

BEFORE THE  
**Oil Conservation Commission**  
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 862

TRANSCRIPT OF PROCEEDINGS

**ADA DEARNLEY AND ASSOCIATES**  
COURT REPORTERS  
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ALBUQUERQUE, NEW MEXICO

BEFORE THE  
OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO  
Santa Fe, New Mexico  
March 16, 1955

IN THE MATTER OF:

The application of the Oil Conservation Commission upon its own motion for an order creating a new pool in the designated "potash-oil" area and establishing pool rules for same.

Applicant, in the above-styled cause, seeks an order (a) creating the North Benson-Queen Oil Pool in Eddy County, New Mexico, described as follows:

Twp. 18 South, Rge. 30 East  
E/2 Section 33;  
W/2 Section 34

Case No. 862

and such other contiguous lands as may properly be included therein as supported by proper testimony and recommendations adduced at said hearing; and (b) prescribing rules and regulations pertaining to the proposed North Benson-Queen Oil Pool in accordance with the provisions of Order R-111, which pertains to the drilling and completion of oil or gas wells within the so-called "potash-oil" area.

Before: Honorable John F. Simms, E. S. (Johnny) Walker,  
and William B. Macey.

TRANSCRIPT OF HEARING

S. J. S T A N L E Y

having first been duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. KITTS:

Q Will you state your name and position, please?

A S. J. Stanley, engineer for the Oil Conservation Commission.

Q Mr. Stanley, in connection with Case 862, do you have a recommendation you care to make in connection with the pool boundaries, proposed pool boundaries?

A Yes, sir, in the North Benson-Queen Pool it is recommended that the pool boundaries be as follows: The east half of Section 33, and the west half of Section 34 in Township 18 south, Range 30 east. The reason for that is to create a pool to include Simms and Reese ~~Manning~~ No. 1 in Unit I of Section 33, Township 18 south, Range 30 east, a Queen producer with the top of the perforation at 3,630 feet. Also the McClay No. 2 in Unit H of the same section.

Q Have you prepared an exhibit incorporating your recommendations?

A Yes, sir, I have.

(Marked Commission's Staff Exhibit No. 1 for identification.)

Q That is marked as Exhibit No. 1?

A Yes, sir.

MR. KITTS: We offer Commission's Staff Exhibit 1 in evidence.

MR. MACEY: Without objection it will be received in evidence. Any questions of the witness? If not, the witness may be excused.

(Witness excused.)

In connection with this case, I would like to point out that Order R-111 requires that our Order R-111 which is the rules pertaining to the drilling and completion of wells within the so-called "potash-oil" area of Eddy County and portions of Lea County, I believe the order provides that the Commission shall call a hearing to establish rules for every oil pool that is set up within that described area. If there is anyone who desires to put forth any rules, regulations pertaining to the drilling of these wells, casing programs and so forth, we would be very happy to receive them.

MR. REESE: George Reese, Simms and Reese Oil Company.

Mr. Commissioner, as you know, the present rules call for cementing surface string of pipe on top of the salt and a string through the salt, or in lieu thereof, cementing the production string back up to the bottom of the surface string. In this particular area it is my information that core tests have been drilled through the salt section, disclosing there is an absence of potash salts in commercial quantities. At one time the Southwest Potash Corporation had a Federal permit covering this acreage and did extensive coring as a result of which they surrendered the acreage.

Thereafter Mr. Andrews applied for and obtained a potash prospecting permit which I am advised he holds for the benefit of Duval Potash and Sulphur Company. If my information is correct that these core tests disclose an absence of commercial potash, then it seems to me that the present regulation for exploration wells should be changed as to this field so as to require merely the cementing of a string of pipe on top of the salt so as to insure a water shutoff. Then, if the well proves to be productive, which isn't at all certain in that area, cementing the surface pipe back up through the Yates would afford all of the protection.

MR. MACEY: You mean the production string?

MR. REESE: Yes, sir. Would afford all the protection that the area needs. The discovery well was an old hole drilled first in 1935, I believe. We reentered the old hole and were successful in getting down to the Queen sand where we ran a string of pipe and perforated it and sand-fractured and got a well which made its allowable for some months. It is now down to 30 barrels per day.

We then drilled an offset well to the north, and in that well

the sand that produces in the No. 1 well was wholly barren, there wasn't even an odor of petroleum or gas. We drilled on deeper and found a little pay some two hundred feet deeper. But the area spudded and if it is to be developed, it seems to me that the regulations should be made as reasonable as possible so as to permit development.

MR. WEAVER: J. C. Weaver, representing Duval Sulphur and Potash Company. This area in question, principally these two holes that Mr. Reese just mentioned, are quite close to known potash ore bodies. In fact, there is underground workings less than a mile from these holes. Speaking for Duval, I will have to say that we would like the Commission to comply and hold with regulation R-111.

MR. REESE: In answer to what has been said, I take it that the witness refers to Southwest Potash Corporation since it is the only operator in the vicinity of these lands. My firm represents Southwest Potash Corporation. I am not authorized to speak for them in this hearing, but I can say that the local management of that company is not interested in that casing program in that area.

MR. WEAVER: Duval Sulphur and Potash Company have a proven ore body north and east of these two wells in question, and we have that in mind when we request compliance with regulation R-111.

MR. MACEY: How far north and east is it, Mr. Weaver?

MR. WEAVER: The limit of the ore body as we now know it would be about a mile, maybe a little less than a mile from No. 2.

MR. MACEY: Anyone else?

MR. SMITH: J. P. Smith, United States Potash Company.

We are not directly concerned with this particular area. Our nearest leases lie some eight miles to the southeast. However, we are very vitally interested in the protection to the salt section if possible in view of the fact that at some subsequent time there may be oil and gas drilling on lands we presently hold under permit and leases.

MR. MACEY: Anyone else?

MR. PROTTS: D. Protts, Potash Company of America. I concur entirely with what Mr. Smith has said. I am sure that the regulation R-111 have been set down for the protection of both operators of both minerals, you might say. I see no reason why any changes should be made. The precedent problem is uppermost in our mind at this time.

MR. LANE: R. H. Lane, International Minerals Chemical Corporation, Carlsbad. We want to ask the Commission to give full accord to Rule R-111 in all cases.

MR. MACEY: Anyone else? In connection with Case 862, the Commission is going to continue the case until April. They are going to appoint a committee of their own representatives, representative of United States Geological Survey, and request them to sit in on the committee to try and work out an equitable casing program that will not only guarantee protection to the possible potash zones, but also be equitable to the oil operators.

In order to clarify what I said, we are going to request that the United States Geological Survey help us work out some kind of a casing program. I believe most of the land in the area is Federal land.

MR. REESE: All of this particular land described is

Federal land.

MR. SETH: Is that just in regard to this particular area or is this a general application?

MR. MACEY: It is in regard to this particular area. R-111 stands as it is and on any exploratory wells unless we have a hearing to revise Order R-111, it stands as it is. In this particular instance where we are creating a pool, we are required by the provisions of R-111 to set up pool rules. Where they agree or follow Order R-111 is the meat of this case actually is what is involved. Well, also in connection with that, if anyone else has any testimony to add to the Commission's testimony, why we will be glad to have it.

Anyone else have anything further in this case? If not we will continue to the regular April hearing.

C E R T I F I C A T E

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings in the matter of Case No. 862 was taken by me on March 16, 1955, that the same is a true and correct record to the best of my knowledge, skill and ability.

  
Reporter