

1 Q Have you previously testified before the Commission?
2 A I have.
3 Q And your qualifications,
4 at that time? a engineer were introduced
5 A Yes, sir.
6 Q On behalf of the Aurora Gas
7 owner of the oil and gas lease on Lowpany, who is the
8 Township 18S, Range 39E, NMPM, Lea Cou Section 29,
9 you tell the Commission as to the locat. ico, will
10 well?
11 A Yes, sir. The Aurora Gasoline Co vis No. 1
12 is located in Lea County New Mexico, -- do)
13 No. 2?
14 Q No. 1.
15 A Lea County New Mexico, 330 feet from th
16 and 990 feet from the south line, Unit O, Lot 4.
17 Q In what formation is that well completed?
18 A That well is completed in the San Andres formation.
19 Q What is the depth to which it is completed?
20 A The Aurora Davis No. 1 is completed at a total depth
21 of 4,465 feet.
22 Q The acreage to the west of that well is held by Gulf,
23 isn't it?
24 A That is correct.
25

1 Q Have you previously testified before the Commission?
2 A I have.
3 Q And your qualifications as an engineer were introduced
4 at that time?
5 A Yes, sir.
6 Q On behalf of the Aurora Gasoline Company, who is the
7 owner of the oil and gas lease on Lots 3 and 4, Section 29,
8 Township 18S, Range 39E, NMPM, Lea County, New Mexico, will
9 you tell the Commission as to the location of your Davis No. 1
10 well?
11 A Yes, sir. The Aurora Gasoline Company Davis No. 1
12 is located in Lea County New Mexico, -- do you want No. 1 or
13 No. 2?
14 Q No. 1.
15 A Lea County New Mexico, 330 feet from the East line,
16 and 990 feet from the south line, Unit O, Lot 4.
17 Q In what formation is that well completed?
18 A That well is completed in the San Andres formation.
19 Q What is the depth to which it is completed?
20 A The Aurora Davis No. 1 is completed at a total depth
21 of 4,465. feet.
22 Q The acreage to the west of that well is held by Gulf,
23 isn't it?
24 A That is correct.
25

1 Q Has there been a well completed in that formation to
2 the west of your Davis No. 1 well?

3 A Yes, sir. That well being the Gulf R. D. Davis No. 1.

4 Q Has there been a well completed by W. H. Black Drilling
5 Company to the east over in Texas?

6 A Yes, sir, the W. H. Black Drilling Company recently
7 completed the E. E. Jones "A" Well No. 3.

8 Q Is that well producing from the same formation?

9 A Yes, sir.

10 Q Do you know the allowable being run from that well
11 at the present time?

12 A No, sir, I do not.

13 Q Do they have an application before the Railroad
14 Commission of Texas for a discovery allowable, based on that
15 well?
16

17 A Yes, sir.

18 Q At the present time, what is the allowable being
19 produced from your Davis No. 1?

20 A The allowable for the Davis No. 1 at this time is
21 34 barrels per day.

22 Q If these two lots are combined for proration purposes,
23 do you think that the establishment of such a proration unit
24 will fully protect the correlative rights of this applicant
25 and adjacent land owners?

1 A I do.

2 Q And prevent waste?

3 A Yes, sir.

4 Q Also, is it not true that Skelly, to the south of
5 you, Lot 4, has staked a location?

6 A Yes, sir.

7 Q For a well to this same formation?

8 A Yes, sir, they have.

9 Q How far south is it located from your south line of
10 Lot 4?

11 A I believe it is 330 feet.

12 Q Has Humble on the Texas side staked a location of a
13 diagonal offset to your Lot 4 to the southeast?

14 A Yes, sir, I think they have.

15 Q Also included in this application is an application
16 unit
17 for establishment of a proration/for the Clearfork and known
18 as Davis No. 2 Well?

19 A Yes, sir.

20 Q Please state for the record the location of the
21 Davis No. 2 well.

22 A The Davis No. 2 well is located in Section 29, Range
23 39 E.

24 Q 18 South?

25 A 18 South.

1 Q 39 East.

2 A It is 1980 feet from the south line, and 330 feet
3 from the east line.

4 Q To what formation has that well been drilled?

5 A That well has been drilled to the Clearfork formation.

6 Q Has that well been completed?

7 A No, sir. It is now in the process of being completed.

8 Q When completed, from what formation will it produce?

9 A It will produce from the Clearfork formation.

10 Q Are these separate and distinct sands from the San
11 Andres formation?

12 A Yes, sir.

13 Q What is the total depth of that well?

14 A That well is now bottomed at a TD of 6433.

15 Q Are there any wells in that formation offsetting this
16 lot?
17

18 A There are no direct offsets. However, it was drilled
19 for the purpose of diagonally offsetting the W. H. Black-E. E.
20 Jones "A" No. 2 and the W. H. Black-E. E. Jones "B" Well, No. 1.

