

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

TRANSCRIPTION OF HEARING

CASE NO. 306 SPECIAL HEARING

September 13, 1951

(Date)

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

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SPECIAL HEARING

September 13, 1951

BEFORE: Honorable R. R. Spurrier, Secretary and member

APPEARANCES:

Jason Kellahin, Examiner and Legal Advisor to the
Oil Conservation Commission

Charles White, Oil Conservation, Commission

W. D. Girard, Jr. for C. H. Sweet

W. R. Donnell for C. H. Sweet

TRANSCRIPT OF PROCEEDINGS

Ada Dearnley, Reporter

CASE NO. 306

In the matter of the application of C. H. Sweet for permission to drill an unorthodox location 1325 feet west of the east line and 660 feet south of the north line, Section 23, Township 18 South, Range 37 East, NMPM, Lea County, New Mexico.

MR. SPURRIER: The meeting will come to order. The record will show in the absence of the other two Commissioners that I am sitting for the purpose of taking the record only. We will proceed with Case 306.

(Mr. Kellahin reads the Notice of Publication.)

MR. GIRARD: Let the record show that the applicant in Case No. 306 is being represented by Neil and Girard of Hobbs New Mexico, Box 1326. Are you ready to proceed?

MR. SPURRIER: Yes.

MR. GIRARD: We would like to have Mr. Donnell sworn.

MR. SPURRIER: Please come forward.

(Witness sworn.)

(Marked Applicant's Exhibits for the purpose of identification.)

W. R. DONNELL,

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. GIRARD:

Q State your name please.

A W. R. Donnell.

Q Where do you live?

A Midland, Texas.

Q What is your profession, if any?

A Geologist.

Q Where did you receive your training?

A Attended the University of Missouri for four years.

Q Did you obtain a degree of Bachelor of Science in Geology?

A A.B. in Geology, yes, in 1939.

Q Since that time have you been engaged as a practicing geologist?

A Yes, except for 6 years spent in the Navy.

Q Mr. Donnell, at the request of C. H. Sweet, did you make a survey of the northwest quarter of the northeast quarter of Section 23, Township 18 South, Range 37 East?

A Yes, that is right.

Q You worked up the geology on that particular tract?

A Yes.

Q Have you prepared a written report showing your findings on your work there?

A Yes, I have a report here.

Q Is that report the report that has been marked here as Applicant's Exhibit No. 1, containing three sheets, a well log and a map?

A Yes, that is right.

Q Showing the contour lines?

A Yes.

Q We would like to offer this report and for the benefit of

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the Commission we have other copies here. Mr. Donnell, will you tell the Commission what your findings are in regard to your survey made there?

A Well, I found that after contouring this area, using the subsea datum points of the San Andres formation, that the acreage in question here, if the location was a normal location, would be below the established water level of the field. This water level was established by this old Shell Sloan State well which was drilled back in 1936 and by moving this location over to where we could crowd this line, we had a better chance of getting an oil well than we would if we came over here to a normal location. The details of this are brought out in the report here.

MR. SPURRIER: Do you have any other control except this Shell Sloan State?

A No, actually there isn't any control to the west there.

MR. SPURRIER: You don't have anymore southeast there?

A No.

Q In making your survey there, you did take into consideration the Sweet 1 and the Samsadone 1?

A The Samsadone 3 and 4 which are producing wells.

MR. SPURRIER: You used these wells for your control inside?

A That is right. There aren't any wells drilled over in here. But you have pretty good control, you have a fairly steep dip coming off there. We are hoping that nose will be there.

MR. SPURRIER: What is that dip?

MR. GIRARD: It is shown by the plat, it is a 50 foot dip.

A That is 1320 there, 50 feet.

MR. SPURRIER: 50 feet in 13-20 feet?

A Yes.

Q Mr. Donnell, Mr. Sweet and his associates own the land or the lease on the land immediately east of your proposed location here?

A Immediately east, that is correct.

Q They have a producing well there?

A That is right. They have a producing well on this 40 and this 40, (indicating).

Q After your survey, is it your opinion that unless the well is located as you have suggested and is shown in the application, in all probability they will not be able to obtain a producer?

A I don't see how they could locating it in a normal location there because they would be at the water level before they hit the reservoir.

MR. SPURRIER: This is a water drive reservoir?

A That is right.

MR. SPURRIER: And the water at that particular location you would figure that the water is moving from west to east, correct?

A From west to east. It is encroaching on the field, yes.

MR. SPURRIER: Who owns this offset well to the east?

A It is a Bowers producing well which Shell has an interest in.

MR. SPURRIER: Is it completed in the formation you intend--

A (Interrupting) No. This is completed in the Bowers which is around 3300 feet. These are in the San Andres.

MR. WHITE: Do you think you would produce in the Bowers Sand if that was in the orthodox location?

A Bowers Sand production over there is not any good. It is a very weak well.

MR. SPURRIER: Mr. Girard, I think you brought out that the land to the east, the acreage and the offset to the east are owned by Sweet?

MR. GIRARD: That is correct.

MR. SPURRIER: How about that location?

A That is a commitment to drill on there to get the 40 acres. If he drills on there he gets the 40 acres.

MR. GIRARD: It is a demand well on formation. Shell has the land; upon the drilling of the land we get the lease.

Q (By Mr. Girard) For the benefit of the Commission the Tidewater dropped their lease this year. I checked the land office and it showed that the run --

MR. SPURRIER: In other words, the next offset west is no longer under lease?

