

CASE NO. 58.

BEFORE THE OIL CONSERVATION COMMISSION OF THE  
STATE OF NEW MEXICO

IN THE MATTER OF the petition of the Operators in South-eastern New Mexico, by Glenn Staley, for a redefining of boundary lines of the oil and gas fields in Lea, Eddy and Chaves Counties, New Mexico.

Pursuant to notice by the Commission, duly made and published, setting January 8, 1945, at ten o'clock a.m., for hearing in the above entitled matter, said hearing was convened on said day, at said hour, in the Coronado Room of the La Fonda, Santa Fe, New Mexico, the Commission sitting as follows:

HON. JOHN J. DEMPSEY, Governor  
HON. JOHN E. MILES, Member  
HON. JOHN M. KELLY, State Geologist, Secretary  
HON. CARL B. LIVINGSTON, Chief Clerk and Legal Advisor

R E G I S T E R

<u>NAME</u>	<u>COMPANY</u>	<u>ADDRESS</u>
Glenn Staley	Lea County Operators	Hobbs, N. M.
E. J. Gallagher	Gulf Oil Corporation	Hobbs, N. M.
J. N. Dunlevy	Skelly Oil Company	Hobbs, N. M.
D. R. McKeithan	Phillips Petroleum Company	Barterville, Okla.
C. A. Daniels	Phillips Petroleum Company	Oklahoma City, Okla.
N. R. Lamb	Continental Oil Company	Hobbs, N. M.
S. V. McCollum	Continental Oil Company	Midland, Texas
F. D. Baker	Kewanee Oil Company	Tulsa, Oklahoma
W. J. Wright	Maljemar Coop. Agent	Artesia, N. M.
Wilton E. Scott	Buffalo Oil Company	Artesia, N. M.
D. D. Bodie	Cities Service Oil Co.	Hobbs, N. M.
J. E. Regent	Sun Oil Company	Midland, Texas
J. W. House	Humble Oil Company	Midland, Texas
Ken Regan	McElvain-Regan	Midland, Texas
Earl Griffin	Phillips Petroleum Company	Amarillo, Texas
C. H. Gray	Repollo Oil Company	Midland, Texas
D. R. Dickson	Repollo Oil Company	Midland, Texas
Roy Yarbrough	Oil Conservation Commission	Hobbs, N. M.
Clarence Hinkle	Attorney	Roswell, N. M.
W. K. Davis	El Paso Natural Gas Co.	Jal, N. M.
L. F. Peterson	Stanolind Oil & Gas Co.	Ft. Worth, Texas
W. T. Hoy	Stanolind Oil & Gas Co.	Midland, Texas
W. M. Elias	Stanolind Oil & Gas Co.	Tulsa, Oklahoma
J. O. Seth (Att'y)	Stanolind Oil & Gas Co.	Santa Fe, N. M.
Ray McGlothlin	Petroleum Products Refining and Producing Company	Frewitt, N. M.
C. C. Cragin	El Paso Nat'l Gas Company	El Paso, Texas
J. E. Low	Amerada Petroleum Corp.	Midland, Texas
Chuck Aston	Consultant	Artesia, N. M.
Foster Morrell	U. S. Geological Survey	Roswell, N. M.
H. M. Dow	Hervey, Dow, Hill & Hinkle	Roswell, N. M.

"NOTICE FOR PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

The Oil Conservation Commission as provided by law hereby gives notice of the following hearing to be held at Santa Fe, New Mexico, at 10 A. M., January 8, 1945:

CASE NO. 58. In the matter of the petition of the Operators in Southeastern New Mexico, by Glenn Staley, for re-defining the boundary lines of the oil and gas fields in Lea, Eddy and Chaves Counties, New Mexico.

Given under the seal of said Commission at Santa Fe, New Mexico, on December 26, 1944.

