

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 23, 1963

EXAMINER HEARING

IN THE MATTER OF:)

Application of Pan American Petroleum)
Corporation for special temporary pool)
rules, Lea County, New Mexico. Applicant,)
in the above-styled cause, seeks the estab-)
lishment of temporary pool rules for the)
Fowler-Blinebry Oil Pool, Lea County, New)
Mexico, including a provision for 80-acre)
proration units.)

Case 2742

Application of Pan American Petroleum)
Corporation for the creation of a Tubb Gas)
Pool, for approval of a non-standard gas)
unit, and for special temporary pool rules.)
Applicant, in the above-styled cause, seeks)
the creation of a new Tubb gas pool, and the)
establishment of temporary special pool)
rules therefor, Lea County, New Mexico, in-)
cluding a provision for 320-acre spacing)
units. Applicant further seeks establish-)
ment of a non-standard unit in said pool,)
comprising the NE/4, E/2 NW/4, and the N/2)
SE/4 of Section 22, Township 24 South,)
Range 37, East.)

Case 2743

Application of Pan American Petroleum)
Corporation for special pool rules and)
approval of a non-standard gas unit, Lea)
County, New Mexico. Applicant, in the)
above-styled cause, seeks the establishment)
of temporary special pool rules for the)
Fowler-Paddock Gas Pool, Lea County, New)
Mexico, including a provision for 320-acre)
spacing units. Applicant further seeks)
establishment of a non-standard unit in)
said pool, comprising the NE/4, E/2 NW/4,)
and the N/2 SE/4 of Section 22, Township)
24 South, Range 37 East.)

Case 2744

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BEFORE:

Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: The hearing will come to order, please. Before proceeding with the docket there has been some changes. I will call the docket for you if you want to make notes of it. We will take Case 2742, 2743, 2744 first, and then Case 2734 fourth. We will take Case 2742.

MR. DURRETT: Application of Pan American Petroleum Corporation for special temporary pool rules, Lea County, New Mexico.

MR. BUELL: May it please the Examiner, for Pan American Corporation, Guy Buell. With the Examiner's permission I would like to consolidate, only for purposes of testimony and the record, Cases 2742 and 2743 and 2744. All three of these cases relate to a formation that is on a common structural feature. They have other items in common, and I believe that we can save time by consolidating these three cases.

MR. UTZ: There will be some testimony in all three cases that will be common to all three?

MR. BUELL: Yes, that is true, and some exhibits that is common to all three cases.

MR. UTZ: For the purposes of testimony only, Cases 2742, 43, 44 will be consolidated. However, there will be

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separate orders written on each case.

MR. BUELL: Also, Mr. Examiner, with your permission we would like to, in our testimony, cover them in the order that they are numbered, 2742 relating to Blinebry; 2743 relating to the Tubb; and 2744 relating to the Paddock formation.

MR. UTZ: That will be all right.

MR. BUELL: We have one witness, Mr. Rogers, who has not been sworn.

(Witness sworn.)

MR. UTZ: Are there any other appearances to appear in any of these three cases?

J A M E S T U R N E R R O G E R S

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

DIRECT EXAMINATION

BY MR. BUELL:

Q Will you state your complete name, by whom you are employed, in what capacity and at what location, please?

A James Turner Rogers; employed by Pan American Petroleum Corporation in Lubbock as a reservoir engineer.

Q You testified at a prior Commission hearing and your qualifications as a petroleum engineer are a matter of record, are they not?

A Yes, sir.

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MR. BUELL: As our Exhibit Number 1, Mr. Examiner, it is a brochure containing pertinent factual data on the Blinebry formation. Also included in this brochure are pertinent completion data on the wells completed in this formation. We won't attempt to cover each and every item in this brochure in our testimony, but we will cover the more important phases.

(Whereupon, Applicant's Exhibits 1 and 2 were marked for identification.)

Q (By Mr. Buell) In connection with the Blinebry formation, I wish you would look at what has been marked Pan American's Exhibit Number 2, and state for the record what that exhibit reflects.

A It is a structural map, contoured on top of the Blinebry marker. It reflects assymmetrical anticlinal structure with a northwest-southeast trend and a pay closure of approximately 150 feet.

Q At the present time how many wells are completed in and producing from the Blinebry Oil Pool?

A There are two wells completed in this pool now.

Q How have you designated them on Exhibit 2?

A These are designated by the orange triangles.

Q What is the significance of the area on Exhibit 2 that's outlined in the solid blue line?

A That's the unit boundary of the South Mattix Unit operated by Pan American.

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Q This formation and the other formations which are the subject matter of this consolidated hearing, they're all in a multi-pay area, are they not?

A Yes, sir.

Q The conventional blue dots that show up on this exhibit, as well as others, simply relate to wells that are completed in other formations on this same structural feature, is that correct?

A Yes, sir, that's right.

(Whereupon, Applicant's Exhibit No. 3 was marked for identification.)

Q I wish you would look at Exhibit Number 3, it's the exhibit over here behind the Examiner, and state for the record what that exhibit reflects?

A Exhibit 3 is a cross section through six wells in the Fowler area. We have shown on this the correlation of the top of each of the three subject formations here today, the Paddock, Blinebry and Tubb formations. This cross section runs from Pan American's South Mattix Well Number 6 to Gulf Plains Knight Number 2 Well.

Q There's an insert and the surface trace of the cross section is shown on the insert?

A Yes, sir, it is.

Q With respect to the Blinebry formation, what does this cross section reveal, Mr. Rogers?

A The main point of interest here in the Blinebry is this



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upper perforated or pay interval in our South Mattix Unit 14.

