

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 3426
Order No. R-3098

APPLICATION OF PENROC OIL CORPORATION
FOR AN UNORTHODOX GAS WELL LOCATION AND
FOR THE AMENDMENT OF ORDER NO. R-2581,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 13, 1966, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 2nd day of August, 1966, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Penroc Oil Corporation, is the operator of the Indian Federal Well No. 1, located 1980 feet from the North line and 1980 feet from the East line of Section 19, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico.

(3) That by Order No. R-2581, dated October 25, 1963, all mineral interests in the Upper Pennsylvanian formation underlying said section were pooled to form a 640-acre gas proration unit dedicated to said well; that the applicant, Penroc Oil Corporation, was named the operator of said well and unit.

(4) That the applicant seeks an exception to the Special Rules and Regulations governing the Indian Basin-Upper Pennsylvanian Gas Pool to drill its Indian Federal Well No. 2 at an

unorthodox location 660 feet from the South line and 660 feet from the East line of Section 19, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico; to simultaneously dedicate said Section 19 to the above-mentioned two wells, Indian Federal Well No. 1 and Indian Federal Well No. 2, with assignment of a single 640-acre Indian Basin-Upper Pennsylvanian Gas Pool allowable to the unit and authority to produce any or all of the allowable from either well or both of said wells.

(5) That the applicant further requests an amendment to said Order No. R-2581 to permit the allocation of well costs to both wells among the interest owners of said unit and the recovery thereof out of production from either or both of said wells, together with costs of operations thereof.

(6) That the drilling of a well at the proposed location may result in said well recovering a disproportionate share of the reserves in the Indian Basin-Upper Pennsylvanian Gas Pool, thereby impairing correlative rights.

(7) That the application to drill a well at an unorthodox location 660 feet from the South line and 660 feet from the East line of said Section 19 should be denied.

(8) That inasmuch as the Commission finds that the application for an unorthodox gas well location 660 feet from the South line and 660 feet from the East line should be denied, it becomes unnecessary at this time for the Commission to rule upon the applicant's request to produce the unit allowable from either or both of said wells or upon applicant's request to amend said Order No. R-2581.

IT IS THEREFORE ORDERED:

(1) That the application of Penroc Oil Corporation for an unorthodox gas well location in the Indian Basin-Upper Pennsylvanian Gas Pool for its Indian Federal Well No. 2 660 feet from the South line and 660 feet from the East line of Section 19, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico, is hereby denied.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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CASE No. 3426

Order No. R-3098

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

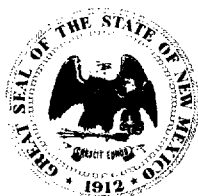
JACK M. CAMPBELL, Chairman

GUYTON B. HAYS, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

esr/



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

P. O. BOX 2088 - SANTA FE

87501

GOVERNOR
DAVID F. CARGO
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

July 16, 1969

Mr. A. J. Losee
Attorney at Law
Post Office Box 239
Artesia, New Mexico 88210

Re: Case No. 4088
Order No. 4089
Applicant: R-3736-A & R-3737-A
Paul M. Mershon, Jr.

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X

Artesia OCC X

Aztec OCC

Other Mr. Richard S. Morris, Mr. Jason Kellahin, Mr. Bill Kastler,
Mr. Frank Goerner, Monsanto Company, Houston, Texas

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

June 11, 1969

**Mr. A. J. Loser
Attorney at Law
P. O. Box 239
Artesia, New Mexico**

**Mr. Jason W. Kellahin
Attorney at Law
P. O. Box 1769
Santa Fe, New Mexico**

**Mr. Richard S. Morris
Attorney at Law
P. O. Box 2307
Santa Fe, New Mexico**

**Mr. Bill Kastler
Attorney at Law
P. O. Box 1938
Roswell, New Mexico**

**Re: Cases Nos. 4088 and 4089 - Applications
of Paul M. Mershon, Jr., for compulsory
pooling and unorthodox gas well loca-
tion, Eddy County, New Mexico**

Gentlemen:

**The Commission at its Regular Hearing June 13, 1969,
will continue the above-described cases to a special hearing
to be held at 9:00 A.M., June 26, 1969, in Morgan Hall,
State Land Office Building, Santa Fe, New Mexico.**

Very truly yours,

**A. L. PORTER, Jr.
Secretary-Director**

ALP/GMH/ee

**cc: Mr. Paul M. Mershon, Jr.
769 Clarkson
Denver, Colorado**

LAW OFFICES

A. J. LOSEE

JOEL M. CARSON

CARPER BUILDING - P. O. DRAWER 239
ARTESIA, NEW MEXICO 88210

AREA CODE 505
746-3508

17 May 1971

Mrs. Ida Rodriguez
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501


Re: Case No. 4089, Order Nos. R-3737 and
R-3737-A, Examiner and Commission Hearings

Dear Ida:


We herewith return the captioned transcripts, and wish to
thank you for the opportunity to use them.