OIL CONSERVATION COMMISSION

By (sgd) JOHN M. KELLY

SECRETARY

S E A L

P R O C E E D I N G S

BY MR. GLENN STALEY:

Gentlemen & Members of the Commission -

For the benefit of the members of the Commission that are not familiar with the procedure that has always been followed in Southeastern New Mexico, the allowance of production - I would like to state briefly that it has been necessary to outline various pools or areas, and heretofore these areas have not been confined to geological structure or definite oil production reservoirs and we have always had what we call the Nomenclature Committee that make suggestions to the Commission as to the acreage to be enclosed in any producing area or group of wells. The unit of production in the State of New Mexico for a 40 acre unit. This group known as the Nomenclature Committee consists of men of geological training from the various companies and regulatory bodies in the State in southeastern New Mexico. The Committee that worked up this information that will be presented to you consists of:

Mr. Chuck Aston - Ward Building, Artesia, N. M.

who is an individual consulting engineer-geologist representing a group of small independent operators in Eddy County.

Mr. W. R. Bollenger - Box 1457, Hobbs, N. M.

Engineer and geologist for Shell Oil Company.

Mr. R. L. Boxx - Box 1667, Hobbs, N. M.

Gulf Oil Corporation geologist.

Ralph Gray - Box F, Hobbs, N. M.

Engineer for Stanolind Oil & Gas Company.

R. N. Knoepfel - Box 808, Carlsbad, N. M.

Atlantic Refining Company - is in the Land Department.

N. R. Lamb - Box CC, Hobbs, N. M.

Engineer and Geologist for Continental Oil Company.

Charles F. Miller - Box 385, Hobbs, N. M.

Consulting Engineer and Geologist for small operators in Lea County.

Neil H. Wells - Box 529, Carlsbad, N. M.

Independent operator - Carlsbad, New Mexico.

\* LEA COUNTY OPERATORS COMMITTEE  
Hobbs, New Mexico

Oil Conservation Commission  
Santa Fe, New Mexico

P E T I T I O N

The oil operators in Southeastern New Mexico, Lea, Eddy and Chavez counties, hereby petition the Oil Conservation Commission for a hearing on a date to be set by the Commission for the purpose of receiving evidence regarding the redefining of boundary lines of the various oil and gas fields in the above-mentioned counties. The object of these changes is:

1. The logical grouping of oil and gas producing wells, taking into consideration both subsurface structure and the majority of production from the same stratigraphic formation or formations. Where possibly, lime production is separated from sand production.
2. The areal extent of each field in general to be limited to not more than one mile beyond developed limits of production. In most cases undeveloped acreage between fields is undefined to permit adjustment of field boundaries as future development warrants.
3. In Lea County where groups of wells, formerly in two or more fields, were combined into a single field, the two principal field names were retained and hyphenated as it was considered that each name had a distinct areal meaning to everyone familiar with production in the area and the combining of the names would be more significant and less confusing than either the use of a single former name or of a new name.
4. The field names to be established to be continued for the areas designated and where deeper production is developed, the separate pool to be designated by combining the field name by a hyphen with the name of the producing formation, i.e., Rhodes-Ellenberger.
5. It is proposed that action will be taken currently by the Field Nomenclature Committee for the establishment of new fields or field extensions as new production is developed outside the defined fields. Such adjustments are to be made as soon as practicable after completion of production; the New Mexico Oil Conservation Commission at Santa Fe and the Proration Office at Hobbs to be informed as soon as concurrence of the majority of the Nomenclature Committee is obtained.

A copy of the letas subdivisions together with a map showing locations in color is attached hereto.

Respectfully submitted,

/s/ Glenn Staley

Glenn Staley\*

GOVERNOR DEMPSEY: Approximately how many fields would you re-name?

Mr. STALEY: Governor, the members of the Committee that worked on the changes are here and they will explain it to us.

Mr. Chuck Aston will outline the fields in Eddy County and the reason for the changes.