This interval is what we consider our best pay, and it is correlated through the South Mattix Unit Number 1, South Mattix Unit Number 3. We lose it to a certain extent in South Mattix 13, although we still have what appears to be a pay section. Very little evidence of it in Gulf Plains Knight Well Number 2.

Q With respect to the Gulf Plains Kinght Number 2 Well, actually that well is located in the southeastern extremity of the reservoir, is it not?

A Yes, sir, it is.

Q It's on the edge, you would say?

A Yes.

Q Based on your subsurface evaluation of this formation, as reflected by your Exhibit 2 and Exhibit 3, is it your opinion that the geological opportunity exists for one well completed in this reservoir to drain in excess of 80 acres?

A Yes, sir, it is. It appears here that we have favorable structure and a good continuity of correlation in our pay zones. The correlation offers no impediment to drainage in excess of 80 acres and we have no apparent structural limitations or barriers.

(Whereupon, Applicant's Exhibit No. 4 was marked for identification.)

Q Would you look now at what has been marked as our Exhibit Number 4, Mr. Rogers? What does that exhibit reflect?

A Exhibit 4 is a tabulation of the average production



from the wells in the subject fields, for the month of October, 1962 and accumulative recovery for the same wells. In the Blinebry we have two wells presently completed and producing, the Gulf Plains Knight Number 2 and the South Mattix Unit Number 14. The Gulf Well had recovered a cumulative, as of November 1, 1962, of 27,000 barrels. The South Mattix recovered approximately 3,000.

Q For a total reservoir cumulative of approximately 30,000 barrels?

A Yes, sir.

Q When was this Blinebry Oil Pool first discovered, Mr. Rogers, do you recall?

A Yes, sir, this field was discovered by Gulf with their Plain's Knight Number 2 in 1954.

Q So we've known it was there for about nine years, but as of this time there are only two wells completed in this reservoir?

A Yes, sir.

(Whereupon, Applicant's Exhibit No. 5 was marked for identification.)

Q Would you look now at what has been marked as our Exhibit Number 5 and state what that exhibit reflects for the record?

A Exhibit 5 reports a reserve data summary of the values used to arrive at pore volume reserves, for the Blinebry in the vicinity of our South Mattix Number 14. These data indicate an ultimate recovery of 1,375 barrels per acre, based on solution

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gas drive.

Q Mr. Rogers, I see we refer to the data on Exhibit 5 more or less as average data for the reservoir, but let me ask you this; from which well did you use data, principally, in making your pore volume calculation?

A From the South Mattix Well Number 14, our present completion.

Q Looking back at Exhibit 2, it's obvious that that well is in the better portion of this Blinbry reservoir?

A Yes, sir.

Q Still looking at that exhibit, Exhibit 2 and to the Gulf well down at the southeastern end which is on the edge of the field, do you feel that that Gulf well would have the same magnitude of reserves as you show on your Exhibit 5?

A No, the Gulf well, based on the current decline has an approximate recovery of 39,000 barrels.

Q So its reserves in that portion of the pool are not anywhere near 1,375 barrels per acre?

A No, sir.

Q In looking at your reserves as set out on Exhibit 5 we could certainly say that they are optimistic reserves and that in all probabilities wells outside of the better portion of the reservoir will not have that magnitude of reserve?

A That's right.

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(Whereupon, Applicant's Exhibit No. 6 was marked for identification.)

Q Go now to your Exhibit 6 and state for the record what that exhibit reflects.

A Exhibit 6 is an economic comparison of development on 40 acres versus 80 acres, based on the reserve data presented in Exhibit 5.

Q You have all data on Exhibit 6 which are necessary to make a complete economic evaluation of 40's and 80's, but in the interest of time, and since the exhibit is more or less self explanatory, would you just briefly, for the record, summarize the comparison of 40-acre development versus 80-acre development?

A Yes, sir. On 40 acres the profit per well is \$43,450.00, with an investment of \$70,000.00, pay out of 25 months and a return on investment of .62. For 80-acre development we would have a profit per well of \$168,400.00, requiring a 13-month pay out, with 2.4 return on investment.

Q Based on these data, in your opinion would development to a density of 40 acres in this Blinbry formation be economic?

A No, sir, it would not.

Q Do you feel that development on 80 acres would be an economic venture?

A Yes, sir.

Q So then, solely from an economic standpoint, 80-acre development should be adopted for this Blinbry Oil Pool?

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A Yes, sir, it should.

(Whereupon, Applicant's Exhibit No. 7 was marked for identification.)

Q Now, go to what has been marked as Exhibit Number 7.

What is that exhibit?

A Exhibit 7 is a list, or group of rules, proposed rules for this pool.

Q You are recommending at this time that only temporary rules be adopted for the Fowler-Blinebry Oil Pool?

A Yes, sir, I am.

Q Now, with respect to these rules again in the interest of time, let's don't read them word for word, but would you just briefly summarize them? Would you summarize Rule 1?

A Rule 1 defines the limits covered by these rules as being wells completed in the Fowler-Blinebry Pool, or within one mile of the pool, unless the well is in another designated field.

Q Now, Rule 2?

A Rule 2 defines a standard proration unit as being 79-81 acres composed of either the north half, south half or east half or west half of a single governmental quarter section.

Q Now, with regard to your Rule 3, the well spacing or well location rule, are you making two recommendations to the Commission in that regard?

A Yes, sir, we have two proposals for Rule 3.

Q Would you summarize your first proposal?



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A The first proposal provides for wells to be drilled or completed in the Fowler-Blinebry Pool within 150 feet of the center of a quarter-quarter section. It grants an exception to this location for wells currently drilled to or through the subject formation or existing location or existing well bores.

Q Could we summarize that it provides for rigid spacing with a "grandfather" clause that excepts wells now completed in, or wells that have penetrated the Blinebry and later on may be re-completed in the Blinebry?

