

CASE 1042: Schurmerhorn Oil Corp. applica-
tion for order granting 400 acre non-stan-
dard gas proration unit in Eumont Gas Pool.

Case No.

1042

Application, Transcript,
Small Exhibits, Etc.

Memo

4/24/55

From
WMM

Re: Case # 1042

To
JWG

OK. to go ahead &
write approval of \$400
ac. NSP.

Put in order regarding
communication & allowance
eff. 1st month follows
subm of comm. & new C-128

WMM

Jack

12/10/54

I note
the State Land
Office hasn't
approved this.

In fact they
sent it back
to Schumacher

There is
also a
page
missing

WDM

FEDERAL ABSTRACT CO.

Name

Address

Ph.

Remarks:

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

T R State
or County

MAIL OFFICE 000

SCHERMERHORN OIL CORPORATION

P. O. BOX 1537
HOBBS, NEW MEXICO

*Case 1042
order P-803*

RECEIVED 7 51 20

December 3, 1956

P-803

Mr. Jack Cooley
Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Re: Linam "A" Gas Unit
Eumont Gas Pool

Dear Sir:

Enclosed is a copy of executed Communitization Agreement covering above captioned gas unit.

We regret that such a long time was required to get the actual Communitization Agreement executed by all of the working interest owners, however, the operator of this unit did have written consent from the several lease owners on the communitization at the time application was made for this 400 acre unit.

Yours very truly,

SCHERMERHORN OIL CORPORATION

By *J. H. Moore*
J. H. Moore

cj

Encl

COMMUNITIZATION AGREEMENT

THIS AGREEMENT, made and entered into this 2nd day of November, 1956, by and between Schermerhorn Oil Corporation, whose address is Post Office Box 287, Tulsa, Oklahoma, (hereinafter referred to as "Schermerhorn"), Kenwood Oil Company, whose address is Post Office Box 287, Tulsa, Oklahoma, (hereinafter referred to as "Kenwood"), Gordon M. Cone, whose address is Post Office Box 597, Lovington, New Mexico, (hereinafter referred to as "Cone"), and Humble Oil & Refining Company, whose address is Post Office Box 2180, Houston, Texas, (hereinafter referred to as "Humble"),

W I T N E S S E T H :

WHEREAS, the parties hereto desire to communitize and pool their respective interests in lands subject to this Agreement for the purpose of developing and producing dry gas and associated liquid hydrocarbons in accordance with the terms and conditions of this Agreement; and,

WHEREAS, in order to be consistent with existing rules and regulations covering well spacing and production allowables, the parties hereto desire to form a non-standard gas proration unit and to operate the entire communitized tract as an entirety; and,

WHEREAS, the Oil Conservation Commission of the State of New Mexico in Case No. 1042 by its Order No. R-503 issued on May 16, 1956, has heretofore approved a gas proration unit for the hereinafter described acreage and granted Schermerhorn an allowable for its Linam "A" No. 1 well, located in the Northwest Quarter of the Southeast Quarter (NW/4 SE/4) of Section 32, Township 18 South, Range 37 East in the proportion that the 400 acre unit bears to the standard proration unit for the Eumont Gas Pool.

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties as follows:

1. The lands covered by this Agreement (hereinafter referred to as "Communitized Area") are described as follows:

The Northeast Quarter (NE/4) and the Southeast Quarter of the Southeast Quarter (SE/4 SE/4) and the North Half of the Southeast Quarter (N/2 SE/4) and the East Half of the Northwest Quarter (E/2 NW/4) and the Northwest Quarter of the Northwest Quarter (NW/4 NW/4), All in Section 32, Township 18 South, Range 37 East, N.M.P.M., Lea County, New Mexico, containing 400 acres, more or less, in the Eumont Gas Pool.

2. Attached hereto and made a part of this Agreement, for all purposes, is Exhibit "A" showing the acreage, percentage and ownership of oil and gas interests in all lands within the Communitized Area.

3. The land subject to this Agreement as to all underlying formations within the vertical limits of the Eumont Gas Pool as defined by the New Mexico Oil Conservation Commission shall be developed and operated for dry gas and associated liquid hydrocarbons as an entirety and all dry gas and associated liquid hydrocarbons produced therefrom shall be allocated among the leaseholds comprising said acreage in the proportion that the acreage interest in each leasehold bears to the entire acreage interest committed to this Agreement. Each working interest owner shall be responsible for the payment of all royalties and overriding royalties and obligations payable out of production, if any, on account of the allocation of dry gas and associated liquid hydrocarbons to the respective leasehold interests as above provided.

4. Schermerhorn is hereby designated as the unit operator of said communitized area and as such shall have full power and authority to operate said communitized area subject to limitations contained in the operating agreement entered into between the parties hereto simultaneously herewith, and said operating agreement shall govern the accounting by the parties hereto with respect to the payment for the cost of the Linam "A" No. 1 well referred to hereinabove, and the operation thereof. There shall

with all laws, statutes, regulations and orders of any body, national, state or regulatory body under applicable Federal or State jurisdiction. The provisions of this Agreement shall be subject to all applicable Federal or State statutes or executive orders, rules and regulations which affect performance of any of the provisions of this Agreement, and signatories shall not suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this Agreement if such compliance is prevented by, or if such failure results from, compliance with any such law, rule, regulation or order.

7. Notwithstanding the date of execution of this Agreement of the parties hereto, the same shall be effective as of the date said well was assigned a 400 acre gas allowance of the New Mexico Oil Conservation Commission, and shall remain in full force and effect for a period of two years and so long thereafter as dry gas and associated liquid hydrocarbons are produced from the vertical limits of the Humat Gas Pool from any part of said Communitized Area; provided, that upon fulfillment of all requirements of the Oil Conservation Commission of the State of New Mexico, with respect to any dry hole or abandoned well, this Agreement may be terminated at any time by the mutual agreement of the parties hereto.

8. This Agreement shall be binding upon the parties and shall extend to and be binding upon their heirs, executors, successors, administrators and assigns.

9. This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written and have set opposite their respective names the date of execution.