GOVERNOR DEMPSEY: I just wanted to know approximately how many.

MR. STALEY: I believe the change affects practically all of them, except the Hobbs pool. The change is in re-naming them.

GOVERNOR DEMPSEY: Re-naming - how many changes are you making - all being joined names?

MR. STALEY: About half of them - I believe six. I will have Mr. Foster Morrell, acting supervisor of the Southeastern Geological Survey, office at Roswell explain. I will ask Mr. Morrell, Mr. Aston and Mr. Lamb to indicate to the Commission on the large map, the changes that have been made.

MR. KELLY: The Commission would like Mr. Morrell to make a statement as to the reasons why they are re-naming these fields, rather than outlining on the map.

MR. MORRELL: The purpose of the re-definition of the fields as recommended by the Nomenclature Committee has been stated by Mr. Staley. It is to make a group of good oil and gas producing wells based on sub-surface structure conditions where the changing and grouping of wells with the larger ones producing from the same stratigraphic formation or formations. For the benefit of the Commission, I would like to introduce at this time Exhibit A which is a list of fields by section, township and range as of January 1, 1945. Exhibit B, we have a map which shows by black lines the fields as they are now approved by the New Mexico Oil Conservation Commission. Those field boundaries were fixed by Order 477, Case 37, by the New Mexico Oil Conservation Commission, effective November 1, 1942. By color we have shown in that same map the recommended field definitions. By observation you will see that the primary purpose is to reduce the areas to areas of production. Quite a number of them are entire townships reduced to sections. The actual change in names are largely a matter of combination of names now in use together with the establishment of a few separate pools coordinated by reason of the stratigraphic formation. I would like

add to Mr. Staley's remarks in connection with the Eunice-Monument field combined into a single unit has not had a failure. They show under the combined field head the Eunice portion and the Monument portion one of the primary purposes of combining that field. A field of major proportion - a field that will be in the neighborhood of 130 to 140 million barrels recovery would put it in one of the first ten or fifteen in the United States. I think it will be nice for the State.

GOVERNOR DEMPSEY: Recently I had a person in Washington ask the question of adjusting our oil price here and the OPA requested us to file on the individual fields, which we have done, except on twelve. If we change the name I wonder if we will have to change the application?

MR. MORRELL: As I understand that, this question was started prior to the OPA order, it has presented a complication which we will have to take into consideration.

GOVERNOR DEMPSEY: You wouldn't want to delay this I am sure.

MR. MORRELL: The payments would be on the basis of OPA orders which are in existence today which are recognized by the operators. The OPA regulations provide for those granted fields as approved by the State Regulatory Bodies, and as soon as the new definitions are approved by the Oil Conservation Commission, they can be forwarded to the OPA and the OPA would issue a revision or supplement to the new definition.

GOVERNOR DEMPSEY: Is that all it would involve?

MR. MORRELL: To the best of my knowledge - I do not see as it would make any difference so long as the allowables came within the average. As a matter of practical application we have found from experience the more wells you average, the lower the average will be. Recognizing the subsidy situation, the Committee is reviewing the check on these new definitions and finds that in a number of cases operators will be able to get subsidies they will not be able to get at the present time.

MR. KELLY: This will not penalize any subsidies at the present time?

MR. MORRELL: No - with possibly one section south part of the Skelly field might be deleted by the OPA - possible it would be, I don't know. Our present field definitions do not follow OPA regulations of fields.

GOVERNOR DEMPSEY: I am not concerned about OPA designating an area, but I am concerned in getting an increase in the price of oil here.

MR. MORRELL: More benefits will be obtained. - I would like to call on Mr. Aston to briefly review the locations on the map. Any statements I make here at this meeting are made as an individual and have no bearing whatsoever on my work with the geological field survey.

