

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
PROCEEDINGS

The following matter came on for consideration before a hearing of the Oil Conservation Commission of the State of New Mexico, pursuant to legal notice, at Santa Fe, New Mexico, on July 6, 1950, at 10:30 A. M.

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 and the rules and regulations of said Commission promulgated thereunder, of the following public hearing to be held July 6, 1950, beginning at 10:00 o'clock A.M. on that day in the City of Santa Fe, New Mexico, in the Capitol (Hall of Representatives).

STATE OF NEW MEXICO TO:

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

Case 225

In the matter of the application of the New Mexico Oil Conservation Commission upon its own motion for special pool rules establishing methods of drilling and production and for the purpose of regulating production, preventing waste and protecting correlative rights in the following named pools, as heretofore defined in Rule 5 of Commission Order 850, effective January 1, 1950:

Arrowhead, Bagley - Siluro - Devonian, Bagley - Pennsylvanian, Baish, Blinebry, Bough, Bowers, Brunson, Cary, Cass, Cooper-Jal; all in Lea County, New Mexico and Caprock, in Chaves and Lea Counties, New Mexico.

Case 226

In the matter of the application of the New Mexico Oil Conservation Commission upon its own motion, for the general review, restatement, revision and/or amendment of any and all paragraphs of Rule 104, promulgated by Order 850, effective January 1, 1950, and set out within Rules and Regulations effective January 1, 1950.

Given under the seal of the Oil Conservation Commission of New Mexico. at Santa Fe, New Mexico, on June 9, 1950.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

R. R. SPURRIER, SECRETARY

(SEAL)

Distributed by
Glenn Staley

BEFORE:

Guy Shepard, Chairman
R. R. Spurrier, Secretary

REGISTER:

Lonnie Kemper
Roswell, New Mexico
For The Vickers Petroleum Co., Inc.

R. S. Blymn
Hobbs, New Mexico
For the State

J. D. Duninn
Lubbock, Texas
For Delfera Oil Company

C. D. Borland
Hobbs, New Mexico
For Gulf Oil Company

C. M. Heard
Hobbs, New Mexico
For Skelly Oil Company

J. N. Dunlevey
Hobbs, New Mexico
For Skelly Oil Company

George W. Selinger
Tulsa, Oklahoma
For Skelly Oil Company

R. L. Adams
Ft. Worth, Texas
For Continental Oil Company

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For Continental Oil Company

H. L. Johnston
Ft. Worth, Texas
For Continental Oil Company

Paul N. Colliston
Houston, Texas
For Continental Oil Company

Raymond A. Lynch
Midland, Texas
For Phillips Petroleum Company

Shofner Smith
Bartlesville, Oklahoma
For Phillips Petroleum Company

Raymond E. Howard
Midland, Texas
For The Atlantic Refining Company

W. N. Little
Midland, Texas
For Tide Water Association Oil Company

G. H. Gray
Midland, Texas
For Sinclair Oil & Gas Company

Elvis A. Utz
Santa Fe, New Mexico
For the New Mexico Oil Conservation Commission

J. W. House
Midland, Texas
For Humble Oil Company

R. S. Dewry
Midland, Texas
For Humble Oil Company

W. B. Macey
Artesia, New Mexico
For American Republics Corporation

E. E. Kinney
Artesia, New Mexico
For New Mexico Bureau of Mines

Tom Steele
Hobbs, New Mexico
For The Ohio Oil Company

L. O. Storm
Hobbs, New Mexico
For Shell Oil Company

A. R. Ballou
Dallas, Texas
For Sun Oil Company

Glenn Staley
Hobbs, New Mexico
For Lea County Operators Committee

Wm. E. McKellar, Jr.
Dallas, Texas
For Magnolia Petroleum Corporation

Joseph C. Gordon
Dallas, Texas
For Plains Products Company

J. H. Crocker
Tulsa, Oklahoma
For Mid-Continent Petroleum Company

R. S. Christie
Ft. Worth, Texas
For Amerada Petroleum Company

R. G. Schuehle
Midland, Texas
For Texas Pacific Coal and Oil Company

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J. H. Crocker
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E. J. Pierce
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For Mid-Continent Petroleum Corporation

F. C. Barnes
Santa Fe, New Mexico
For the New Mexico Oil Conservation Commission

E. C. Arnold
Aztec, New Mexico
For the New Mexico Oil Conservation Commission

Don McCormick
Carlsbad, New Mexico
For the New Mexico Oil Conservation Commission

CHAIRMAN SHEPARD: The meeting will come to order.