Date: 11-2-56

Attest: J. Hargrave
Asst. Secretary

DOMINION OIL CORPORATION

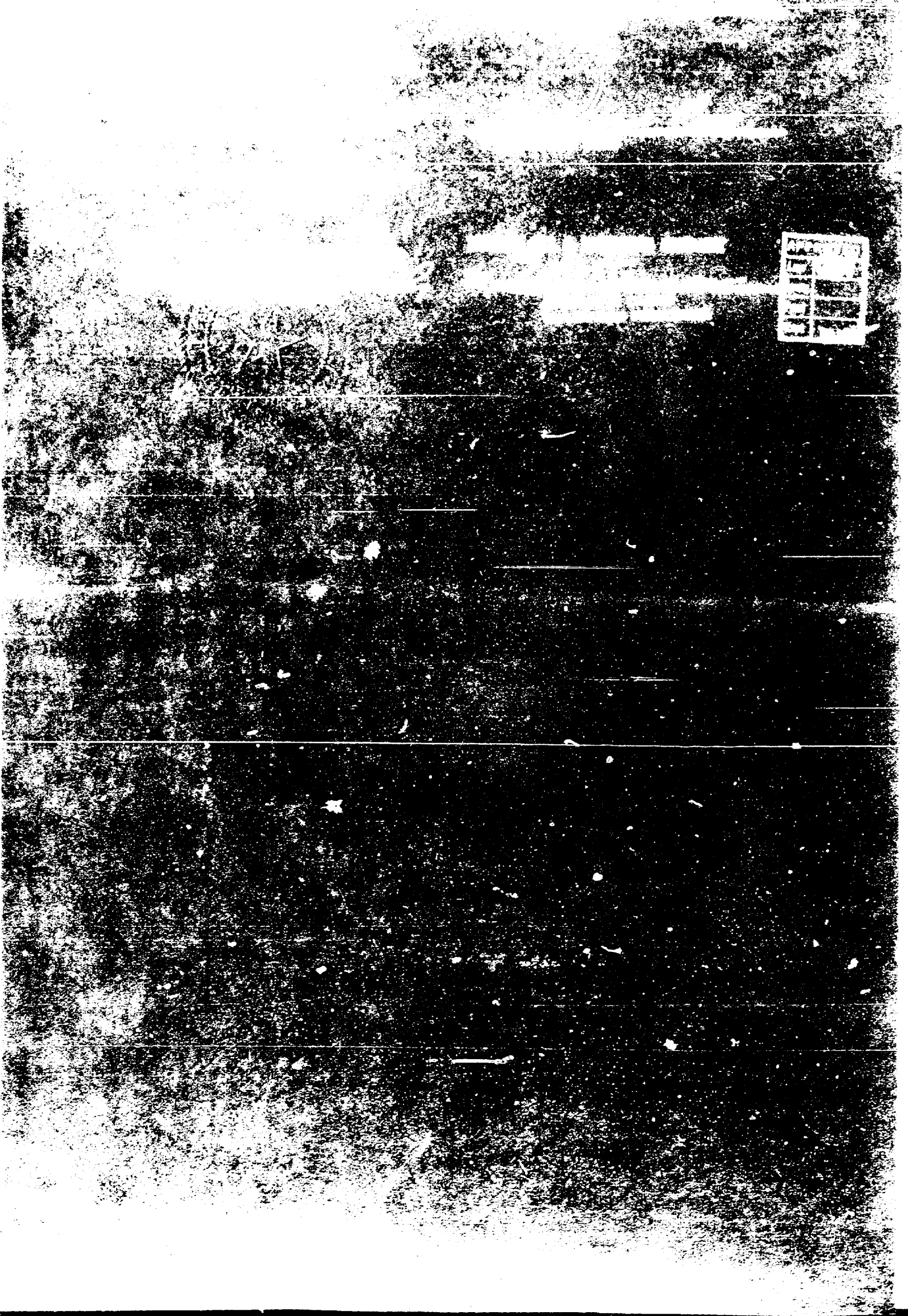
By E. J. Hargrave
President

Date: 11-2-56

Attest: E. J. Hargrave
Asst. Secretary

HUMAT OIL COMPANY

By A. A. Thomas
President



IN WITNESS WHEREOF, I have hereunto set my hand this the day and year last above written.

My commission expires

10-22-57

STATE OF OKLAHOMA

COUNTY OF TULSA

On this 2nd day of January, 1954, before me appeared E. A. Hamner, to me personally known, who, being by me duly sworn, did say that he is the President of Hamner Oil Company, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of the Board of Directors, and said E. A. Hamner acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand this the day and year last above written.

My commission expires

10-22-57

STATE OF Nebraska

COUNTY OF Lincoln

On this 30 day of November, 1954, before me personally appeared Gordon R. Carr and William Carr, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires

April 23, 1958

STATE OF TEXAS

COUNTY OF HARRIS

On this 23rd day of November, 1954, before me appeared ED. J. HAMNER, to me personally known, who, being by me duly sworn, did say that he is the DIRECTOR OF SECURITY of Hamner Oil & Refining Company, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of the Board of Directors, and said ED. J. HAMNER acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand this the day and year last above written.

My commission expires

My Commission Expires June 1, 1957

Lilla Smith LILLA SMITH
Notary Public

NOTARY PUBLIC IN AND FOR
STATE OF TEXAS, 1954.

IN WITNESS WHEREOF, I have hereunto set my seal this the
day and year last above written.

My commission expires

Notary Public

Exhibit "A" to Communitization Agreement dated November 2, 1956, embracing the NE/4 and the SE/4 of the SE/4 and the N/2 of the SE/4 and the E/2 of the NW/4 and the NW/4 of the NW/4 of Section 32, Township 18 South, Range 37 East, Lea County, New Mexico.

Description of Oil and Gas Leases
Committed to the Communitization Agreement

Tract No. 1

Description of Lands Committed: NE/4 NE/4 of Section 32-18S-37E

Number of Acres: 40

Date of Lease: November 22, 1928

Recorded: State Lease No. A-1820

Mineral Owner: State of New Mexico, by its Commissioner of Public Lands

Leasehold Owner: Humble Oil & Refining Company

Tract No. 2

Description of Lands Committed: NW/4 NW/4 and E/2 NW/4 and W/2 NE/4 of Section 32

Number of Acres: 200

Dates of Leases and Recording Data:

- (a) December 1, 1953, Book 113, Page 217
- (b) December 9, 1953, Book 113, Page 219
- (c) December 16, 1953, Book 113, Page 496
- (d) December 16, 1953, Book 113, Page 498
- (e) December 16, 1953, Book 113, Page 502
- (f) December 23, 1953, Book 113, Page 504
- (g) January 26, 1954, Book 114, Page 507
- (h) December 14, 1953, Book 114, Page 78
- (i) December 14, 1953, Book 114, Page 76

Mineral Owners:

