

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

Pursuant to legal notice to the public, the following proceedings came on before the Oil Conservation Commission of the State of New Mexico, beginning at 10:00 A. M., in the Senate Chamber of the Capital Building in Santa Fe on May 5, 1949.

NOTICE OF PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

The State of New Mexico by its Oil Conservation Commission hereby gives notice, pursuant to law, of the following public hearings to be held May 5, 1949, beginning at 10:00 o'clock A. M. on that day in the City of Santa Fe, New Mexico, in the Senate Chambers.

STATE OF NEW MEXICO TO:

All named parties in the following cases, and notice to the public:

Case 176

In the matter of the application of the Oil Conservation Commission upon its own motion to reconsider Order 788 issued in Case No. 146 relating to transportation of crude petroleum, and to amend or restate, such order or any part thereof. (This is a readvertisement of Case 176, heretofore published.)

Case 177

In the matter of the amended application of the Oil Conservation Commission upon its own motion to rescind, revise, change or amend Order No. 573, which became effective as of June 1, 1944 and generally known as the "Bonus Discovery Allowable Order", and to rescind, revise or amend Section 4 of Order 798, effective November 19, 1948, which amends and supercedes previous Statewide Proration Order No. 637.

Case 181

In the matter of the application of the R. Olsen Oil Company for an order authorizing an unorthodox well location for a gas well in the center of SW $\frac{1}{4}$ of Section 11, Township 24, South, Range 36 East, in the Cooper-Jal Pool, Lea County, New Mexico.

Case No. 182

In the matter of the application of V.S. Welch, Carper Drilling Company and Max W. Coll for an order permitting an unorthodox well location, 1330 feet south of the north line and 1310 feet approximately west of the east line (NW coerner SE $\frac{1}{4}$ NE $\frac{1}{4}$) of Section 36, Township 16 South, Range 30 East, N.M.P.M., in the Square Lake Pool, Eddy County, New Mexico.

Case 183

In the matter of the application of Red Lake Oil Company, a co-partnership composed of Nell Gillespie, Van Philip Welch, Jr., Majorie Nell Welch and Robert Hill Welch, by V. S. Welch, guardian of Van Philip Welch, Jr., Majorie Nell Welch and Robert Hill Welch, minors, and manager at Artesia, New Mexico of the Red Lake Oil Company, for an order permitting and approving an unorthodox well location 1687 feet south of the north line and 1580 feet west of the east line of Section 29, in Township 17 South, Range 28 East, N.M.P.M., in the Red Lake Pool, Eddy County, New Mexico.

Case 1 84

In the matter of the application of Kewanee Oil Company for an order granting permission to drill two "five spot" unorthodox well locations, identified as Well 27-B located 1295 feet north of the south line and 1245 feet west of the east line (SE $\frac{1}{4}$ SE $\frac{1}{4}$) of Section 25, and Well 28-B, located 1295 feet north of the south line and 2615 feet west of the east line (SW $\frac{1}{4}$ SE $\frac{1}{4}$) of Section 25, all in Township 17 South, Range 32 East, N.M.P.M., in the Maljamar Pool, Lea County, New Mexico.

Case 185

In the matter of the application of Buffalo Oil Company for an order granting permission to drill an unorthodox well location designated as Well No. 21-A to be located 25 feet north and 25 feet east of the southwest corner of the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 21 in Township 17 South, Range 32 East, and for permission to plug back Well No. 15-A on the same forty-acre tract and produce the same from the Yates sand, said tract being in the Maljamar Pool, Lea County, New Mexico.

Case 186

In the matter of the application of Bassett & Collier for an order granting permission to drill an unorthodox location designated as Well No. 6, Williams Estate Fee, located 990 feet south of the north line and 2623 feet west of the east line of Section 25, Township 18 South, Range 26 East, N.M.P.M., in the Dayton Pool, Eddy County, New Mexico.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico, on April 21, 1949.

SEAL

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION
/s/ R. R. Spurrier
R. R. SPURRIER, Secretary

BEFORE: Hon. Guy Shepard, Member
Hon. R. R. Spurrier, Member and Secretary

REGISTER:

John E. Cochran, Jr. Artesia, New Mexico, for
Kewanee Oil Co. and Buffalo Oil Co.

R. D. Collier, Artesia, New Mexico, for Collier &
Bassett.

R. S. Blyden, Hobbs, New Mexico, for Delfern Oil Co.

Roy O. Yarbrough, Hobbs, New Mexico, for the Oil
Conservation Commission.

E. L. Shafer, Ft. Worth, Texas, for the Continental
Oil Co.

Elmer H. Wohl, Oklahoma City, Oklahoma, for the R.
Olsen Oil Co.

J. M. Paddleford, Jal, New Mexico, for the R. Olsen
Oil Co.

R. S. Christie, Ft. Worth, Texas, for the Amerada
Petroleum Corporation.

J. C. Blackwood, Midland, Texas, for the Amerada
Petroleum Corporation.

J. G. Coates, Midland, Texas, for the Cities Service
Oil Co.

Glenn L. Shoemaker, Midland, Texas, for the Stano-
lind Oil Co.

Paxton Howard, Midland, Texas, for the Shell Oil Co.

R. Chas. Nicholson, Houston, Texas, for the Shell
Pipeline Corporation.

C. E. Yager, Ft. Worth, Texas, for the Texas Pacific
Coal & Oil Co.

R. G. Schuehle, Midland, Texas, for the Texas Paci-
fic Coal & Oil Co.

M. T. Smith, Midland, Texas, for the Shell Oil Co.
Inc.

F. C. Brown, Houston, Texas, for the Shell Pipeline
Corporation.

M. C. Bummer, Midland, Texas, for the Shell Oil Co.
Inc.

Frank R. Lovering, Hobbs, New Mexico, for the Shell
Oil Co. Inc.

E. S. Porter, Amerada Petroleum Corporation, Tulsa,
Oklahoma.

W. G. Ricketts, Tulsa, Oklahoma, for Amerada Petroleum Corporation.

J. O. Hathaway, Midland, Texas, for Amerada Petroleum Corporation.

J. E. Low, Ft. Worth, Texas, for Amerada Petroleum Corporation.

George W. Selinger, Tulsa, Oklahoma, for Skelly Oil Co.

J. N. Dunleavey, Hobbs, New Mexico, for Skelly Oil Co.

G. W. Hirschfeld, Hobbs, New Mexico, for the Lea County Operators Committee.

William B. Macey, Artesia, New Mexico, for American Republics Corporation.

G. E. Kinney, Artesia, New Mexico, for the State Bureau of Mines.

Justin Newman, Artesia, New Mexico, for the Oil Conservation Commission.

Elvis R. Utz, Santa Fe, New Mexico, for the Oil Conservation Commission.

Ralph L. Gray, Artesia, New Mexico, for the Buffalo Oil Co.

W. E. Scott, Artesia, New Mexico, for the Buffalo Oil Co.

Emmett A. White, Roswell, New Mexico, for the Leonard Oil Co.

Raymond Lamb, Artesia, New Mexico, for the Wilson Oil Co.

Frank C. Barnes, Santa Fe, New Mexico, for the Oil Conservation Commission.

J. W. House, Midland, Texas, for the Humble Oil Co.

Stanley Carper, Artesia, New Mexico, for the Carper Drilling Co. Inc.

C. H. Card, Tulsa, Oklahoma, for the Stanolind Oil & Gas Co.

J. O. Seth, Santa Fe, New Mexico, for the Stanolind Oil & Gas Co.

Neil B. Watson, Artesia, New Mexico, attorney.

Harvey Hardison, Midland, Texas, for Standard Oil Company of Texas.

W. E. Hubbard, Houston, Texas, for Humble Oil Co.
R. S. Dewey, Midland, Texas, for the Humble Oil Co.
A. J. McQuiston, Hobbs, New Mexico, for Barnsdall Oil Co.
L. B. Jeffers, Tulsa, Oklahoma, for Barnsdall Oil Co.
M. L. Patterson, Odessa, Texas, for Phillips Petroleum Co.
G. H. Gray, Midland, Texas, for Repollo Oil Co.
Harve H. Mayfield, Midland, Texas, for Magnolia Petroleum Co.
E. P. Keeler, Dallas, Texas, for Magnolia Petroleum Co.
A. E. Willig, Ft. Worth, Texas, for the Texas Co.
R. L. McCormick, Midland, Texas, for the Magnolia Petroleum Co.
Paul C. Evans, Hobbs, New Mexico, for the Gulf Oil Corporation.
Lloyd L. Gray, Tulsa, Oklahoma, for the Gulf Oil Corporation.
S. H. Anderson, Tulsa, Oklahoma, for Gulf Oil Corporation.
R. E. Canfield, Roswell, New Mexico, for the USGS.
George Graham, Santa Fe, New Mexico, for the Oil Conservation Commission.
Don McCormick, Carlsbad, New Mexico, for the Oil Conservation Commission.

