking of a directional survey is impractical, if not impossible with present equipment and technology.
4. The applicant presents written consent in the form of waivers from all operators owning interests within 1500 feet of the subject well.
5. In lieu of paragraph 4 of this rule, the applicant may furnish proof of the fact that the owners of interests within 1500 feet were notified by registered mail of the proposed sidetrack or sidetracks by submitting a validated mailing list of operators notified, with the application. The Secretary-Director of the Commission may approve the application, if, after a period of 10 days following the mailing of said notice, no operator has made an objection to the proposed work.
6. Immediately following the completion of the work, a complete validated report of the work performed shall be submitted to the Commission in DUPLICATE."

If I may, I will briefly go over these. The purpose of the notice to allow the offset operators that might object might not be effected by such high angle drain holes, to have the opportunity to consent or object to the proposed work. We have felt that having the well 600 feet from any outer boundary with the present technique

of the company using this, would give adequate protection in most cases. I would like to point out, this, in no way takes care of the 330 location which under the proposed rule amendment would require a hearing if you had 333 on a location on which you would like to use the technique.

4 and 5 allow the operators of the offset an opportunity to object or at least have notice of the operation being performed.

Number 6 is for the purpose of the Commission, as well as the offset operators, inasmuch as the Commission will want on file a complete report of what has been done to the well, and that makes available to the operators and to the industry as well as to the Commission, an opportunity to investigate what has been done.

I would like to add further, that the Commission, in no way, is supporting the company with this procedure, but we do think that it has some possibility and some merit, and is worthy of some experimentation, and for that reason I recommend the adoption of this amendment.

MR. MACEY: Any questions of Mr. Rieder?

MR. SMITH: J. K. Smith, Stanolind Oil and Gas Company.

CROSS EXAMINATION

By MR. SMITH:

Q Mr. Rieder, don't you think it might be advisable to define high angle drilling technique so that there will be no misunderstanding as to the nature of the work that is going to be done?

A You would suggest that in paragraph (c) we limit it to this high angle technique. I think that would be perfectly all right. The only reason I left it out is that it is possible if a competitor were to come into the business he might call it something else. Then we would have the whole thing to do over again. I think

however, to limit to high angle drilling would be all right.

Q Whether you call it by the trade name or describe the process, someone might sort of sidetrack and go quite a ways up the hole unless you had some sort of restriction in the order so that you can check and see where the possibilities of this might be, it might be hard to police.

A I think that is an excellent suggestion.

MR. MACEY: I might say, that in the event someone came in on an ordinary sidetrack job, way up the hole, I don't think the Commission would approve it administratively. We would confine it to the type of work done here. I think we could be more explicit on what this pertains to.

A I doubt seriously if you would, with offsetting, you would give them any approval.

Q That contemplates that he is going to set out, where he is going to start and everything else.

A I think we would require that. Without a complete intention stated, you would have no way of knowing what was going to be done.

MR. MACEY: Anyone else? Mr. Foster?

MR. FOSTER: What fact would you be able to develop, where the well was within 330 feet of the lease line, to justify the use of this device that you wouldn't be able to develop where it was within 660?

A Well, I would think that there would be a possibility of a 330 location in which the operator intended to control the point he leaves his hole. In other words, control the point, he sets the whipstock where he might be figuring both holes, as many holes as he had toward the center of the lease in which case I don't believe it would

be proper for administrative relief, but a proper matter for hearing because he would be coming in and asking for permission to do it. If he had the proposed sidetrack pointed toward the center of the lease, it would be a matter for hearing, and the matter of the offset operators objecting or agreeing to such a plan. It would be difficult for the Commission to control such an operation, by administrative procedure. I would think there would be a place for it, particularly in water flood, where, I understand from Mr. O'Connor, they are using this procedure to try and parallel the lease lines and give a better pattern for their flood operations. Those things are all a matter for hearing, but not a matter for administrative relief.

Q (By MR. FOSTER): The point I am confused on is why would you want a hearing in one instance and you wouldn't want it in another?

A With the well located in the center of the quarter quarter section and what with a maximum of 100 linear feet, I would think that if these procedures were followed there could be very little damage to correlative rights, however, with a well located 330, there is a possibility for objection from one of the offset operators. I think it would be a little better procedure.

MR. MACEY: I might say, in answer to your question, that the reason that the 600 foot provision was put in there, we felt that if they got closer than 600 feet the offset operator would, in all probability, object to the proposal, administratively, and we would want it put up for hearing. You will notice it pertains to the lease line, it doesn't mean that you can't drill a 330 location within the confines of your lease, within the center portion of your lease.

MR. FOSTER: Since I didn't have any information about this, anyway as to what direction it is going to take, I didn't see where the distance from the lease line would have very much effect. You might as well grant it administratively where it is 330 feet and 660 feet from the lease line.

A If it please the Commission, I would appreciate any other operators comment on that. At the time we couldn't, if the operators were willing and felt it was desirable, I think the administrative relief could be given to wells located 330, 330. Our only purpose in limiting to the 600 foot location is to eliminate as much discussion on this as possible, or argument, but I would suggest if the other operators have anything to say this would be an excellent time.

