

CASE 5511: PETRO LEWIS CORPORATION
FOR A NON-STANDARD OIL PRORATION UNIT,
SANDOVAL COUNTY, NEW MEXICO

11
J. Lewis

CASE NO.

5511

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
June 10, 1975

EXAMINER HEARING

IN THE MATTER OF:

Application of Petro Lewis Corporation for a non-standard oil proration unit, Sandoval County, New Mexico.

CASE NO. 5511

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

William F. Carr, Esq.
Legal Counsel for the
Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant:

Jason Kellahin, Esq.
KELLAHIN & FOX
500 Don Gaspar
Santa Fe, New Mexico

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I N D E X

PAGE

JOHN SOMERS

Direct Examination by Mr. Kellahin
Cross Examination by Mr. Nutter

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E X H I B I T S

Applicant's Exhibits Nos. 1, 2 and 3

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SOMERS-DIRECT

MR. NUTTER: Case 5511.

MR. CARR: Case 5511. Application of Petro Lewis Corporation for a non-standard oil proration unit, Sandoval County, New Mexico.

MR. KELLAHIN: If the Examiner please, Jason Kellahin, Kellahin and Fox, Santa Fe, appearing for the Applicant. We have one witness to be sworn.

(Witness sworn.)

JOHN SOMERS

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A John Somers.

Q By whom are you employed and in what position,

Mr. Somers?

A Petro Lewis Corporation, Denver Division Manager.

Q In connection with your work as Denver Division Manager, have you testified before the Oil Conservation Commission as an expert engineer?

A Yes, I have.

MR. KELLAHIN: Are the witness' qualifications

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acceptable?

MR. NUTTER: Yes, they are.

BY MR. KELLAHIN:

Q Mr. Somers, are you familiar with the Application of Petro Lewis Corporation in Case 5511?

A Yes, I am.

Q What is proposed by the Applicant in this case?

A To establish a 140-acre non-standard drilling and proration unit in the southwest Media Field.

Q Now, referring to what has been marked as the Applicant's Exhibit No. 1, would you identify that exhibit, please?

A This is an exhibit showing the Media and southwest Media area with each of the present proration units and the non-standard proration unit shown.

Q The non-standard proration unit is outlined in red, is it?

A That's correct.

Q Now, the area to the north, you have a hatched margin around the area. What is that?

A That is the tentative unit boundary for the Media-Entrada Unit.

Q And it has been designated as the unit area by

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CASE 5511

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the U.S.G.S., has it not?

A Yes, it has.

Q The other two units you have in the south portion, one of them is the non-standard unit; what is the other one?

A The other one is the northwest quarter of Section 22 which is the one standard drilling proration unit in the southwest Media Pool.

Q And that is dedicated to a producing well?

A Yes, it is. To two producing wells, actually.

Q And they are in what has been described as the southwest Media Pool?

A That is correct.

Q Now, has the area included in your non-standard unit been placed in the southwest Media Pool, to your knowledge?

A No, it has not.

Q In your opinion, should it be?

A Yes, it should be.

Q And your testimony so shows?

A Yes.

MR. NUTTER: What was that question?

MR. KELLAHIN: The area involved in this non-standard unit --

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CASE 5511

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THE WITNESS: (Interrupting) A portion of the unit.

MR. KELLAHIN: A portion of it has not yet been placed in the southwest Media.

MR. NUTTER: What are the boundaries of the southwest Media Pool? Can you describe those, Mr. Somers?

THE WITNESS: As it is established now by the previous Order of the Commission, it is just comprised of the northwest quarter of Section 22.

MR. NUTTER: Okay. What are the boundaries of the Media-Entrada Pool on that side of the pool?

THE WITNESS: As they presently exist?

MR. NUTTER: Yes.

THE WITNESS: It would be the north half of the northeast quarter of Section 22.

MR. NUTTER: The north half of the northeast quarter?

THE WITNESS: Right.

MR. NUTTER: So, part of this non-standard proration unit that you are talking about today is in the Media-Entrada Pool?

THE WITNESS: Right.

MR. NUTTER: And none of it is in the southwest

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Media-Entrada?

THE WITNESS: That is correct.

BY MR. KELLAHIN:

Q Now, referring to what has been marked as Exhibit No. 2, would you identify that exhibit?

A Exhibit No. 2 is a isopach map of the Entrada Sandstone showing the Media Pool and the southwest Media Pool as we have presently interpreted it. It also shows the proposed non-standard drilling proration unit which we are applying for and the tentative unit boundary as designated by the U.S.G.S. This shows that the two pools are separated.

I might add that on the previous exhibit, Exhibit No. 1, that the Entrada Wells in these two fields are designated by blue circles around the well spots. The other wells are in other shallower zones.