- (a) Virgil Linan
- (b) F. M. Fayton
- (c) Fred Daniels
- (d) Fred Lemon
- (e) C. T. Seale
- (f) Oliver E. Payne and Barbara Payne Cox
- (g) Charles E. Shipe, Mrs. R. E. Beasley, Mrs. R. W. Castle and Mrs. Wm. H. Chambers, II
- (h) Lura Planagan
- (i) Margaret W. Faught Davis, Gordon M. Cone, J. Hiram Moore, Myrtle Pevehouse, Henry T. Moore, Mary B. Weir, Lawrence E. Planigan, Leo F. Planigan, Josephine J. Rowe, Grace Reed

Present Leasehold Ownership:

Schermehorn Oil Corporation, Kenwood Oil Company and Gordon M. Cone

Tract No. 3

**Description of Lands
Committed:**

SE/4 NE/4 and N/2 SE/4 and SE/4 SE/4 of
Section 32, Township 18 South, Range 37 East

Number of Acres:

160

**Dates of Leases and
Recording Data:**

- (a) December 1, 1958, Book 113, Page 221 O&G
- (b) December 1, 1958, Book 113, Page 223, O&G
- (c) April 28, 1955, Book 98, Page 521, Misc.
- (d) January 29, 1948, Book 68, Page 425, O&G
- (e) November 10, 1947, Book 66, Page 214 O&G

Mineral Owners:

David S. Thorp, Sel Thorp, Dudley C. Thorp,
Louis Thorp, Phillip Thorp, Sallie Thorp,
Lola Mae Heizer, Bessie Dorman, Ellen Hill,
W. M. Hobson, Gordon M. Cone, Walter T.
Linan, Virgil Linan, Lois R. Linan, Ruth
Vandagriff, Albert E. Rogers, Sun Oil
Company

Leasehold Owners:

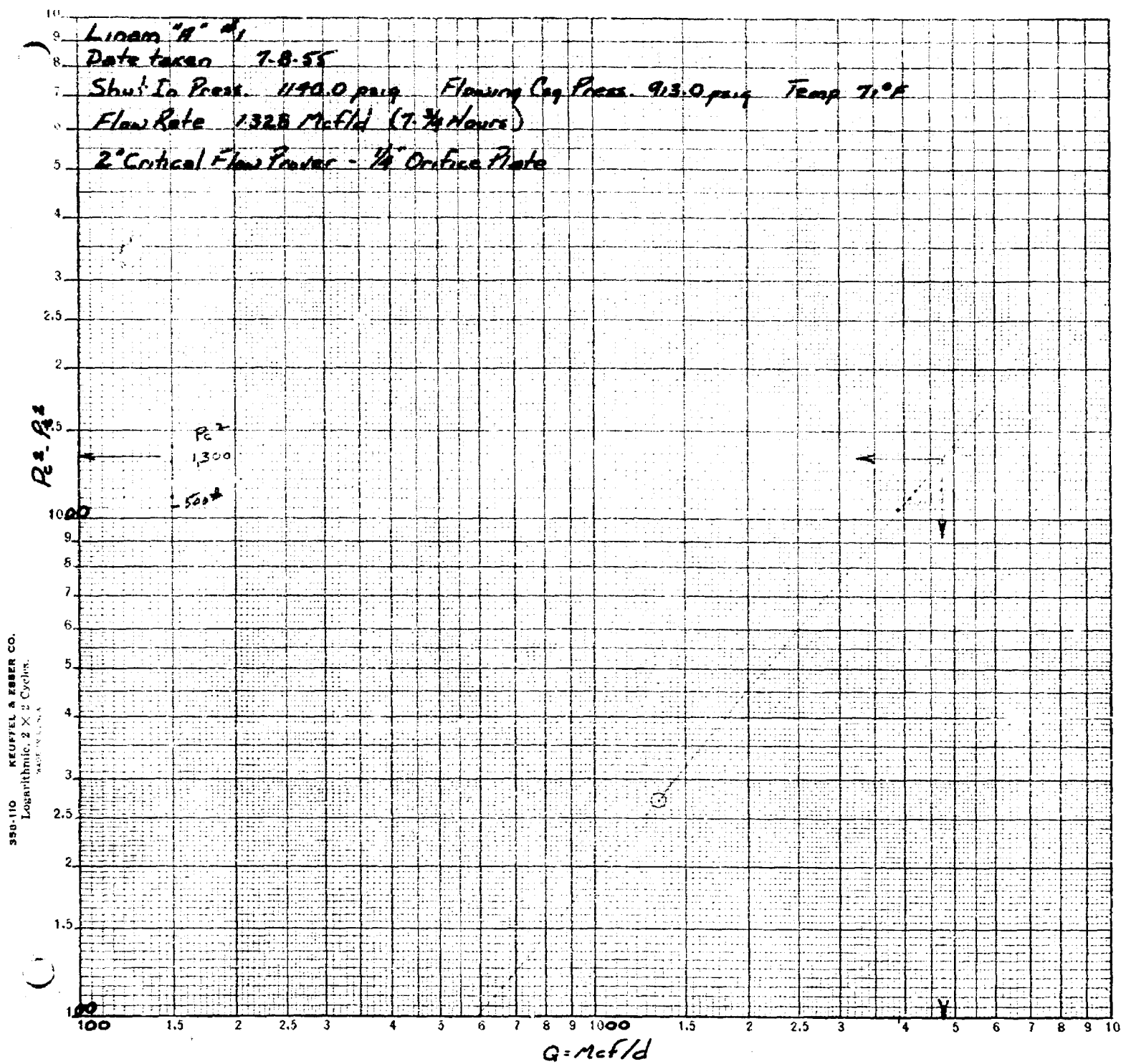
Schwarhorn Oil Corporation, Kenwood Oil
Company and Gordon M. Cone

BACK-PRESSURE TEST WORKSHEET

Well on Preflow		Well Shut-In		Pressure Taken	
Date None	Time	Date 7-7-55	Time 3:00 PM	Date 7-8-55	Time 8:30 AM