MR. MACEY: Mr. Nestor?

By MR. NESTOR:

Q I might ask Mr. Rieder if it isn't about as likely you would run into a correlative rights problem, say, twelve or fourteen thousand foot well drilled 600 feet, as you will with a 5,000 foot hole drilled 330?

A Yes, because with the limitations, deviations that we have approved, it would be quite easy to get quite close to the line at the bottom of the hole.

MR. MACEY: Anyone else have a question of Mr. Rieder? If not the witness may be excused.

(Witness excused.)

MR. MACEY: Does anyone have anything further in this case? Any statements?

MR. SETH: Shell would like to make a statement through Mr.

Nestor.

MR. NESTOR: Shell is, of course, quite interested in this problem presented by the drilling of high angle drain holes, and we are somewhat concerned with the possibility of affecting correlative rights, so that we have prepared a recommendation which I will go through and then be happy to answer questions as to our reasons for these several recommendations.

We propose the addition of a sub-paragraph (c) to Rule 111 to read as follows:

The Commission may grant administratively a special permit for the drilling of high-angle drain holes upon request by an operator provided, however, that prior to the sale of any oil or gas from the well the operator shall make and file with the Commission and each offset operator a copy of a deviational and directional survey showing the position of the take-off point with respect to all lease boundaries accompanied by sworn statements executed by the service company drilling the drain holes providing all data as to length and direction of each drain hole so that the Commission may determine that the take-off point and all drain holes are on the lease where the well is drilled.

The Commission shall grant an allowable for a well in which drain holes have been drilled if the above requirements are met and no objection from an offset operator has been received ten days after receipt of the deviational and directional survey and sworn statements concerning the drain holes and the dates of filings of copies of the surveys with offset operators. If the Commission is not convinced from the data presented that the take-off point and all drain holes are on the lease where the well is drilled, or if an

offset operator has objected within ten days after receipt of the deviational and directional survey and sworn statements concerning the drain holes; the Commission shall grant an allowable for such well only upon a favorable finding after a hearing. If considered necessary to establish that any particular drain hole lies completely on the lease where the well is drilled, the operator of such well may be required at his expense to make a deviational and directional survey of the drain hole and to file with the Commission and each offset operator a copy of such survey.

The granting, with or without a hearing, of an allowable to a well in which drain holes are drilled, shall not prevent the Commission or any operator from thereafter reopening the matter for just and equitable reason."

I think our statement makes clear that we are primarily concerned that any of the drilling of these drain holes and all of that drilling is done on the operators lease, with consideration for the greater depths at which we drill these days. It seems important to us to enter possibly a few figures into the record. These are the regular Sperry-Sun figures, giving drift per hundred feet of measure depth and they simply point out the need for establishing the position of the take-off point on the lease.

We might point out that if an average angle of four degrees is sustained in a given direction and therefore would not require, under the present rules any directional deviational survey, that such a hole would wander at its bottom, 698 feet in 10,000 feet of depth. That makes it clear that it is possible for such a well to be bottomed off its lease and then in addition to that, someone will go in and drill drain holes, and he may continue drilling these drain holes on

someone else's lease.

We feel that the present rules are adequate, not requiring surveys in wells drilled, but that wherever any intentional directional deviation of a hole takes place that an operator is no longer resorting to chance. He is trying to improve his well, which is fine, by deliberate means. We think that the primary necessity would be for him to establish, by means of a survey through the take-off point, that at least at that point the well is on his lease. Then, the filing of statements by the service company as to the direction and length of the drain holes should in most cases permit the Commission to find that no violation of any correlative rights is involved.

We would, therefore, favor the administrative approval by and large in most cases. You can see from this that possibly in some respects our suggested amendment to the rule is more flexible than that offered by the Commission in that we don't limit the surface location of the well to 600 feet for an administrative approval, but rather than that, we are more concerned where the bottom of the hole is than the top. We feel that if a survey is run and these other reports are filed, that in the great majority of cases no further action would be indicated, and the Commission would be in a position to grant administratively, an allowable after the ten-day period.

Our statements in here, possibly we were a bit mislead by the brochure of which we obtained a copy, as to the practicability and availability for obtaining tools for the running of directional and deviational surveys for drain holes. If it is impossible to do such work, it might then become necessary to limit the length of the

longest drain hole to a distance which would be certain that all the drain holes are on the lease where the well is being drilled. That isn't completely desirable. We even vision a case where an operator might bottom its hole, say, 50 feet from a lease line, which I believe is completely legal under the present rule, which simply requires that he bottoms the hole on the lease where the well is drilled. He may wish to drill holes up to a maximum up to 170 feet in length. Well, if it were possible to determine in which direction exactly those holes were going we wouldn't care if he drilled away from the lease lines. We see nothing wrong with that. If we were an offset operator, we would be quite upset if he set off in a direction of our lease line, and drilled 170 feet. We think it is very important in the protection of our correlative rights that this particular angle be considered in the framing of any amendment to the rule.

MR. MACEY: Anyone have any questions?