CHAIRMAN SHEPARD: The meeting will come to order. Mr. Graham, will you read the notice?

(Reads the notice of publication in Case 176)

CHAIRMAN SHEPARD: Is anyone here to appear in Case 176?

MR. HOWARD: Paxton Howard, Shell Oil Co., if the Commission please.

CHAIRMAN SHEPARD: Please come forward.

MR. HOWARD: I just wish to make a statement on behalf of the company. May I proceed?

MR. SHEPARD: Yes.

MR. HOWARD: In this case the Commission, I believe, has asked the operators to approve, or express their opinion, as regards the proposed amendment to the order, the chief question being whether or not there should be stricken from the order the last portion reading, "provided that a supplemental order is issued authorizing such production." In other words, should the Commission delete the supplemental order required in authorizing production when it exceeds that printed on the schedule. On behalf of the Shell Oil Company, I would like to state our position as being: we believe that the proviso to the order should be retained. In other words, there should be required this supplemental order when the production goes over that shown on the schedule. We believe that is to the benefit of the producer, the purchaser, and transporter, to have some official record and some official recognition by this body that the production is authorized in excess of that shown on the schedule. Besides, it is better conservation practice to have it in that way. We realize that the procedure should be simple so that there will be a minimum of delay in obtaining these supplemental orders. We have a suggested form which we would like to give to the Commission which we believe would simplify the handling of these supplemental orders. It is merely a form of application or letter which an operator would present to the Commission representative setting out the lease and the wells, the pipe-

line company and the purchaser and the amount of oil that they can produce from the well involved. It would be filed with the Commission representative, and right on the face of it would be the approval. The copies would be available in the Commission's office for daily check, by purchaser or pipeline representative, and there should be no delay in handling production. We also would like to suggest that in paragraph 2 of Order No. 788, as it is now written, that it should read in this way--and I will emphasize the words which I think should be included-- that any crude purchased is authorized--and should be added "and transported" 100 per cent of the allowable from all units classified as marginal units on the monthly proration order. A marginal unit is a unit that is incapable of producing the State top unit allowable for that particular month. Any amount of crude petroleum up to and including the top unit allowable for that particular month may be purchased, and then add in "and transported", from a marginal unit; provided that a supplemental order is issued authorizing such production. We submit to the Commission our suggestion as to how that order should read and also submit these forms as a simplified way of handling those orders. Thank you.

CHAIRMAN SHEPARD: Anybody else? Mr. Hirschfield, would you like to say anything?

MR. HIRSCHFIELD: I have nothing to say.

CHAIRMAN SHEPARD: Any of the purchasers or pipeline men have anything further to say? We will hold this open

MR. NICHOLSON: R. C. Nicholson from Houston Pipeline Co.

and Shell Pipeline acting as transporter in the State of New Mexico. We approve and recommend that consideration be given to the form and manner in which the order is written as suggested by Mr. Howard.

CHAIRMAN SHEPARD: Anybody else? We will hold this open until Mr. Staley gets here and see if he has anything further to add. In the meantime, we will proceed with the next case. Mr. Graham, would you read Case 177?

(Reads the notice of publication in Case 177)

CHAIRMAN SHEPARD: Does anyone wish to appear on this? Mr. Seth, do you have anything?

MR. SETH: On behalf of the Stanolind Oil and Gas Co. I merely wish to state our position. We think the order is of doubtful utility for discovery, and we believe the facts shown in the records of the Commission will show it hasn't really accomplished its intended purpose. It is very questionable whether it is a proper conservation measure, and the facts and figures read yesterday indicate that its intended purpose to encourage them to step out and wildcat has not been accomplished, and we favor the rescission of the order.

CHAIRMAN SHEPARD: Does anybody else have anything to say on this case?

MR. McCORMICK: How about the date of rescission, Mr. Seth? And how about the allowable that have already been given?

MR. SETH: I wouldn't interfere with them at all. I would make it effective the first of July.

MR. McCORMICK: How about wells now drilling?

MR. SETH: They would have to be taken care of. If they

began work on the basis of the order, I think they would have to be taken care of. Should be.

MR. McCORMICK: How would that be done? Safety clause?

MR. SETH: That's right.

MR. McCORMICK: Exception in the order of rescission?

MR. SETH: That's right. Mr. Gray, do you have some figures on that?

MR. GRAY: Yes, sir.

COMMISSIONER SPURRIER: Would you come forward, please?

MR. GRAY: During the period of time that the bonus allowable was in effect, bonus was granted to twenty wells, and the first bonus was granted in October 31, 1944. The last one was granted February 25, 1949. That was an average of 4.6 wells each year. The total bonus that has been granted has amounted to 631,595 barrels, or an average of 148,565 per year. The total bonus produced to date, and I believe these figures are to April 1, 1949, has amounted to 410,581 barrels or an average of 94,822 per year. Of the 20 wells that had bonuses granted four of them have produced no oil insofar as the bonus is concerned. About four others have produced a very small proportion of the bonus granted. Of the total amount produced, it is about two-thirds of the total granted. Seven bonuses are now still in effect.

CHAIRMAN SHEPARD: Anyone else? Well, if no one has anything further, this will be taken under advisement and we will take up Case No. 181. Would you read that, Mr. Graham, please?

(Reads notice of publication in Case 181)

MR. SHEPARD: Do you have anything?

MR. WALL: Elmer H. Wall, with the R. Olsen Oil Co.

CHAIRMAN SHEPARD: Will you swear this witness?

(Witness sworn)

MR. WALL: I first want to make a general statement.

CHAIRMAN SHEPARD: Go ahead, Mr. Wall, please.

MR. WALL: In the latter part of March the management of the R. Olsen Oil Co. approved the drilling of a gas well in the center of the SW of 11-24-South-36-East. In arriving at that decision they took the following factors into account and which caused them to conclude that this was the proper and logical location for such a well. First, of course, we recognized the pipeline proration of one well to--one gas well to 160 acres--and the new gas law and the anticipated regulations in that same regard. Secondly, there are two abandoned oil wells in this quarter section, one in the NWSW, and the other in the SWSW. We felt that we should get far enough away from those wells to avoid possible water contamination in the Yates sand from those old wells. Next, in recent cases the USGS has recommended and suggested to consider the making of locations in the center of 160-acre tracts. In fact, in one recent instance, they strongly urged us to make that type of location on the Federal acreage. Next, while these two abandoned oil wells--it is believed that there is good probability of discovering oil in another horizon, and a gas well in the center of 160 acres would leave us a better spacing pattern for oil wells in the center of each forty. The next item was a matter of drainage and whether or not there were any inequities involved in such spacing. The lease and mineral

ownership in this quarter section is uniform throughout the quarter section. In other words, there are no variations in the ownership as between one forty and another forty in the 160 acres. Therefore, in so spacing the gas well, no inequities could arise from the standpoint of drainage. There are also some extenuating circumstances in connection with this application. Unfortunately, the management wasn't aware that this type of application would require a public hearing. In the latter part of March the Form C-101 was filed and in due course we were notified that a hearing was necessary. Application for this hearing was made on April 11. But under the terms of our leases, they would terminate if operations for the drilling of the well were not commenced by April 15. So, we more or less took the bull by the horns and conducted operations on the well sufficient in our opinion to perpetuate the leases. We urge the Commission that this application be granted. I have no particular testimony to present unless the Commission wishes to ask some questions.

MR. McCORMICK: When was the well started?

MR. PADDLEFORD: (Mr. Paddleford was the witness sworn.)

The well was commenced on April 4.

MR. McCORMICK: Has it been shot?

A. It isn't completed as yet.

Q. How deep are you?

A. We are 3014 feet.

Q. Is this fee land?

A. Yes.

Q. When was your C-101 filed?

A. March 30.

CHAIRMAN SHEPARD: You obtained this approval to drill, did you?

A. Yes, sir.

CHAIRMAN SHEPARD: Were you ever notified at any time that you shouldn't do this without a hearing?

A. Yes, sir.

CHAIRMAN SHEPARD: When ^{did} you receive that notice?

A. At the time that I was to receive that notice I was in Oklahoma City, and I received the word by 'phone on approximately April 11, I believe.

CHAIRMAN SHEPARD: Well, then after you received this notice, what did you do?

A. Well, we discussed the matter, and I found out then that it was necessary to receive approval of an unorthodox location, and Mr. Olsen and myself discussed the matter, and I got in touch with Mr. Yarbrough and asked him what his suggestion would be, and he thought that we should discontinue drilling until we received approval of an unorthodox location. However, we were at a point there where it was rather expedient to continue operations and then file for an unorthodox location.

MR. McCORMICK: When was the lease to expire?

A. April 15.

MR. McCORMICK: It wasn't saved by production on some other part of the lease?

A. No, sir.

MR. McCORMICK: It would have gone out the window on April 15?

A. Yes, sir.

CHAIRMAN SHEPARD: You went right ahead and drilled the well after you were notified not to, is that right?

