

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
PROCEEDINGS

The following matter came on for consideration before a hearing of the Oil Conservation Commission of the State of New Mexico, pursuant to legal notice, at Santa Fe, New Mexico, on October 24, 1950 at 10:00 a.m.

NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

The State of New Mexico by its Oil Conservation Commission hereby gives notice, pursuant to law, of the following public hearing to be held October 24, 1950, beginning at 10:00 o'clock A. M. on that day in the Hall of Representatives of the Capitol, in Santa Fe, New Mexico.

STATE OF NEW MEXICO TO:

Delhi Oil Corporation, Dallas,
Texas, Foster Morrell, Oil and
Gas Supervisor, U.S.G.S., and
all persons and/or corporations
having any interest;

Case 236

In the matter of the application of Delhi Oil Corporation, Dallas, Texas, for an order permitting the communitizing of short or narrow quarter sections on a north-south basis as they may lie along the west side of Townships ^{2 1/2} 30 and 31 North, Range 9 West, for the purpose of creating drilling units and allowables approximately corresponding to the spacing and allowable requirements of Order No. 799 relating to the Blanco-Mesa Verde gas pool in San Juan County, New Mexico.

Given under the seal of the Oil Conservation Commission of
New Mexico at Santa Fe, New Mexico, on September 28, 1950.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

/s/ R. R. Spurrier
/t/ R. R. SPURRIER

SEAL

STATE OF NEW MEXICO TO:

All interested parties:

The Oil Conservation Commission of the State of New Mexico hereby gives public notice that hearings will be held before the Commission pursuant to Rule 503 of the General Rules and Regulations of this Commission on the dates hereinafter set forth for the purpose of setting the allowable production of oil and gas for the State of New Mexico for the calendar month following the date of each hearing. All such hearings shall be held in the Office of the Oil Conservation Commission at Santa Fe, New Mexico, commencing at 10:00 a.m., and shall be on the following date:

STATE OF NEW MEXICO
October 24, 1950

Dated this 3rd day of January, 1950.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

/s/ R. R. Spurrier
/s/ R. R. SPURRIER

SEAL

BEFORE:

Hon. Thomas J. Mabry, Governor
Hon. R. R. Spurrier, Secretary.

REGISTER:

Don McCormick, Attorney
Santa Fe, New Mexico
For the New Mexico Oil Conservation Commission

George Graham, Attorney
Santa Fe, New Mexico
For the New Mexico Oil Conservation Commission