MR. GIRARD: That is right. It is state land but not under lease. Amerada owns the 40 to the north. But as to that land, Amerada is holding it under an old lease in which they have some 4 or 5 thousand acres. The acreage runs all through the field. In 18-36 and 18-37, I didn't copy that, but I made arrangements to call one of the employees of the land office to come down and bring that particular lease. If the Commission

desires to have that proof. It is state lease No. A1469. Which covers this particular 40 acre tract and numerous other lands that are not involved here. The old Tidewater lease, if the Commission would like to have that number was V-9304.

I might state this to the Commission that our opinion that unless we crowd the east line of that particular 40 that there is no chance of production because of the deep and quick fall of that knoll.

MR. SPURRIER: Providing the location were granted would you feel that you would be entitled to a full allowable from that 40?

MR. GIRARD: Well, if the Commission please, with regard to allowables, I am at a little loss as well as many of the attorneys as to the meaning that the legislature had and this Commission had when they adopted, in regard to proration, recognition of correlative rights of owners. Now, under water drive, it would seem to me that there would be no additional burden on other wells in the pool for a hedge well produced, being high with them, it will still go to water quicker than your higher wells.

MR. SPURRIER: That is true.

MR. GIRARD: In order to protect the correlative rights of all parties in my opinion we will, after all that is just a legal standpoint, I feel that even a hedge well is entitled to the production of a good producer because the hedge well is not taking anything from the producer. The old Rowan-Dickason case made a rather exhaustive survey on that particular question. While

complete,
they were not entirely/the Supreme Court backed off on the theory that what they were asked to decide was out of the realm of law but in the realm of the engineers and I believe in the Dixon case the very question there arose as to the amount of allowables as to hedge wells, as to wells in the center of the pool.

MR. WHITE: Were those hedge wells orthodox wells?

MR. GIRARD: Texas has a different provision. We have the flat 40 acre spacing with the exception that the Commission, after hearing and notice will entertain a smaller acreage on a smaller acreage. They use a form of ratio as to the number of acres; as to 40 to compensate for it. If production is obtained, it may be that the slope there might level out to such an extent it may not be so steep. It might level out where the contour lines should go a little deeper. To say just how much of the 40 may be underlying the pool, all we can do is just go by his good graces here. But I feel that the cost of drilling the hedge well is comparable with the cost of the well in the middle of the field and in addition to that, its hazard is greater, much greater. I don't believe that one should be penalized by the taking away of an allowable if they do get production because they take a bigger risk.

A I would like to point out that these two samsadone wells, the Samsadone No. 3 and 4 have the same type of location we are asking for and they have a full allowable. Those two are full allowable wells.

MR. SPURRIER: When were they drilled, do you know?

A I can tell you that.

(Off the record discussion.)

MR. SPURRIER: Let's go back on the record and get the date.

A I don't have the exact dates of 3 and 4, but No. 1 was drilled in '34 and these were drilled about the same time.

MR. SPURRIER: Substantially, they were drilled in the middle 30's at least.

A Yes.

MR. GIRARD: For the purpose of the Commission, the request for an unorthodox location is nothing new to this Commission. The Commission has had any number of applications for unorthodox locations and have granted them. Now, the old Shell Sanger lease in that case, I don't believe they have an orthodox location on the entire lease. Within the last two years or three years there has been a well drilled on an unorthodox location, they even had to move a little further up to file the application to get off the highway.

MR. SPURRIER: Do you gentlemen have any questions?

(Off the record discussion.)

MR. WHITE: Were all the adjoining property owners notified of the hearing?

MR. GIRARD: If the Commission please, I came to the matter after it had gone to notice. I will admit to the Commission that my application is not in due form but this Commission sits more as an informal body, and their proceedings are informal in nature. I feel that notice was given by publication as required

by your rules and regulations. The actual registered notice by mail which is set forth in your Rule 104 was not given because the applicant failed to comply with Rule 104, furnishing you with the names of the offset leases and the Commission is not under obligation to go seek that out. I don't know what the Commission's file reflects as to whether anyone was notified by registered mail, but since this Commission is only taking the matter for hearing purposes, at this time, and not to act on it until the full Commission or a quorum is here, I would like to submit to the Commission that we will and would like permission to file a supplement application, supplementing the existing one and have that supplement considered in the light of the testimony and the exhibits that have been offered today. In that connection I will assure the Commission and furnish proof that whether the Commission gives registered notice or not we will notify the offsetting interests. I don't know who to notify other than the Land Commissioner who is a member of this Commission, in regard to the land immediately west. It is state land. As to the 40 acres owned by Amerada, we will furnish proof to this Commission that they have been notified. We will also furnish Amerada with our engineering data that we have turned over to the Commission today, being our exhibit No. 1. And request a reply from them.

(Discussion off the record.)

MR. SPURRIER: For the record, let's say that I will recommend to the Commission that we accept your application. You will file written consent of these offset operators and upon

receipt of that we can act upon the record that was taken here today, which will save the Commission expense and the time in readvertisement.

MR. GIRARD: I would like for the Commission here to hold this matter open and don't close the hearing until we have been given the opportunity to furnish that proof.

MR. SPURRIER: I will recommend to the Commission that --

MR. GIRARD: (Interrupting) That the proof may be transmitted by mail rather than open hearing.

MR. SPURRIER: If you have nothing further, no one has any questions, we will dismiss the witness and this case will be recessed for future consideration.

(Witness excused.)

STATE OF NEW MEXICO)
 : SS.
COUNTY OF BERNALILLO)

I HEREBY CERTIFY that the foregoing and attached transcript of proceedings in Case No. 306, before the Oil Conservation Commission taken on September 13, 1951, in Mabry Hall at Santa Fe, is a true and correct record to the best of my knowledge, skill and ability.

DATED at Albuquerque, this 2nd day of October, 1951.

Ada Dearnley
REPORTER