

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
July 28, 1960

EXAMINER HEARING

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IN THE MATTER OF: )

Application of Charles Loveless, Jr., for )  
the establishment of a 280-acre non-standard )  
gas unit in the Atoka-Pennsylvanian Gas Pool )  
consisting of the NE/4, N/2 NW/4 and SW/4 )  
NW/4 of Section 21, Township 18 South, Range )  
26 East, Eddy County, New Mexico. Applicant )  
proposes that said unit be dedicated to the )  
Brunner No. 1 Dayton Townsite Well to be )  
located on an unorthodox location at a point )  
1650 feet from the North line and 2310 feet )  
from the East line of said Section 21. )

Case 2036

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BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

MR. PAYNE: Application of Charles Loveless, Jr., for the  
establishment of a 280-acre non-standard gas unit in the Atoka-  
Pennsylvanian Gas Pool consisting of the NE/4, N/2 NW/4 and SW/4  
NW/4 of Section 21, Township 18 South, Range 26 East, Eddy County,  
New Mexico.

(Witness sworn.)

MR. PAYNE: Do you propose to represent yourself, Mr.  
Loveless?

MR. LOVELESS: Yes, sir. If the Commission please, I  
would like to enter this as Exhibit 1.

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(Marked Loveless' Exhibit  
No. 1, for identification.)

CHARLES LOVELESS

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

DIRECT EXAMINATION

BY MR. PAYNE:

Q First of all, would you please state your name and occupation?

A My name is Charles Loveless. I am a professional petroleum engineer and an independent oil operator.

Q Would you please explain to the Examiner what you are seeking in this case, Mr. Loveless?

A I'm seeking a 280-acre non-standard proration unit in the Atoka-Pennsylvanian Gas Pool with an unorthodox location to be 1650 feet from the North line and 2310 feet from the East line of Section 21, Township 18 South, Range 26 East, Eddy County, New Mexico.

My reason for requesting the non-standard unit is the refusal of one mineral owner who owns the Southeast of the Northwest Quarter, one W. H. Swearingen, refusal to join the unit. Mr. Swearingen has been offered three alternative positions; one, a farmout on the same basis that all other operators receive, including the Mobil Oil Company in the Northwest Northwest and the

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Cannon Heirs, who own the 160 indicated on the plat, or in the alternative to join as a non-operating partner in the unit or, as it now appears, as a non-consenting mineral owner in the unit.

Q There is a possibility that in the future the owner of this 40-acre tract will come in with you if you get a producing well to form a standard unit?

A That is my assumption, yes, sir.

Q Now, the Atoka-Pennsylvanian is presently on 320-acre spacing units on a one-year basis. Assuming the Commission reverted to 160-acre units some time in the future, you could then dedicate the Northeast Quarter of Section 21 to this well?

A Yes, that is correct.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Loveless, is this well actually within the defined limits of the Atoka-Pennsylvanian Gas Pool as set forth by the Commission's nomenclature orders?

A Mr. Nutter, I am not sure whether it is or not.

Q Or is it within a mile of the pool?

A It's within a mile.

Q Mr. Loveless, you are aware that the special rules and regulations of the Atoka-Pennsylvanian Gas Pool require that a well be located in the Northwest Quarter or the Southeast Quarter of a section and no nearer than 990 to the outer boundary, of the cheek quarter section, nor nearer than 330 feet to any Governmental quarter, quarter section line?



A Right.

Q What is the necessity for requesting the location in the Northeast of the section rather than in the Northwest or --

A Because I think it is a more feasible location due to our interpretation of distribution of the reservoir of the sand. In other words, Mr. Nutter, my feeling is that if we were forced to drill up here rather than the orthodox position, we would be penalizing ourselves not only from the drainage of the reservoir, having to drain from here over, and also because of the apparent distribution of the sand, we would probably penalize ourselves on deliverability, and, generally speaking, economically, which I feel would probably contribute to economic waste if we were forced to come over here within 330 feet of this corner.

Q Mr. Loveless, have you received your copy of a letter which W. H. Swearingen wrote to the Oil Conservation Commission on July 25, 1960?

A No, I have not. At least I had not as of yesterday in the afternoon mail.

Q I would like to read the letter. The date is July 25, 1960, addressed to New Mexico Oil Conservation Commission, Santa Fe, New Mexico, Re: Case 2036. "Gentlemen: I am the owner of the Southeast Quarter, Northwest Quarter of Section 21, Township 18 South, Range 26 East, Eddy County. I understand that an application is pending before you for the designation of a non-standard

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drilling unit of all of the North Half of said Section 21, except my 40 acres. I am agreeable to joining with my land in this unit and, with the understanding that my share of the production may be sold and the proceeds held in escrow until such time, as I conclude a suit to quiet my title to the said 40; For this purpose I will give the operator a Power of Attorney to sell and dispose of my share of the production, such proceeds to be held in escrow."