Q Now, on the basis of your isopach map, in your opinion, do those two areas comprise separate and distinct sources of supply?

A Yes, they do.

Q Was this testimony offered in the case in which the Media, southwest Media-Entrada Pool was created?

A Yes, it was.

SOMERS-DIRECT

Q The same evidence exactly?

A Yes.

Q Now, referring to what has been marked as Exhibit No. 3, would you identify that exhibit, please?

A Exhibit No. 3 is a structure map on the top of the Entrada Formation. It also shows that these are two different structural highs, separated by a saddle that is caused by thickening of the overlying todilto formation.

Q Does that again show separation of the two areas?

A Yes, it does.

Q Did you also offer that in the previous case?

A Yes, we have.

Q Was that in Case 5262 the Application of Petro Lewis Corporation?

A I am not sure it was the southwest Media case that this particular exhibit was offered. It may have been in one of the other cases. We have had a number of cases.

Q I will refresh your recollection and point out on Page 4 of your testimony in Case No. 5262 at the bottom of the page where you identify the map and that you did then testify that this did comprise two separate pools.

A Yes.

Q And should be separated?

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A That is correct.

Q And is it still your testimony that they should be separated?

A Definitely.

Q For what reason, now, are you asking to form a non-standard 140-acre unit?

A First of all, the U.S.G.S. has requested that we amend and contract the communitization agreement which covers the south half of the southeast quarter of Section 15 and the north half of the northeast quarter of Section 22 to comprise and cover only that portion which is to be unitized and included in the Media-Entrada Unit.

Secondly, the acreage which is excluded from the present communitization in the north half of the northeast quarter is underlain, as you can see from the isopach map, by the southwest Media Pool, as is the south half of the northeast quarter of Section 22. So, to fully develop the southwest Media Pool and to drill a well in the optimum structural and isopach location, we want to form a non-standard 140-acre drilling and proration unit.

Q Now, does the Applicant propose to drill a well in the non-standard unit?

A Yes, we do.

Q At approximately what location?

A It would be approximately 2310 feet from the east line and 1320 feet from the north line of Section 22.

Q Would that place the well at the optimum location both structurally and isopach?

A Yes, it would.

Q In your opinion, would that be the logical place to drill?

A Yes, it would.

Q Would the formation of the non-standard unit as proposed protect the correlative rights of all of the owners involved?

A Yes, it would.

Q What is the working interest in that unit? Who owns it?

A The working interest is owned 50 percent by Petro Lewis Corporation, et al, and 50 percent by Fluid Power Pump Company.

Q So, the ownership is the same as in the Media-Entrada Unit, is it not?

A That is correct.

Q The only difference being the overriding royalties?

A That is correct.

Q In your opinion, will the deletion of the acreage from the Media-Entrada Pool impair the correlative rights of owners in that pool?

A No, it will not.

Q Are they fully protected?

A Yes.

Q Would all of the acreage involved, then, be dedicated to a producing well, assuming you do complete a producing well on the non-standard unit?

A Yes, sir, it would.

Q Do you have anything to add?

A No.

Q Were Exhibits Nos. 1, 2 and 3 prepared by you or under your supervision?

A Yes, they were.

MR. KELLAHIN: At this time I would like to offer in evidence Exhibits 1, 2 and 3.

MR. NUTTER: Petro Lewis' Exhibits Nos. 1, 2 and 3 will be admitted in evidence.

(Whereupon, Applicant's Exhibits Nos. 1, 2 and 3 were marked for identification, and were offered and admitted into evidence.)

MR. KELLAHIN: If the Examiner please, I am a

little of a loss to know why that particular acreage has not heretofore been deleted from the Media-Entrada Pool. We feel that the advertising was broad enough to permit the Commission to delete it at this time, however, if the Commission feels it is not, we would request that it be put on the next nomenclature case for the pool delineation. This particular testimony involving the separation of these two pools has been offered here not once, but three or four different times in different cases, seeking different Orders. I think it has been well established that there is pool separation here, and the only logical thing is to form this non-standard unit and leave that small portion left in the Media Pool.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Somers, your Exhibits 1, 2 and 3 all three show the boundary of the proposed unit boundary which is for the Media-Entrada Pool?

A Yes.

Q Now, as I understand it, the acreage that would be unitized would be the three square 160-acre units, plus an odd-shaped proration unit which would have approximately 100 acres in it, is that correct?

A That is correct.

Q And the remaining acreage in the existing proration unit would be combined with the south half of the northeast quarter of Section 22 to form a non-standard unit in the southwest Media Entrada Pool?

A That is correct.

Q So, when you get a well drilled at the location or some other location that you mentioned a while ago for this non-standard proration unit, it would be encumbant upon the Commission, then, to call a nomenclature case for the extension of the southwest Media-Entrada Pool to include this acreage and at that time, it could also delete certain acreage from the Media-Entrada Pool?