(Notice of Publication in Case No. 225 read by Mr. Spurrier)

CHAIRMAN SHEPARD: The Commission doesn't have any witnesses, but at this time we would be glad to hear from anyone who has anything to offer on this case.

MR. BORLAND: I am C. D. Borland, District Engineer for Gulf, at Hobbs. Being the largest operator in the Arrowhead Pool, Gulf assumed the chairmanship of the operators' Arrowhead Pool committee. A meeting was held on June 27 to consider the need of adopting special pool rules. At this meeting it was the unanimous opinion of all operators no special pool rules were

necessary in the Arrowhead Pool.

CHAIRMAN SHEPARD: Does anyone else have anything? Mr. Morrell?

MR. MORRELL: I am Foster Morrell with the Geological Survey. If the Commission please, I thought I would call your attention to the fact that in the Arrowhead Pool there are two gas wells. Some cognizance should be taken of that I think. Either delete them from the Arrowhead Pool--the reference I have--the reference as to those wells at the present time are Gulf-Mattern, a well in Section 24, I forget the well number. In 24-21S-36E, and a Continental Oil Company well in Section 1-22S-36E. They are producing from a gas zone approximately two or three hundred feet above the oil pay.

CHAIRMAN SHEPARD: Anyone else? Mr. Staley, do you have anything? If no one has anything further, then we will take up the next pool. The next pool is Bagley-Siluro-Devonian.

MR. CHRISTIE: My name is R. H. Christie with the Amerada Petroleum Corporation. At the present time there are only two operators in the Bagley-Siluro-Devonian Pool, and neither operator sees any need for any special pool rules in this particular field at this time. We feel that the statewide rules will apply. The same thing is true of the Bagley Pennsylvanian Field.

CHAIRMAN SHEPARD: Anyone else? Then we will take up the Bagley-Pennsylvanian? Anyone want to say anything further on that? All right, the Baish Pool?

(Off the record.)

MR. SPURRIER: The only operator in this pool is the Buffalo Oil Company from which we have a letter, signed by H. G. Ellis, dated July 3. I will read a portion of the letter. It is available for anyone to see. The summarizing paragraph at the

end says: "It is believed that the applicable statewide rules and the federal regulations amply cover the operations in this pool at the present. We have no suggestions to offer at this time as to special field rules for the Baish Pool."

CHAIRMAN SHEPARD: The Blinebry Pool. Does anyone have anything on that. Bough? There is a telegram from J. R. Sharp, Inc., addressed to the Governor. "Attention Thomas J. Mabry, Chairman. Confirming our telephone conversation with your Mr. Spurrier this morning please consider this as our request for postponement of hearing scheduled for July 6th in Case Number 225 with reference to Bough Pool pending further study of the field. We have been advised by Magnolia Petroleum Company that they will also request postponement. Please wire us collect that postponement has been granted." Without objection this will be postponed to a later date as to the Bough Pool.

MR. MANZINGO: My name is Manzingo. I represent Magnolia. At this time we don't have any recommendation for field rules. We do suggest that they be postponed until we have finished our study, engineering study, of the Bough Pool. At that time we possibly may have some recommendation for field rules.

CHAIRMAN SHEPARD: The Bowers Pool?

MR. STORM: L. O. Storm, Shell Oil Company, Hobbs, New Mexico. Shell Oil Company, acting as the chairman for the Bowers Pool Operators, addressed a letter to each of the operators in that pool. Those replies received were unanimous that the current statewide rules are suitable for the development and production of the field.

CHAIRMAN SHEPARD: Anyone else have anything on the Bowers? The Brunson Pool?

MR. BORLAND: Since the Brunson Pool is currently operating under six months' test, a period of reduced allowable, it was the

opinion of the operators that special pool rules should not be considered at this time and be deferred until after the hearing on August 24 relative to the six months' test.

CHAIRMAN SHEPARD: Anybody have anything further on Brunson?

All right, the Cary Pool. No comment on the Cary Pool?

All right, the Cass Pool.

MR. COLLISTON: Paul N. Colliston, Continental Oil Company is the only operator in the Cass Pool and has no special field rules to offer at this time. We believe we can satisfactorily operate under statewide rules at this time.

CHAIRMAN SHEPARD: Cooper-Jal.