A. We continued drilling operations, yes, sir, because the terms of the lease were such that continuous and diligent operation had to be carried through.

MR. McCORMICK: Do you have a copy of the lease here?

A. I believe Mr. Wall has.

MR. WALL: I have the original.

COMMISSIONER SPURRIER: What is the cost of keeping a rig in operation, or rather, shutting it down for a day?

A. I believe three hundred dollars per day.

CHAIRMAN SHEPARD: About three hundred dollars per day?

A. Yes, sir.

CHAIRMAN SHEPARD: You have other operations in New Mexico?

A. Yes, sir.

CHAIRMAN SHEPARD: How long have you been operating in this state?

A. Well, Mr. Olsen has been operating--how long have you been operating, Mr. Wall? Do you know?

MR. WALL: In Lea County since 1935. This is the first occasion we have had to make this type of location.

MR. McCORMICK: Three leases?

MR. WALL: There are a number of owners. Some of those leases don't have that clause. Others do. In other words, there are about ten or twelve different owners of the minerals. There are about ten or twelve leases on this 160. Some of those leases do not call for that type of operation and others do. To be exact, eleven different

mineral leases and this group of leases consists of the complete leaseholds at stake. Mr. Paddleford, do we have any written correspondence with the USGS with regard to this type of location?

A. No, I don't have. There was a discussion with Mr. Canfield and Mr. Morrell at the time we were drilling our No. 1 Myers in Section 13-24-36.

MR. McCORMICK: Are there any other locations in the exact middle of the 160 in that area?

MR. WALL: I am not certain. Here is the plat attached to our application for this location. It shows gas wells. But they are not in the center of 160's. This is our proposed location. These are the two abandoned oil wells. Here is a gas well, and here is a gas well, and here is one.

MR. McCORMICK: Who owns these two gas wells on the east of you?

MR. WALL: Those belong to R. Olsen Oil Co. This red acreage is R. Olsen Oil Co.'s.

MR. GRAHAM: Will you explain again your idea of anticipating what the future gas rules would be?

MR. WALL: Well, at the time--we all know that the El Paso Natural Gas Co. attempts to prorate pipe--is attempting a pipeline proration on the basis of maximum take on a well to 160 acres. A well that is located on forty acres, or that only has forty acres attached to it, only gets about one-fourth the amount of take that a well that has 160 acres allocated to it. And, of course, we rather anticipate that some similar allocation will probably be made when rules and regulations for the production of gas well production are

formulated under this new gas law.

CHAIRMAN SHEPARD: Does anybody have anything further?

Well, the witness will be excused and this will be taken under advisement. The next case is 182. Will you read it, Mr. Graham, please.

(Reads the notice of publication in Case 182)

MR. WATSON: If the Commission please, this involved an application to drill a well in the NW corner of the SE $\frac{1}{4}$ N E $\frac{1}{4}$ of Section 26, Township 16 South, Range 30 East. All of the land in the NE $\frac{1}{4}$ is included in state leases No. 2884. Mr. V. S. Welch is the owner of that portion of the lease described as the N $\frac{1}{2}$ of the NE $\frac{1}{4}$. Carper Drilling Company and Max W. Coll are the owners of that portion of the lease described as the SW $\frac{1}{4}$ of the NE $\frac{1}{4}$, and Mr. John M. Kelly is the owner of that part of the lease described as the SE $\frac{1}{2}$ NE $\frac{1}{4}$ where the well is to be located. I want to file with the Commission at this time a letter from Mr. Kelly advising that in the event this application is granted an operating agreement will be made with the petitioner for the drilling of this well.

STANLEY CARPER, having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. WATSON:

Q. Mr. Carper, will you state your name to the reporter, please sire?

A. Stanley Carper.

Q. Are you an officer of the Carper Drilling Company?

A. I am.

Q. What office do you hold in that corporation?

A. Vice President.

Q. Are you familiar with the oil and gas development, Mr. Carper, in the NE $\frac{1}{4}$ of Section 36, Township 16 South, Range 30 East?

A. Yes, sir.

Q. N.M.P.M. What field is that in?

A. Square Lake field.

Q. Will you state what wells there are on the N $\frac{1}{2}$ of the NE $\frac{1}{4}$, please, sir?

A. V. S. Welch has two wells on the N $\frac{1}{2}$ of the NE $\frac{1}{4}$.

Q. Do you know whether or not both of those wells are now producing?

A. The one in the--the east well is not producing at the present time.

Q. That is in the NE $\frac{1}{4}$?

A. That is in the NE $\frac{1}{4}$, that's right.

Q. Do you know who owns the SE $\frac{1}{4}$ of the NE $\frac{1}{4}$?

A. That is owned by John Kelly.

Q. Do you know whether or not there is a well on that forty?

A. There is an abandoned well on that forty.

Q. Is that a center location?

A. Yes, it is.

Q. With reference to the SW $\frac{1}{4}$ of the NE $\frac{1}{4}$ what development is there in that forty acres?

A. There is a well owned jointly by the Carper Drilling Company and Max Coll.

Q. And is it correct, Mr. Carper, that V. S. Welch,

Carper Drilling Company and Max W. Coll have an agreement with John M. Kelly, subject to obtaining approval of an unorthodox well location, to drill a well on the SE $\frac{1}{4}$ NE $\frac{1}{4}$, which will be 1330 feet south of the north line and 1310 feet west of the east line of Section 36, Township 16 South, Range 30 East?

A. Yes, sir, that is true.

Q. And that well is to be drilling down to the Square Lake pay?

A. Yes.

Q. Now, what is the reason for the request for this unorthodox well location?

A. We feel that this quarter section won't be properly drained by the four wells now on it, or by the two producing wells now on it. And we feel that another well will sufficiently drain that quarter section.

Q. In making this location are you attempting to drill as closely as possible to the producing wells and as far away as possible from the abandoned or dry wells that are in that 160?

A. Yes, sir.

Q. Does the Commission have any questions?

MR. McCORMICK: How long ago were these two wells on the east abandoned?

A. I believe, I think V. Welch's well was abandoned about a year ago. The one that John Kelly owned was abandoned about eighteen months ago, as I remember it.

MR. McCORMICK: Has the casing been pulled?

A. Yes, sir. I couldn't say about V. Welch, but I know John Kelly's has been plugged.

MR. McCORMICK: All these other locations are in the middle of a forty?

A. Yes, sir, that's right.

CHAIRMAN SHEPARD: Anybody have anything further? Well, if not, the witness will be excused and the request granted.

MR. WATSON: I have a proposed form of order.

CHAIRMAN SHEPARD: Will you read the next case, Mr. Graham, please, Case 183?

(Reads the notice of publication in Case 183)

MR. WATSON: If the Commission please, Mr. V. S. Welch was intending to be here, but has been attending a directors' meeting of the Independent Petroleum Association at New Orleans. He called me at midnight last night and stated by reason of airplane trouble he was in Fort Worth and would be unable to be here. I have sent in to Mr. Spurrier a written statement from Mr. W. W. Ports with reference to the location of this well. And I would like to file that statement with the Commission if you have that, Mr. Spurrier.

MR. SPURRIER: Yes, we have that in our files.

MR. WATSON: I would also like to file at this time a survey made by W. W. Ports, registered professional engineer and land surveyor, under date of October 15, 1948, and a second survey made by Mr. Ports at a later date.

This application is with reference to the Williams No. 2-B well, which is on government acreage in the Red Lake field in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 29, Township 17 South, Range 28 East, N.M.P.M. When the location of this well was made, it was intended that the well would be located 650 feet south of the north line and 1650 west of the east line of Section 29. But as shown by the two surveys, it

was later determined after the well was drilled that by reason of the irregularities in Section 29 the location is actually 1687 feet south of the north line and 1580 feet west of the east line of the Section 29. I would like to submit from the records of the Red Lake Oil Company a copy of the notices made to the USGS with reference to the completion of the well, which notices show the location as it actually has been determined by the last survey. And I would like permission to file with the Commission true typewritten copies of that approved order--of that approved notice--and withdraw the original for the files, if I may do that.

MR. McCORMICK: When was the well drilled?

MR. WATSON: The well was completed on or about December 20.

MR. McCORMICK: 1948?

MR. WATSON: 1948, yes, sir. I may state also at this point that it is my understanding that the location does not violate the regulations of the USGS for a well on government land. But I may say also that the supervisor requested the Red Lake Oil Company to file an application for approval of this unorthodox location. The error in the location was entirely unintentional and, as I say, on the two surveys made by Mr. Ports I believe it will appear that there are irregularities in this section. So that if you start from one corner to arrive at a particular place, and if you start from another corner to arrive at the same spot, you arrive at a different place. The location is 37 feet off in one direction and approximately 70

feet in the other direction.

COMMISSIONER SPURRIER: I think, Mr. Watson, our files will show that the Oil Conservation Commission also requested that he file application for approval of an unorthodox location.

