

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 1500

TRANSCRIPT OF HEARING

November 13, 1958

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
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IN THE MATTER OF:

CASE NO. 1500: Application of Sinclair Oil & Gas Company for a hearing de novo before the Oil Conservation Commission of New Mexico on its application for a non-standard gas proration unit. Applicant, in the above-styled cause, seeks an order authorizing a 200-acre non-standard gas proration unit in the Blinebry Gas Pool comprising the SW/4 and SW/4 SE/4 Section 26, Township 21 South, Range 37 East, Lea County, New Mexico, said unit to be dedicated to applicant's J. R. Cone "A" Well No. 2 located 1980 feet from the South line and 660 feet from the West line of said Section 26.

BEFORE:

Honorable E. L. Mechem  
Mr. A. L. Porter  
Mr. Murray Morgan

T R A N S C R I P T   O F   P R O C E E D I N G S

MR. PORTER: Next case on the docket, Case 1500.

MR. PAYNE: Case 1500. Application of Sinclair Oil & Gas Company for a hearing de novo before the Oil Conservation Commission of New Mexico on its application for a non-standard gas proration unit.

C. S. TINKLER

called as a witness, having been previously first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. MCGOWAN:

Q Now, you are the same C. S. Tinkler, are you not, who

just got through testifying in Docket 1499 before this Commission?

A Yes, sir.

Q And I believe that you have asked the Reporter to mark an exhibit as Exhibit No. 1 in this case, have you not?

A Yes, sir.

Q Now, that exhibit shows again the location of the Cone "A" Well in the NW of the SW of Section 26, does it not?

A Yes, sir.

Q And that is the well which we are seeking to attribute acreage, is that correct?

A Yes, sir.

Q Now, the present unit assigned to that well is the W/2, SW, SE, SW and SW, SE, is that correct?

A Yes, sir.

Q And that is outlined in red on the exhibit in the S/2 of 26?

A That is correct.

Q The 40 acres we seek to add to that unit to make it a 240-acre unit is the NE of the NW, is that correct?

A Yes, sir.

Q Now, the names of the parties shown on this exhibit are the same names that were shown on Exhibit 1 in Docket No. 1499?

A Yes, sir.

Q The same instruments and the same effort that went into forming that unit, formed this unit, did it not?

A Yes, sir.

Q If I ask you the same question concerning the possibilities

and alternatives to the obtaining of this application in connection with this well, would the answers be the same as they were in Docket No. 1499?

A Yes, sir.

Q Now, with one possible exception, have you in any respect tried to work out a unit with Mr. Olsen?

A In regard to that, we did not actually talk about this 40 acres due to the fact that this 40 acres is as close to our well that we-- In other words, the "A" well No. 2 is the Olsen well, and we didn't feel, in view of the fact that it was close to our acreage, that we would approach them.

Q The 40 acres we are seeking to add to this unit actually offset the well itself, does it not?

A Yes, sir, that's right.

Q And the unit agreements to allow the forming of this 240-acre has been executed by all royalty owners and working owners?

A Yes, sir.

Q This exhibit was prepared by you and under your supervision?

A Yes, sir.

MR. MCGOWAN: I offer it in evidence and have no further questions.

MR. PORTER: Without objection, the exhibit be admitted. Any question of Mr. Tinkler? The witness may be excused.

(Witness excused)

H. A. MERRILL

called as a witness, having been previously first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. MCGOWAN:

Q You are the same Mr. H. A. Merrill that just testified in Docket No. 1499, are you not?

A Yes, I am.

Q And you are again familiar with the application in this case?

A Yes, I am.

Q And you are familiar with the area covered by the application, what it seeks to accomplish?

A Yes, sir.

Q Now, you've had the Court Reporter mark as Exhibit No. 2 in this Docket what appears to be a contour map, is that correct?

A That is a structural plat on the Blinebry formation marker.

Q I see. And you have colored in red the acreage presently attributed to that Cone "A" 2 Well?

A Yes, sir.

Q And the acreage in yellow that you wish, that we wish to add to that unit?

A That is correct.

Q Now, in this unit we have not sought to add the SE of the SE of said Section 26; however, there is a well located on that 40 acres. Is that well producing from the oil rim or lower zone which is recognize to exist in the field rules relating to the Blinebry Field Rules adopted by this Commission in 1954?

A Yes, sir.

Q And is that the reason it is not sought to be attributed to this well?

A Yes, sir.

