

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
S. JOHNNY WALKER
MEMBER

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

P. O. BOX 871
SANTA FE

June 7, 1962

Mr. Jack Campbell
Campbell & Russell
Attorneys at Law
P. O. Drawer 640
Roswell, New Mexico

Re: Case No. 2566
Order No. R-1110-C
Applicant:
Newmont Oil Company

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

ir/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC x

Aztec OCC

OTHER Mr. Howard Bratton (for Humble)

pm

PAN AMERICAN PETROLEUM CORPORATION

OIL AND GAS BUILDING P. O. BOX 1410

16 FORT WORTH 1, TEXAS

KENNETH J. BARR
DIVISION ENGINEER

May 18, 1962

File: GHF-234-986.510.1

Subject: NMOCC Case 2566
Application of Newmont Oil Company
for Waterflood Square Lake Field
Eddy County, New Mexico

Mr. A. L. Porter, Jr.
Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Sir:

Case 2566, docketed for hearing on May 23, 1962, is the application of Newmont Oil Company to amend certain orders and to define the proper limits of its Square Lake Pool waterflood project, Eddy County, New Mexico, and to provide for capacity allowables for this project.

At the Commission's general waterflood hearing held in October, 1959, Pan American Petroleum Corporation concurred in the proposed Rule 701 which was subsequently adopted by the Commission. It was and is Pan American's sincere conviction that the flexibility provided by Rule No. 701 is completely sufficient to both protect correlative rights of the parties involved in a waterflooding project as well as promote conservation and prevent physical waste. Pan American, therefore, is opposed to the granting of capacity allowables in that Rule 701 provides sufficient incentives and rewards for operators engaged in waterflooding.

Pan American respectfully submits to the Commission that the subject application is not a "legitimate expansion" as contemplated by Order R-1525. The applicant in this expansion is attempting by expansion to include properties only recently actually owned and operated by others. The lure of capacity allowables provides for a very persuasive instrument of negotiation. If the Commission should recognize this method as a "legitimate expansion" then it is entirely possible that the applicant through negotiation could ultimately expand this project to cover the entire pool. If this should occur, the purpose and intent of Rule 701 would be completely circumvented.

May 18, 1962

It is interesting to observe that when Rule 701 was amended in November, 1959, to provide for waterflood allowables there was currently assigned to wells involved in waterfloods approximately 10,000 barrels of oil over and above what they would have been assigned under the normal unit allowable then in effect. At the present time this has increased to approximately 17,000 barrels. This is an increase of 70%. It is the duty of the Commission to see that capacity allowables do not pre-empt the demand for New Mexico crude.

In view of the above discussed considerations Pan American respectfully recommends that the Commission deny the applicant's request for capacity allowables for the proposed expansion area of this flood.

Yours very truly,


Kenneth J. Barr