MR. ASTON: All fields are designated in contrasting colors. The Red Lakes field, Old Empire and small production in Anderson, the old Artesia field is essentially unchanged. Your new well, called for purposes of the record as the Dayton, does not definitely tie in with the old Dayton pool, but one well included in the Dayton-Atoka is over two miles from the production horizon in the producing area. One small well in the McMillan field and the area of all these has been reduced. The old Artesia field has not been changed. We have formed two new fields, Burton and Scanlon. The only gas field is the Getty, condensed to include Getty oil company production. Barber, P.C.A and Hale have been united in the area for a considerable length of time, just so far as subsidy is concerned are in the so-called Leo field, which with a few small wells extended over a large area made it impossible for operators in any other field to obtain the same subsidy north of the township line as in the south line.

MR. KELLY: Raise the subsidy payment?

MR. ASTON: Yes, twenty to twenty-five.

Two designations have abandoned areas, have tried to follow production where wells produced by pipe line oil, in the case of the Black River and Palmillo, the Shugart area including what is now north and Shugart proper. The top allowable areas of productivity made it impossible for North Shugart to receive a subsidy. By dividing, North Shugart is eligible for subsidies.

In that section is the Premier field which has a field area similar to the Loco Hills. This structure feature being of the same type which has up to now been included in the Grayburg-Jackson. Grayburg-Jackson extended over into Skelly in Eddy County and goes to the Maljamar unit line. The north Maljamar is removed from the Cooper-Taylor well in the Robinson area. The Roberts field encompasses the McMillan well and may be included in the Maljamar at a later date if it is brought together. The Anderson area is essentially unchanged so far as production is concerned.

MR. ASTON: (Cont'd) -

Square Lake is defined as a mile from production. The procedure where there was a separation of over a mile between the producing areas, they were separate fields until such time as they joined.

GOVERNOR DEMPSEY: Have the operators been informed as to what you proposed?

MR. ASTON: Yes sir.

MR. KELLY: No disagreement?

MR. ASTON: Haven't had any criticisms other than just questions on the areas.

MR. KELLY: Did you hold a meeting in Artesia to acquaint Eddy County operators?

MR. ASTON: Yes sir -- last Wednesday night. We had a meeting at which all operators were invited. The only things they suggested were things out of the jurisdiction of the Nomenclature Committee. Anything you gentlemen would like to ask questions on I would be glad to try to answer them. All the fields in the lower platform have been reduced.

MR. KELLY: You are an independent producer down there?

MR. ASTON: Yes sir.

MR. KELLY: Do you think changing these will aid the operators?

MR. ASTON: I do believe there will be more subsidies granted under this designation than under the present designation.

MR. LAMB: For Lea county there are only a few major changes.

Particularly the reason Turner State discovery well seems to be a separate structure from the large field. I think one of the reasons the Nomenclature Committee made a special study of fields in Southeast New Mexico since it was a separate structure we felt it should have a separate name. That name has been attached West Lovington. The old original South Lovington we call Lovington. The Caprock area has been enlarged to include a few acres in Chaves County to make a complete reservoir. The Hobbs field is more or less unchanged. Fields in this particular area the acreage has been reduced with no change in production. Units in the Monument area have been discussed. The only acreage taken from the Eunice fields is the re-type wells in the southern part, it is suggested they be included in the south unit. The Skaggs area -- suggested area be reduced to within a mile of producing wells. Another problem is deeper production and a method of designating those areas. There has been suggestions that Ellenburger

be called the Dublin-Ellenburger, to hyphenate to take care of the present formation. The Drinkard area to be Drinkard-Yeso. Also suggested that Nomenclature as set out in bulletin 18 of the Bureau of mines to be used throughout this area. Penrose and Skelly - that these two areas be combined as soon as they are a common reservoir, and that the line be broken at the base of this production, since there seems to be a break in the structure. That Langley-Mattix be incorporated to include wells previously held in the Skelly area. That particular group of wells are the only wells, so far as the Committee has been able to determine, that will be affected in the way of subsidies. Those particular wells are a part of the Langley-Mattix structure definitely, and more or less the same producing horizon, and we recommend they be included with the Langley-Mattix. It will take that small group of wells originating in the Skelly area with the Skelly group - involves approximately ten wells. Will not affect the subsidy of the major fields. Production in this area will be brought to 9 barrels.