Q The rules provided that acreage attributed to an oil well cannot be attributed to a gas well, is that correct?

A That's correct.

Q Do you believe that the entire 160-acres presently attributed to this well and the 40-acres we seek to add to it, is productive of gas in the Blinebry?

A I believe it is.

Q Would it be your opinion that any gas could be recovered from the Blinebry, even further east from this unit?

A Yes, I believe our No. 1 Hill could be recompleted as a gas well.

Q That would require, however, squeezing of the bottom of the formation where it is producing oil and completing it at the top of the formation, would it not?

A That is it.

Q And thereafter it could no longer be an oil well?

A Yes, sir.

Q Now, I notice, for instance, that your contour, I believe, it is 2180, passes just east of the Olsen well in the N/2 of the SE of Section 26, and that it pretty well encompasses all, or the whole 200 acres, with the exception of about 4 or 5 acres that we seek to have attributed to this well, and lies within that contour, is that correct?

A That is correct.

Q Would that in itself indicate that it is all productive of gas in the Blinebry since the Olsen well is?

A Yes, sir.

Q Now, are you of the opinion that the Blinebry Gas Pool is an uninterrupted and interconnected pool?

A Our cross-section work has shown us that.

A Would you refer to the same exhibit that you referred to in Docket No. 1499 and illustrate to the Commission the continuity of that formation as shown by those cross-sections?

A The heavy horizontal line, at that point, approximately 55 feet, is the top of the Blinebry formation, it's continuous, and all the wells we have on the cross-sections. And in this next exhibit, we have the same conditions, the formation is present in all the wells.

Q Now, those two cross-sections again traverse the center of every 40 acres we seek to attribute to this well, as well as the offset 40 acres, do they not?

A Yes, sir, they do.

Q And they illustrate then an uninterrupted-interconnected reservoir at least in this area?

A They appear to, yes.

Q Do you know of any geological reason why one well will not drain the area we seek to attribute to this well?

A I do not.

MR. MCGOWAN: I ask that these two exhibits be marked Exhibits No. 3 and 4 in this hearing. They are identical with 3 and 4 in the previous hearing, but they are for the Blinebry.

MR. PORTER: Let the record so show.

Q (by Mr. McGowan) The Exhibits 2, 3, and 4, so marked in this Docket were prepared by you and under your supervision?

A Yes, they were.

MR. MCGOWAN: I offer them in evidence and have no further questions.

MR. PORTER: Without objection, the exhibits will be admitted. Any questions of the witness? Mr. Cooley.

CROSS EXAMINATION

BY MR. COOLEY:

Q Mr. Merrill, let us assume that the same questions on cross examination were asked of you as were asked in Case 1499, except with the substitution of the Blinebry reservoir for that of the Tubb, would your answers be the same?

A I believe they would be essentially the same.

Q That's all.

MR. PORTER: Anyone else have a question. The witness may be excused.

(Witness excused.)

R. R. MARMOR

called as a witness, having been previously first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. MCGOWAN:

Q Now, you are the same R. R. Marmor that just testified in Docket No. 1499?

A Yes, sir.



Q Mr. Marmor, if I ask you the same questions concerning the general drainage pattern and ability of one well in a gas reservoir that I asked you in that Docket, would your answer be essentially the same?

A Yes, sir.

Q Are you of the opinion that one well will drain 200-acres in the Blinbry Gas Pool around the Cone "A" 2 Well?

A Yes, sir, I do.

Q Do you know of any reason why it would not do so?

A No, sir, I can't think of any reason.

Q Have you made a pressure behavior analysis concerning the Blinbry around the Cone "A" 2 Well?

A Yes, we have done, we have an exhibit which shows it.

MR. MCGOWAN: I ask the clerk to mark that as Exhibit No. 5.

A It is a pressure behavior analysis of a well in the Blinbry Pool.

Q Will you very briefly state to the Commission what it shows?

A This exhibit shows that for the J. R. Cone "A" Well No. 2, that the pressure analysis indicates that the pressure drop from the periphery of a 200-acre circle to the well bore will be 247 psi, and from the periphery of a 160-acre circle, it would be 243 psi. In other words, we require 4 psi pressure drop to move the periphery of a 200-acre circle to a 160-acre circle to produce the 200-acre allowable. We did not show in this case the pressure drop from the farthest point of proration units since the farthest

point of the present proration unit is the same as the farthest point in any requested proration unit.