MR. COLLISTON: Continental, as the largest operator in the Cooper-Jal Field, called a meeting of the other operators, and that group decided that no special field rules were necessary at this time. However, in making this recommendation, I am speaking only for the Continental Oil Company and believe the other operators should make their own recommendations.

MR. SPURRIER: Do you have any comment on rules with regard to the difference between oil and gas wells in that pool?

MR. COLLISTON: Continental Oil believes before any field rules should be written for that area the Commission should define the oil and gas reservoirs involved in order that the special field rules may be made to fit that particular reservoir.

MR. SELINGER: George W. Selinger, Skelly Oil Company. May I ask Mr. Colliston a question? Mr. Colliston, in making your recommendation today, did you have in mind the Case No. 217 in which you asked for a special exception on particular wells of yours?

MR. COLLISTON: No, I do not. I am making that as a general recommendation.

CHAIRMAN SHEPARD: Caprock? Does anybody have anything to say on Caprock? Does anyone have anything further to offer on any of these pools? If not, we will take up the next case.

(Mr. Spurrier reads the Notice of Publication in Case No. 225.)

CHAIRMAN SHEPARD: Anyone have anything to offer on Case 226?

MR. MANZINGO: We have one suggestion for Rule No. 104, the "a" part of that rule. We suggest that the rule be revised to read as follows: "Each well drilled within the limits of a defined oil or defined gas pool shall be located on a tract consisting of approximately forty surface, contiguous acres substantially in the form of a square and shall be drilled not closer than 600 feet of any boundary line of said tract." There are two changes there. We added "approximately" to forty acres, and also we changed the footage from 660 to 600 feet. And we suggest this change be made to take care of tracts having slightly less than 40 acres. Also in any area where irregular topography conditions occur, it may not be possible to exactly center the well in 40 acres. We offer that as a suggestion.

CHAIRMAN SHEPARD: Anyone else? Mr. Morrell, do you have anything to say on this?

MR. SETH: I would like to make a statement on behalf of the Stanolind Oil and Gas Company. That company recommends that paragraph a be amended. That when a well is drilled for gas production, it covers both oil and gas as it now stands, that the tract size should be 640 acres with a spacing of 1320 feet from the lease line. The latter is more important perhaps. Paragraph c should be changed in the same manner. Paragraph i should provide for 640 acre units with small differences in the size of tracts. This whole reservation is limited to gas. But the paragraph stands for oil and gas now.

MR. McCORMICK: Paragraph a, subparagraph a, contemplates the drilling of a wildcat well where they don't know whether they will get gas or oil or anything. I might say that when this was drafted, there was a particular problem in mind, and I think that probably the purpose of the drafting committee and of the Commission wasn't made as clear as it should be. Various forms of this rule had been proposed, some of which were drafted so that if a well were drilled for oil--a wildcat well drilled for oil--or a wildcat well drilled for gas, it would have certain spacing requirements. But the truth is when a wildcat well is drilled, no one can determine in advance what will be encountered. So this was drafted so that when they refer to tract, it doesn't mean a 40 acre tract or an approximate 40 acre tract. It means really the lease upon which the operator is drilling. For instance, if the operator is drilling a wildcat well, has 160-acre lease, and it would be a rare instance where a wildcat well isn't drilled with at least 160 acres to support it, then he would not be allowed to get closer than 660 feet to the outer boundary of the tract. If he had a 320-acre lease, no closer than 660 to the outer boundary of his lease. So that if it were a gas well, he would then be meeting the minimum requirements for a gas well location. In other words, he would be in the middle of a forty, which is allowed under gas pool spacing rules. In other words, if he had 160, he could drill anywhere in the 160 so long as he didn't encroach closer than 660 feet to the outer boundary of the 160. If it would turn out to be an oil well, he would be on what we could call a conventional location for an oil well. As he would be in the middle of a forty. If it turned out to be a gas pool, he would be on one forty of a 160 and he would conceivably not be required or wouldn't

care to drill any more wells on that 160. Now, I admit that rule as it is drafted perhaps doesn't convey the meaning that was actually intended and perhaps it should be clarified. But I am also wondering if the intent behind that rule should not be carried forward, and if it would not be actually desired by most of the operators.

CHAIRMAN SHEPARD: Anyone else?