A Yes, that's correct.

Q What is your alternative proposal?

A The alternative proposal provides that any well projected or completed in this pool shall be located no nearer than 330 feet from an outer boundary line.

Q Could we summarize that is a flexible well spacing rule?

A Yes, sir.

Q This is a multi-pay area, Mr. Rogers, would you anticipate that quite a few of the ultimate completions in this formation will be recompletions from wells that are now completed at a deeper depth?

A Yes, sir.

Q Would you also anticipate that some new wells will have to be drilled to fully develop this Blinebry formation?

A Yes, sir.

Q Do you feel that the adoption of either of your proposed



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Rules 3, will avoid numerous unnecessary unorthodox well location hearings?

A Yes, sir, I do.

Q What is your Rule 4, Mr. Rogers?

A Rule 4 provides for administrative approval of non-standard proration units due to variation in legal sub-division with notice and waiver of offset operators, and also provides for the allocation of allowables on an acreage basis.

Q That's a rule that's common to many of the pools that the Commission has adopted rules for?

A Yes.

Q Again in the interest of saving unnecessary hearings. What about Rule 5?

A Rule 5 states that the proportional factor for allowable purposes shall be 2.33 for the 80-acre spacing and also that if an operator has more than one well on any 80-acre proration unit that he can produce his allowable in any proportion from the wells.

Q Again that's a common rule for oil pools where the Commission has adopted 80-acres.

A Yes.

Q Hasn't the Commission recently adopted 80-acre unit Rules for a Blinebry formation in the Southeast New Mexico?

A Yes, sir, in the Oil Center Blinebry Pool.

Q Do you have anything else you would care to present at



this time with respect to the Blinebry portion of this consolidated hearing?

A No, sir.

MR. BUELL: Mr. Examiner, would you care to ask any questions now with regard to the Blinebry, or would you like for us to go through all of them and then ask all questions?

MR. UTZ: I think it might be well to have cross examination after each pool.

MR. BUELL: That's all we have in the way of direct on the Blinebry.

CROSS EXAMINATION

BY MR. UTZ:

Q This is a designated pool at the present time, is it not?

A Yes, sir.

Q The discovery well was between five and six thousand feet?

A Yes, sir.

Q Do you have any permeabilities on your South Mattix Number 14?

A No, sir, we do not have any core data at all.

Q You didn't take a microlog either?

A No, sir.

Q Do you have any idea what the permeabilities are?

A No, sir, I don't. I might add on that that the initial

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potential on our Number 14 was 144 barrels per day, flowing with 400 pound tubing pressure, which would indicate to me that we have good permeability.

Q In regard to your Exhibit 6, this double asterisk on your net income column --

A Yes, sir.

Q I note that you are charging off \$125.00 a month per well for operating costs.

A Yes, sir.

Q Does that include the estimated work-over, or not?

A No, sir, it does not.

Q That's just for operating costs?

A Just for operating costs.

Q These are flowing wells?

A Well, the Gulf wells on pump and our wells flow.

Q Is this an estimate for a flowing or a pump?

A This is estimated for the average between a flowing well and a pumping well over the respective life of the field, in order to arrive at economics based on ultimate recovery. I would say here we range from a hundred to one hundred fifty from flowing to pumping status.

Q Do you have any idea how many wells are now drilled in the Fowler-Blinebry Pool that are as close as 330 feet from the proration boundary, 80-acre boundary?

A No, sir, I haven't counted them. I believe we can



arrive at a figure pretty quick. On 330 locations, we have two wells on the South Mattix Unit, and apparently Gulf has two wells on their acreage. I'm assuming it has this because the map shows all the wells in this field.

Q That would be five wells to the best of your knowledge that would be drilled 330 on the 80-acre unit boundary?

A Yes, sir.

Q Under your first proposed Rule 3, these five wells would receive the so-called "grandfather" clause permit?

A Yes, sir.

Q All other wells would be drilled then within 150 feet of the center of either 40-acre tract?

A That's right.

Q Referring to your Exhibit 3, I note that this Number 14 Well is the second well from the left, is it not?

A Yes, sir.

Q I note that you have perforations through the probably upper two-thirds of the Blinebry zone; no perforations in the lower third of the Blinebry zone. Is it your opinion that this zone below the perforations is impermeable enough to prevent vertical migration from the Tubb to the Blinebry?

A Yes, sir. I don't think we'll have any vertical migration. Our Tubb completion in that well is a gas well. Right now we have a thousand to one gas-oil ratio on that Blinebry well. I certainly don't anticipate any problems.

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Q It's highly unlikely since the Tubb is a gas producer.

A Right.

MR. UTZ: Any other questions of the witness?

CROSS EXAMINATION

BY MR. KASTLER:

Q I would like to ask Mr. Rogers to please read his proposed Rule Number 3.

A All right.

Q Number 3.

A Do you want both Number 3s?

Q Yes, the proposal as he has offered it.

A The first one that was given awhile ago for Rule 3, each well projected to or completed in the Fowler-Blinebry Pool shall be located within 150 feet of the center of the quarter-quarter section in the 80-acre unit. Any well that was drilling or completed in the Fowler-Blinebry at the date of this order is granted the -- from a deeper formation, on the date of this order, is granted a similar exception when being completed into the Blinebry.

Q Now, your alternate?

A Alternate, each well projected or completed in the Fowler-Blinebry shall be located no nearer than 330 feet to the outer boundary of the proration unit.

Q Are you offering either of these rules, or stating a preference of Pan American for either of these rules, or simply



offering it to the Commission to pick the rule that it finds most suitable?

A We are offering it to the Commission to pick the one most suitable. They are equally recommended.