Q In other words, then, the unit as we are here requesting, it would add only acreage that is closer to the well, and acreage attributed to it?

A Yes, sir.

Q So, you have no basis for comparison of the wider rim because none would be created?

A That is correct.

Q In fact, the acreage we seek to add, have added to this unit, is the direct offset 40-acres to the east, is it not?

A Yes, sir.

Q Now, in making your recommendation to management that they seek to attribute this 200-acres to this well, have you considered its potential as against its possible allowable?

A Yes, sir, I have.

Q Will it produce the allowable that will be assigned to it on 200-acres?

A Yes, sir. Its deliverability is approximately 6,350,000 cubic feet against a 600 lb. line.

Q And what would its allowable be roughly?

A That would be about 6 times, 7 times.

Q In other words, the allowable would be a sixth of its deliverability against 600 lbs. line pressure?

A Yes. The allowable would be 907,000 cubic feet.

Q Now, did you also--First, you are familiar with the field rules concerning the Blinbry Gas Pool, are you not?

A Yes, sir.

Q And the Cone "A" 2 Well is properly located as therein required?

A Yes, sir.

Q You are also aware that such rules provide for and recognize the necessity and provide the method of obtaining non-standard units?

A Yes, sir.

Q And were you aware at that time of previous action of the Commission in connection with the granting of non-standard units?

A Yes, sir.

Q Have you compiled an exhibit which illustrates that?

A Yes, sir, I have an exhibit which shows a selection of Commission approved non-standard units in the Blinebry Gas Pool.

Q Again, the Sinclair proposed J. R. Cone "A" No. 2 Well is solely for comparison purposes?

A Yes.

Q I note that you have there a well, Skelly Baker "B" No. 15 which has 240-acres attribute?

A Yes, sir.

Q Will you similarly compare the distance from the well to the farthest edge of the unit and the potential of those two wells for illustration purposes?

A The distance from the well to the farthest point in the unit, in the Skelly Well, is 4,055 feet, as compared to Sinclair's 3,848 feet. Its deliverability is 4,221,000 cubic feet, against

Sinclair's deliverability of 6,350,000 cubic feet.

Q Such information as that, then, together with your opinion concerning the well's ability to drain and the other things you have mentioned led you to feel that we would not be unreasonable in asking the Commission to grant this unit as proposed?

A That is correct.

Q Now, will you refer to Exhibit 2 in the Docket, and again I ask you is the proration formula for the Blinebry Gas Pool based 100 per cent on acreage?

A Yes, sir.

Q Now, the Blinebry zone also has offset wells surrounding this acreage, does it not?

A That is correct.

Q And all acreage in this area is assigned to a Blinebry well other than the 40 acres we seek to attribute to it unless it is assigned to an oil well?

A In the immediate area.

Q Now, if I ask you the same questions concerning the allowable gas to each well; for instance, the allowable gas that Mr. Olsen has out of the S/2 of 26 as opposed to gas that we are entitled to produce, would your answers be the same as they were in Docket No. 1499?

A Yes, sir, they would.

Q The granting of this application would allow us to produce our share of the gas from this area, or the S/2 of 26?

A Yes, sir.

Q Now, are you of the opinion that this 200 acres will be developed acres if this application is granted?

A Yes, sir.

Q Do you have an opinion as to whether or not this well will efficiently and economically drain 200-acres in the Blinbry Gas Pool?

A Yes, I feel that this well can drain efficiently and economically drain 200-acres.

Q Any additional wells, dual completions, delay in forming other units, or anything of that sort, then, would similarly be spending money to recover at least essentially no more gas?

A That is correct.

Q And again, would increase the cost of the gas and make it less competitive?

A Yes, sir.

MR. MCGOWAN: I believe that's all. Were Exhibits 5 and 6 prepared by you or under your supervision?

A Yes, sir.

MR. MCGOWAN: I offer them in evidence, and that's all the questions I have.

MR. PORTER: Without objection, Exhibits 5 and 6 will be admitted. Does anyone else have a question of Mr. Marmor? Mr. Cooley.

CROSS EXAMINATION

BY MR. COOLEY:

Q Mr. Marmor, in this case, as in Case 1499, would there

be a differential of some four psi in this particular case?

A In this particular case?

Q Of unrecovered gas?

A Yes, sir.

Q To this extent that gas would be waived? It would not be recovered?

A It would be recovered by somebody.