21 Q Is the Well No. 1 Black on the Texas side completed
22 in the Clearfork formation?

23 A Yes, sir.

24 Q How long has it been completed?

25 A I don't know exactly. It has been on production for,

1 I would say, almost a year.

2 Q In the event the two lots are combined for a proration
3 unit for the Clearfork formation, is it your opinion that the
4 establishment of such a proration unit will fully protect the
5 correlative rights of the Aurora Gasoline Company and the
6 adjacent land owners, and prevent waste?

7 A Yes, sir.

8 MR. MADOLE: I have no other questions.

9 MR. SPURRIER: Does anyone have a question of the witness?
10

11 MR. CAMPBELL: If the Commission please, I would like to
12 ask Mr. Simon a question or two.

13 CROSS EXAMINATION

14 By MR. CAMPBELL:

15 MR. CAMPBELL: My name is Jack M. Campbell of Roswell,
16 representing the Gulf Oil Corporation.

17 Q Mr. Simon, my questions will be directed toward that
18 portion of your application relating to the establishment of
19 a proration unit insofar as it applies to the San Andres
20 formation only.

21 A Yes, sir.

22 Q As I understand it, you are seeking an allowable of
23 51/40, combining Lots 3 and 4, based upon your San Andres
24 Well Davis No. 1, is that correct?

25 A Yes, sir.

1 Q In the course of drilling this Davis No. 2, of course
2 you went through the San Andres formation.

3 A That is correct.

4 Q Where does your -- where do you pick the top of the
5 San Andres in your No. 2 well?

6 A On the Davis No. 2?

7 Q Yes, sir.

8 A At a minus 865.

9 Q And where did you pick the top in your No. 1?
10

11 A At a minus 851.

12 Q Then you show the San Andres in your No. 2 to be
13 14 feet lower than your No. 1, is that correct?

14 A That is correct.

15 Q Could you state how much of your pay section you
16 have opened in your No. 1 well, do you know?

17 A Yes, sir, we feel we have approximately 20 feet.

18 Q Do you know where the water table may be, given in
19 your production from that well?

20 A Yes, sir. We feel that the well is bottomed very
21 close to the water table. We are taking that picture as being
22 the worse possible situation that could have developed. We
23 are now producing from the Davis No. 1 less than 1% water,
24 but there is a distinct percentage of water being produced
25 with that well. Consequently we feel we are very, very near,

1 even perhaps just immediately above, the water table.

2 Q Now, on your No. 2 well, when you went through the
3 San Andres, did you make any tests of that formation?

4 A We did. Would you like me to go into that?

5 Q Yes. Would you state the nature of the tests and what
6 the results showed?

7 A We took two so-called tests; one, we cored the
8 formation, and secondly, we drill-stem tested the formation.
9 Let me give you the data on the drill-stem test. The drill
10 stem test consisted of an interval from minus 861 to minus
11 884 with the top of the porosity at a minus 065. The results
12 of the test were as follows: We recovered 720 feet of slightly
13 oil and gas cut salt water; and 1980 feet of sulphur water.
14 Our core analysis, as performed by Core Laboratories, Inc.,
15 who do petroleum reservoir engineering work, submitted the
16 following report on the Davis No. 2: I will read directly
17 from this and submit it as an exhibit.

18
19 Formation occurring between the depth 4450 and 4460
20 contained very low permeability, and is not expected to produce
21 appreciable quantities. One foot of the formation in the
22 interval is permeable and occurs at the depth 4458 to 4459;
23 Fluid properties measured in this foot of formation indicate
24 gas production. The formation from 4460 to 4477 feet contains
25 appreciable permeability and sizeable fluid properties. These

1 fluid properties indicate oil production to the depth 4470
2 feet. Formations between 4470 and 4477 feet contain a somewhat
3 higher water saturation, which might indicate this zone to be
4 in a transitional state from oil to water production.

5 Q Based on the results of your drill stem test in which
6 you recovered 720 feet of oil and gas cut salt water and 1980
7 feet of sulphur water, would you consider the San Andres
8 formation in your Davis No. 2 to be a commercial oil well?
9

10 A I do, and I would like to inject some other information
11 into the --

12 Q Go ahead.

13 A -- into the situation here. I would like to make
14 direct reference to the W. H. Black-Jones "A" 3. The top
15 of the porosity in that well was found at -860. The TD -864,
16 leaving a net of 4 feet of pay from which that well is now
17 producing. That well, on potential test, produced in the
18 neighborhood of ten barrels per hour. Going back to the
19 Aurora Davis No. 2, as I stated before, the top of the porosity
20 was -865. Comparing the TD in the Jones A-3 and the Aurora
21 Davis No. 2, it can be seen that the Jones A-3 is bottomed
22 one foot above the porosity in the Aurora Davis No. 2. I would
23 like to bring out the fact that the Jones A-3 did not make any
24 water during its potential test, and to date is still not making
25 any water. Jumping over to our core analysis, it is quite

1 indicative that the entire San Andres formation in the area
2 is extremely permeable and very highly porous. And the core
3 analysis as taken on the W. H. Black-Jones A-3, entirely bears
4 that fact out. The core analysis on the Jones A-3 further
5 indicates that vertical fracturing is present. Accordingly,
6 we feel that if vertical fracturing is present in the Jones A-3,
7 which is bottomed one foot above the porosity in the Aurora
8 Davis No. 2, that at the rate of at least 10 barrels an hour
9 there would have been some water produced.