G. T. Hanners, Attorney
Lovington, New Mexico
For Warren Petroleum Corporation

J. O. Seth,
Santa Fe, New Mexico
For Stanolind Oil Company

John R. Murray
Hobbs, New Mexico
For Lea County Water Company

B. R. Luscomb
Fort Worth, Texas
For Stanolind Oil Company

R. B. Smith
Fort Worth, Texas
For Continental Oil Company

A. R. Ballou
Dallas, Texas
For Sun Oil Company

G. E. Kendrick
Jal, N. Mexico
For El Paso Natural Gas Company

W. L. Taylor
Jal, New Mexico
For El Paso Natural Gas Company

Thomas Steele
Hobbs, New Mexico
For Ohio Oil Company

S. J. Fraser
Tulsa, Oklahoma
For Sinclair Oil and Gas Company

Al Greer
AZtec, New Mexico
For New Mexico Oil and Gas Commission

Joe Lilly
Farmington, New Mexico
For Southern Union Gas Company

R. E. Canfield
Roswell, New Mexico
For U. S. Geological Survey

Foster Morrell
Roswell, New Mexico
For U. S. Geological Survey

Robert Mims
Dallas, Texas
For Delhi Oil Corporation

M. T. Smith
Midland, Texas
Shell Oil Company

William E. Bates
Midland, Texas
For Texas Oil Company

L. O. Storm
Hobbs, New Mexico
For Shell Oil Company

R. S. Dewey
Midland, Texas
For Humble Oil Company

Quilman Davis
Dallas Texas
For Southern Union Gas Company

Van Thompson
Dallas, Texas
For Southern Union Gas Company

O. P. Nicola, Jr.
Bartlesville, Oklahoma
For Philips Petroleum Company

Raymond A. Lynch
Midland, Texas
For Philips Petroleum Company

Glenn Staley
Hobbs, New Mexico
For New Mexico Engineering Commission

R. E. L. Batts
Fort Worth, Texas
For Gulf Oil Corporation

Murray E. Moffatt
Fort Worth, Texas
Gulf Oil Corporation

Ross L. Malone, Jr.
Roswell, New Mexico
For Gulf Oil Corporation

C. D. Borland
Hobbs, New Mexico
For Gulf Oil Corporation

Frank C. Barnes
Santa Fe, New Mexico
For New Mexico Oil Conservation Commission

E. E. Kinney
Artesia, New Mexico
For New Mexico Bureau of Mines

E. A. Utz
Santa Fe, New Mexico
For New Mexico Oil Conservation Commission

(Reporter's Note: The meeting was called to order in the Senate Chambers of the Capitol Building in Santa Fe, New Mexico.)

MR. SPURRIER: The meeting will come to order and the first order of business will be the allowable hearing.

MR. McCORMICK: Mr. Utz, will you take the stand please. Go over and pull up a chair right in front of the reporter, please.

MR. SPURRIER: Will Mr. Utz stand and be sworn and also Mr. Kinney at the same time.

(Witnesses sworn.)

ELVIS A. UTZ,

having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. McCORMICK

Q State your name and official position.

A Elvis A. Utz, Engineer for the New Mexico Oil Conservation Commission.

Q Have you made a study of the market demand for oil in the State of New Mexico for the month of November, 1950?

A Yes, I have.

Q Do you have an estimate of the market demand furnished by the United States Bureau of Mines?

A Yes, sir, I have and that reads 150,000 barrels per day for the month of November.

Q Have you received and compiled the nominations of purchasers for the month of November?

A Yes, sir.

Q What are the total nominations?

A The total nominations are 121,206, an increase of 10,550 or 9 per cent increase over last month.

Q I ask if you have an opinion as to what the reasonable market amount of oil will be for the month of November for the State of New Mexico?

A In my opinion derived from the figures at hand it will be 142,285 barrels for the month of November.

Q How much of this demand can be met by the allocated pools of northwestern New Mexico?

A Approximately 850 barrels.

Q I ask if, in your opinion, the balance of the market demand can be met by the allocated pools of southern New Mexico?

A Yes, I believe it can.

Q Is the potential producing capacity of all the wells in southern New Mexico greater than the market demand?

A Yes, it is.

Q In order to prevent waste, is it necessary for the pools in Eddy, Lea and Chavez County to be limited in their production?

A In my opinion it is, yes, sir.

Q In your opinion can the pools in those three counties produce the market demand without permitting waste?

A According to the information we have at hand it can.

Q I ask you what your recommendation is for the allowable production per day from the allocated pool of Eddy, Lea and Chavez Counties?

A Based on 48 barrel normal unit allowable, the estimate would be for the allocated pools 141,435 barrels per day.

Q How does that compare on the total allocation with the preceding month?

A That would be exactly the same.

Q And you recommend a unit allowable of 48 barrels per day?

A That is correct.

Q In your opinion how should this production be distributed?

A According to the present rules and regulations of the Oil Conservation Commission.

Q In your opinion will this limitation and this distribution protect relative rights and prevent waste?

A Yes, it will.

Q MR. McCormick: Are there any questions by anyone present? If there are no questions, that will be all, Mr. Utz.

(Witness excused.)

E. E. KINNEY,

having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. McCORMICK

Q State your name.

A Ed Kinney.

Q What is your official position?

A Petroleum Engineer with the New Mexico Bureau of Mines.

Q In that capacity have you made a study of the current market demand for oil in New Mexico?

A Yes, sir.

Q Just state in your own words what the market situation is.

A The market situation in New Mexico is nearly in balance. There is a slight withdrawal yet from storage, but it is approaching a balance and for that reason, I do not think there is any need for an increase at this time.

Q What is the situation on storage?

A The storage continues to decline slowly as it has ever since December of last year.

Q Do you have any information or any opinion as to whether or not the allowables which have persisted here for the past several months may be too great as to the deeper wells?

A So far as the information available at the present time, we have no definite proof that the present allowables are harming the wells, but there is a possibility that the deep well factors are a little too great and may be causing difficulty in wells over ten thousand feet of depth.

Q Thank you.

MR. McCORMICK: Are there any questions by anyone present?

MR. SPURRIER: If anyone has any comments to make concerning the deep well factors, the Commission would like to hear them. There has been some information that perhaps the deeper wells have been producing too heavily. If anyone has any ideas on that we would welcome them. This is not a hearing to get that but it is an open hearing on all questions pertaining to that. That is all, Mr. Kinney.