In the past a series of fields, Lynn, Cooper and Jal had continuous production. It is suggested that the name Cooper-Jal be attached, that they reproduce a common reservoir. A separate reservoir in the extreme southern part of the state, we propose to leave the name Eaves area as is. That the unit held by the El Paso Natural Gas Company be left as Rhodes area. I believe that is all the large changes which we have, and if there are any questions I would be glad to answer them.

MR. KELLY: You know the Monument field has different proration order, the Commission designated the monument plan in an order. If the Commission changes the Monument plan, do you think that will affect the Monument proration order?

MR. LAMB: No sir.

MR. KELLY: If it should, would the Nomenclature be willing to leave the designation as it is today?

MR. LAMB: It is our suggestion to be separated by Eunice portion and Monument portion.

MR. KELLY: One of the pertinent facts of the Monument order is defining the Monument fields. If the Commission feels that should not be changed, would you be willing to leave those as two separate fields?

MR. LAMB: Yes sir, if it didn't enter into a legal phase we would suggest the order Eunic-Monument field and monument's portion.

MR. KELLY: I have a letter from the Texas Company:

"CONSERVATION AND PRORATION  
CASE NO. 58

Oil Conservation Commission  
State of New Mexico  
Santa Fe, New Mexico

Gentlemen:

We are in receipt of notice of hearing to be held in Santa Fe, New Mexico, at 10:00 A. M., January 8, 1945, in the matter of the petition of the operators in Southeast New Mexico by Glenn Staley for a redefining of the boundary lines of the oil and gas fields in Lea, Eddy and Chavez Counties, New Mexico.

We were first apprised of the Nomenclature Committee's recommendation regarding the definitions of oil and gas fields in these counties on December 20, 1944. From the report submitted at an operators' meeting in Hobbs covering this Committee's recommendation, it appears that considerable work and study have been expended by the committee on the matter of more nearly defining fields in these counties than was heretofore attempted. The fundamentals considered by the Committee in defining these fields as set out in the report, we believe, are generally sound. However, except as a matter of convenience in geography, the definition of pools may have an important effect upon presently completed wells insofar as proration and other related matters are concerned. We have been unable in the limited time since our first notification of the redefinition to give this matter the time and study it will require. Although we understand and infer from the limited call in the notice of hearing that no action is contemplated by your honorable body with respect to gas-oil ratio limits, allocation changes or other proration matters related to the respective fields involved, it appears that certain confusion will result where combinations of two present fields are made under a hyphenated name combining both names, such as in the matter of filing reports required, etc.

Because of conflicting engagements we will be unable to attend the hearing at Santa Fe, and in view of the limited call in the matters we feel should be considered, we respectfully suggest that consideration of this matter be deferred until all pertinent data can be prepared and submitted at a hearing. In any event, we should like by means of this letter to record our opposition to the redefinition of pools in Lea County, New Mexico, at this time which in itself will in any way affect the method or manner of allocating allowables in these fields.

Yours very truly,

THE TEXAS COMPANY  
Producing Department  
C. B. Williams  
Division Manager

By /s/ A. E. Willig

A. E. Willig  
Division Engineer

AEW-Lr"

MR. KELLY: The time is limited in the call, but the Nomanclature has been operating for over a year.

MR. LAMB: I have a copy of this - at present it has been 5 days.

MR. KELLY: Objections have been accepted by both Mr. Lamb and Mr. Aston, this letter, however, will be filed in the record as an objection.

(Letter in file as Exhibit C)

MR. KELLY: Any other comments on these rate definitions?

GOVERNOR DEMPSEY: We will take the case under advisement.