G 0.685 (Est) L P_c²

Time of Day	W.H. Flowing Press.		ΔP Tbg.	ΔP Csg.	Well- head Temp.	Meter or Prover Coeff.	Meter or Prover Press.	Diff. Temp.	Prover Meter Temp.	P_w^2	$P_c^2 - P_w^2$	Q
	Casing Psig	Tubing Psig										
JULY 6, 1955												
7:30	1110.0											
7:55	Well Turned on through 2" Critical Flow Prover with 1/4" Orifice Plate											
9:55	954.0						954.0		70			
10:10	953.0						953.0		70			
10:25	952.5						952.5		70			
10:40	951.5						951.5		69			
10:55	950.3						950.3		69			
1:05	928.5						928.5		71			
1:20	927.0						927.0		71			
1:35	925.7						925.7		71			
1:50	923.2						923.2		70			
3:15	915.7						915.7		71			
3:30	914.2						914.2		71			
3:45	913.0					1.400	913.0		71			1328
Absolute Open Flow 4,750 MCF/day												
Delivery Rate at 500% 3,900 MCF/day												
BEFORE THE OIL COMMISSION SITTING AT NEW ORLEANS LA. IN NOV. 1955 CASE 1042												
Exhibit # 2												



Abs. Open Flow 4,750 MCF/day
 At 500" flow = 3,900 MCF/day
 At 140" flow = 4,000 MCF/day

SCHERMERHORN OIL CORPORATION

P. O. BOX 1537
HOBBS, NEW MEXICO

February 20, 1956

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Re: Amended Request for Enlargement of
Non-standard Proration Gas Unit
Schermershorn Oil Corp., Linam "A" Unit
Lea County, New Mexico

Attention: Mr. W. B. Macey
Secretary-Director

Gentlemen:

By letter dated February 14, 1956, application was made for enlargement of the above captioned gas unit. Since this enlargement can not be made by Administrative Order, will you please set a hearing for this case before the examiner in Hobbs, New Mexico. We ask that the hearing be set as soon as possible to conform with your schedule of hearings.

We further ask that the legal description of acreage to be included in the enlarged unit be amended to cover the following: SE SE, N/2 SE, NE/4, E/2 NW and NW NW of Section 32, Twp. 18S, Rge. 37E, Lea County, New Mexico, containing 400 acres.

An amended plat is enclosed to show the proposed unit. Copies of this letter and the amended plat are being mailed to all of the offset lease operators as shown below.

Yours very truly,
SCHERMERHORN OIL CORPORATION

By J. H. Moore
J. H. Moore

cj
Encl

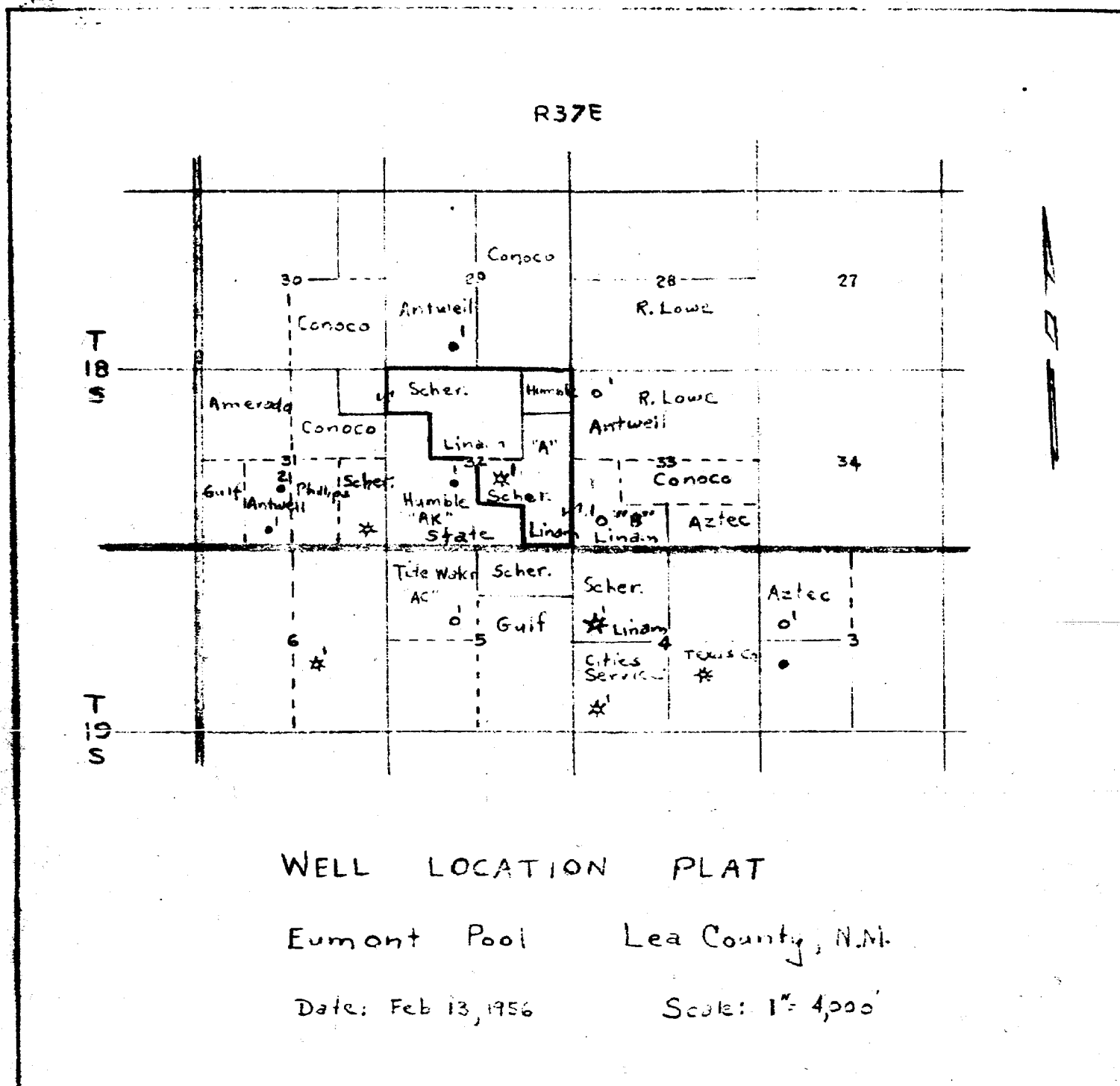
cc: Humble Oil Company
P. O. Box 2347
Hobbs, New Mexico

Mr. Ralph Lowe
Midland Tower Bldg.
Midland, Texas

Continental Oil Company
P. O. Box 427
Hobbs, New Mexico

Mr. M. Antweil
P. O. Box 1058
Hobbs, New Mexico

Mr. Gordon M. Cone
P. O. Box 597
Lovington, New Mexico



(A. 1142)