(Witness excused.)

MR. SPURRIER: Is that all?

MR. McCORMICK: Yes.

MR. SPURRIER: If there is nothing further on the allowables, we will go to Case 231 which was on the Commission's Rule 404 and continued from July 25th to this date.

(Order of Publication for Case 231 read by Mr. Graham.)

MR. MALONE: May it please the Commission.

MR. SPURRIER: Mr. Malone.

MR. MALONE: The Case Number, which I believe was

Number 219 was an application of Gulf Oil Corporation for exceptions to Rule 404, and I believe is companion to the case Number 231 called by the Commission. With reference to that application which was for exceptions to Rule 404 some 54 wells of Gulf in Lea County, the application and hearing was held on April 25, 1950. At that time Gulf stated to the Commission that the proposal was to increase the capacity of its ~~Eunice~~ gasoline plant to take care of the gas lift and casinghead gas that was being produced by 42 of these wells in order that no exceptions would be required as to these wells. Since April 25, that work at a cost of some six hundred thousand dollars has been undertaken and will be concluded by January 1st if present construction schedules are maintained. It is anticipated that the increase in capacity of that plant will make it possible to eliminate some 42 wells from the application of Gulf and an additional ten wells which were using gas lift will be taken care of by the proposed pipeline into the area that the El Paso Natural Gas Company proposes to build in 1951 and which is included in their 1951 budget. Negotiations are underway between the two companies to see that the gas is taken care of. I wanted to state those developments which have occurred since the matter was before the Commission before with the suggestion that possibly insofar as Gulf's application is concerned the Commission might want to continue action for an additional period of perhaps four to six months to complete the completion of this construction and thereby eliminate the necessity of exceptions as to those wells. However, if this, if there is any testimony that the Commission would like to hear in that respect, we are available and would be glad to present

MR. McCORMICK: Do you have an opinion as to whether or not any exceptions are actually needed until such time as gas pools are designated?

MR. MALONE: Under the definition of a gas well as contained in the rules and regulations, which is that it is a well producing from a gas pool as defined by the Commission. I think there is a serious question whether or not any exception is actually needed until such time as the Commission has defined the gas pools or the common source of supply that is coming within that category, and until there is such definition it is entirely possible that there is no occasion for the exceptions.

Mr. Spurrier, I concluded with the suggestion that possibly the Commission might wish to continue further action at least on Gulf's application for a period of four to six months within which time we feel that an exception will not be necessary as to the large portion of the wells that were included in application 219.

MR. SPURRIER: Do I understand that you are asking for a continuation of this case?

MR. MALONE: We would make that formal request of the Commission pending the completion of this construction.

MR. SPURRIER: That is case 219?

MR. MALONE: Case 219, the application of Gulf Oil Company for an exception to rule 404.

MR. SPURRIER: Does anyone wish to be heard further on Case 231?

MR. LYNCH: I have no knowledge in particular with regard to the Gulf's application and have no recommendation to make with respect to it. But with respect to Case 231, I would recommend that the rule not be changed, Rule 404 remain as it is and any operator who desires to use gas for

gas lift would make a special application. I believe the rules permit the Commission under proper hearing and proper showing to grant exceptions where they appear to be necessary. I see no reason to amend the rule. I see no reason to have any further hearing on it for that matter. I think this hearing on this Rule 404 has been continued to this present time and I hope that the Commission will not continue that part of the case to any future date but go ahead and decide now to amend Rule 404.

MR. MALONE: Mr. Spurrier, may I make it clear that the application of Gulf is without reference to any amendment of Rule 404. The two are entire and separate. Our application is limited to exceptions under Rule 404 and I believe we concur in the view as stated by Mr. Lynch.

MR. SPURRIER: Anyone here from the T and P Coal and Oil Company? Does anyone have any further comment?

MR. LUSCOMB: At the July 25th hearing it was Stanolind's recommendation that Rule 404, subparagraph 3 be amended by adding the following provisions: "Providing, however, that in the event good and sufficient cause can be shown and waivers from all offset operators furnished, the Commission may, at its discretion, grant exceptions to this provision without hearing." We have no objection to going through and asking for exceptions in each individual case. It was our intention that we would save a lot of paper work and a lot of hearings. We thought by getting waivers that sufficient people would be informed as to what is going on, in the event they had an objection they could come in and note their objection with the Commission. However, as I have said, we have no objection to going through each individual case by hearing. We have only four wells at

this time where we are using natural gas and gas lift wells. Two being in the east and two being in the levee. Neither of these pools are designated as gas pools. However, both were gas lifting prior to January 1, 1950.