10
11 Lets go back to the water table as we have picked it in
12 the worse situation relative to the ~~Aurora~~ Gasoline Company,
13 which is at -871. We are 6 feet above the water table in the
14 Aurora Davis No. 2. Now, if the Black-Jones A-3 is producing
15 at a rate of 10 barrels an hour from 4 feet of pay, I don't
16 think it is unreasonable to believe that a producer could
17 not be made out of the Aurora Davis No. 2 6 feet above the
18 water table, and which is only one foot with respect to the
19 porosity above the total depth in the Jones A-3. I personally
20 supervised the coring and the drill stem testing on the Aurora
21 Davis No. 2, and had the opportunity to inspect the cores
22 as taken on the Gulf Davis No. 1, and the Black-Jones A-3.
23 And from what I could detect from looking at the cores under
24 a microscope, all three cores contain the same type of formation
25 and the same type of porosity, which was both oolitic and

1 granular, and there is no doubt in my mind those are the
2 same formation, San Andres.

3 Q Despite that, Mr. Simon, it is correct, isn't it, the
4 test you made in that formation did not indicate any oil
5 production. There was no oil recovered, was there?

6 A The salt water was cut with oil and gas.

7 Q The Jones No. 3 Well you are referring to is the one which
8 offsets the Davis No. 1 producer to the south of the No. 2
9 well?

10 A That is correct.

11 Q Do you feel that the -- would you recommend to your
12 company they complete the No. 2 well in the San Andres?
13

14 A Would I recommend it at this time? I can't very well do
15 that for the simple reason that the original intention of
16 that well was to meet a Clearfork obligation, and not for
17 a San Andres test. I would like to go on to further state
18 that the chief purpose of drill stem testing and coring the
19 San Andres section was for the determination of the water
20 table. We know definitely we are producing some water in the
21 Aurora Davis No. 1.

22 MR. CAMPBELL: I think that's all.

23

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REDIRECT EXAMINATION

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By MR. MADOLE:

Q Mr. Simon, the drill stem test made was made below the water line that you knew at the time, wasn't it?

A That is correct.

Q The Davis No. 2 well, I think you mentioned, was drilled to comply with a drilling obligation in the assignment to Aurora, wasn't that true?

A That is correct.

Q And the test in the No. 2 well as to the San Andres was for the purpose of determining the water table?

A That is correct.

Q As my figures -- I am not an engineer -- but the test drill stem test, was run from 4454 to 4477, wasn't it?

A That is correct.

Q 27 feet.

A Yes, sir.

Q And assuming you -- how far below the water line was that test made?

A Direct reference is again made to the Core Lab's report where they state that the formation between 4470 and 4477 contains a somewhat higher water saturation in the above interval that was cored. And this may indicate that the zone to be in a transitional state from oil to water production.

1 Q Mr. Simon, have you been testing for the purpose of
2 completing a well in the San Andres, the drill stem test
3 would have been conducted otherwise than with 27 feet of
4 testing wouldn't it?

5 A I want to state it definitely would. In fact, we
6 would have no doubt employed the same type of
7 completion program that the Gulf Oil Corporation and the
8 W. H. Black Drilling Company employed, and they cored very
9 small intervals, as much as two or three feet at a time.
10 For the very simple reason that they very definitely wanted
11 to stay high enough above the water table.
12

13 MR. MADOLE: I have no further questions.

14 RE-CROSS EXAMINATION

15 BY MR. CAMPBELL:

16 Q I am not sure I understood one or two answers, Mr. Simon.
17 You didn't state the drill stem test was entirely below the
18 water table?