MR. WATSON: Yes, sir, that is true, Mr. Spurrier. I merely made that statement with reference to filing this approved notice here so that the Commission would understand that the USGS had asked Mr. Welch for the Red Lake Oil Company to file this application, even though they had approved the location.

CHAIRMAN SHEPARD: Any questions? If there are no further questions the request will be granted. Will you read the next case, please, Mr. Graham?

(Reads the notice of publication in Case 184.)

MR. COCHRAN: John E. Cochran, Jr. I live at Artesia, New Mexico and represent Kewanee Oil Company. Kewanee Oil Company owns what it designates as its Pearl Lease, described as all of Section 25, Township 17 South, Range 32 East and lots 1, 2, 3, and 4, and the E $\frac{1}{2}$ of W $\frac{1}{2}$ of Section 30, Township 17 South, Range 33 East, N.M.P.M., in Lea County, New Mexico, in the Maljamar Field. At the present time, there have been drilled twenty-four wells on this lease--no, there have been drilled twenty-six wells on this lease and twenty-four of the wells are producing. Well No. 20 is standing idle and is not producing, and Well No. 12 in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 25 was temporarily abandoned in January of this year and is not producing. All of the wells drilled thus far on this lease are

located in the center of 40-acre legal subdivisions with the exception of wells 21, 22, 23, 24, 25, and 26. These six wells are five-spot locations which were drilled during 1948. The Kewanee Oil Company desires to drill Well No. 27-B in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 25 at the location set forth in the application; and Well No. 28-B in the SW of the SE $\frac{1}{4}$ of Section 25 at the location set forth in the application, and which are shown on the map attached to the application. Now, in each instance this well will constitute the first well in the forty acres that is now producing. And in the five-spot locations previously drilled there was no provision made for any allowable for those wells because they constituted the second well on a forty. Now, in the case of these two wells, it would be Kewanee's desire that they be permitted to produce from these two wells, when drilled, whatever the allowable may be that is set by the Commission for those forty-acre units. Now, in view of the fact that there have been two previous hearings on the six unorthodox locations drilled heretofore, and at those hearings rather extensive testimony was taken, I have no witnesses here to add further to that testimony. And if the Commission cares to review that, I would like to make reference to those two previous hearings of the Kewanee Oil Company on five-spot locations on this same lease.

MR. McCORMICK: Why aren't these drilled on conventional locations since there are no wells on that quarter.

MR. COCHRAN: In the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 25 Well No. 12 was drilled in the regular location. That well produced for a

number of years and then production declined. And while that well has not been completely abandoned and the casing pulled, the sand has been muddied off and cemented. Their thought is that by drilling the wells in the location shown on the plat that they could probably obtain better producing wells, and also that will carry out a five-spot pattern which they started sometime ago.

COMMISSIONER SPURRIER: Is this under the cooperative?

MR. COCHRAN: No, this lease is outside the cooperative.

MR. McCORMICK: What kind of well is Cochburn No. 1?

MR. COCHRAN: I believe that is what is known as Cochburn Allstate No. 1. That was a very light well. I believe that well probably makes about two barrels a day.

CHAIRMAN SHEPARD: Anything further? Well, if not, we will grant the request. Will you read the next case, Mr. Graham?

(Reads the notice of publication in Case 185)

MR. COCHRAN: John E. Cochran, Jr. Representing the Buffalo Oil Company.

RALPH GRAY, having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. COCHRAN:

MR. COCHRAN: If the Commission please, the Buffalo Oil Company owns what is designated as its Baish A Lease, situated in Sections 21 and 22, Township 17 South, Range 32 East. This lease is on federal land, and consists of 640 acres, and is located in the Maljamar Pool of Lea County, and is committed to the Maljamar cooperative agreement. There are a number of producing wells on this lease,

some producing from the Maljamar pay, some producing from the Yates sand, and I believe there is one input well on this tract.

Q. Mr. Gray, will you state your name, please?

A. Ralph Gray,

Q. Have you testified before the Commission before, Mr. Gray?

A. Yes, sir.

MR. COCHRAN: Are you willing to accept Mr. Gray's qualifications?

COMMISSIONER SPURRIER: Certainly.

Q. By whom are you employed?

A. Buffalo Oil Company.

Q. In what capacity are you employed by the Buffalo Oil Company?

A. Assistant superintendent of production.

Q. In that capacity do you have supervision of their, or or you familiar with the Maljamar properties of the Buffalo Oil Company?

A. Yes, sir.

Q. You are familiar with the Baish A Lease?

A. I am.

Q. Mr. Gray, how many wells have been drilled on the Baish A Lease to date?

A. There have been twenty-one wells drilled.

Q. From what depths are those wells producing?

A. There are three wells producing from the depth of approximately 2,500 feet, in the Yates formation; there are sixteen wells producing from the Maljamar Pool at an

approximate depth of 4,000 feet; two wells are gas injection wells in the Maljamar pay.

Q. Now, you have made application to plug back No. 15-A located in the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 21 to the Yates sand, and you have also made application to drill Well No. 21-A, to be located on this same 40-acre tract. That is correct?

A. That's right.

Q. Will you state to the Commission why you wish to plug back Well No. 15-A to the Yates sand and give the Commission some of the history of this well No. 15-A?

A. Yes. At the time 15-A was drilled considerable trouble was experienced in completing the well. And in drilling the pay section the tools were lost and considerable difficulty was experienced in sidetracking the tools. It was finally necessary to set two whipstocks. The last whipstock being placed in the bottom part of the 5 $\frac{1}{2}$ inch oil string set at 3,610. In drilling through the bottom part of the oil string, the gas pay was exposed to the well bore, which had previously been cased off. Later an attempt was made to shut off this gas by squeezing it off, but the attempt was unsuccessful. As a result, the well was completed as a rather poor well, and since that time the well has only produced 826 barrels per acre, as compared to other wells in the same area having produced from 2,640 to 4,650 barrels per acre.

Q. Do you feel that this small recovery and the small productivity that you obtained from this well is due to this poor completion?

A. It is due partly to the poor completion.

Q. When this well was drilled, what was the nature or extent of the showings that you had as you went through the Yates sand?

A. Our records indicate that a considerable quantity of oil was encountered in the Yates formation at the time of drilling through it, and one estimate is in the neighborhood of 100 barrels a day.

Q. It is your desire to plug 15-A back to the Yates sand and perhaps complete the well as a producing well in the Yates formation?

A. That's right.

Q. Is it your intention to make an additional study of the Yates sand in this particular area?

A. Yes. We are not going to obtain a very high ultimate recovery from our present Yates wells, so, we do wish to make further study and determine further if it will be economical to recomplete 15-A as a Yates well.

Q. If your studies show that the expenditure might not be justified or that you might not obtain enough oil from the Yates sand to justify this expenditure, what are your plans with reference to 15-A then?

A. This well will be shut in and either be temporarily or permanently abandoned.

Q. In other words, while presently your plan is to plug the well back to the Yates sand, you don't necessarily want to be obligated to do that?

A. That's right.

Q. Now, where do you propose to drill the new Maljamar pay well? Well No. 21-A?

A. 25 feet north and east of the SW corner of the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 21, Township 17 South, Range 32 East.

Q. For what reason have you selected this particular location?

A. We believe we will recover a maximum ultimate recovery from the formation by drilling at this location.

Q. In other words, you feel that a well drilled, and completed satisfactorily, that the recovery from that well would be comparable to the 40-acre tracts around this 40-acre tract?

A. That's right. It should be approximately the same as the other wells.

Q. Now, if you are permitted to drill Well No. 21-A to the Maljamar pay, what is the situation with reference to allowable for that well? How would that well be produced?

A. This well will be allocated an allowable in accordance with the proration formula which is in effect for the Maljamar cooperative agreement.

Q. If Well No. 15-A is plugged back to the Yates sand and completed there, would that constitute a second well on that forty-acre tract producing from the Yates sand?

A. Yes, sir, it would.

Q. What would the production arrangements from those wells be insofar as allowable is concerned?

A. We would not exceed the top allowable for forty-acre proration units for the Yates formation pay.

Q. In other words, you would only take out of the two wells the allowable fixed for a 40-acre proration unit for the Yates sand?

A. That's right, yes, sir.

MR. COCHRAN: Does the Commission have any questions?

BY MR. McCORMICK:

Q. Where are the other Yates wells located?

A. There is (indicating on map) 17-Y, 18-Y and 19-Y as indicated on the map. I believe they are shown with that color designation there.

Q. If this 15-A couldn't be completed as a Yates well, do you intend to go back and produce it as a Maljamar pay well?

A. No, sir. If we completed 21-A as a Maljamar well, then, at that time, we would shut in 15-A and it would not be produced from the Maljamar pay.

Q. You don't contemplate a dual completion there at all?

A. No, sir.

Q. How much is 15-A now producing a day?

A. It produces about ten barrels a day.

Q. And what do your other Maljamar wells produce?

A. The other wells in this general area produce from 30 to 40 barrels a day.

CHAIRMAN SHEPARD: Any further questions? If not, the witness will be excused and the request will be granted. The next case is 186. Would you read that, Mr. Graham?