MR. MCCORMICK: Do you have an opinion as to whether or not this rule applies to wells in a pool that has not been designated as a gas pool?

MR. LUSCOMB: Apparently it does not, but we want to get the exceptions into the record if they are necessary.

MR. SPURRIER: Does anyone have anything further.

MR. BALLOU: The Sun Oil Company holds the same views that the Phillips does and we feel that exceptions can be granted in a hearing to take care of any hardship cases. This Rule 404 is adequate as it is written.

MR. SPURRIER: Anything further?

MR. MCCORMICK: I have nothing further regarding this. I think it should be taken under advisement.

MR. SPURRIER: If nothing further, the case will be taken under advisement and further notice in the case will be published at a later date. In the meantime, Rule 404 will stand as it is written in the Commission's Rules and Regulations. The Commission will give study to these comments taken here with the idea of making amendment to the rule. However, in the meantime it will stand.

Mr. Graham, will you read the advertisement for Case 235?

(Order of Publication for Case 235 read by Mr. Graham.)

MR. SPURRIER: Before we go on to case 235, Mr. Graham reminds me that Case 219 should be taken care of and the Commission will continue that case also as you have requested

for Gulf.

MR. MALONE: That you, sir.

MR. SPURRIER: Is there anything now on Case 235?

MR. HANNERS: In behalf of Warren Petroleum, I would like to advise the Commission that this morning the parties in interest have discussed and apparently agreed upon a contractual arrangement which would provide a ratable take in the area affected. They need to talk further briefly with the gentlemen from the El Paso Natural Gas and confer by telephone with one of the men in Warren Petroleum Company in Tulsa. If the Commission would allow us not to exceed an hour's delay before the case starts, I believe we can advise the Commission that it has been satisfactorily adjusted between the parties establishing ratable take by contractual arrangement.

MR. SPURRIER: Mr. Hanners, the Commission will allow you until 11:30.

MR. HANNERS: Yes, sir, that will be fine, sir.

MR. SPURRIER: In the meantime, gentlemen, we will go ahead with Case Number 236.

(Order of Publication for Case 236 read by Mr. Graham.)

MR. MIMS: Delhi Corporation is making application to get exceptions to Rule 799. There are diversified owners along a strip of land in 30 and 31 north, range 9 west. These being short sections, we are making application to be able to communitize these tracts in order to give a regular drilling of 320 acres with the spacing allowables and due to the diversified ownership royalties to the government, state and individuals would be lost, also the pool could not be adequately drained unless we do go ahead and communitize on this particular basis.

MR. SPURRIER: Do you want to introduce this as an Exhibit?

MR. MIMS: I don't know. You tell me just what to do about it and I will do it.

MR. SPURRIER: We will introduce it as an Exhibit.

(Document, handed to Commissioner Spurrier was marked for identification as Exhibit 1.)

MR. MIMS: I think Mr. Morrell and Mr. Smith could talk about the matter. I think that actually under Rule 799 we are entitled to the exception.

MR. SPURRIER: This Exhibit 1 will be received in Case Number 236.

(Which said Exhibit 1, previously marked for identification, so received in evidence, is filed with the record in this case.)

MR. SPURRIER: What are the approximate size of these quarter sections?

MR. MIMS: They are lots. They run anywhere from 9.19 acres to 11.95 acres on the west side. There are two lots in each quarter section 40 acres each. They are two tracts of 40 acres, the other two lots being anywhere from 9.17 to 11.95, a communitization of approximately three of these tracts will give you basically about 320 acres as set out in order 799.

MR. SPURRIER: The answer to my question is that an area or quarter section comprises approximately 100 acres?

MR. MIMS: That is correct, 100 plus.

MR. SPURRIER: In your proposal, as I understand it as to communitization, three of these so-called quarter sections comprises about 300 acres as a drilling unit?

MR. MIMS: That is correct.

MR. SPURRIER: To conform with the 320 acres spacing in the Blanco-Mesa Verde pool?

MR. MIMS: That is correct. We desire to do it all on the south basis there.

MR. SPURRIER: Mr. Morrell, do you have any comment?