With a carbon copy to Charles C. Loveless at Roswell.

It's possible that you had left your office before you received this?

A Yes.

Q In view of this, Mr. Loveless, it would appear you may not need the non-standard unit. Would that be correct?

A If Mr. Swearingen has expressed a willingness to join and sign the operating agreement. Let me say this, for the record: I don't suppose you would want to have the series of correspondence and efforts with Mr. Swearingen in the record, but I'm prepared to demonstrate that Mr. Swearingen has had ample opportunity to join in this unit over the last forty-five days, and has refused to answer my letters until such time, and I wrote him a registered letter and at that point he felt compelled to call me and enter into a series of wild efforts, I might express it, to take a part of the operating rights on the whole unit, including my part of the deal and several other and sundry rather nebulous deals,



and I had reached the point where my patience would no longer permit me to negotiate with him; and furthermore, since I had to have this well started at a very early date, I did not feel that I could afford to spend the time and the efforts to further my efforts with Mr. Swearingen. Even if you do not grant me this non-standard unit, there is no assurance that Mr. Swearingen will join the operating agreement, because I gave him adequate opportunity to do that more than a month ago. So, if you don't grant me the non-standard unit, then I will be forced into a delay at his mercy.

Q It appears that he has agreed to agree, at least.

A You have never dealt with Mr. Swearingen.

Q By the letter addressed to the Oil Conservation Commission, I get the impression that he's going to be agreeable to joining.

A Yes, he gave me that impression forty-five days ago, after a two-hour conference with him, that he was willing to join the unit and has proceeded in a protracted effort to change the deal and enter into all types of dealings in order to force me into taking his tract in, Mr. Nutter.

BY MR. PAYNE:

Q Mr. Loveless, what happens to his tract if he doesn't join your union?

A He'll ride me down and he can come back to the Commission, if we make a well, and you can unitize him if you like, if he will



pay his share of the well.

Q He's aware that he can force-pool you or you can force-pool him?

A Yes. I would rather not force-pool him, I would have a hard time getting my money out of him.

Q Inasmuch as the Atoka-Pennsylvanian Pool is not prorated, is there any reason to ask for a 280-acre non-standard unit rather than a 160?

A The temporary order provides for a 320-acre unit, which I believe has been extended, has it not, for another year?

Q Yes, but what you are asking for is a 280-acre unit?

A Yes, is that not the proper procedure?

Q Well, that's a matter of opinion. Assuming it ever reverted to 160-acre spacing, then this would be a proper unit. You would have two 160-acre units in the North Half.

A Mr. Payne, it is my assumption that the minute that well goes on production, Mr. Swearingen will be back up here requesting that his 40 acres be brought into that unit, if I didn't volunteer to do it, which I fully intend to do, providing he is willing to pay his share of the cost of the well.

Q Now, is it your opinion that when you have oblong units, that the ultimate recovery from the pool will be as great on a flexible well location pattern as it will be on a rigid pattern?

A I presume that it will, Mr. Payne. The Pennsylvanian



sands, as you know, are lenticular deposition, and I don't think anybody can forecast the performance of the Pennsylvanian sand in that area with any degree of accuracy, but it is my feeling that that long unit transverses the short axis of the sand as it is distributed, as we see it, and I believe it would actually drain more than a long unit would, yes, sir.

Q Do you feel that on occasion a rigid requirement as to well locations results in some wells not being drilled that would be drilled if you had a flexible well location requirement?

A Well, I can't answer that. In this case, I don't believe, in this particular field I can't honestly answer that.

Q Let's assume the Commission denied your unorthodox location, would you then drill a well in the Northwest corner, which is the standard location, or would you feel that it was not justified from the standpoint of geology and economics?

A I would think, from the standpoint of conservation, that it might be questionable to move that far away from the Southeast Quarter or the Northeast Quarter; as I described a while ago, you'll see from this sand distribution map, the way we have it interpreted, that probably your thickest sand zone is, like I say, in the Northeast Quarter. If we were forced to drill up here instead of, I would be very happy to drill it at that point because I think that would adequately drain.

Q You are speaking of the 40-acre tract of Mr. Swearingen?





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A Of Mr. Swearingen, yes. But I believe that our partners, particularly the Yates Petroleum, would take a dim view of paying their share of a cost of the well and locating it at one of the other three permissible locations. I think the location here would ultimately contribute the greatest to proper conservation in that I think it's more important if this sand is thickening, as we have it shown, and there's every indication to believe it is.

MR. NUTTER: There is not much difference in the structural position of a well located in the 40 acres, which, isn't proposed at this moment to be included in the unit?

A You mean the actual structural position?