19 A No, sir.

20 Q A portion was below your estimate of the water table.

21 A Yes, sir.

22 Q And a portion up in the same zone now producing on
23 your Davis No. 1?

24 A Yes, sir.

25 MR. CAMPBELL: That's all.

1 MR. SPURRIER: Anyone else have a question of this
2 witness?

3 MR. WHITE: I have one question here.

4 By MR. WHITE:

5 Q Take your three lots and you are asking us to extend
6 the lot on the east to include the one immediately to the west -

7 MR. MADOLE: No, they run north and south, Lots 3 and 4
8 (Off the record)

9 MR. MADOLE: As our Exhibit No. 1, we would like to
10 introduce the contour map from which the witness testified.

11 MR. SPURRIER: Without objection it would be received.

12 MR. MADOLE: As Exhibit No. 2 we would like to introduce
13 the location of the Aurora Gasoline Company's Davis No. 1 well.
14 As our Exhibit No. 3 we would like to introduce the location
15 of the Aurora Gasoline Company's Davis No. 2 well. As our
16 Exhibit No. 4 we would like to introduce the location of the
17 Gulf Davis No. 1 well. As our Exhibit No. 5 we would like to
18 introduce the location of the A-3 Black-Jones well in Texas.
19 As our Exhibit 6 we would like to introduce the drill stem
20 testing data on the Davis No. 2 Aurora. As our Exhibit No. 7
21 we would like to introduce the core analysis of the Aurora
22 Gasoline No. 2 Davis well. As our Exhibit No. 8 we would like
23 to introduce the core analysis on the Black-Jones A-3 well.

24 MR. SPURRIER: Without objection these Exhibits will
25 be received, 2 through 8.

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R. L. BOSS,

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. CAMPBELL:

Q Will you state your name and the company by whom you are employed?

A R. L. Boss, employed as zone geologist by the Gulf Oil Corporation.

Q Have you testified previously before this Commission?

A I have.

MR. CAMPBELL: Is the Commission satisfied with the qualifications of the witness?

MR. SPURRIER: They are.

Q Mr. Boss, are you acquainted with recent discoveries that have been made in Section 29, Township 18S, Range 39E, Lea County, New Mexico?

A I am.

Q What is Gulf's interest in that immediate area?

A Gulf has several tracts in the immediate area. One, comprising the southwest quarter of Section 29, Township 18S, Range 39E, NMPM, which - on which - we have completed a well quite recently to the San Andres pay.

Q That is immediately west of the Aurora Company's Davis No. 1, is that correct?

A That is true.

1 Q I hand you what has been marked Gulf Exhibit No. 1.
2 I will ask you to state what that is.

3 A That is our interpretation of the San Andres
4 structure in that immediate area. At least on the evidence
5 from the electrical logs and well samples.

6 Q What does that map show with respect to the
7 structural position of the Davis No. 2 well of the Aurora
8 Gasoline Company?

9 A It merely shows the relative structure position
10 between the several wells in the area.

11 Q What is the relative position as shown by your
12 interpretation upon the Davis No. 1 well and the Davis No. 2
13 well?

14 A Well according to our determination of the San Andres
15 datum formation of these wells, which has been based on both
16 electrical logs and schlumber jays, but corrected to the -
17 to the electrical log, rather - our interpretation is that the
18 No. 2 Davis well, Aurora Davis, is 18 feet low to the No. 1:
19 That is, on the top of the San Andres formation.

20 Q Are you acquainted with tests that have been taken
21 and reports that have been made with reference to those tests
22 on the Aurora Davis No. 2 well?

23 A I am.

24 Q Will you just state to the Commission what your
25 understanding of the test and the results is and what your

1 conclusion is based on that information.

2 A The record we obtained of those tests on the Aurora
3 Davis No. 2 was identical with that reported by Mr. Simon.
4 And our interpretation of those - of these data - is that since
5 the test included the top of the San Andres and an additional
6 section of some 23 feet, that all or any part of what might
7 have been commercially productive was included in that test,
8 and the results of the test in our opinion do not indicate
9 that this particular well would be a commercial well from the
10 San Andres pay. The small amount of oil that was obtained
11 despite the fact that there was some oil, it was negligible
12 apparently, and a well 90 feet from our No. 1 well which is
13 quite prolific from this pay, it would be our interpretation
14 there would be more oil recovery in addition to the water if
15 the San Andres were commercially productive in this location.

16 Q In other words it is your conclusion from the
17 information you have, based on these tests taken by the Aurora
18 Gasoline Company, that the test doesn't indicate that the
19 Davis No. 2 would be an oil well in the San Andres, is that
20 correct?

21 A That is our interpretation.

22 Q I notice on Gulf's Exhibit 1 there is a line, east-
23 west line, drawn through the Davis No. 2 well in Lot 3. Will
24 you state to the Commission the purpose of that line?

25 A The indicated dip on that portion of the structure is

1 north. Therefore it is conceivable that a portion of that
2 acreage is underlain by oil in the San Andres formation. And
3 that portion would be the up dip or the southern part of the
4 lot. By drawing a line, east-west line, through well No. 2
5 would divide the Lot No. 3 in two almost identical portions.
6 According to our information on that survey in the area, the
7 information given is the southern portion of Lot 3, 12.95 acres,
8 northern part 13.01 acres. Since the oil would be up dip, the
9 12.95 acres conceivably could contain some oil. In that
10 consequence Gulf's position is that by uniting that portion of
11 Lot 3 with the 25.99 acres in Lot 4, it would approach 39 acres -
12 38.94 acres to be exact - which is very close to the basic 40
13 acre unit. And on that reasoning Gulf would have no objection
14 to the Aurora obtaining the basic 40 acre allowable on their
15 well.