MR. MORRELL: I believe it would be appropriate to add to the record that we heartily endorse the application of Delhi in this Case 236. We have this short section condition consisting of townships 29 north, 30 north and 31 north, range nine west. We have at the present time one productive gas well on an adjoining 160 acres to the east and four wells in process of drilling. There are also two wells in process of drilling on a 160 acre tract immediately west of these short half sections. The thought of this case, as I understand it, is to anticipate the proration under New Mexico State Statutes for gas production so that the operators might know in advance what acreage they might attribute to each well before they make a capital expense. The communitization of three legal quarter sections on the west half of the west tier of sections in these three townships will permit drilling units of approximately 304 acres.

: This is considered more desirable from an operating standpoint than an endeavor to attach on the tracts from other sections. That would be a condition that would be continuous and never-ending. The proposal of Delhi would make something that could be completed in these three townships. In addition to Delhi, Standard Oil and Gas Company, Byrd-Frost, Atlantic and El Paso Natural are likewise involved. It would be our opinion that if the Delhi application is approved the principle could be applied to the other operators in that same area. To avoid the question that could always arise by virtue of ownership of particular tracts, I would like to suggest for the consideration of the Commission that the three legal quarter

sections be determined in the regular manner dividing the township north and south, dividing it equally in the four parts. Specifically, for example, in township 30 north, nine west one communitized tract would thus include the west half of Section 6 and the northwest quarter of Section 7. The next one would take the southwest quarter of Section 7 and the west quarter of -- the west half of Section 18. Continuing, the west half of 19 together with the northwest quarter of section 30 and the northwest of Section 30 to be communitized with the west half of Section 31. I feel that this type of communitization is the only way in which waste can be prevented and the operators permitted to conduct drilling in orderly manner. As to the location of the drilling well, it is on such communitized tract I would suggest that the legal quarter section be used. This conforms with the spacing pattern as set forth in order 799 of the Commission. The Blanco-Mesa Verde gas pool as you know under that order has a spacing of 320 acres, the wells to be located in the northeast quarter and the southwest quarter of each legal section. That same spacing pattern could be continued on these communitized tracts. We recommend the adoption of the application.

MR. MCCORMICK: Are you familiar with the ownership of this tier of sections?

MR. MORRELL: I am to a limited extent.

MR. MCCORMICK: Is it all government land?

MR. MORRELL: I would say it is approximately over 90 per cent government land. In township 30, north range, nine west which is the center of the development at the present time of the Blanco-Mesa Verde pool the entire amount of it is government.

MR. McCORMICK: Does Delhi have a gas lease covering all of that?

MR. MIMS: No.

MR. MORRELL: No, that is why I say these others are involved.

MR. McCORMICK: For the record, I think we ought to have some witness testify as to their exact ownership in this. Do you have a witness, Mr. Mims who is prepared to testify as to the ownership?

MR. MIMS: No one except myself.

MR. McCORMICK: Will you be sworn please.

(Witness sworn.).

ROBERT MIMS,

having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. McCORMICK:

Q Your name is Bob Mims?

A That is correct.

Q You are an attorney for the Delhi Oil Corporation?

A I am land man for that corporation.

Q You have records showing the ownership of the west half of the west tier of sections in Township 30 north range nine west?

A I do.

Q State the ownership.

A Do you want the whole ownership or just the acreage of Delhi Oil Corporation?

Q State what Delhi owns.

A In 31 north, nine west --

Q (Interrupting) I believe I asked you for 30 north.

A 30 north, nine west, Section 30, the west half of Section 30, Delhi Oil Corporation or Blanco Gas Company which is a wholly owned subsidiary --

MR. SPURRIER: (Interrupting) Could you introduce the plat as an exhibit and save this conversation?

MR. MIMS: I believe so.

MR. McCORMICK: If you have an ownership plat, that would supply us --

MR. MIMS: The assignments have not been approved in all cases, however, they are filed of record with the federal land office. Some of the ownership is in the option stage.

MR. McCORMICK: Mark these as Exhibits two and three.

(Documents, handed to Commissioner Spurrier were marked for identification as Exhibits 2 and 3.)

MR. BARNES: Mr. Mims, would the adoption of this proposal prevent or eliminate the extension of the same type of proposal in the adjoining townships. In other words, your petition would confine the necessity of this type of communitization merely to the irregular township and would it not extend the correction into the adjoining townships?

MR. MIMS: It would not. It would be corrective only as to the short tier of sections in these particular townships, 30 north, nine west, 31 north, nine west.

MR. McCORMICK: How will this communitization effect overriding royalty?