MR. BUELL: Let me say this on behalf of Pan American. Pan American would recommend the more flexible spacing rule which is the second Rule 3 in that exhibit, Mr. Examiner, as an engineer might have a different recommendation, but that is the one that Pan American would prefer. Do you agree with Pan American, Mr. Rogers?

A Yes, I agree with Pan American.

MR. UTZ: Are you testifying that you agree with management?

A I am testifying that I would.

MR. KASTLER: That's all.

MR. BUELL: We feel that either rule will avoid a lot of unnecessary hearings.

MR. UTZ: Are there any other questions? You may proceed.

MR. BUELL: Mr. Examiner, Exhibit Number 8 is a brochure on the Tubb formation, similar to the brochure on the Blinebry, and we give it to you simply as a codification of factual data.

(Whereupon, Applicant's Exhibit 8 was marked for identification.)

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DIRECT EXAMINATION

BY MR. BUELL:

Q With regard to the Tubb formation now, Mr. Rogers, that we're going into, is that a gas pool currently designated by the Commission?

A No, sir, it's not.

Q What is your recommendation as to a pool name for this Tubb gas pool?

A We recommend that it be classified as the Fowler-Tubb Gas Pool.

Q That would correspond to the other pool designations on this common structure and avoid confusion as far as pool names are concerned?

A Yes, sir.

(Whereupon, Applicant's Exhibit No. 9 was marked for identification.)

Q Would you look now at what has been marked as Exhibit Number 9 and state for the record what that exhibit reflects?

A Exhibit Number 9 is a structural map contoured on top of the Tubb in the Fowler area. Again this is very similar to the one we were looking at in the Blinebry, it's an assymetrical anti-cline between the northwest-southeast. Again we have a pay closure within 150 feet.

Q How many wells are currently located in the Tubb Gas Pool at this time?

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A One well.

Q How have you shown it on this exhibit?

A By the brown triangle.

Q Is it producing as of this minute?

A No, sir, it's shut in.

Q You expect a connection shortly, and the opportunity to produce, market and sell gas from the Tubb formation?

A Yes, sir, we do.

Q Again is the South Mattix Unit designated by heavy blue checkered line to show the area of the unit?

A Yes, sir.

Q Let's go back to Exhibit 3 now, Mr. Rogers, and describe for the record what that exhibit reveals with regard to this Tubb gas formation?

A Again Exhibit 3 is this cross section. As with the Blinbry we can correlate our pay intervals in the Tubb through the wells represented by this cross section. Again we get to the Gulf Plains Knight Number 2. We have what appears to be a poor development of pay.

Q Again you are getting with that well on the southeastern extremity of the reservoir?

A Yes, sir.

Q All right. Now, with regard to the Tubb, based on your sub-surface evaluation of this formation, do you feel that the geological opportunity exists for one well completed in this



reservoir to drain in excess of 320 acres?

A Yes, sir, structurally we have no apparent impediment. Again we have what appears to be good continuity of pay and we should be able to drain in excess of 320 acres.

Q We have had no production of gas from this reservoir. Let me ask you this, do you recall the calculated absolute open-flow of this one well that has been completed in the formation?

A Yes, sir, I believe the South Mattix Number 14 has a calculated open-flow of 2.9 million.

(Whereupon, Applicant's Exhibit No. 10 was marked for identification.)

Q Look now at your next exhibit, which is Exhibit Number 10, and state for the record what that exhibit reflects.

A Exhibit 10 is a summary of data used to arrive at pore volume reserves for the Tubb. Using these data the ultimate gas reserves are 7.6 million cubic feet per acre, with an ultimate condensate reserve of 129 barrels per acre.

(Whereupon, Applicant's Exhibit No. 11 was marked for identification.)

Q Now, go to Exhibit 11, what is that exhibit?

A Exhibit 11 is a tabulation comparing the economics of development on 160 acres versus 320 acres. This is again based on the reserves presented in the previous exhibit.

A Again in the interest of saving time, you don't need to cover each and every detail on this economic comparison, but I wish you would summarize the result of 160-acre development as

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compared to 320-acre development.

A On 160-acre development we would have a profit per well of \$95,300.00. Based on an investment of 80,000, we have a 35-month pay out and 1.2 return on investment; for 320-acres, profit \$292,600.00, pay out 17 and a half months, return on investment of 3.66.

Q In your opinion, do these data reveal that it would be uneconomical to develop this Tubb Gas Pool on 160-acre spacing?

A Yes, sir, they do.

Q Do you feel that development on 320-acre spacing would be economical?

A Yes, sir.

Q So, again, as was the case with the Blinebry, from an economic standpoint, well, not the case with the Blinebry because that was oil on 80. Again from an economic standpoint this pool should be developed to a density of not greater than 320 acres?

A Yes, sir.

(Whereupon, Applicant's Exhibit No. 12 was marked for identification.)

Q Would you look now at Exhibit 12?

MR. BUELL: Let me state here, Exhibit 12 contains the pool rules that we are recommending for what we will call the Fowler-Tubb Gas Pool. We will recommend identical rules for Fowler-Paddock Gas Pool, since this Fowler Gas Pool was already designated by the Commission, we used that nomenclature in these



rules so that we could have a pool name in the rules, but we will recommend identical rules for the Tubb and the Paddock.

Q (By Mr. Buell) What is your Rule 1, on Exhibit 12?

A Again Rule 1 defines the limits as covered by the rules as being wells completed in the sub-formation, or within one mile of the limits, if not in another designated pool.

Q All right, Rule 2?

A Rule 2 defines a proration unit as being composed of 316 to 324 acres of any two contiguous quarter sections.