Very truly yours,

LOSEE & CARSON



A. J. Losee



AJL:jw
Enclosures

CERTIFIED MAIL
RETURN RECEIPT REQUESTED



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

P. O. BOX 2088 - SANTA FE

87501

GOVERNOR
DAVID F. CARGO
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

April 22, 1969

Mr. A. J. Losee
Attorney at Law
Post Office Box 239
Artesia, New Mexico 88210

Re: Case No. 4089
Order No. R-3737
Applicant:
Paul M. Mershon, Jr.

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X

Artesia OCC X

Aztec OCC

Other Mr. Dick Morris, Mr. Jason Kellahin, Mr. Bill Kastler

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

June 11, 1969

**Mr. A. J. Losce
Attorney at Law
P. O. Box 239
Artesia, New Mexico**

**Mr. Jason W. Kellahin
Attorney at Law
P. O. Box 1769
Santa Fe, New Mexico**

**Mr. Richard S. Morris
Attorney at Law
P. O. Box 2307
Santa Fe, New Mexico**

**Mr. Bill Kastler
Attorney at Law
P. O. Box 1938
Roswell, New Mexico**

**Re: Cases Nos. 4088 and 4089 - Applications
of Paul M. Marshon, Jr., for compulsory
pooling and unorthodox gas well loca-
tion, Eddy County, New Mexico**

Gentlemen:

**The Commission at its Regular Hearing June 13, 1969,
will continue the above-described cases to a special hearing
to be held at 8:00 A.M., June 26, 1969, in Morgan Hall,
State Land Office Building, Santa Fe, New Mexico.**

Very truly yours,

**A. L. PORTER, Jr.
Secretary-Director**

ALP/GMK/esr

**cc: Mr. Paul M. Marshon, Jr.
789 Clarkson
Denver, Colorado**



PHONE 505 - 623-5053
J. P. WHITE BUILDING
POST OFFICE BOX 1737
ROSWELL, NEW MEXICO

March 18, 1969

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Attn: Mr. Elvis A. Utz, Examiner

Re: Docket No. 9-69
Case 4089
Unorthodox Location
Indian Basin U. Penn. Field
Eddy County, New Mexico

Gentlemen:

Hanagan Petroleum Corporation, as an operator and owner in the Indian Basin Field and especially as a past operator of Section 21 in the section in question, respectfully requests the subject unorthodox location be denied.

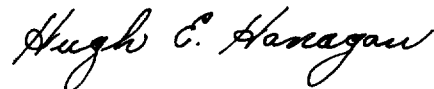
We have been involved in this field practically since its discovery and have seen, with much pleasure, its orderly and practical development. True, there has been a few unorthodox locations granted, most of which were due to topographic problems, and a few in its early stage of development before the field limits were defined. On the other hand, there have been some drilled at much less favorably located spots in order to comply with the special rules and regulations of the field, in some instances resulting in a dry hole.

As you are quite aware of, Hanagan Petroleum Corporation did drill a Cisco/Canyon well in Section 21, T-22-S, R-23-E (1980'FWL & 1650' FNL) to a total depth of 7,585' and was plugged and abandoned 1/24/67 after extensively testing the field pay zone both by drillstem tests and production tests. The pay was predominately limestone with a few stringers of low permeable dolomite at the top. After acidizing with a total of 26,000 gallons of 20% acid in three stages, only a small amount of gas was recovered with very rapid drawdown, that is in a matter of a few hours flowing tubing pressure would be 0 to 30#. We all are aware of the excellent reservoir characteristics of the Indian Basin Upper Pennsylvanian pay, mainly excellent permeability, so it would appear quite obvious that this particular well was not in the field reservoir, even though structurally it was situated quite favorably. We were convinced it was a dry hole along with our partners, four of which

are companies and all four of whom had drilled and operated in the Indian Basin Field. It is quite apparent now, as it was before we drilled the subject well, that the further north you could drill on the section, the better your odds would be of obtaining production. No topographic problem existed in this section. The east offset drilled by Gulf in Section 22, which was structurally lower and poorly developed, recovered some water and was plugged and abandoned. It was also an orthodox location in compliance with the field rules.

In our opinion, the field limits have been defined in the subject area and at the very minimum the south three-quarters of Section 21 is nonproductive with the remaining north one-quarter being quite doubtful as to its productivity. However, due to the nature of the field reservoir, as much gas can be produced from a few good permeable feet of pay as 300 feet of pay, therefore we feel it is unjust to all the present owners in the field to permit a party to drill a well, especially at an unorthodox location, so that he can quite possibly drain considerably more than his share of the gas in the reservoir. We have no personal axe to grind in this case, in fact we still own an overriding royalty interest in part of the acreage which would be included in the proposed gas unit. In all fairness, however, we wish to go on record as being opposed to this unorthodox location.

Sincerely yours,

A handwritten signature in cursive script that reads "Hugh E. Hanagan".

Hugh E. Hanagan (Geologist)
Hanagan Petroleum Corporation

HEH:ab