MR. NUTTER: The structural position of your location as compared with the 40 being excluded.

A No, I don't believe that there is possibly over ten feet of sand face difference.

Q (By Mr. Payne) Will your unorthodox location necessarily result in other unorthodox locations in the pool?

A No, sir. I do not believe that it would, largely because the Yates Petroleum, who is a participating non-operating participant, controls this.

MR. NUTTER: Being the South Half of Section 20?

A South Half of 21. They have no objection to the location here. They also control this.

MR. NUTTER: Being the North Half of Section 28?



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A The North Half of Section 28.

Q (By Mr. Payne) Who controls the East Half of Section 22, or rather the West Half?

A The West Half is Sinclair, Pan American, Mobil, and Mobil farmed out this 40 to me, being the Northeast, Northeast of Section 21.

Q Is there a market for this Atoka-Pennsylvanian gas at present?

A No, sir, it is, all of the wells are tied into the Trans Western System, but pending their movement of gas through their trunk lines, I believe they have not started buying gas. The target date, it seems to me, is the end of this month.

Q Your location requested here is not due to the proximity of the gathering lines, is it?

A No, sir, it is not.

Q They would connect you either way?

A Yes, sir.

BY MR. NUTTER:

Q You mentioned, Mr. Loveless, that you had a rather early committment to start a well in this area. What is the date of that?

A Thirty days, sixty days after June 24.

Q Which is approximately August the 24th?

A That's right.

Q That's to start the well? A Yes, sir.



MR. PAYNE: Did you get your producing well on your other non-standard unit in this pool?

A No, sir, I received the Commission's non-standard unit authority on the 13th, I had to be 2,000 feet deep by the 21st, and my principals felt that they could not take the risk of moving a large rig and being 2,000 feet prior to the date of expiration of the standard Texas lease on which I was drilling, so I was forced to forego the drilling of the well.

Q (By Mr. Nutter) Let me see if I have this correct. You need a well to be started within 60 days after June 24th?

A That's right.

Q Mr. Loveless, could you make arrangements to furnish the Commission with permanent copies of these exhibits? I think this is the type that fades out with age and we may wake up some morning and not find any exhibits in the case file. We'll accept them on the temporary basis.

A Yes. I was going to suggest that I do that. These were prepared rather hurriedly yesterday.

MR. PAYNE: Would you agree to keep us advised in the next few days whether you and Mr. Swearingen actually execute an agreement to form a standard unit here?

A Yes, I will. I would say this, I told Mr. Swearingen one week ago that I would withdraw my application to the Commission if he would make any effort toward cooperation in this matter,

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and to this date this is the first communication that I even knew about.

MR. PAYNE: So it may be that one more contact with him will result in the formation of a standard unit here?

A Either that or ulcers. If the Commission wishes, I'd be very happy to enter into the record the whole series of my attempts to negotiate with Mr. Swearingent if they're of any weight in your decision.

MR. NUTTER: I don't think it's necessary, Mr. Loveless. You have stated that you have had some difficulty in arriving at a final agreement with him. This is evidenced by the fact that you wrote him a copy of a letter on July 15 and sent us a copy. We have had a letter from him, he sent you a copy. You stated under oath here that there had been some difficulties in concluding the negotiations, so I don't think there's any need to go into any of the actual correspondence and so forth.

MR. PAYNE: Is there any particular reason why you chose the non-standard route rather than the forced-pooling?

A No. I just thought that there was no sense butting heads with him here. He'll be in the unit thirty days after the well is complete, anyway.

MR. PAYNE: Of course, that way you take the risk.

A I'd take the risk anyway, I might opine.

MR. PAYNE: On the dry hole you would.

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A Yes.

MR. PAYNE: However, you don't anticipate getting a dry hole?

A No, sir.

MR. NUTTER: Do you wish to offer these exhibits?

A Please, Mr. Nutter. I will furnish permanent exhibits of this.

MR. NUTTER: We'll identify this as Exhibit No. 1, "temporary, to be replaced", and the structure map will be Exhibit No. 2 then.

A Yes, sir.

MR. NUTTER: Applicant's Exhibits 1 and 2 will be entered in evidence, No. 1 to be replaced by a permanent type exhibit. Do you have anything further in this case, Mr. Loveless?

A No, sir.

MR. NUTTER: Does anyone have anything further in Case No. 2036? We'll take the case under advisement and take Case 2037.

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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 3rd day of August, 1960.

*Ada Dearnley*  
 Notary Public-Court Reporter

My commission expires:

June 19, 1963.

I do hereby certify that the foregoing is a complete record of the proceedings in the hearing of Case No. 2036, heard by the Commission, 1/27, 1960.  
*[Signature]*, Examiner  
 New Mexico Oil Conservation Commission

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