16 Q In other words, Gulf is not seeking as a result of
17 our interpretation of this Davis No. 2 well to restrict Davis
18 No. 1 to 25/40 allowable?

19 A No.

20 Q You would be willing to concede the possibility of
21 production in the southern part of Lot 3, and wouldn't object
22 to a normal 40 acre unit allowable for the Davis No. 1 well in
23 the San Andres?

24 A That is correct.

25 MR. CAMPBELL: I believe that's all.

1 CROSS EXAMINATION

2 BY MR. MADOLE:

3 Q Mr. Boss, your interpretation - did you have the
4 benefit of the core analysis of the Core Laboratories at the
5 time you made your interpretations?

6 A No, sir.

7 Q Isn't it true then that - and you don't question
8 those core analysis in any way?

9 A No, sir.

10 Q Isn't it true that the method of the test which was
11 made - strike that please. There is a definite water drive
12 in this formation isn't there? There is a water drive?

13 A Well the preliminary data suggests that.

14 Q A water drive. If the test was made below the water
15 line, as was indicated and testified to, isn't it very possible
16 that you would draw your salt water out in such a way it would
17 drown out your oil in that sand where you made the test of that
18 character? In other words, being below the water line at that
19 point and if you made a 27 foot test you could very easily
20 pull your water in ahead of your oil so that it wouldn't be a
21 true test of your oil content?

22 A It possibly would not be a true test. However, I
23 think it would be a very suggestive. And under the conditions
24 of this particular well I cannot help but feel that more oil
25 would have been recovered from this test had there been any

1 oil there.

2 Q But you are not testifying that there possibly is
3 more oil there?

4 A No.

5 MR. MADOLE: That's all.

6 MR. SPURRIER: As evidenced by the trace of oil in the
7 recovery.

8 REDIRECT EXAMINATION

9 By MR. CAMPBELL:

10 Q Mr. Boss, your position is simply based on the
11 information provided by tests taken by Aurora themselves.
12 There isn't sufficient evidence of production from that well
13 to justify attributing to it acreage for the basis of an
14 additional allowable?

15 A That is true. The down dip portion of the lot would
16 certainly be below the water table, and thereby I think the
17 test has condemned at least that portion of Lot 3. We will
18 concede there is oil under the remaining or up dip portion.
19 And with that and the 25 acres in Lot 4 approaching the unit,
20 it is our idea that that would be a more equitable allowable
21 than based on 51 and a fraction acres.

22 RECROSS EXAMINATION

23 By MR. MADOLE:

24 Q Mr. Boss, did you have the benefit of the core
25 analysis in the A-3 Jones-Black well when you made your

1 interpretation?

2 A No, sir.

3 Q You didn't have that?

4 A No, sir.

5 Q Then you have no reason to question the information
6 testified to by Mr. Simon as to the depth and footage that
7 they are producing from?

8 A No, sir.

9 Q Would that effect your interpretation?

10 A I think not.

11 Q If the core analysis indicate they are producing
12 from between 4 and 5 feet of sand lime above the water table
13 and the core analysis show that the Davis No. 2 well has in
14 excess of 6 feet, isn't there a very good possibility that a
15 well could be completed in the Davis No. 2 well?

16 A Core analysis are not complete indications of the
17 performance of the reservoir. They are a close approach, one
18 of our best methods, but the performance of reservoirs
19 sometimes, quite frequently, doesn't follow the evidence that
20 core analysis gives. In other words, if you had a core analysis
21 and from that would make an estimate of the recoverable fluids
22 from the reservoir, the actual well performance doesn't follow
23 that exactly.

24 Q Those findings could not be disregarded in your
25 interpretation though, could they?

1 A They would have to be considered as evidence.

2 MR. MADOLE: That's all.

3 MR. WHITE: I would like to ask Mr. Simon a question.

4 (Mr. Simon resume the stand)

5 By MR. WHITE:

6 Q If we assume your analysis is correct and there is
7 oil in that particular formation in the No. 2 well, what
8 reason can you offer as to why the Commission should give you
9 more than a normal 40 acre unit allowable on No. 1?

10 A Would you please state the question again?

11 MR. WHITE: Will you read it, please?

12 (Reporter reads the question.)

13 MR. MADOLE: Is that engineering question or law question?

14 MR. WHITE: If we even assume there is oil in the formation
15 in the No. 2 well and you are not producing from that formation
16 in the No. 2, what you are asking for is to give you more than
17 a 40 acre normal allowable on your No. 1.