A Yes.

Q But it would probably be best to wait until you got a well there?

A Yes, it would, or it could be deferred until that time.

Q When will this be completed, do you have any idea?

A Well, as soon as we have approval for the proration unit, we intend to proceed to get a contractor and drill the well, so we would hope to drill the well in July.

Q When do you expect to have your unit agreement

approved?

MR. KELLAHIN: If the Examiner please, I think I can answer that. The unit agreement was -- the area has already been designated by the U.S.G.S. as an appropriate area for unitization, and a unit agreement was approved by the Roswell office. The Denver office of the U.S.G.S. required some changes in the unit agreement which have now been made and it will be presented to the U.S.G.S. again not later than tomorrow. We anticipate a very quick action on it.

MR. NUTTER: Will there be or has there been a Commission Hearing on the unit?

MR. KELLAHIN: There has.

MR. NUTTER: There has been a Commission Hearing?

MR. KELLAHIN: And it has been approved.

MR. NUTTER: What was the area at that time?

MR. KELLAHIN: The area was the same as we are talking about.

MR. NUTTER: With this deletion?

MR. KELLAHIN: And that was approved by the Commission.

MR. NUTTER: I see. Are there any further questions of Mr. Somers? He may be excused.

(Witness dismissed.)

MR. NUTTER: Do you have anything further,
Mr. Kellahin?

MR. KELLAHIN: No, sir.

MR. NUTTER: Does anyone have anything they
wish to offer in Case No. 5511?

MR. REIMER: I have.

MR. NUTTER: Mr. Reimer?

MR. REIMER: Normally, Mr. Hunker would be up
here to represent me and Mr. McKenzie. We didn't know
of this case until early Friday morning, I guess it was,
so we had no opportunity to put anything together or to
know exactly what was happening, so to conserve on
Mr. Hunker's time and my expenses a little bit, he asked
me to please read the following statement into the Minutes
of this Hearing.

(Reading) John K. Reimer, and R. E. McKenzie, Jr.
overriding royalty owners of a single United States of
America Oil and Gas Lease covering an 80-acre tract upon
which the Federal Media Wells Nos. 1 and 2 are located
in the Media-Entrada Pool are very apprehensive of the
actions being taken by Petro Lewis Corporation in Case
No. 5511 for the reason that they do not know at this

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time whether their rights under the unit agreement approved by the Commission in Case 5464, Order R-5015 will be adversely affected, and as a consequence, reserve the right to appeal any decision or ask for a de novo hearing when they have ascertained the facts concerning the unitization of the Media-Entrada Pool proposed in this hearing. (End of reading.)

MR. NUTTER: Thank you, Mr. Reimer.

MR. REIMER: Yes, sir.

MR. NUTTER: I think the record should note that anyone that is affected by the Order of the Commission would have the right, certainly, to a de novo hearing. However, there is a time limit on that and that is 30 days from the date of the entry of the Order.

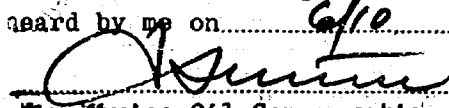
Are there any further statements to be made in Case No. 5511, or appearances?

If not, we will take the case under advisement.

STATE OF NEW MEXICO)
COUNTY OF SANTA FE) SS.

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.


COURT REPORTER

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5511 heard by me on 6/10, 1975.

Examiner
New Mexico Oil Conservation Commission

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5511
Order No. R-5051

APPLICATION OF PETRO LEWIS
CORPORATION FOR A NON-STANDARD
OIL PRORATION UNIT, SANDOVAL
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 10, 1975,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 17th day of June, 1975, the Commission, a
quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being
fully advised in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Commission has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Petro Lewis Corporation, seeks
approval of a 140-acre non-standard oil proration unit in the
Southwest Media-Entrada Oil Pool, comprising the S/2 NE/4,
NW/4 NE/4, and S/2 NE/4 NE/4 of Section 22, Township 19
North, Range 3 West, NMPM, Sandoval County, New Mexico,
to be dedicated to a well to be drilled on said unit.

(3) That the proposed non-standard proration unit can
be efficiently and economically drained and developed by said
well.

(4) That approval of the subject application will prevent
the economic loss caused by the drilling of unnecessary wells,
avoid the augmentation of risk arising from the drilling of an
excessive number of wells, and otherwise prevent waste and
protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That a 140-acre non-standard oil proration unit in
the Southwest Media-Entrada Oil Pool comprising the S/2 NE/4,
NW/4 NE/4, and S/2 NE/4 NE/4 of Section 22, Township 19 North,
Range 3 West, to be dedicated to a well to be drilled on said
unit.