Q Would the increased allowable that will result to your unit well as a result of granting a 200-acre proration unit as requested, result in a decrease in the producing capacity and ultimate recoveries from offsetting wells?

A I didn't quite follow that.

Q Same question that I asked you in the last case, will the increase in the allowable for your well result in a decrease in ultimate production from the offsetting wells?

A Yes, in the same manner as in the last case.

Q Do you have any permeability information regarding this?

A No, sir, we have none.

Q In the interest of time, would your answers be the same as those in Case 1499 if asked in this case regarding the Blinebry Reservoir as well as the Tubb?

A Yes, sir, they wouldn't change.

Q That's all the questions I have.

MR. PORTER: Any further questions of the witness. The witness may be excused.

MR. MCGOWAN: One question. The same decline Mr. Cooley refers to in the offset wells ultimate recovery would occur if a

new well were drilled in the NE of the SW and assigned a 40-acre allowable, wouldn't it?

A Yes, sir, the same.

MR. MCGOWAN: That's all.

MR. PORTER. No further questions, the witness may be excused. (Witness excused.)

MR. PORTER: Anyone else have testimony to offer in this case? Any statements?

MR. MCGOWAN: If the Commission please, I would like to make a very brief statement that will be applicable to both Docket 1499 and 1500.

I would like to point out that of the five offset operators, Humble, Pan American and Tidewaters executed and presented to this Commission waivers agreeing to and thereafter announcing the formation of this unit; that the objection from Continental was stated in their letter to be as a matter of policy, and that they have offered no actual objections to the application; that there has been no objection offered here today by Mr. Olsen to the granting of this application. Therefore, there are actually no objections from any offset operators in existence. Without belaboring the evidence in any way whatsoever, we feel that we have illustrated that the granting of these applications would in no way violate anybody's correlative rights nor in either Sinclair's, Gulf's or Mr. Cone's and their royalty owners' gas being taken by somebody else, or the forcing of Sinclair, Gulf and Mr. Cone to spend unnecessary dollars to recover their gas.

We believe further that the information has illustrated that these wells will unquestionably drain a radius area equal to the acreage we seek to attribute to them. Now, we are in sympathy with the idea of the Commission of establishing standard units in fields where it can be done and standard well drilling patterns. We submit, however, the time to attempt to do that is not on the last few undeveloped tracts in a gas pool after many non-standard units have already been granted and the pool is already developed, and that is what the Commission would be doing in denying these applications. These pools, as we all know, have produced essentially low wells that were drilled through them long ago to deeper formations. You obviously took cognizance of that in the original field rules in recognizing the need for non-standard units so that no new wells and money would have to be spend unnecessarily, and we feel that there is no reason to deny these applications and every reason in the world to grant them. If we go ahead and develop these two gas pools, there will be no significant amount of gas recovered by any additional wells that will not be recovered by wells previously drilled. It is actually drilled on 160-acres now, and we and our royalty owners are satisfied to take our chance in getting our 200-acres gas, rather than drill additional ones. Therefore, we submit that the Commission grant both applications.

I would say this further comment, that this being a de novo application from the Trial Examiner hearing denying the applications, we obviously were and are of the opinion that the Trial Examiner made an error or we wouldn't be here. We do feel, however, that had the case been presented to the Trial Examiner as we have



attempted to present it here today, he would have not made that error so, actually, it was our error and nothing else that brought it about.

MR. PORTER: Anyone else have anything to offer in this case. Case 1499 and 1500 will be taken under advisement.

ATTENTION: A. L. Porter, Jr. regarding Sinclair's Cases 1499 and 1500 which are scheduled for rehearing on the November 13 Docket. Gulf Oil Corporation is the operator of the 40-acre unit consisting of the NE 1/4 of the SW 1/4 of Section 26, T-21-S, R-37-E, in which Gulf owns a five-eighths or 25-acre interest. If the above-described 40-acre unit is not included in the expanded Blinbry and Tubb non-standard gas proration units as proposed by Sinclair, Gulf's property will suffer drainage in each case.

H. M. Bayer  
Gulf Oil Corporation

STATE OF NEW MEXICO )  
 ) ss  
 COUNTY OF BERNALILLO)

I, Joseph A. Trujillo, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me in stenotype and reduced to typewritten transcript by me and/or under my personal supervision; that the same is a true and correct record, to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this 26<sup>th</sup> day of November, 1958, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

*Joseph A. Trujillo*  
 Notary Public

My Commission Expires:  
 October 5, 1960