18 MR. MADOLE: You have 52/40 acres. Our proration in New
19 Mexico is on a flat acreage basis. And also your statute
20 provides that you will not drill unnecessary wells. Therefore
21 from your question you would make it necessary to drill an
22 additional well on Lot 3 when the correlative rights could be
23 protected on a straight acreage basis.

24 MR. WHITE: That's all I have.

25 MR. SPURRIER: Would Aurora consider making more tests on

1 this particular producing formation in that No. 2 Davis?

2 MR. MADOLE: I am not an engineer. I don't know what -
3 we would be glad to do anything the Commission wants. We are
4 not adverse to doing anything you would suggest.

5 MR. SPURRIER: The Commission is faced with two divergent
6 opinions on the same amount of testing and it is up to the
7 Commission to decide whether you get 40 or 52. One allowable
8 or 52/40 of an allowable.

9 MR. SIMON: Mr. Spurrier, would you please state what type
10 of test you had reference to?

11 MR. SPURRIER: If you are willing to make any further
12 test, what you make is up to you.

13 MR. SIMON: It would be impossible to test the Davis No. 2
14 because the formation has been cased off and we are now attempt-
15 ing to produce from the Clearfork, and the only other method
16 which could be employed would be the drilling of another well.

17 MR. SPURRIER: Does anyone have a further question of
18 either witness?

19 MR. BLYMN: Mr. Chairman, I would like to make a statement
20 and possibly lead to a question. Inasmuch as the Davis No. 1
21 is 330 feet from Texas it appears there is a chance for
22 correlative rights to be affected across the State line. If I
23 might I would like to ask of the Aurora if the property owners
24 and the Texas Railroad Commission have been informed of their
25 application pending before this Commission now?

1 MR. MADOLE: Mr. Blymn, they were included as adjacent
2 owners in the application and whether or not the Commission
3 gave notice I wouldn't want to state. But they were named
4 and set up in the application that they were the adjacent
5 owners on the Texas side.

6 MR. BLYMN: The Railroad Commission has been informed of
7 this application.

8 MR. MADOLE: The notice is to be given by the Commission.
9 I do not know what notice they gave.

10 MR. BLYMN: Thank you.

11 MR. MADOLE: For the record I would like to state - it
12 isn't testimony, it is hearsay - but Black has no objections
13 whatsoever to this application, and they have so stated to
14 Aurora.

15 MR. CAMPBELL: What kind of allowable is Black getting?

16 MR. MADOLE: A discovery allowable of about 75 barrels a
17 day from my understanding, and on which they have a hearing on
18 January the 4th.

19 MR. SPURRIER: What allowable are you asking for here,
20 what figure?

21 MR. MADOLE: Figure about 68 sir. The 25/40 figures 34.
22 It would be approximately 68. I was going to make a statement
23 to the Commission with reference to the very thing Mr. Blymn
24 brought out after we finished the testimony. This is certainly
25 one of those cases that should be considered in this joint

1 Railroad Commission and New Mexico Oil Conservation Commission
2 hearing which has been suggested. Because if that well is
3 allowed a discovery allowable for several months, and this well
4 - for that well is only 330 feet from the line, or 660 feet-
5 and then we are cut to a 34 barrel allowable, we are certainly
6 going to be drained.

7 MR. SPURRIER: How far is your well from the -

8 MR. MADOLE: 330.

9 MR. SPURRIER: Are there any further questions?

10 MR. CAMPBELL: How were you computing the 34 barrels, on
11 the 25/40 basis?

12 A Yes, sir.

13 MR. CAMPBELL: I might say in the light of what he has
14 said it becomes apparent that the Black well in Texas may be
15 allowed to produce a discovery allowable of 70 some odd barrels
16 and if this well were granted a 52/40 allowable, then the Gulf
17 well to the west of that is going to have a normal 40 acre unit
18 allowable; it seems to me quite obvious that the production to
19 the east of the Gulf well on the Texas State line is going to
20 accessively affect the correlative rights of owners of leases
21 to the west. I would like also to state Gulf has no objection
22 to the unitization of these lots for the purpose of establishing
23 allowables in excess of basic unit allowables where the
24 circumstances show that both of the lots would be fully
25 productive. The best that can be said of the evidence in this

1 case is that it is extremely speculative, and the interpreta-
2 tion that Gulf places on it is had there been any oil there in
3 appreciable quantities it would have developed during the
4 course of the drilling test. I would like also to repeat to
5 the Commission, Gulf has no objection to including the lower
6 part of Lot 3 as a proration unit with the Davis No. 1 well
7 and giving it a normal 40 acre unit allowable. We are not
8 insisting that they be limited to 34 barrels or a 25/40
9 allowable as they seem to apprehensive about.