MR. SPURRIER: On further comment to add to Mr. McCormick's discussion. I think the rule should state for the purposes of clarification that a well should not be located in the exact center of 160 acres. Now, Mr. Morrell has 160 acre tracts under his control in which that would be all right. But, on the other hand, state and fee land may go to make up--in 40-acre tracts--may go to make up 160-acre tract. And in that case the well must be definitely on one of the 40-acre tracts. At least that is my interpretation of what I know about the land office rules and our own rules and regulations. Does anyone have any further comment on that? I notice Stanolind recommended a well be located 1320 feet from the boundary which would place it in the center of 160-acre tract.

MR. LYNCH: R. A. Lynch, representing Phillips Petroleum Company. We do not see any necessity for changing this rule at all. Mr. McCormick's explanation seems to be clear and workable as it stands now. We would recommend no change.

MR. SPURRIER: We have one more comment here. A letter from the Rowan Oil Company, dated June 26, 1950, and signed A. H. Rowan. "I have received notice of hearing of the Oil Conservation Commission, to be held July 6th, 1950, in re Case 226. It is my opinion that Rule 104 of the Oil Conservation Commission is satisfactory as now promulgated, and I trust that the commission will

keep this rule in effect as now written without material change. I am writing this letter because it will be impossible for this company to have a representative at the hearing."

MR. CAMPBELL: May I ask the Commission's attorney a question? Does the Commission now require a special permit under this rule for the drilling of a wildcat well on a 40-acre tract, where it is the intention to drill closer than 660 feet to the boundary of the tract? I have asked the further question, does the Commission require a special permit for a wildcat well to be drilled on a lot of less than 40 acres.

MR. MCCORMICK: Well, I think we have got back to the point I was trying to make a little while ago. If the operator has say 150 acres composed of four lots of 37½ acres each, that 150 acres is considered a tract, and he can drill anywhere within that 150 acres so long as he isn't closer than 660 feet to the outer boundary of it. It gives him quite a tolerance there in the middle square of the 150 acre tract. When we speak of tract in Rule 104, subdivision a, we are not referring to the smallest 40 acres in the subdivision, or lot, on which the well may be located. We are referring to the entire lease which the operator has.

MR. CAMPBELL: The rule, of course, as I recall it refers to wells being drilled on contiguous tracts of 40 acres, is that correct?

MR. MCCORMICK: No, it says each well drilled not within the limits . . . shall be located on a tract consisting of not less than 40 surface, contiguous acres. It may be 640. It could be 2560. It could be 80 or 160. Shall be drilled not closer than 660 feet from any boundary line of said tract. Perhaps it needs clarification so that the person reading that will know we are talking about the entire lease on which the

drilled.

MR. CAMPBELL: Just one more statement. It doesn't seem to me an individual desiring to drill a wildcat well on a tract of less than 40 acres, a lot, should be required to get a special permit if he wants to drill his well anywhere from 330 feet from the line of the lot.

MR. McCORMICK: Do you think anyone would drill a wildcat well on a 40-acre lot? I have never heard of one.

MR. CAMPBELL: I haven't either. I don't know. But it seems to me it puts a burden on the Commission if an application has to be made in each case of this sort.

MR. McCORMICK: The object was to preserve the general outlines of a gas pool if it should turn out to be a gas well. Whether it is a worthy purpose or not is for you to comment on.

CHAIRMAN SHEPARD: Anyone else?

MR. MONZINGO: In view of the clarification given by Mr. McCormick of the rule, Magnolia would like to withdraw their suggestion as to any changes.

MR. MORRELL: If the Commission please, the clarification of Mr. McCormick as to the interpretation of the word "tract" was interesting to me in view of the fact that previous regulations of the Commission refer to tract in connection with 40 acres. The statewide oil allowable being based on that basis. That was the previous interpretation. I think there is some merit to what Mr. McCormick has said with respect to considering a tract as a lease. However, I think there should be a further qualification. He says that not closer 660 to the boundary of any lease instead of a tract for the purposes of discussion. Inside of that you can drill any place. For the benefit of Commission, the Geological Survey will not approve a location closer than 330 to any legal subdivision line, 40 acres, inside

of that tract. If you don't have any restriction, you would then have a wildcat well which would be in contravention of Rule 104 b. So you could have your 660 from the outer boundary of the lease, but still not closer than 330 to any 40-acre subdivision line.

MR. McCORMICK: Mr. Morrell, if this were rephrased so that it would read like this, "Each well drilled not within the limits of a defined oil pool or defined gas pool shall be located on a lease consisting of not less 40 surface, contiguous acres substantially in the form of a square and shall be drilled not closer than 660 feet to any outer boundary line of said lease and not closer than 330 feet to the outer boundary line of any component 40-acre subdivision or lot"?