(Reads notice of publication in Case 186.)

MR. COCHRAN: If the Commission please, the facts in this case are briefly these: Bassett and Collier own what they designate as their Williams Estate Fee Lease, described as the N $\frac{1}{2}$ of Section 25, Township 18 South, Range 26 East, N.M.P.M., in Eddy County, New Mexico. During the latter part of 1948, Bassett & Collier decided to drill three

wells upon this lease, which is located in the old Dayton field. They employed a licensed surveyor with instructions to stake them three ten-acre locations. The surveyor staked the three locations, but instead of staking ten-acre locations, the location for Well No. 5 was made 330 feet from the south line of the 40-acre tract, and 660 feet from the west line of the 40-acre tract. No. 7 is 330 feet from the North line and also 660 feet from the west line. Which locates those wells in the center of the 40-acre tract. For some reason, when the location was made for Well No. 6, which was supposed to be in the SE corner of the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 25, the location was actually made 17 feet east of the west line of the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 25, and 990 feet from the north line of that 40-acre tract. And the well has been drilled to approximately 935 feet. The casing was run and cemented, and in accordance with the order of the Commission's Artesia office, the well was shut down at that depth. Mr. Collier will testify and tell you the story.

R. D. COLLIER, having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. COCHRAN:

Will you state your name, please, sir?

A. R. D. Collier.

Q. Are you a member of the firm of Bassett & Collier?

A. I am.

Q. Bassett & Collier are part owners and operator of the Williams Estate Fee Lease which has just been described?

A. That's right.

Q. This lease is located in what is known as the old Dayton field?

A. Yes.

Q. How many wells have been drilled on this lease up until the present time?

A. Five.

Q. How many wells are producing?

A. Four.

Q. From what depth is production obtained?

A. Around 1,000 feet.

Q. Did Bassett & Collier decide during the Fall of 1948 to drill some wells on this lease?

A. That's right.

Q. Would you tell the Commission, Mr. Bassett, how many wells at that time you planned to drill, and what steps you took to have locations made for those wells?

A. Well, I employed a surveyor to make us three ten-acre locations; and I made a deal with the rotary man to drill two of these locations. I gave him two locations where he could set pipe and all, and skid to it. He had a derrick.

Q. The first well he moved onto was what?

A. No. 5.

Q. After No. 5 was rotaried down to casing point, what happened then?

A. We skidded the rig to 6.

Q. And the contractor started drilling on Well No. 6?

A. That's right.

Q. When the contractor moved from Well No. 5 did he simply move over to the stake the surveyor set?

A. That's right.

Q. When did you first learn the exact location of Well No. 6?

A. Well, when Mr. Newman called me and told me I was on the wrong location.

Q. At what depth were you when Mr. Newman called?

A. We were at around 800.

Q. What did Mr. Newman say?

A. He said we would have to shut down or plug it, but I was in the artesian water, and I talked him into running through that and then cement it and shut it down.

Q. To protect the artesian water?

A. That's right.

Q. And you did that?

A. That's right.

Q. Did you run casing?

A. Yes, sir.

Q. About where did you set it?

A. At about 935 feet.

Q. Did you cement the casing in accordance with Mr. Newman's instructions?

A. From top to bottom.

Q. About how many sacks of cement did you use?

A. I think around 125 sacks.

Q. What is the status of this well at the present time?

A. Just exactly like that. Still setting there with the mud inside the pipe.

Q. Is the royalty ownership uniform under this Williams Estate Fee Lease?

A. Yes, it is.

Q. Does the present location of the Well No. 6 crowd any lease owner?

A. I don't think so, no, sir.

Q. Does Bassett & Collier own several leases adjoining this one?

A. I think we own all except the one east and maybe southeast.

Q. Those are owned by R. W. French?

A. That's right.

Q. About how far is the location of the Well No. 6 from R. W. French's land?

A. I expect the closest place is about a half mile.

Q. Now, Mr. Collier, Bassett & Collier would like for the Commission to grant them permission to go ahead and complete this well?

A. That's right.

Q. What is the initial production of the wells in that area, approximately?

A. Oh, they make anywhere from two barrels to five and six.

Q. If you were granted permission to complete this well as a producer at its present location, would Bassett & Collier be willing to sign a stipulation and furnish it to the Commission to the effect that the forty acres upon which Well No. 6 is located, and the forty acres immediately west of that forty-acre tract would never be segregated or assigned separately until such time as Well No. 6 was abandoned? Would you enter into such a stipulation?

A. Yes, sir, we would.

MR. COCHRAN: Does the Commission have any questions?

BY COMMISSIONER SPURRIER:

Q. Whose error would you say this was finally, Mr. Collier?

A. I would say it was the surveyor's and mine both.

Q. The surveyor isn't here and he can't speak for himself?

A. That's right.

Q. I don't quite understand why this location was made so close to the line. I mean I haven't arrived at the point-- was it the fact that while you were not there your drilling contractor skidded the rig that he skidded to a stake that he shouldn't have skidded to, that you didn't intend for him to, or just what happened there?

A. No, I really think the surveyor thought he was making ten-acre locations that would put us 330 from the north and south and 330 from the west and 660 from the other corner. But the way he come down the middle of the forty that he was going to make three ten-acre locations on instead of down the west side--which he should have done-- 330 feet in.

BY MR. COCHRAN:

Q. Mr. Collier, where originally did you intend for No. 7 to be in the NW corner of that forty?

A. 330 and 330.

Q. 330 and 330. You intended for No. 5 to be in the SW corner of the forty?

A. That's right.

Q. And you intended for No. 6 to be in the SE corner of that same forty?

A. That's right.

STANOLIND OIL AND GAS COMPANY

STANOLIND BUILDING

TULSA, OKLAHOMA

March 29, 1949

File: GHC-299-54

Subject: Bonus Allowable Order

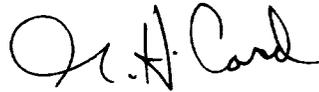
Case #
177

Mr. R. R. Spurrier
State Geologist
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Dear Sir:

Attached you will find copy of the report of the subcommittee appointed to formulate recommendations regarding the present bonus allowable order. A meeting of the Executive Committee has been called for next week to consider the subcommittee's recommendations. The recommendation that is adopted by the Executive Committee for presentation to the Operators Committee will be forwarded to you after the meeting of the Executive Committee. I wish to call your attention to the third paragraph on Page 1 of the attached letter.

Yours very truly,



G. H. Card, Chairman

GHC:bbs
Attachment

cc - Mr. J. C. Seth w/attachment
111 San Francisco Street
Santa Fe, New Mexico

C
O
P
Y

GULF OIL CORPORATION
P.O. BOX 661, TULSA
OKLAHOMA

C
O
P
Y

Gypsy
Division

January 12, 1949

Mr. George H. Card, Chairman
Lea County Operators Committee
c/o Stanolind Oil and Gas Company
Fair Building
Fort Worth, Texas

Dear Sir:

Your committee appointed to study the bonus allowable problem in New Mexico has held several meetings and is of the unanimous opinion that the bonus allowable order should be rescinded. This is based on the view of the committee that the legality of the bonus allowable order is questionable and in its opinion there is substantial doubt that the bonus allowable has resulted in any substantial number of wells being drilled that would not otherwise have been drilled.

The committee also is cognizant of the opinions expressed at several Lea County Engineering Committee meetings held at Hobbs, New Mexico to the end that some bonus allowable should be continued. In event the Lea County Operators Committee desires to retain some form of bonus allowable, it is this committee's opinion that the amount of the bonus allowable should be approximately one-fourth of that presently in effect and that the bonus allowable should be added to the proration allowable of a well, including the deep well adaptation.

It will be recalled that order No. 637, the state-wide proration order with deep well adaptation, in paragraph 4 provides that an operator may elect to have the deep well allowable or the bonus allowable plus normal allowable. Since the deep well allowable order is tied in with the bonus order, in event a petition is submitted to the Oil Conservation Commission for rescinding or revising the bonus allowable, the petition should also cover the rescinding or revising of paragraph 4 of order No. 637. It is the opinion of the committee that the reference to order No. 637 be specific insofar as it affects paragraph 4 only since otherwise the entire order might be subject to change and jeopardize the present quite satisfactory structure of the deep well allowable order.

For the purpose of illustration, six graphs have been prepared:

Figure 1 shows the relation of cost to depth during 1945.

Figure 2 shows the same information with cost based on 1948.

Figure 3 shows the relation of percent payout the first year by depths for the deep well allowable, the bonus allowable, and for the combination of normal allowable plus the bonus, based on 1945 cost data.

Figure 4 shows the same information as figure 3 except it is based upon the cost data of 1948.