10 MR. SPURRIER: Mr. Madole.

11 MR. MADOLE: I have no further comment to make except to
12 point out to the Commission the circumstances under which this
13 test was made in the San Andres formation. This Commission
14 is acquainted with the history of the Aurora Gasoline Company's
15 operations and the necessity of the Clearfork drilling
16 obligation. As pointed out by the witness, had there - had
17 they been interested in completing the well in the San Andres
18 an entirely different procedure would have been used. Further-
19 more, the test that was made was conducive entirely to bringing
20 salt water to the surface, but the core analysis as introduced
21 in the Commission hearing indicate an oil content and there is
22 nothing that has been introduced to discount the fact that that
23 formation could produce oil. The Cooper-Jal and others are
24 producing with less than 5% oil content and making their
25 allowable. So we can't, on the basis of this evidence, see

1 that there is no oil underlying the Davis No. 2 well. And
2 with those circumstances we say that the full allowable should
3 be granted. Should subsequent test by Gulf or otherwise
4 indicate that she was barren further north, we can reconsider
5 the matter at that time. We certainly don't want anymore than
6 we are entitled to. But we want whatever is reasonable under
7 the circumstances. We realize there is a negative condition
8 with the production to the east and the fact that the Clearfork
9 had to be tested in the Davis No. 2 well; and for that reason,
10 we do not want to appear before the Commission as in any way
11 wanting something for nothing and including acreage that is
12 barren. But at the same time this - and also I would like to
13 point out to the Commission that this application was made
14 prior to the time of the testing of the Davis No. 2 and we
15 feel that the showing made here is it will produce from the
16 Davis No. 2 and in that formation, but for business reasons
17 it wasn't used as a basis of making a well in the San Andres
18 formation.

19 MR. SPURRIER: Does Gulf contemplate an offset to the
20 west?

21 MR. BOSS: Not as yet.

22 MR. SPURRIER: Wasn't this San Andres production discovered
23 on the New Mexico side by your Aurora No. 1?

24 MR. MADOLE: Yes, sir.

25 MR. SPURRIER: And now Mr. Black is getting a discovery

1 allowable on the Texas side?

2 MR. MADOLE: There is a hearing set for January the 4th
3 before the Railroad Commission of Texas.

4 MR. SPURRIER: And what will they decide at that time,
5 what problems do they have?

6 MR. MADOLE: The question of granting the discovery
7 allowable to the Black A-3 well from the San Andres formation.
8 In other words we are now up to the ^{electric} log on the very problem
9 we discussed at the joint hearing of the Railroad Commission
10 and the Oil Conservation Commission.

11 (Off the record discussion)

12 MR. SPURRIER: I think in the interest of interstate
13 cooperation, which we feel can be accomplished with Texas, and
14 in the interest of equity, that the Commission will continue
15 this case to its regular January hearing, which I believe will
16 be set for January 22. And we will in the meantime consult
17 Texas and probably so write our advertisements that we will
18 have some type of joint action. It is obvious there are
19 differences here that should be resolved.

20 MR. MADOLE: In the interim are we limited to 25/40?

21 MR. SPURRIER: In the interim I would say that you will
22 probably be regulated to the 40 acre figure.

23 MR. MADOLE: That is agreeable to us, sir, until such
24 time as it can be worked out.

25 MR. SPURRIER: Does Gulf have objection? Any further
comments on the case? That concludes the hearing.

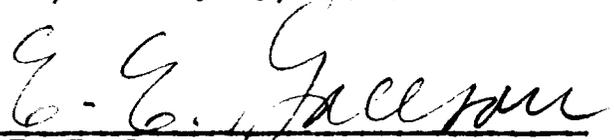
STATE OF NEW MEXICO

ss

COUNTY OF BERNALILLO

I HEREBY CERTIFY That the attached transcript of hearing in Case No. 332 is a true record of the same to the best of my knowledge, skill, and ability.

DONE at Albuquerque, N. M., January 23, 1952.

A handwritten signature in cursive script, appearing to read "E. E. Greeson", written over a horizontal line.

E. E. Greeson
Notary Public

My Commission Expires: 8-4-52

OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

Transcript of Hearing

CASE NO. 332

January 22, 1952

**Henriksen's Reporting Service
2324 - 47th Street
Los Alamos, New Mexico**

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

January 22, 1952

Case No. 332: In the matter of the application of the Aurora Gasoline Company for an order consolidating Lots 3 and 4 in Section 29, Township 18 South, Range 39 East, NMPM, Lea County, New Mexico into one proration unit of 51.95 acres, and special adjustment of allowable on said unit.

MR. SPURRIER: If there are no objections, the record will show that the advertisement has been read in full. I'm sorry for the delay, gentlemen. It seems like this is the slowest day we've ever had. In Case 332, you will remember, we continued that case to this hearing to get some information from the Texas side of this pool. Now, Mr. Singletary has come up from Austin to listen in and if there is information which is not available to the New Mexico people, perhaps Mr. Singletary can help us out. We are not putting him on the witness stand but we want everyone to know that the Texas Commission has sent him up here to help us work out the problem we have on this pool. Now, Mr. Madole, do you have anything further?