MR. RIEDER: Then you would withhold Commission approval until all the work had been performed?

MR. NESTOR: Only as to an allowable. Actually our idea is to permit the work to go ahead with the operators understanding what the rules are, that they have to stay on their lease which is the very least that should be required of operators that are drilling.

MR. RIEDER: In other words the approval of the 103 giving notice of the intention to perform the work that would give them the authority to go ahead?

MR. NESTOR: Yes. We could handle it with a special permit, or simply by granting of the authority to proceed on Rule 103. The idea being not to delay the doing of the work, but where there is any question to delay the granting of an allowable, because as we see it, the legal aspects of the problem would be such that if an allowable were granted and extended hearing resulted, that it would be

probably very difficult to recover damages for any oil produced during that time.

We could probably go to Civil Court after the hearing and possibly receive a judgment which would terminate operation of such a well, but any oil produced prior to the outcome of such a case, the Commission would have no jurisdiction to revoke the allowable, well the oil has been already produced and sold. We wonder where the damages might be recovered.

MR. RIEDER: Your recommendation would be that there would be no footage limitation to the surface, only the sub-surface?

MR. NESTOR: Yes. And then that the man stay only on his own lease.

MR. RIEDER: So far as no footage limitation, that he stay only on his own lease?

MR. NESTOR: Yes.

MR. RIEDER: It will be necessary for such work to be approved before the work is commenced, it probably would be on the 103, would you say that the operators within, such as a 1,500 foot radius be furnished copies?

MR. NESTOR: Yes, that would be fine. We send all offset operators. Then the only thing that would qualify, that they would receive the copy of the log to the take-off point, and the statement to length and direction of the holes.

MR. MACEY: Anyone else?

MR. MALONE: Ross Malone, for Gulf. We feel that there is a great deal to be said for the provisions of both these proposed rules. Actually they compliment each other rather well. The Commission's approach to it is before any drilling is undertaken its

procedure is going to be followed. The Shell's approach is that on completion of the well, and prior to assignment of the allowable, this procedure is going to have to be followed. Perhaps, a combination of the two of them would accomplish what we had in mind.

It would seem desirable that adjoining operators at least have notice of the intention of the operator who is going to whipstock his well at the outset. If there is going to be a protest at that stage of the game, the operator perhaps would like to know that he is facing a possible protest. At the same time, until the well has been completed there will not be available adequate information as suggested by Mr. Nestor, for adjoining operators to know whether they are really going to be hurt or not. It occurs to Gulf that the combination of the two may be a solution to the problem. We favor the retention of the 600 foot limit on administrative approval.

MR. MACEY: Anyone else?

MR. GRENIER: I was about to try and bring out the same point that Mr. Malone did, only I was going to ask Mr. Nestor if he thought that would be all right.

MR. NESTOR: I think, yes, that we could join the two rules except where they might tend to conflict. Our reason for not requiring the offset operators to be notified at first was that we felt very little would be served, in that if the rules are written the technique will be an approved one, and there really can't be anything to argue about until you get some facts. We figured that the Commission could go ahead and grant, under a certain set of rules, the permission to go ahead and do work with the understanding you had to keep within certain boundaries. Then the offset operators would come in when the facts became available, and have ten days

from the date of such surveys and statements, to make an appearance and either waive their rights, or make an objection and demand hearing,

MR. MACEY: Anyone else?

MR. LYON: V. T. Lyon, with Continental Oil Company. There are several aspects of this technique, and also two sets of rules which have been submitted today. We would like to give it additional study. We would like to recommend that the Commission continue the matter until the September hearing.

MR. MACEY: Is there objection to the continuance of the case until the September hearing?

MR. RIEDER: If it please the Commission, would it be possible for the various operators to submit what they might suggest as a rule or amendment, so we might print up another proposed amendment to this rule and submit it prior to hearing, so that we could kind of get this thing hashed out next hearing?

MR. LYON: We would be glad to do that.

MR. MACEY: If there is no objection we will continue Case 942 to the September hearing. We will recess until after lunch. You are warned that this room is occupied during the noon hour. I suggest you take the brief cases into our office.

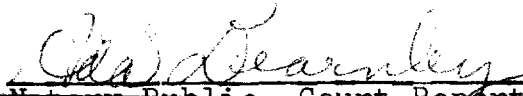
STATE OF NEW MEXICO)
 : SS.
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREAS I have affixed my hand and notarial seal this 23rd day of August, 1955.

My Commission Expires:

June 19, 1959


Notary Public, Court Reporter

ADA DEARNLEY & ASSOCIATES
STENOTYPE REPORTERS
ALBUQUERQUE, NEW MEXICO
TELEPHONE 3-6691

STATE OF NEW MEXICO)
 : ss.
COUNTY OF BERNALILLO)

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certify that the foregoing and attached transcript of proceedings
before the New Mexico Oil Conservation Commission at Santa Fe,
New Mexico, is a true and correct record to the best of my
knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial
seal this 19th day of August, 1955.


Notary Public, Court Reporter

My Commission Expires:

June 19, 1959