Figure 5 shows the percent payout the first year for the present bonus allowable based upon 1948 costs, together with two plans for the bonus allowable which are suggested as a substitute for the present one. Plan (A) is 25% of the present bonus allowable and plan (B) is based upon a bonus of 1 bbl per ft. to a depth of 5000' and below 5000' - 25% of the deep well allowable.

Figure 6 is similar to figure 5 except that it shows the present bonus allowable plus normal allowable as now applied and in plans (A) and (B) the bonus allowable has been added to the allowable for the various depths of wells.

It will be noted from figures 1 and 2 that costs have generally decreased in 1948 over 1945 for depths below 5500' and have slightly increased for shallower depths. This, of course, has a definite effect on percentage payout for the first year but, of course, the major cause of the increase in the percentage of payout for the first year is due to the substantial increase in the price of oil. It will be noted from figures 3 and 4 that percent of payout for the first year has increased for a 12,000-foot well from 17 percent to 46 percent, while for a 4,000-foot well the percentage has increased from 110 percent to slightly over 180 percent.

It is quite obvious that there is too wide a range in the percent of payout the first year between the shallow and the deep wells and this is one reason why the committee definitely recommends that any bonus allowable plan provide that the bonus allowable for each depth be added to the allowable of the well whether it be normal allowable or deep well allowable. Figure 6 illustrates the effect of such change. Under the present plan, the normal allowable plus bonus for a 12,000-foot well would have a 56 percent payout the first year as compared to approximately 73 percent under plans (A) and (B). A 4,000-foot well under the present application would have slightly more than 180 percent payout the first year as compared to approximately 108 percent for plans (A) and (B). Thus, either plan (A) or (B) appears much more reasonable than the present plan.

There is not enough difference in plans (A) and (B), insofar as its effect on payout is concerned for any wide difference of opinion and decision on which plan to support should probably be based on simplicity. The committee slightly favors plan (B) since the percent of payout the first year is somewhat more uniform than in plan (A).

The committee has done no work on drafting a petition for hearing nor drafting a suggested bonus allowable order, but will be glad to do this in the event it is the wishes of the Lea County Operators Committee.

Respectfully submitted,

Lloyd L. Gray, Chairman /signed
Sub-Committee

1/12/49

From: Mr. Gray

To: Mr. Card

Sheet No. 3

George Selinger /signed
Skelly - Tulsa

P. P. Manion /signed
Stanolind - Tulsa

LLG:jh

Att'd.