SCHERMERHORN OIL CORPORATION

P. O. BOX 1587
HOBBS, NEW MEXICO

*Examiner
Hanning
@ Hobbs
in late march*

February 14, 1956

*Talked
to Moore
@ Hobbs
on 2/14/56*

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Re: Request for Enlargement of
Non-Standard Proration Gas Unit
Eumont Gas Pool, Schermerhorn
Oil Corporation, Linam "A" Unit
Lea County, New Mexico

*copy 3
boxed
sent
3/7/56*

Attention: Mr. W. B. Macey
Secretary-Director

Gentlemen:

By Administrative Order NSP-175, the above captioned gas unit in the Eumont pool was granted an allowable for 160 acres. We hereby request that this unit be increased by the addition of 200 adjoining acres in the same section. This request is made in accordance with Order R-520 as follows:

1. The complete legal description of acreage to be included in the enlarged unit is: SE SE, N/2 SE, S/2 NE, NW NE, E/2 NW and NW NW of Section 32, Twp. 18S, Rge. 37E, Lea County, New Mexico containing 360 acres.
2. Schermerhorn Oil Corporation, Linam "A" #1 gas well is located 1,980' from South line and 1,980' from East line of Section 32.
3. It is the intention of the operator to produce this gas well from the Queen formation as a non-standard gas unit consisting of 360 acres in the Eumont gas pool.
4. The proposed non-standard gas proration unit well met the requirements of Rule 5(b) of the Oil Conservation Commission Order R-520 as follows:
 - (a) The non-standard gas proration unit consists of contiguous quarter sections.
 - (b) The non-standard gas proration unit lies wholly within a single governmental section.
 - (c) The entire non-standard gas proration unit may reasonably be presumed to be productive of gas.

Page 2
New Mexico Oil Conservation Commission
February 14, 1956

- (d) The length or width of the non-standard gas proration unit does not exceed 5,280'.
 - (e) By copy of this letter of application, all operators owning interest in the section in which the non-standard gas proration unit is situated, and all operators owning interest within 1,500' of the proposed well, have been notified by registered mail of this application as shown on attached mailing list.
5. A plat showing acreage to be dedicated to the enlarged unit, well locations and offset ownership is attached.

This request for enlargement of the present unit to a gas unit containing 360 acres is in accordance with the Commission's rules and regulations and it is requested that this gas unit be granted.

Yours very truly,

SCHERMERHORN OIL CORPORATION

By J. H. Moore
J. H. Moore

cj
Encls

AFFIDAVIT

STATE OF NEW MEXICO
COUNTY OF LEA

Before me, the undersigned authority, on this day personally appeared J. H. Moore, known to me to be the person whose name is subscribed to the above application, who, being by me duly sworn on oath, states that he is duly authorized to make the above report and that he has knowledge of the facts stated therein, and that said report is true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this the 14th day of February, 1956.

W. H. Johnson
Notary Public in and for Lea County,
New Mexico.

cc - Registered Mail - Return Receipt Requested:

Humble Oil Company
P. O. Box 2347
Hobbs, New Mexico

Continental Oil Company
P. O. Box 427
Hobbs, New Mexico

Mr. Ralph Lowe
Midland Tower Building
Midland, Texas

Mr. M. Antweil
P. O. Box 1058
Hobbs, New Mexico

Mr. Gordon M. Cone
P. O. Box 597
Lovington, New Mexico

OIL CONSERVATION COMMISSION
P. O. BOX 571
SANTA FE, NEW MEXICO

May 22, 1956

C
O
P
Y

Mr. William S. Marshall
Schermhorn Oil Corporation
P.O. Box 1537
Hobbs, New Mexico

Dear Sir:

We enclose a copy of Order R-803 issued May 16, 1956, by the Oil Conservation Commission in Case 1042, which was heard on March 28th in Hobbs.

Very truly yours,

A. L. Porter, Jr.
Acting Secretary - Director

ALP:brp
Encl.

SCHERMERHORN OIL CORPORATION
MAIN OFFICE OCC
P. O. BOX 1557
HOBBS, NEW MEXICO

Case # 1042

1956 APR 9 AM 8:23

April 5, 1956

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Re: Proposed Gas Unit
Sec. 32, Twp. 18S, Rge. 37E
Lea County, New Mexico

Attention: Mr. Warren Mankin

Gentlemen:

Enclosed is original letter from Permian Basin Pipe Line Company to Schermerhorn Oil Corporation which estimates the amount of liquid made by our Linam "A" well during eight producing days in March 1956. I hope that this letter is sufficient answer to the question asked at the recent hearing concerning the liquid production of this well.

Also enclosed is the original letter from Humble Oil and Refining Company to us which was submitted as Exhibit #3 at the hearing.

Yours very truly,

SCHERMERHORN OIL CORPORATION

By William S. Marshall
William S. Marshall

cj

Encls

PERMIAN BASIN PIPELINE COMPANY
MAIN OFFICE OCC 2223 DODGE STREET

1956 APR 9 AM 8:23 OMAHA 1, NEBRASKA

Hobbs, New Mexico
March 29, 1956

Mr. J. H. Moore
Schermmerhorn Oil Corporation
Box 1537
Hobbs, New Mexico

Dear Sir:

Re: Linam "A" # 1 - NW NE 32-18-37

In reply to your request for the volume of gas produced and the amount of fluid blown from the meter-run drip during the month of March 1956, I am listing below the estimated volumes of both.

The well produced eight (8) days during the month, from March 20 to the 28th., during which the well produced 14,580 MCF of gas with the following fluid.

5 Bbls. of Water
2 Bbls. of B.S.
3 Bbls. of Oil.

Thank you very much, I remain

Very truly yours,


Wayne J. Brown

WJB:jdc
cc; file

**BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO**

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

**CASE NO. 1842
Order No. R-803**

**THE APPLICATION OF SCHERMERHORN
OIL CORPORATION FOR AN ORDER
GRANTING APPROVAL OF AN EXCEPTION
PURSUANT TO RULE 5 (a) OF THE
SPECIAL RULES AND REGULATIONS FOR
THE EUMONT GAS POOL AS SET FORTH
IN ORDER NO. R-520 IN ESTABLISHMENT
OF A NON-STANDARD GAS PRODUCTION UNIT
OF 400 CONTIGUOUS ACRES CONSISTING
OF NE/4, SE/4 SE/4, E/2 SE/4, E/2
NW/4, & NW/4 NW/4 SECTION 32, TOWN-
SHIP 18 SOUTH, RANGE 37 EAST, NMPM,
EUMONT GAS POOL, LEA COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 10 o'clock a.m. on March 28, 1956 at Hobbs, New Mexico, before Warren W. Hanks, Examiner duly appointed by the Oil Conservation Commission of New Mexico and in accordance with Rule 1214 of the Commission's State-wide Rules and Regulations.