Q With respect to Rule 3, the well location rule, or well spacing rule, are you making the identical recommendation for these two gas pools that you made for the Blinebry?

A Yes. We have two proposals.

Q One of your proposed Rule 3 is more or less rigid spacing with a grandfather clause, and your alternate rule is straight 330 foot, or flexible well location?

A Yes, sir.

Q Again, let me ask you this, with respect to both the Paddock and the Tubb, do you anticipate with regard to these two reservoirs, that many of the ultimate completions in these zones will be recompletions from deeper wells?

A Yes, sir, we do.

Q What is your Rule 4?

A Rule 4 provides for administrative approval of non-standard proration units, comprising less than 320 acres, and also

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states that the acreage factor assigned to any such non-standard unit shall bear the same ratio to a standard acreage factor in the Fowler-Paddock Gas Pool as the acreage in such non-standard unit bears to the 320 acres.

Q It's a common rule in gas pools that have rules?

A Yes, sir.

Q What is your recommended Rule 5?

A Rule 5 states that in the event of subsequent proration, that the acreage factor, or allowable should be based on acreage factors.

Q You are not recommending that this pool be prorated at this time, but in the event it is ultimately prorated, you wish to get on the record that you would recommend one hundred percent acreage allocation?

A Yes, sir.

Q In addition to our pool designation request and our temporary request for pool rules, which you have just covered, we are also requesting at this hearing a non-standard Tubb gas unit, are we not?

A Yes, sir, we are.

Q Would you go back to Exhibit Number 9, which is your structure map of the Tubb, and would you state for the record the acreage that we are asking to be included in this non-standard unit? Come over here, and as you describe this acreage would you outline in red on the Examiner's copy of Exhibit 9 this

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proposed non-standard unit?

A We are proposing the 320-acre non-standard unit be comprised of the northeast quarter and the east -- Excuse me, the north half of the southeast quarter, and the east half of the northwest quarter of Section 22.

Q And you are now outlining on the official copy of Exhibit Number 9 the outline of this non-standard unit?

A Yes, sir.

Q It has 320 acres in it, does it not?

A Yes, sir, it does.

Q So, it's non-standard solely from the standpoint of shape?

A Yes.

Q Why is Pan American requesting a non-standard unit for this particular area?

A We are requesting this non-standard unit strictly as a matter of convenience and simplicity in accounting procedures for the operators in South Mattix Unit. By adopting this unit we can include 320 acres within the South Mattix Unit boundary.

Q And to form a standard unit you would have to comingle South Mattix Unit acreage with acreage outside the South Mattix Unit?

A Yes, sir, that's right.

Q Do you feel that the granting of the non-standard unit would set off a chain reaction that might result in subsequent



requests for another non-standard unit?

A No, sir.

Q I had in mind, when I asked that question I noticed immediately at the western boundary a tract owned by Sinclair, it appears to be about 80 acres. What would happen if Sinclair would drill a Tubb gas well on the 80-acre tract?

A I doubt seriously that they would, considering the structural position of this acreage. If they did we would negotiate with them on the two 80 acres.

Q Based on the information that you have now, you don't anticipate Sinclair drilling to the Tubb formation?

A No, sir.

Q With the exception of the Sinclair tract, does all the other acreage that offsets the proposed non-standard unit, is the ownership in that acreage common with the acreage immediately adjacent to it in the unit?

A Yes, sir, it is.

Q Do you see how, in any way, based on the reservoir conditions that exist, coorelative rights could in any way be harmed by the approval of this non-standard unit?

A No, sir, I don't.

Q Do you have anything else you care to add, at this time, with respect to any matters concerning the Tubb gas formation?

A No, sir.

MR. BUELL: That's all we have by way of direct examina-

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tion with regard to the Tubb, Mr. Examiner.

CROSS EXAMINATION

BY MR. UTZ:

Q Referring to your Exhibit Number 9, the well which was drilled in the southeast, southeast of Section 22, was that a dry hole in all formations, or how deep did it go?

A Are you referring here to this Well Number 12?

Q Yes, I believe it is Number 12.

A That well was drilled to the Ellenburger, and to my knowledge it was not tested, or if it was tested then I am sure it was dry in all formations. I know it produced 100 percent water from the Ellenburger, and back at that time, I think that was in 1954, if I'm not mistaken, at that time we were not looking at these shallow pays, but offhand I can't say whether it was tested or not.

Q And the same question with reference to the well in the northwest of the northwest of the same section.

A I'm not familiar with that well. From the total depth here, 10800 feet, it was an Ellenburger projection, but as to what it showed in their pays, I don't know. I might add here, if we had run drillstem tests in this Tubb, I doubt seriously we would have obtained any conclusive data. The Tubb historically gives poor show on drillstem test. It requires stimulation for production.

Q In your opinion it's quite doubtful as to whether that

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is productive in the Tubb zone or not?

A Yes, sir. Strictly based on its structural location, I would doubt that it would be.

Q I believe you recommended that the pool be named the Fowler-Tubb Pool. Did you have a recommendation as to the horizontal limits?

A No, sir, I didn't have one ready.

Q First let me ask, is there a well drilled to the Tubb zone on the unit for which you are requesting a non-standard?

A No, sir. We anticipate recompleting the South Mattix Unit Well Number 3, which is in Unit B of Section 22. That well is presently completed in the upper Silurian, and has reached the economic limit, and upon obtaining partners, or approval, we plan to recomplete that in the Tubb.

MR. BUELL: With regard to horizontal limits, Mr. Examiner, this is an unusual situation, in that we have one well completed in the formation, but due to the data available to us on the deeper tests, we have much more control and data than you normally have on a one well reservoir.