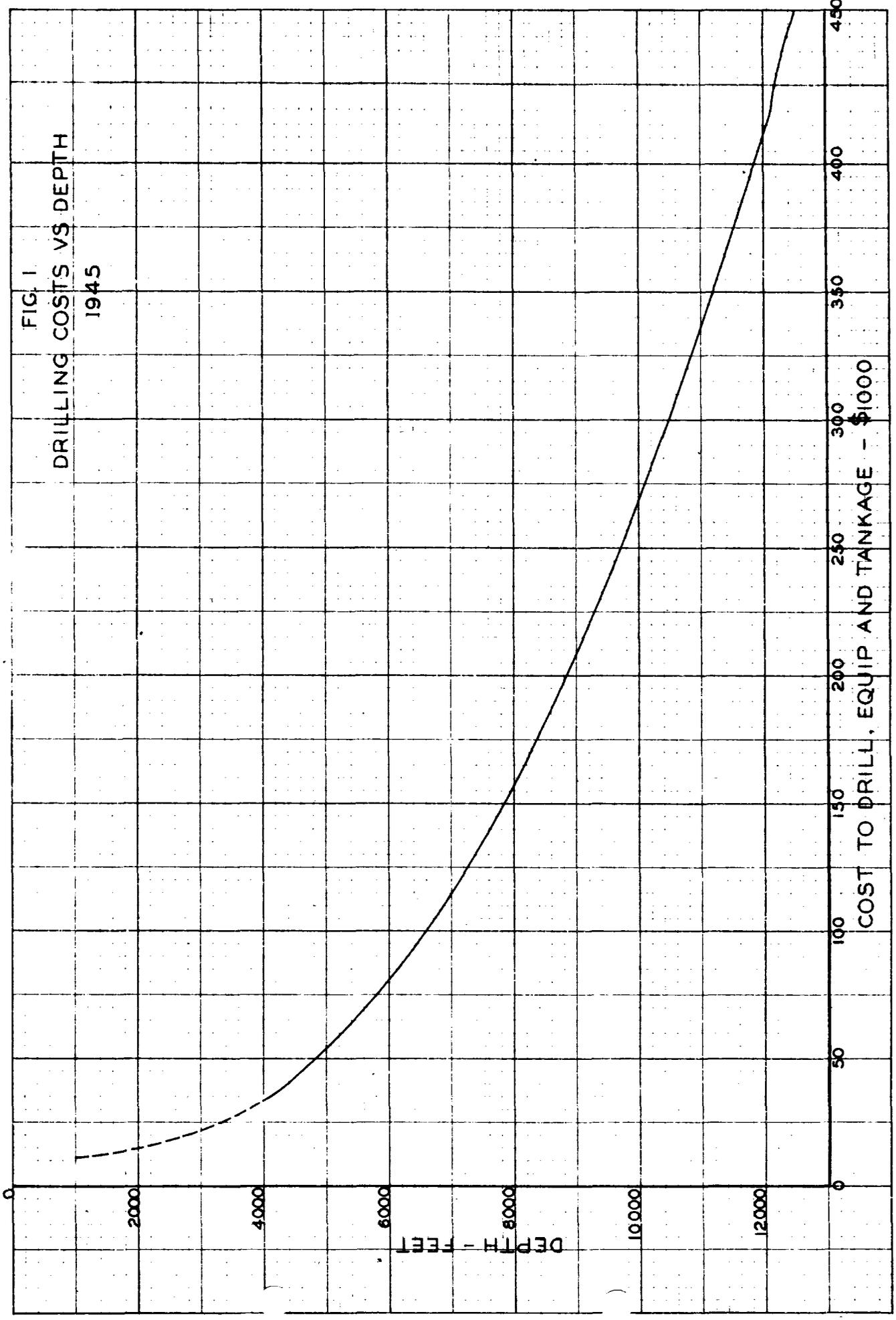
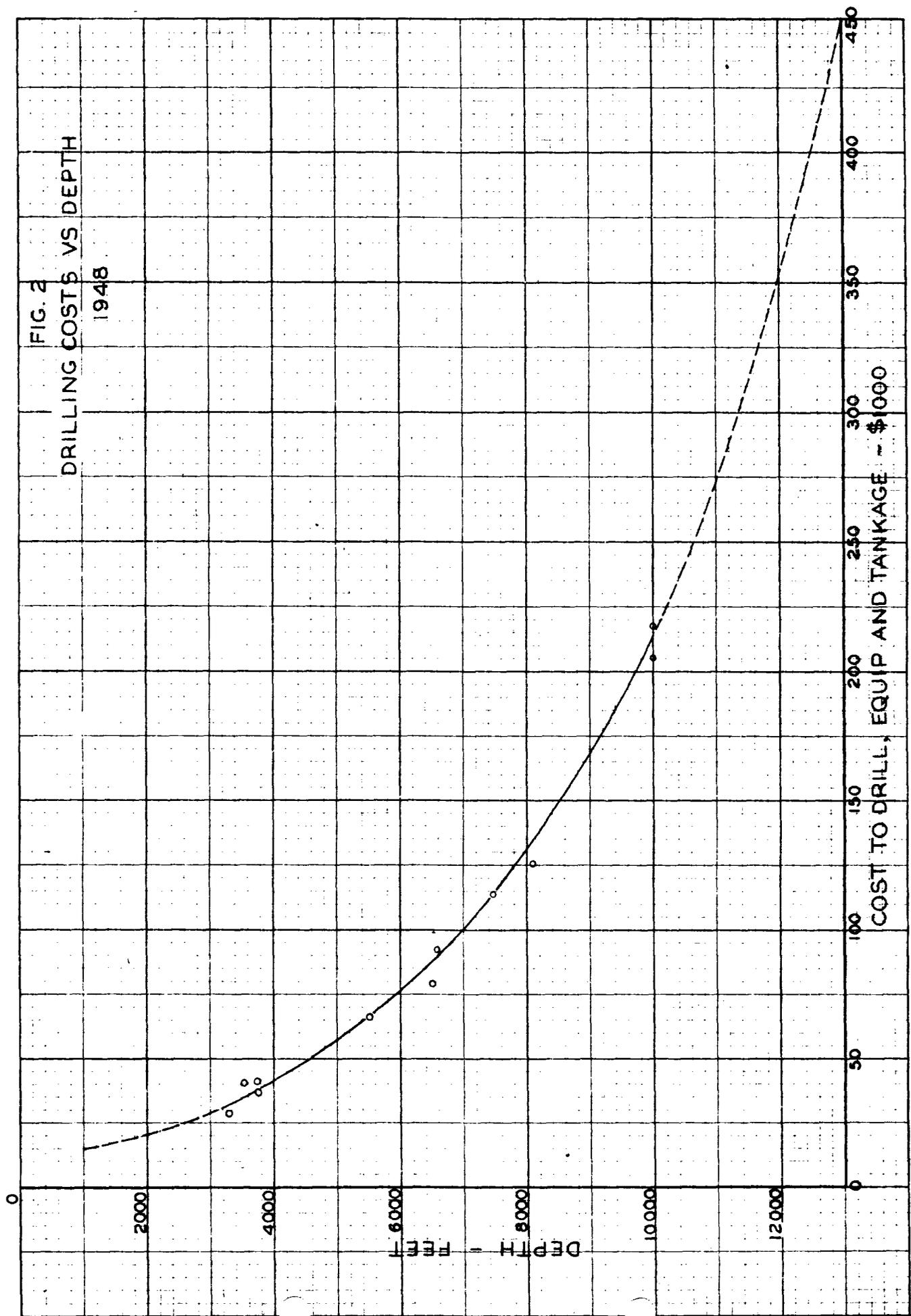
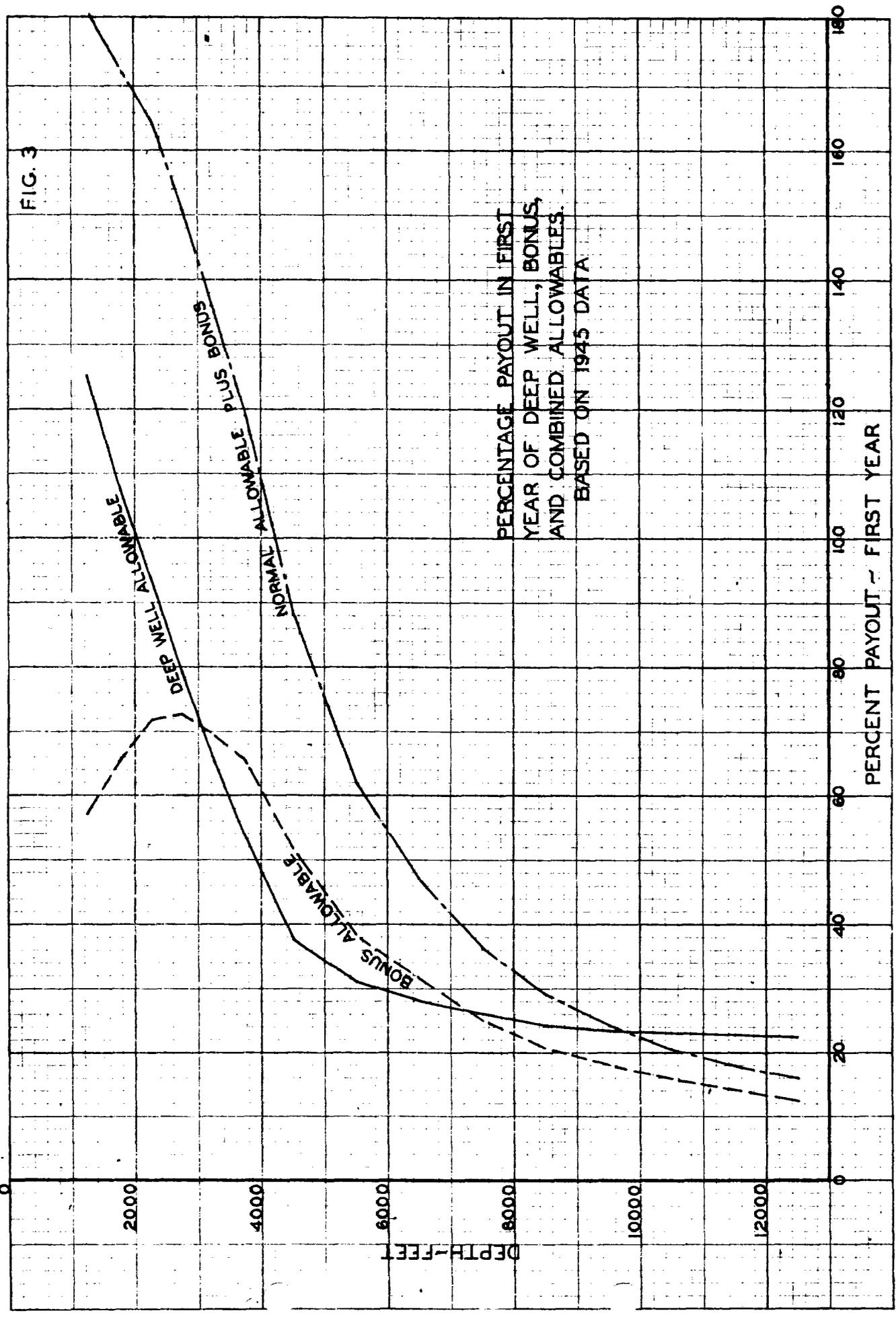
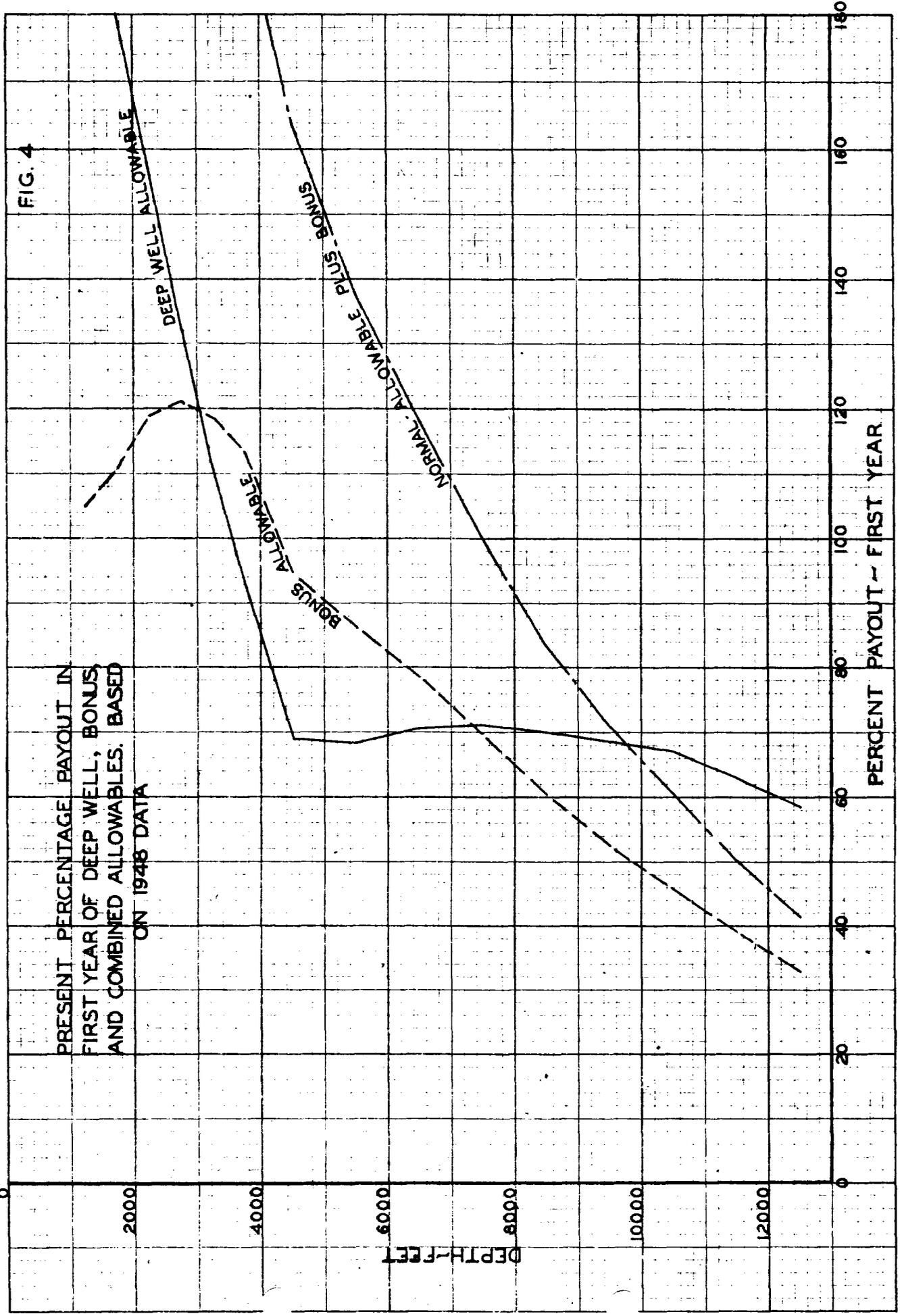