NOW, on this 16th day of May 1956, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner Warren W. Hanks, and being fully advised in the premises,

FINDS:

(1) That due notice of the time and place of hearing and the purpose thereof having been given as required by law, the Commission has jurisdiction of this case and the subject matter thereof.

(2) That pursuant to provisions of Rule 5 (a) of the Special Rules and Regulations of the Eumont Gas Pool as set forth in Order No. R-520, the Commission has power and authority to permit the formation of a gas production unit consisting of other than a legal section after notice and hearing by the Commission.

(3) That applicant, Schermerhorn Oil Corporation, is the owner of a patented oil and gas lease in Lea County, New Mexico, the land consisting of other than a legal section and described as follows:

**TOWNSHIP 18 SOUTH, RANGE 37 EAST, NMPM
E/2 NE/4, NW/4 NE/4, SE/4 SE/4,
N/2 SE/4, E/2 NW/4 & NW/4 NW/4 Section 32**

containing 360 acres, more or less.

(4) That Humble Oil & Refining Company is the owner of a state oil and gas lease in Lea County, New Mexico, the land consisting of other than a legal section and described as follows:

TOWNSHIP 18 SOUTH, RANGE 37 EAST, NMPH
NE/4 NE/4 Section 32

containing 40 acres, more or less.

(5) That applicant and Humble Oil and Refining Company are in the process of communitizing aforementioned acreage.

(6) That applicant, Schermerhorn Oil Corporation, has a producing well on the aforesaid lease known as Linam "A" No. 1, located 1800 feet from the South line and 1800 feet from the East line of Section 32, Township 18 South, Range 37 East, NMPH. Applicant proposes to dedicate aforesaid acreage to this well.

(7) That it is impractical to pool applicant's said lease with adjoining acreage in the Humont Gas Pool, and that the owners of adjoining acreage in said area have not objected to the formation of the proposed proration unit of 400 acres.

(8) That unless a proration unit consisting of applicant's aforesaid acreage is permitted, applicant will be deprived of the opportunity to recover its just and equitable share of the natural gas in the Humont Gas Pool.

(9) That creation of a proration unit consisting of the aforesaid acreage will not cause but will prevent waste, and will protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That the application of Schermerhorn Oil Corporation for approval of a non-standard gas proration unit consisting of the following described acreage in the Humont Gas Pool, Lea County, New Mexico.

TOWNSHIP 18 SOUTH, RANGE 37 EAST, NMPH
NE/4, SE/4 SE/4, N/2 SE/4, E/2 NW/4 & NW/4 NW/4
Section 32

be and the same is hereby approved, and a proration unit consisting of aforesaid acreage is hereby created.

(2) That applicant's well, Linam "A" No. 1, located in the NW/4 SE/4 of said Section 32, shall be granted an allowable in the proportion that the above described 400-acre unit bears to the standard gas proration unit for said pool, said allowable to become effective on the first day of the month following submission by applicant of proof of communitization and revised Form C-128 to the Hobbs Office of the Commission.

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

State of New Mexico
Oil Conservation Commission

John F. Sims
John F. Sims, Chairman

E. S. Walker
E. S. Walker, Member

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



Case #1042
P-803
November 2, 1956

In reply refer to:
Unit Division

Schermerhorn Oil Corp.
P. O. Box 1537
Hobbs, New Mexico

Re: Linam "A" No. 1
Communitization -
Section 32-18S-37E,
Lea County, New Mexico

Attention: Mr. J. H. Moore

Gentlemen:

In reply to your letter dated October 30, 1956, in which you ask if the Commissioner of Public Lands has any objections to the inclusion of the NE/4 NE/4 of Section 32-18S-37E, which is contained in Humble Oil and Refining Co. Lease A-1320.

In answer, may we state that the New Mexico Oil Conservation Order No. R-803 was issued May 16, 1956, for your non-standard gas proration unit, but this order stated that your allowable would become effective after you had submitted proof of Communitization, which you have not done.

The Commissioner does not have any objections to the inclusion of this acreage in your non-standard proration unit. However, we do object to your using this 40-acre tract for a portion of your 400-acre allowable without first having communitized it, and we understand you have produced since September on this allowable, and Humble will owe this office royalty on this 40 acres from the time it was used to complete your allowable acreage.

We suggest that you submit this Communitization at the earliest possible time.

Very truly yours,

E. S. WALKER
Commissioner of Public Lands

ESW:MSR/n

cc: OCC-Santa Fe
OCC-Hobbs
Humble Oil & Ref. Co.-Roswell

IN REPLY REFER TO:
UNIT DIVISION

One #1042

December 20, 1956

In reply refer to:
Unit Division

Schermerhorn Oil Corporation
P. O. Box 1537
Hobbs, New Mexico

Re: Linam "A" No. 1
Communitization -
Sec. 32-185-375

Attention: Mr. J. H. Moore

Gentlemen:

We are enclosing two copies of the above designated Communitization Agreement, which was approved by the Commissioner of Public Lands December 20, 1956.

It is our understanding that your 400-acre allowable was effective in September. We would like a letter from you as to the exact date you produced this well on a 400-acre allowable, as that is the date from which you owe us our share of royalty on this well.

We are enclosing Official Receipt No. D-135563 in the amount of \$5.00, which covers the filing fee.

Very truly yours,

E. S. WALKER
Commissioner of Public Lands

ESW:MR/m
enc: 3

cc: OCC-Santa Fe
OCC-Hobbs

BEFORE THE
OIL CONSERVATION COMMISSION
Hobbs, New Mexico
March 28, 1956

IN THE MATTER OF:

CASE NO. 1042

TRANSCRIPT OF PROCEEDINGS

BEFORE THE
OIL CONSERVATION COMMISSION
Hobbs, New Mexico
March 28, 1956

Application of Schermerhorn Oil Corporation
for an order granting a 400 acre non-standard
gas proration unit in the Eumont Gas Pool, Lea
County, New Mexico, in exception to Rule 5 (a)
of the Special Rules and Regulations of the Eumont
Gas Pool as set forth in Order R-520.

Applicant, in the above-styled cause, seeks an
order granting the establishment of a 400 acre
non-standard gas proration unit in the Eumont
Gas Pool, Lea County, New Mexico; said unit to
consist of the SE/4 SE/4, N/2 SE/4, NE/4, E/2
NW/4, NW/4 NW/4 of Section 32, Township 18
South, Range 37 East, Eumont Gas Pool, Lea
County, New Mexico; said unit to be dedicated to
applicant's Linam "A" No. 1 Well located 1980
feet from the South line and 1980 feet from the
East line of said Section 32.