Q (By Mr. Utz) The well on your Exhibit Number 3, which is marked Pan American SMU Number 1, in your opinion is the Tubb zone productive?

A Yes, sir.

Q As judged from your log representation?

A Yes, sir, I would think so. We didn't think so



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at the time we drilled that well, but based on the completion now we have in Number 14, I feel certain that it would be productive from the Tubb. I think that's probably a real good example there of the type of information we obtained on drillstem testing this particular zone.

Q With reference to your Exhibit Number 11, again I ask if the operating costs of \$100.00 include work-over costs?

A No, sir, it doesn't.

Q And \$100.00, would it be the same if it were a single completion, or does that include the triple completion?

A This \$100.00 applies to a single completion as to all of these economics.

Q Then the Number 14 Well would be the discovery well on this pool that you are recommending?

A Yes, sir.

Q Do you have available the top of the perforations?

A They will be on the pertinent well data sheet attached to the brochure, which is Exhibit Number 8. The top of the perforations are 5,936 feet.

MR. UTZ: Are there other questions of the witness?

MR. DURRETT: Yes, sir, I have a question.

BY MR. DURRETT:

Q Mr. Rogers, on this discovery well, what day was that completed, do you have a day on that?

A The completion date I have here is July 16, 1962. I



think it was sometime after that; this is a triple completion, by the way, the Number 14, and it was sometime after that that we ran packer leakage, and actually put anything on production.

Q But you think it was July 16, 1962 for the actual completion day?

A Yes.

Q For the purpose of clarification, let me ask you this question, on the non-standard unit that you proposed, what was the name of the well that you intend to complete?

A That's the South Mattix Unit Well Number 3.

MR. DURRETT: That's all I have, thank you.

MR. UTZ: Are there any other questions? You may proceed.

MR. BUELL: We will now go to the Paddock, the third and last formation involved in this consolidated hearing, and our Exhibit 13 again is a brochure of pertinent factual data with the pertinent well completion information included.

(Whereupon, Applicant's Exhibit 13, was marked for identification.)

DIRECT EXAMINATION

BY MR. BUELL:

Q With respect to the Paddock, Mr. Rogers, I wish you would go now to the insert map on Exhibit Number 3, and state for the record what that insert map reflects.

A The insert map on this exhibit is a structure map, contoured on top of the Paddock. Again, as in the other two forma-

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tions, we have an asymmetrical anti-cline with a northwest-southeast trend and approximately 150 feet pay closure.

Q How have you designated the current completions in the Paddock Gas Pool?

A These current completions are designated by red circles.

Q At this time there are four wells completed in this reservoir?

A Yes, sir.

Q Again the South Mattix Unit is shown outlined with a dashed heavy blue line?

A Yes, sir.

Q All right, still on Exhibit 3, would you go up to the cross section portion of this exhibit, and state for the record that this cross section reveals, with respect to the Paddock formation?

A Again we have a similar correlation in the Paddock as we do in the other formations. Here are perforations in the South Mattix Unit Number 14. We have a correlation of the similar zones throughout this area. Again when we get to the Gulf Knight Number 2, we have indications of poor pay development.

Q Is there anything from the standpoint of this cross section that's different on the Paddock as compared to the other two? Does it have a water-oil contact where the other two did not?

A Yes, sir, we have on this, an indicated gas-water contact

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at minus 1,673 feet. This was verified in the Pan American State "D" Tract 14 Well, located in Unit "P" of Section 16, which produced water from the Paddock and was not successfully completed.

Q It was a dry hole in that it encountered the Paddock formation below the gas-water contact?

A Yes, sir.

Q With respect to the Paddock, from a sub-surface standpoint, do you feel here that the geological opportunity exists for one well in this reservoir to drain in excess of 320 acres?

A Yes, sir. Again structurally we have no indications of barriers or anything else that would prohibit drainage in excess of 320 acres.

Q Would you go back to Exhibit Number 4 and state what that exhibit reflects production data-wise for the Paddock formation?

A On Exhibit 4 we have listed two of the four completions in this field. This exhibit reports cumulative production and recovery, as of November 1, 1962, and at that time there were only two wells completed, the South Mattix Unit 14 and the Gulf Plains Knight Well Number 3, with both completed in the Paddock after November 1, 1962. At that time -- You'll have to forgive me, I couldn't find my exhibit.

Q Can you find Exhibit Number 4?

A Well, I am looking for it. I have it clipped to another one. As of November we had a cumulative recovery of



240,000 MCF from the South Mattix Number 2, and cumulative from Well Number 11 of 328,000 MCF.

(Whereupon, Applicant's Exhibit No. 14 was marked for identification.)

Q Would you go now to Exhibit 14? What does it reflect?

A Exhibit 14 is a tabulation summarizing reserve data for the Paddock, it indicates an ultimate gas reserve of 8.75 million cubic feet per acre. The Paddock gas is a dry gas and has no distillate reserves.

(Whereupon, Applicant's Exhibit No. 15 was marked for identification.)

Q Look now at what has been marked our Exhibit 15. What does that reflect?

A Exhibit 15 is a comparison of development on 160 acres versus 320 acres. As far as economics are concerned, for 160 acres, development show a profit per well of \$93,000.00; 31 month payout, 1.55 return on investment. On 320-acre spacing, \$265,500.00 profit, 13½ month payout and 4.43 return on investment.

Q With respect to the reserves you calculated and reflected on Exhibit 14 and were used on Exhibit 15, what did you contemplate as the ultimate producing mechanism in this Paddock gas formation when you arrived at your reserve calculation?

A These calculations are based strictly on a volumetric type reservoir.

Q In the event this water which we know underlies the Paddock becomes active and we have an active water-drive, your

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reserves would be substantially reduced, would they not?