MR. MORRELL: That would be an improvement. Possibly, use the combined term, "lease-tract," because many leases are not solid and contiguous. It doesn't answer the question that you have on 80 acres, because it would still make it exactly 660 of a 40-acre tract, and where you would have two lots comprising the lease, you would still have to have a special exception. The point you raise that you doubt whether a wildcat would be drilled on less than 160 as a matter of economics, there are wildcats drilled on 80-acre tracts.

MR. McCORMICK: It is quite a rarity.

MR. MORRELL: It is a matter of depth to production and the economics of it all. One important thing. I think the Commission should consider that under Rule 104 b and c you speak of within defined oil pools or defined gas pools. I think one of the problems that the operators are faced with is the control of extension wells. Under Rule 104 b you could drill 330 within a defined pool. There should be something covering extension wells, possibly some distance beyond the definitions to carry the same spacing. There is a difference between your wildcat and semi-

wildcat or extension wildcat. I offer that for consideration.

MR. SPURRIER: Why not carry that further, Mr. Morrell? I realize that you are talking about a well just outside of pool limits.

MR. MORRELL: Take the Wilkins Pool in 18-31. Drill a 330 location within the defined pool. Featherstone is drilling a 330 outside the defined pool. It was approved by the Commission. I don't know whether an exception was granted or not. One well completed and a second drilling. You will find that in a large number of areas. The question of putting an indefinite, say one mile limitation, outside definitions raises the question where pool definitions are so close. Of course, that well might be considered an extension of it.

MR. SPURRIER: Do I understand you object to a 330 outside the pool boundary?

MR. MORRELL: As far as our office is concerned, we take the position that an operator who is investing his money, if he considers the geological prospects sufficient to invest in a 330 location we have no objection. If he is fortunate in getting production, we can then determine what the spacing will be. It would mean possibly one exception for the first well. On the gas proposition of 160-acre spacing, we are following in the Fulcher-Basin Kutz Canyon and San Juan Basin and on the majority of the federal lands in Lea County, a spacing of 990 from the outer boundary 160-acre gas unit. And we don't know about any 1320 locations. We keep them off the boundary lines.

CHAIRMAN SHEPARD: Anybody else?

MR. MCCORMICK: I wonder if anybody has any comments on subdivisions h and i? They are new. That is they had never appeared in what is now Rule 104 prior to this compilation. And I wonder what the experience of the operators is. If those

two rules are workable or if they might be revised, if they need revision.

CHAIRMAN SHEPARD: Well, if there is no more comment and nothing further to offer--

MR. KELLEY: John M. Kelley, Independent. Speaking as an independent I recommend to the Commission that the Commission cut out Section a and completely change Section b to read, "Each well drilled shall be located on a tract"--cut out the words, within a defined oil pool. Also in section e cut out the words--on the exception--cut out the words, "would be nonproductive." If an operator requests an exception due to the fact that his location, he felt that a location would be nonproductive, then he certainly would not be entitled to a full allowable. Therefore, I don't believe the Commission could grant an exception and then grant a full allowable.

MR. McCORMICK: Don't you think it is taken care of by subdivision g?

MR. KELLEY: I don't think it should be in there, Don. If he gives that reason, if that is the reason he is giving, then he is admitting on the face of it his entire lease isn't productive, isn't that right?

MR. McCORMICK: That is the basis of an unorthodox location. Still they are hedged wells and have got to crowd the corner.

MR. KELLEY: If he puts that reason in his application, he has gotten himself where you can cut his allowable.

MR. McCORMICK: You can do that under g now, can't you?

MR. KELLEY: Yes.

MR. McCORMICK: If you think he isn't productive, you can cut his allowable?

MR. KELLEY: Yes, you can do it. You would have to set that up?

CHAIRMAN SHEPARD: Anyone else? If there is nothing further to come before the Commission, we will stand adjourned.

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) SS

I HEREBY CERTIFY the foregoing transcript of hearing before the Oil Conservation Commission in Santa Fe on July 6, 1950, at 10:30 a.m. is a true and correct transcript of such hearing to the best of my knowledge, skill, and ability.

DATED at Albuquerque, New Mexico, this 17th day of July, 1950.

G. C. Fulco
NOTARY PUBLIC

My Commission Expires
August 4, 1952