Case No. 1042

BEFORE:

Warren W. Mankin, Examiner

TRANSCRIPT OF HEARING

EXAMINER MANKIN: The next case on the docket is case 1042, the
application of Schermerhorn Oil Corporation, for an order granting a 400-acre
non-standard proration unit in the Eumont Gas Pool.

WILLIAM MARSHALL

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

MR. MANKIN: Have you previously testified before the Commission?

A. No, I haven't.

MR. GURLEY: Would you state your name and position and qualify your-
self as a witness, please.

A. William S. Marshall, geologist for Schermerhorn Oil Corporation.

I have a B.A. Degree from Cornell University, June 1951, and a M.A. Degree from Columbia University, June 1954. I have been employed by Schermerhorn Oil Corporation as a geologist for the last twenty-one months.

MR. MANKIN: You are acquainted with the properties and the oil and gas development in Eumont and other pools of Lea County?

A. Yes, I am.

MR. MANKIN: Qualifications accepted, proceed.

MR. MARSHALL: Schermerhorn Oil Corporation is applying for a 400-acre non-standard gas proration unit in the Eumont Gas Pool, consisting of the SE/4 SE/4, N/2 SE/4, NE/4, E/2 NW/4 and NW/4 NW/4 of Section 32, Township 18 South, Range 37 East, Lea County, New Mexico. Said unit to be dedicated to the Schermerhorn Oil Corporation's Linam "A" No. 1 Well, located 1980 feet from the South line and 1980 feet from the East line of Section 32. I would like to submit two exhibits. Exhibit No. 1 is a plat of the area showing the proposed unit and also showing contours on top of the zone in the Queen formation which we feel is the main zone of permeability and porosity. This zone is in what is known as the Penrose sand. Exhibit No. 2 is a back pressure data sheet of the test taken by Permian Basin Pipeline Company personnel.

MR. GURLEY: Is this entire thing suppose to be your exhibit?

A. Well, there are two copies there.

MR. MANKIN: Proceed.

MR. MARSHALL: The gas from this well is being delivered into Permian Basin's high pressure system and we feel that this well can effectively drain the area which we propose to unitize without waste and this test shows that the well can

flow into a line pressure of about 440 pounds, which is the average pressure on the Permian Basin line. It will flow about 4 million feet a day. And we feel that we can do this without undue waste.

MR. GURLEY: What is the name of your well that you have located?

A. It is the Schermerhorn Linam "A" No. 1.

MR. GURLEY: And where is the location?

A. 1980 feet from the South line and 1980 feet from the East line of Section 32, Township 18 South, Range 37 East.

MR. GURLEY: And you intend to produce this well from what formation?

A. The Queen formation.

MR. GURLEY: Is this non-standard gas proration unit that you propose lie wholly within a single governmental section?

A. Yes, it does.

MR. GURLEY: Is it your opinion that the entire unit may reasonably be presumed to be productive of gas?

A. Yes, it is.

MR. GURLEY: Does the length and the width of the non-standard gas proration unit you propose exceed 5,280 feet?

A. No, it does not.

MR. GURLEY: Have you notified all of the operators adjoining your property?

A. Yes, we have.

MR. GURLEY: Have you received any word from them? Let me change that question a bit, did you request approval of their waivers on any objections to that?

A. No, we didn't.

MR. GURLEY: Within what area involved here did you use as a basis for your notice to these operators?

A. We notified all of these offset operators.

MR. GURLEY: Within 1500 feet?

A. Yes, 1500 feet. The northeast 40 acres of this proposed unit is now under lease to the Humble Oil and Refining Company and it is state land.

MR. GURLEY: Do you have a communitization agreement with Humble?

A. We have not drawn up a formal agreement yet, we are waiting for the decision of this hearing. They have agreed to go ahead with it.

MR. GURLEY: But you have nothing in writing as yet?

A. Just a letter from Humble Oil and Refining Company.

MR. GURLEY: Would you like to introduce that letter as evidence? Would you care to make that an exhibit? You have no use for the original do you?

A. No. We would like to be able to make a copy of it.

MR. GURLEY: Alright, would you make a certified copy of this letter and send it to us for our own records. For the purpose of the record, would you read that letter, please.

A. This is from the Humble Oil and Refining Company, Exploration Department, P. O. Box 1287, Roswell, New Mexico. It is dated February 20, 1956. Re: Project No. 61, Proposed Gas Unit, Section 32, T-18S-37E, Lea County, New Mexico. It is addressed to Schermerhorn Oil Corporation, P. O. Box 1537, Hobbs, New Mexico. Attention: Mr. J. H. Moore. "Dear Sir: Confirming our telephone conversation of January 16, 1956, and today, February 20, 1956, this is to advise that Humble is agreeable to the inclusion of our 40 acres,

being the NE/4 NE/4 of Section 32, in your unit covering parts of this Section 32, T-18S-R-37E. We understand that you have already made application to the State for approval of this unit excluding Humble's acreage. We will appreciate your revising your application and thereby include our acreage. We, of course, are coming into the unit with our 40 acres on a straight joint operating basis, and as quickly as you have prepared the operating contracts and communitization agreements, along with a detailed statement of well costs, we will give them our careful consideration and advise whether or not such contracts are acceptable to our legal department. There should be no trouble along these lines. Thank you very much. "

Yours very truly, and its signed R. M. Richardson.

MR. GURLEY: Do you understand sir, that the policy of the Commission now, when communitization agreements or joint operating agreements are in the process of being developed, but have not been made, that if we should grant this non-standard unit, we make the allowable--or that is we subject the allowable to a date, commencement, upon receipt of an affidavit from the parties involved that there has been a legal communitization worked out, and signed, executed. If you will see to it that we get that as soon as possible it will expedite the situation somewhat.

A. Yes, sir, we certainly will.

MR. MANKIN: In regard to Exhibit 3, to which you just testified to in reading, let the record show that the Commission received an application dated February 14, for a 360-acre unit, which excluded the Humble acreage but was amended by letter from Schermerhorn dated February 20, including Humble's 40 acres for the 400 acres as advertised and is being heard in this particular case.

I will ask you, Mr. Marshall, does this particular well have a separator set at the well?

A. I don't believe it does.

MR. MANKIN: Then you are not aware of whether this well is producing any liquids or not?