A Yes, sir, they would.

Q And similarly, if your reserves would be reduced, it would adversely effect your economics both with regard to 160s and 320s?

A Yes, sir.

Q So can we say then in looking at Exhibit 14 and 15 that we may be looking at what are optimistic reserves and what are optimistic economics?

A Yes, sir, I think we are.

Q Regardless of that, do these possibly optimistic reserves show that you can develop the Paddock to a density of 160 on an economical basis?

A No, sir.

Q What about 320s?

A Yes, sir.

Q Now, with respect to the other formations, we've had few completions, two in one, one in the other; not too much production from the Blinebry and none from the Tubb. Have you had sufficient production from this reservoir that you have been able to obtain pressures that would show to you, as a reservoir engineer, that in addition to the geological opportunity for drainage, you have what might be considered as proof, physical proof of drainage?

A Yes, sir, we do.

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Q Would you briefly, very briefly state for the record what these pressure data reflect?

A I'll refer back to Exhibit Number 13, the brochure on the Fowler-Paddock, in the section entitled: Performance Data, original bottom hole pressure in the Paddock of 2,000 PSI, as determined in drillstem testing the South Mattix Well Number 10. The most recent pressure on the South Mattix Number 11 is 1,925 pounds. This well is located down in Section 22. South Mattix Unit Well Number 10, the most recent pressure on it is 1,402 PSI. Now then, South Mattix 10 we have had considerable difficulty there in obtaining pressure build-up, due to wellbore damage associated with squeeze cementing the initial perforations in that well. That well was perforated in a larger interval than the present interval, although it included the present interval and we had water production; we squeezed the entire interval and re-perforated in the same zone at the top, so we had wellbore damage that we can't correct by stimulation due to the possibility of again bringing in water.

Q The pressures on that well are non-representative, you mentioned them because you got them and wanted to give the Commission everything you had?

A That's right. Now, the most recent completion, the South Mattix Number 14, we had a shut-in surface pressure on that well, taken in conjunction with our package leakage test, and by extrapolating the surface pressure to the datum point for the



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reservoir we have a bottom hole pressure of 1,876 PSI. The 1,876 compares with the initial pressure in the Paddock of 2,000 and is some 124 pounds less than the original pressure.

Q At the time we ran this initial pressure on that well, at that time what was the then nearest producing well?

A Would you repeat that, please?

Q Come over here to Exhibit 3 on the map. Point out to the Examiner, South Mattix Unit Number 14, the well you were speaking of, the one you had initial pressure below the discovery pressure.

A The recent completion here, South Mattix Unit Number 14 is the one we have. The surface shut-in pressures were extrapolated to a bottom-hole pressure of 1,864 pounds. This is the Number 10, bottom-hole, 1,402 pounds. Here's Number 11, the most recent, is 1,925 pounds.

Q Now, at the time the initial pressure was run on South Mattix Unit Number 14 which showed over 100 pounds below virgin pressure, at that time what was the then nearest producing well to Number 14?

A The nearest producing well to Number 14 at that time was Well Number 10.

Q It appears to be a half a mile away from Well Number 14?

A Yes, sir.

Q Would that not indicate to you that in this reservoir we have physical evidence of drainage in excess of 320 acres?



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A Yes, sir.

Q You may stay there. We are going to talk about the non-standard unit we're requesting for the Paddock. Since it's the same acreage as the Tubb, I won't ask you to explain it again, but take your red pencil and outline on Exhibit 3 the outline of that.

A (Witness complies.)

Q Would you encircle in red the well that Pan American intends to complete in this unit?

A This well is currently completed --

Q And colored in red?

A --and colored in red.

Q Just draw an arrow pointing to it.

A The South Mattix Unit Well Number 11.

Q Does the same reason exist for the Pan American's request for this non-standard unit in the Paddock as existed in the Tubb?

A Yes.

Q With regard to a chain reaction, based on data available to you, do you think that Sinclair will develop their 80-acre tract in this section with a Paddock well?

A No, I think we have more reason to believe they will not develop in the Paddock, due to the gas-water contact location, and the water production we got on the diagonal offset on that.

Q Do you see how the approval of this non-standard unit we



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are requesting could in any way violate anyone's correlative rights?

A No, sir, I don't.

O Do you have anything else you can add, Mr. Rogers, with respect to the Paddock formation?

A No, sir.

Q I think we have amply covered in the Tubb testimony the rules that we are recommending for the Paddock, and have covered that sufficiently, but anything else you care to add you can at this time.

A No, sir, I have nothing to add.

MR. BUELL: That concludes all we have by way of direct testimony with regard to the consolidated hearing. I would like to, at this time, offer Pan American's Exhibits 1 through 15, inclusive.

MR. UTZ: Without objection Exhibits 1 through 15 will be entered into the record of these three cases.

(Whereupon, Applicant's Exhibits 1 through 15, were received in evidence.)

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Rogers, I believe you stated that the lower part of the Paddock was water bearing?

A Yes, sir.

Q Then you would believe then that there was no vertical



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communication, between the Paddock and the Blinebry pay?

A Yes, sir, I believe there was none.

Q That would be part of your reason for believing so, the fact that you had water in the lower Paddock would be part of your reason for believing so?

A Yes, sir.

Q I believe you already have rules for the Fowler-Paddock, if I remember correctly in that?

A Yes, sir.

Q Those rules --

A I beg your pardon, no rules on it, it's a designated --

MR. BUELL: We are recommending the identical rules. It's a designated gas pool, but it has no rules.

MR. UTZ: Are there other questions of the witness? The witness may be excused. Are there any other statements in this case?