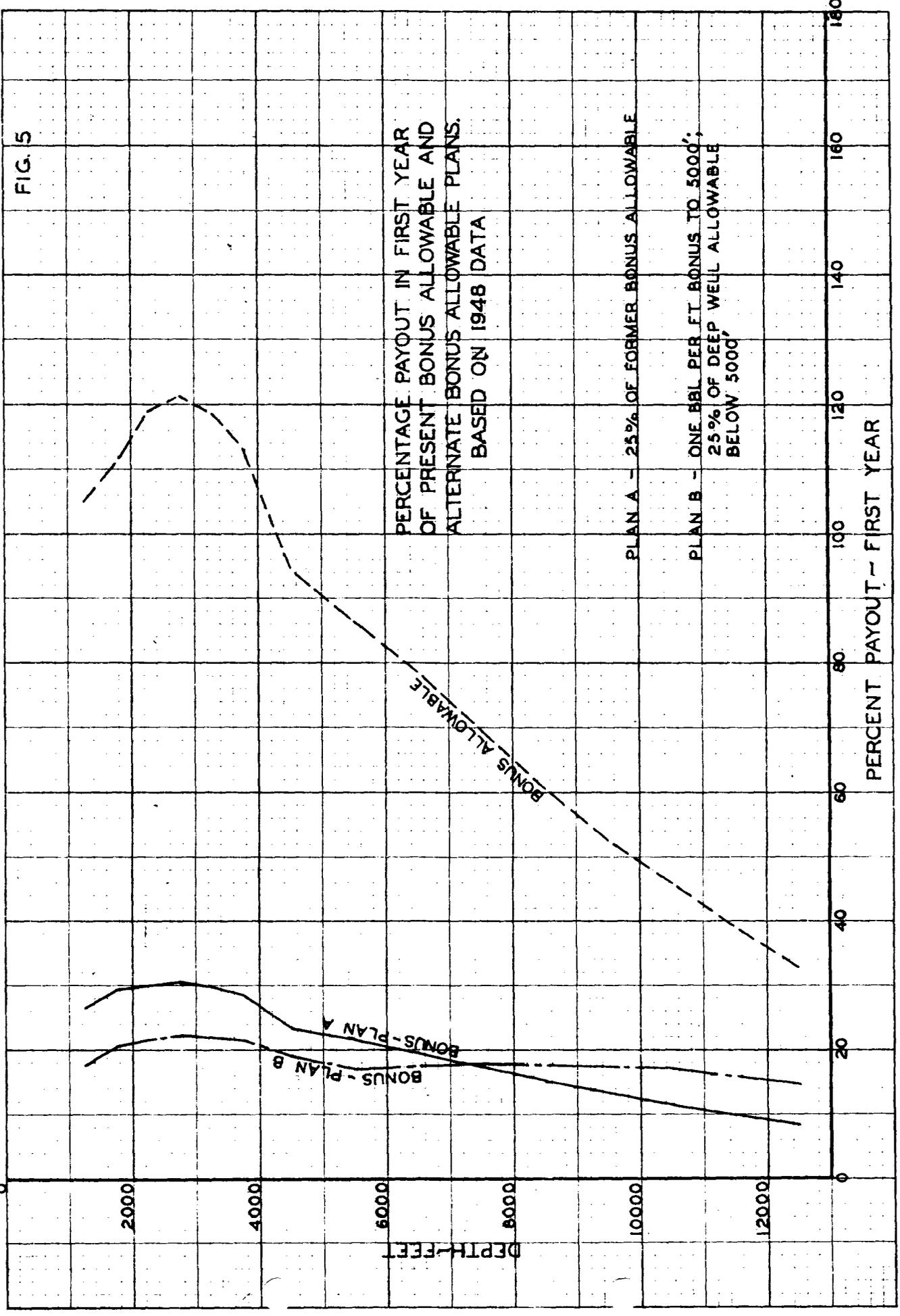


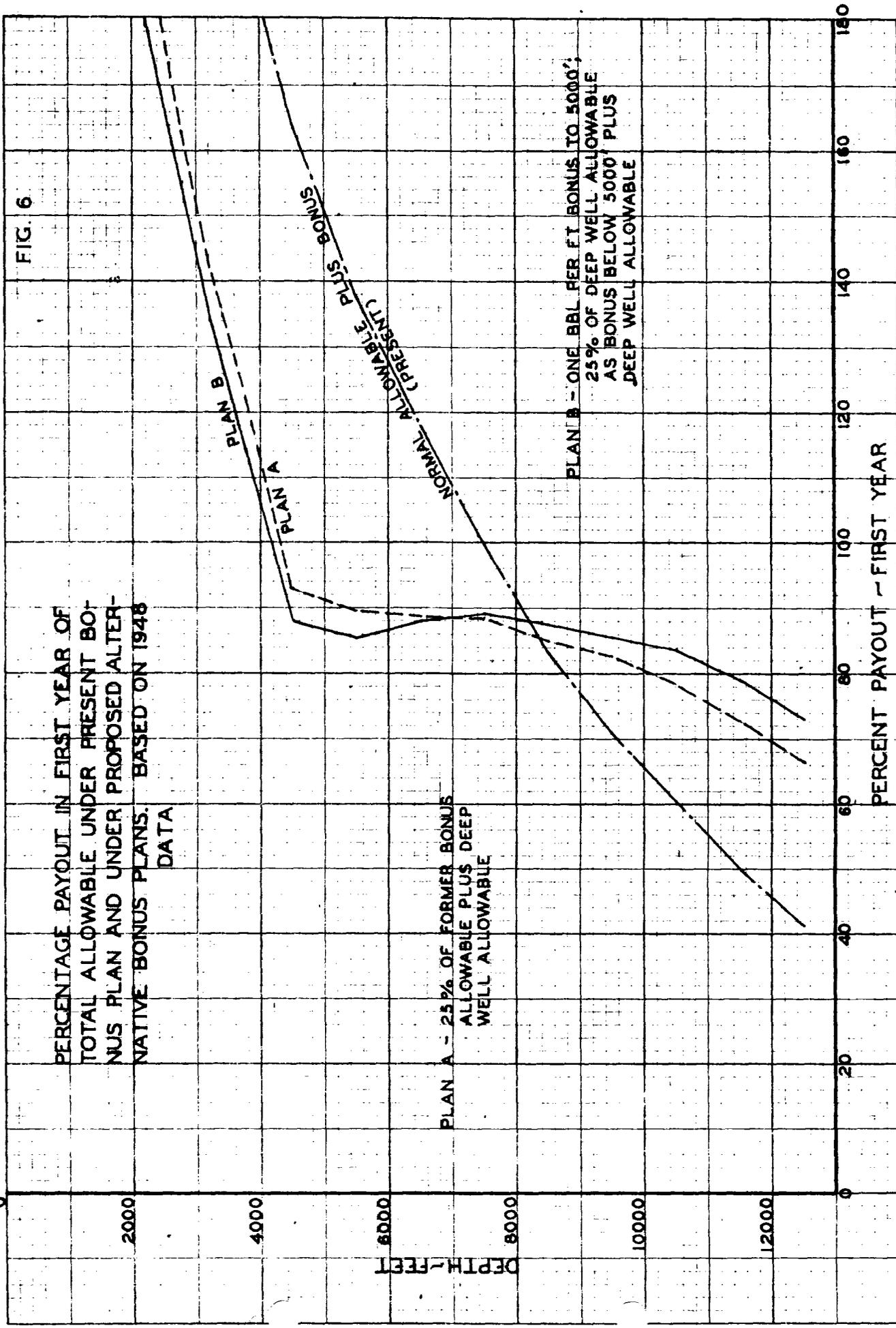
FIG. 2
DRILLING COSTS VS DEPTH
1948











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NL	Night Letter
LC	Deferred Cable
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JOSEPH L. EGAN
 PRESIDENT

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DA091

19 APR 11 10:47

D-TUA131 LONG PD=WUX TULSA OKLA 11 1056A=

R R SPURRIER=

OIL CONSERVATION COMMISSION SANTAFE NMEX=

REGARDING YOUR RECENT TELEPHONE CONVERSATION WITH MR CARD THE FOLLOWING WORDING IS SUGGESTED FOR THE CALL FOR HEARING REGARDING BONUS ALLOWABLE. THE USUAL HEADING REGARDING THE DATE PLUS CASE NUMBER 177. IN THE MATTER OF THE AMENDED APPLICATION OF THE OIL CONSERVATION COMMISSION UPON ITS OWN MOTION TO RESCIND, REVISE, CHANGE OR AMEND ORDER NUMBER 573 WHICH BECAME EFFECTIVE AS OF JUNE 1, 1944 AND GENERALLY KNOWN AS THE "BONUS DISCOVERY ALLOWABLE ORDER" AND TO RESCIND, REVISE, CHANGE OR AMEND SECTION FOUR ONLY OF ORDER NUMBER 637 STATEWIDE PRORATION ORDER WITH DEEP WELL ADAPTATION SO AS TO BE IN CONFORMITY WITH ANY ORDER ISSUED OR ACTION TAKEN IN REGARD TO THE BONUS ALLOWABLE MATTER=

LLOYD L GRAY=

177 573 1 1944 637=

Case 177