A. On the test, as shown on Exhibit 1, it didn't produce any liquids. Whether it has since then I don't know. It certainly hasn't produced very much.

MR. MANKIN: You do realize of course, that there are Penrose oil wells offsetting this lease both to the west and to the north?

A. Yes, I do.

MR. MANKIN: Approaching the gas-oil contact, which do produce considerable amounts of liquids and are classified as oil wells.

A. Yes, I am aware of that.

MR. MANKIN: Would you be in agreement to conducting a test and submitting it to the Commission indicating by setting some type of test separator, indicating what the well was making in the way of liquids, if it was making liquids and submit that to the Commission to satisfy the Commission to the effect that it is or is not making liquids.

A. Yes, that would be agreeable to us.

MR. MANKIN: And you would so indicate that on a gas-oil ratio report C-116. Would that be agreeable?

A. Yes, that would be agreeable to us.

MR. MANKIN: We would like to know that for our own information because it is a questionable area. Where the entire acreage is entirely gas productive and as you well know we have other hearings set up in regard to Humble acreage,

you may not know that, in which they will perforate the upper zone for gas and the lower zone for oil and which is known as the Penrose member for the oil and the-- some people call it the Knight member for gas. This is perforated in the Penrose, did I understand you to say?

A. That's right. It is perforated in both the, I call it the Stuart, the upper portion of the Queen---its perforated in the Stuart and in the Penrose.

MR. MANKIN: And then you are stating here that to the best of your knowledge that it makes very little liquids even though it is penetrated in both zones?

A. Yes.

MR. MANKIN: However, an offset well proposes to segregate these two zones to make oil from one and gas from the other?

A. Yes, well the gas-oil contact is, if you use minus 175, a subsea minus of 175 would be right in the Penrose area. And we perforated above that contact.

MR. MANKIN: You didn't perforate above that contact of the Penrose so you got some Penrose gas and some Stuart gas and you don't feel that you got any great amount of Penrose oil?

A. That's right.

MR. MONTGOMERY: Is the royalty owner common other than the State's 40 acres.

MR. GURLEY: Would you repeat that please.

MR. MONTGOMERY: Does one royalty owner hold all of the royalty with the exception of the-----

A. No. The royalty under our two tracts is pretty well split up among the Linam family and then some outsiders.

MR. MONTGOMERY: If at such a time it appears that this well produces enough oil that under Order R-520 it becomes an oil well, you will be willing to

reduce the unit to a 40-acre unit?

A. We would have no alternative, would we?

MR. MONTGOMERY: No, you wouldn't. What I am worried about is what provisions-----the State will still get their 40-acre share of the oil production if that should happen, until such time?

A. Yes, they would.

MR. GURLEY: You say that the royalty owners under your two tracts are numerous. Is that fee land or state land?

A. That is fee land. The only State land is under Humble's 40-acre tract.

MR. GURLEY: I see. And the rest of the tracts then are fee land?

A. Thats right.

MR. MANKIN: Is there further question of the witness?

MR. LYON: I have a question, Mr. Examiner. Mr. Marshall, I believe that you testified that in your opinion this entire unit is reasonably productive of gas?

A. Thats right.

MR. LYON: Are you familiar with the well situated approximately a mile north of your well, which is operated by, I believe it is Mapenza Oil Company---- Morris Antweil.

A. Morris Antweil, Lowe State well, yes.

MR. LYON: I believe that that well is classified as undesignated, but it is an oil well, is that correct?

A. Morris Antweil has two wells north of us. One is the Lowe State and one is the McMillan, which one are you-----

MR. LYON: The McMillan was the one I-----

A. The McMillan, yes, it is classified as an oil well.

MR. LYON: Is it producing from the same zone which is open in your well?

A. It produces from the Penrose, I believe.

MR. LYON: Do you feel that the zone which is open in that well is also open in your well?

A. Yes, the Penrose is open in our well.

MR. LYON: But it is still your opinion that this unit is reasonably productive of gas in its entirety?

A. Yes, it is. It is a question of, as I said before, the gas-oil contact. If you perforate below it you are going to have an oil well and the gas-oil contact certainly is not absolutely regular but there is enough evidence in that area I believe, to pin it down within very small deviations.

MR. MANKIN: Did you wish to make a statement?

MR. LYON: Yes, I would like to make a statement.

MR. MANKIN: Well why don't we see if there are any other questions and then we will take statements if you wish to make a statement.

MR. LYON: Well, perhaps I can shorten it by just making this brief statement. Continental is not opposing this application, because we feel that with the well located as it is that there would be no damage occur to our properties as a result of this well. But we felt that under the circumstances that this particular question should be brought out in open hearing for the Commission's consideration.

MR. MANKIN: Is there further question of the witness in this case?

MR. MARSHALL: I have one thing I would like to add to this discussion. Morris Antweil's Lowe State well in Section 33, its in NW/4 NW/4 of Section 33, has been producing some gas. It is not a very big gas well and structurally it is in a

similar position to their McMillan well. And they perforated an almost identical structural position, or almost identical zones rather than we did in our Linam "A" well. And that included the top of the Penrose.

MR. LYON: It is producing in the same zone as the McMillan well?

A. No, that our Linam well is.

MR. GURLEY: Did you say that they were not producing much gas?

A. Well, I said that it was not a very good well. I think it was making about a half million feet.

MR. GURLEY: Well, do you think that your well is capable of producing the full allowable for the unit that you are asking?

A. Yes, I do.

MR. MONTGOMERY: Back to the McMillan well. The perforations in that well, do I understand you to say that they are perforated in the lower part of the Penrose?

A. I believe that is right.

MR. MONTGOMERY: And that they are not, and they do not have the other part open? The oil is coming from the lower part?

A. I believe it is, Randy, I am not exactly positive just where the perforations are. I have seen a log quite a few times.

MR. MANKIN: Any further questions of the witness? Did you wish to introduce Exhibits 1, 2, and 3 as evidence in this case and then to take Exhibit 3 and make a copy for our file?

A. Yes.

MR. MANKIN: Is there objection to entering Exhibits 1, 2, and 3 in this case? If not they will be so entered. Anything further? If not the witness may be excused and we will take the case under advisement.

STATE OF NEW MEXICO)
)
COUNTY OF SANTA FE)

I, Joan Hadley, do hereby certify that the foregoing and attached transcript of proceedings before the Oil Conservation Commission Examiner at Hobbs, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

Dated this 26th day of April, 1956.

Joan Hadley