MR. KASTLER: Bill Kastler, appearing on behalf of Gulf Oil Corporation. Gulf Oil Corporation concurs with Pan American's application for 80-acre spacing in the Fowler-Blinebry Oil Pool, and for 320-acre spacing in the Tubb and Paddock Gas Pools, and wish to state its preference for the more flexible spacing rules. It is Gulf's opinion that flexible well spacing rules enable an operator to make his well completion plans in the light of practical consideration rather than having to contend with needless



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formalities, delays and uncertainties involved in seeking acquiescence, or of competitors for administrative approval, or in formal hearings. We feel that flexible well spacing rules offer a better stimulus for development of oil and gas; and that such complete, more rapid development will be of benefit to the State of New Mexico as well as the individual operators. We believe that the experience has shown that the Oil Conservation Commission will, at all times, continue to insist that all dedicated acreage in the spacing unit is reasonably shown to be productive.

MR. UTZ: Are there other statements?

MR. BUELL: I would like to say this, Mr. Examiner, as hardship case Number 1, I sincerely appreciate going first and sincerely hope I haven't inconvenienced anyone. With regard to the flexible spacing, we recommend here, on behalf of Pan American I would like to point out that these three reservoirs are extremely unusual in that they have been penetrated by many wells whose basic objective was a deeper horizon, and for that reason, in order to eliminate many unorthodox well locations, Pan American feels that flexible spacing should be adopted.

MR. DURRETT: The Commission has received several pieces of communication and I would like to read them into the record at this time.

MR. UTZ: You may do so.

MR. DURRETT: These telegrams and letters apply to, some apply to all three of the cases, others apply to only one or two of the cases presented. I will go through and read them into the



record now.

The first is a telegram received on January 21st. It reads as follows: "Standard Oil Company of Texas, a Division of California Oil Company, concurs in Pan American Petroleum Corporation's proposals in Case 2742, application for temporary special pool rules in the Fowler-Blinebry Pool, Lea County, New Mexico, set for hearing January 23, 1963. As owner of leasehold interest in the area we respectfully recommend approval of this application." This is indicated that it was signed by C. N. Segner, Chief Engineer, Standard Oil Company of Texas.

The second is a letter from the Atlantic Refining Company, received by the Commission on January 16th; reads as follows: "As a working interest owner in the South Mattix Unit operated by Pan American, we urge the Commission to adopt the special rules proposed by Pan American for the Fowler-Blinebry Oil Pool. We have reviewed the proposed rules and believe they will prevent waste and protect correlative rights for all parties concerned. This case is scheduled for hearing on January 23, 1963 before a Commission Examiner." Signed by W. P. Tomlinson.

We also have received a rather lengthy letter from Continental Oil Company. This was received on January 21st by the Commission, and it reads as follows: "Continental Oil Company is a working interest owner in the South Mattix Unit and as such is interested in Cases Number 2742, 2743, 2744, which appear on the docket for hearing January 23, 1963. Normally Continental Oil Company favors

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uniform spacing between wells when field rules are concerned. In the present case, however, it is recognized that many locations in the Fowler area will be developed by plugging back recompletions or dual completions of existing wells. Such a situation must invariably result in non-uniform locations, so that if well locations are specified on a uniform pattern in the field rules, many exceptions requiring hearings would be required. In the light of this situation, Continental Oil Company urges the Commission to establish field rules, granting 80-acre spacing in the Blinebry; 320-acre in the Tubb and Paddock, and allowing flexibility of well locations so that existing wells can be utilized wherever possible in developing these reservoirs.

In regard to the non-standard gas proration units requested in Cases 2743 and 2744, Continental Oil Company urges that the proposed units be approved. The proposed units comprise the reasonably proven productive area of the Tubb and Paddock Gas Pools underlying the South Mattix Unit in Section 22, Township 24 South, Range 37 East." This letter is signed by W. A. Mead.

We have received a letter from Delhi-Taylor Oil Corporation, received on January 18th, it reads as follows: "This is to advise you of Delhi-Taylor's support of Pan American's request for establishment of temporary special rules in the Fowler-Blinebry, Fowler-Tubb and Fowler-Paddock fields. It is our understanding that these rules will allow flexible locations and permit utilizing of existing wellbores for recompletion and request 80-acre proration for



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Blinebry oil production, and 320-acre proration units for both Tubb and Paddock production. Further, we support the request to establish a non-standard gas unit comprised of the northeast quarter east half, northwest quarter and north half of the southeast quarter of Section 22, Township 24 South, Range 37 East." This letter is signed by Mr. J. H. Douhman.

MR. UTZ: Are there other statements? Referring to your Rule 3, which I believe you have spoken of that rule in the provision here as being a rigid spacing pattern, that would not be as rigid a spacing pattern as if you were required to drill in a certain quarter section, would it? In other words, you have an 8,300 foot target area as in your so-called rigid spacing pattern--

MR. BUELL: Yes, sir, it is more rigid than the other recommended rule.

MR. UTZ: But it is really not as rigid as some pool rules are?

MR. BUELL: It is not. A more rigid rule can be designated.

MR. UTZ: Has been?

MR. BUELL: Has been designated.

MR. UTZ: The same would hold true with the 80-acre rules for the Blinebry?

MR. BUELL: The proposed rule, as regards the Blinebry would require you to be within 150 feet of the center of either quarter-quarter section.



MR. UTZ: That is not as rigid as if you were required to drill 150 feet of a 40-acre tract.

MR. BUELL: The center of a 40-acre tract?

MR. UTZ: Yes. I just wanted to clear that up, get it in the record. Any other statements? The case will be taken 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 13th day of February, 1963.

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 Examiner hearing of Case No. 2742-4344X heard by me on Jan. 23, 1963.
Shirley H., Examiner
New Mexico Oil Conservation Commission

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