MR. MADOLE: I have no further questions of him. I think this matter is for the higher echelons to work out between Texas and New Mexico.

MR. SPURRIER: Now, we have at the moment a proration letter and allowable based on forty (40) acres. Don't you have some comment on that, Mr. Madole?

MR. MADOLE: The Aurora Gasoline Company's case in chief was placed in the record at the previous hearing and we still insist on 51.95 allowable at such time as the Commission determines this case.

MR. SPURRIER: For what well and what formation?

MR. MADOLE: We wish to formally withdraw our application as to the Clearfork Formation and confine the application entirely to the San Andres Formation and that would be Lots 3 and 4 on which there is one well, the Davis No. 1, located on Lot 4, Township 18 South, 39 East, Section 29.

MR. CAMPBELL: Commissioner?

MR. SPURRIER: Yes, sir.

MR. CAMPBELL: Jack Campbell representing Gulf Oil Corporation. We would like to reiterate our position established by the evidence at the January hearing. And in the opinion of Gulf, the results of tests in the San Andres and Davis Well No. 2 of the Aurora Gasoline Company established that that formation was not productive at the location of that well and that the acreage to the north of the Davis No. 2 well has been condemned insofar as the San Andres production is concerned. We wish to also reiterate that we have no objection

to the continuation of a normal forty (40) acre unit allowable in view of the fact that the acreage in the south lot, combined with the acreage to the south of the well location in the northern lot, together approximate forty (40) acres. And for that reason, the Davis No. 1 well should be allowed a normal fifty-one (51) barrel allowable. We understand that there is, at present, being allocated to a well or wells in Texas producing from the same formation immediately across the State Line, a temporary allowable of one hundred (100) barrels per day. Approximately twice the allowable in New Mexico and we suggest as soon as feasible, an effort be made to reconcile the production -- the allowable between the Texas and New Mexico wells to avoid drainage from the New Mexico to the Texas side of the State Line.

MR. MADOLEN: May it please the Commissioners, in view of the fact that we are re-arguing the case, I wish to state for the record that Mr. Campbell's conception of the evidence introduced is very much opposed to my conclusion of the evidence introduced at the last hearing. The evidence did not show that the Lot 3 was non-productive. The evidence introduced by the Aubera conclusively proved that there was more than six feet of productive sand found in the drill-stem test in the core and the core analysis on the Davis No. 2 well. It was also undisputed and uncontradicted in the testimony and in the documentary proof that the Black Well on the Texas side is producing with four feet of formation and making no formation water.

It is producing from a minus 861. The Davis No. 2 well showed the production area at 865. The total depth of the Davis -- of the Black Well was at a minus 864. There was no formation water. There was a vertical fracture. If that formation in the Davis No. 2 was present for an oil-bearing sand, it would have shown -- and was drowned out by water, it would have shown to have been drawed out and would be making water in the Black Well. Furthermore, for the record and the Commission, we wish to state that as testified to by the geologist and engineer - excuse me, the engineer rather than the geologist for Aurora, the drill-stem test that was made was not for the purpose of coring or testing for the making of a well in the San Andres. For the record, as is well known by the Commission, the No. 2 Davis was drilled to comply with a drilling obligation which must go to the Clearfork and the San Andres formation was found in the Davis No. 1 well. They completed it as a well -- she blew out -- and they still had to go in and drill the Davis No. 2 well to comply with the drilling obligation. They were not interested in making a well in the Davis No. 2 in the San Andres -- entirely different drilling and testing procedures would have been carried out. To confiscate twelve (12) acres of land on the basis of the suspicion by Gulf that they didn't find oil without any proof other than the proof that they had in their well, Mr. ^E Foss testified that his interpretation was based entirely upon what he found in his well.

on the Gulf well, and on the recorded information on the Davis No. 1 well that he did not have the benefit of the core analysis on the Black Well and that he could not disregard them in any interpretation. So to reach the bald-faced conclusion that we have proved a dry hole in the Davis No. 2 well in the San Andres formation doesn't conform to the facts or the proof in this case.

MR. CAMPBELL: If the Commission please, the record is available to the Commission and we will rely on Mr. Foss' bald-faced conclusion.

MR. SPURRIER: Thank you. Does anyone have any further comment in Case No. 332? If not, the case will be taken under advisement and I believe that the Commission - this Commission will have to consult with the Texas Commission before we can reach a clear-cut conclusion.

- - - - -

STATE OF NEW MEXICO)
) ss
COUNTY OF LOS ALAMOS)

I hereby certify that the foregoing and attached transcript of hearing in Case 332 before the Oil Conservation Commission on January 22, 1952, at Santa Fe is a true record of the same to the best of my knowledge, skill and ability.

DATED at Los Alamos, this 23rd day of January, 1952.

Andrey M. Herrickson

My commission expires September 20, 1955.