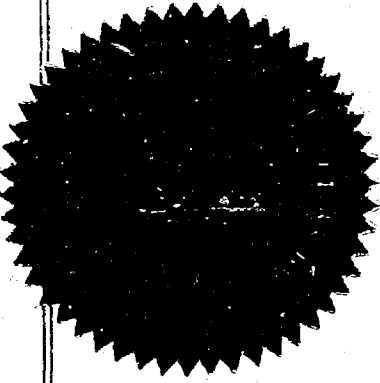
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Case No. 5511
Order No. R-5051

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



I. R. Trujillo
I. R. TRUJILLO, Chairman

Phil R. Lucero
PHIL R. LUCERO, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary

S E A L

dr/



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

June 17, 1975

I. R. TRUJILLO
CHAIRMAN

LAND COMMISSIONER
PHIL R. LUCERO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

Mr. Jason Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: CASE NO. 5511
ORDER NO. R-5051

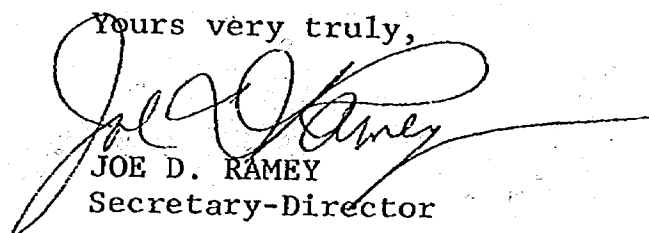
Applicant:

Petro Lewis Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Yours very truly,


JOE D. RAMEY
Secretary-Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x
Artesia OCC
Aztec OCC x

Other Mr. R. K. Reimer

MAY 2 - 1975
OIL CONSERVATION COMMISSION
Santa Fe

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF PETRO LEWIS CORPORATION FOR
APPROVAL OF A NON-STANDARD DRILLING
AND PRORATION UNIT, SANDOVAL COUNTY,
NEW MEXICO

A P P L I C A T I O N

COMES NOW PETRO LEWIS CORPORATION and applies to the
Oil Conservation Commission of New Mexico for approval of
a non-standard spacing and proration unit in the Southwest
Media-Entrada Oil Pool, Sandoval County, New Mexico, as an
exception to the provisions of Order No. R-4822-A, and in
support thereof would show the Commission:

1. Applicant proposes to drill to the Media-Entrada
formation and dedicate to the well the following described
lands:

Township 19 North, Range 3 West, N.M.P.M.

Section 22 - S/2 NE/4, NW/4 NE/4, S/2 NE/4 NE/4
consisting of 140 acres, more or less.

2. The N/2 of the NE/4 NE/4 is located within the
boundaries of the Media-Entrada Pool, and dedicated to
the Petro-Lewis Media-Entrada Unit.

3. The remaining acreage properly belongs in the
Southwest Media-Entrada Pool.

4. Approval of the non-standard unit as requested
would insure uniform development of the Southwest Media-

DOCKET MAILED

Date _____

Entrada Pool, and the correlative rights of interests owners underlying the non-standard unit will be protected. No waste will occur as a result of drilling and developing the proposed 140-acre unit.

WHEREFORE, applicant prays that this application be set for hearing before the Commission's duly appointed examiner at the regularly scheduled hearing on June 11, 1975, and that after notice and hearing as required by law the Commission enter its order approving the non-standard unit as applied for.

Respectfully submitted,

PETRO-LEWIS CORPORATION

By

Jason W. Kellahin
KELLAHIN & FOX

Post Office Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

DRAFT

dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 5511

Order No. R- 5054

APPLICATION OF PETRO LEWIS CORPORATION
FOR A NON-STANDARD OIL PRORATION UNIT,
SANDOVAL COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

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at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this day of June, 1975, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
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(2) That the applicant, Petro Lewis Corporation, seeks approval
of a 140-acre non-standard oil proration unit in the Southwest Media-
Entrada Oil Pool, comprising the S/2 NE/4, NW/4 NE/4, and S/2 NE/4 NE/4
of Section 22, Township 19 North, Range 3 West, NMPM, Sandoval County,
New Mexico, to be dedicated to a well to be drilled ^{on said unit.} ~~at a standard~~
~~location for said pool.~~

(3) That the proposed non-standard proration unit can be efficiently and economically drained and developed by ^{said} ~~the~~ subject well.

(4) That approval of the subject application will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That a 140-acre non-standard oil proration unit in the Southwest Media-Entrada Oil Pool comprising the S/2 NE/4, NW/4 NE/4, and S/2 NE/4 NE/4 of Section 22, Township 19 North, Range 3 West, to be dedicated to a well to be drilled ~~at a standard location for said pool~~ on said unit.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.