MR. MIMS: Well, the only way I can see it would effect it would be to give the override holder to get something out of his override if we are permitted to drill a well in there the override will be worth something otherwise it will not be worth a thing.

MR. McCORMICK: Do you anticipate getting the consent of the owner of the overriding royalty to this arrangement?

MR. MIMS: We do not make a practice of having the override holder join in a communitization agreement, however, we have had them ratify most of the communitization agreements that we have drawn to this time. I do not think they are a necessary part of the communitization agreement.

MR. McCORMICK: I have nothing further.

MR. SPURRIER: Mr. Mims, do you expect to get proportional fractional amount for each of these wells or do you propose that a three hundred acre unit should get a full 320 acre allowable?

MR. MIMS: It will get whatever the acreage bears to the 320.

MR. SPURRIER: Mr. Morrell, do you have any comment on that?

MR. MORRELL: That is all I have. I agree with him.

MR. SPURRIER: Does anyone have anything further?
Mr. Thompsom is Southern Union involved in this case?

MR. THOMPSON: Not at all.

MR. SPURRIER: Do you have any comment to make?

MR. THOMPSON: From what I have heard I don't have any objection to it.

MR. SPURRIER: If no further comment, the case will be substantially granted, however, there are some details we will have to work out on the order. In the meantime, we will take a recess until 11:30.

(Witness excused.)

(Whereupon, the hearing was recessed until 11:30 a.m.)

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MR. SPURRIER: The meeting will come to order.

MR. HANNERS: I have been on the long distance telephone since the recess a while ago, but due to the difference in

time, the engineer I wanted to talk to is out. They said they would have him on the phone at one o'clock which would be twelve o'clock our time. May I suggest that we recess until after lunch and by that time I will have the information.

MR. SPURRIER: Your motion then is to recess until probably one-thirty? Could it be one instead?

MR. HANNERS: I would prefer a little more time. He will be back on the telephone at 12:00 o'clock. It is getting close to noon now, if we could recess --

MR. SPURRIER: Is there any objection to Mr. Hanners motion. I think it would be reasonable to wait until two o'clock, but I do know some of these planes are leaving, so let's try to make it at 1:30 o'clock. We will stand adjourned until 1:30.

(Whereupon, the hearing stood at recess until 1:30 p.m.)

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AFTERNOON SESSION, OCTOBER 24, 1950, at 1:30 P.M.

MR. SPURRIER: The meeting will come to order. Mr. Hanners, are you ready to proceed?

MR. HANNERS: I would like to make this statement. We had thought in good faith that we could adjust the matter between the four parties concerned by a contractual arrangement that would provide ratable take of the four wells affected, but we have been unable to do so and spent our lunch hour on the long distance telephone and are still unable to do so.

On behalf of Warren Petroleum, we make the statement that we are now taking three million cubic feet a day from a well owned by Byrom and Nolan and identified as Williams No. 3. Yesterday, Byrom and Nolan agreed to a modification of our three million cubic foot contract so as to permit us to take

ratably from all wells in the field.

Warren Petroleum is now willing to take ratably from the four wells in the designated field. When we had the hearing a month ago the people with whom we had contracted, Byrom and Nolan had not agreed to any modification, had not attempted any solution of it and it was not until yesterday that they agreed to modify our present contract and permit us to take ratably. Now, having been unable to adjust the matter among ourselves, we submit the entire matter to the Commission for such order as it may make with the statement by Warren that with our three million a day requirement we are willing to divide between all of the wells in the field in any way the Commission directs.

MR. SPURRIER: Mr. Murray, can you speak for Lea County Water Company?

MR. MURRAY: Yes.

MR. SPURRIER: Does Lea County Water Company intend to purchase ratably in this pool?

MR. MURRAY: Mr. Spurrier, we don't see any alternative.

MR. McCORMICK: What about the producers, Mr. Clark? If the purchasers are willing to purchase ratably, what is holding up an agreement between the producers and the purchasers?

MR. CLARK: We have a contract presently with the Lea County Water Company to sell gas ratably at five cents a thousand. We have been unable to divide the mortgage so that we could get five cents for our gas. It would be necessary to sell about half of an assumed allowable for four cents, approximately half, to divide the mortgage of the four wells into the five million feet it will be necessary for us to sell some gas for four cents a thousand.

MR. McCORMICK: What is wrong with that if that is all the purchasers can pay?

MR. CLARK: We have a good purchaser here who would like to pay five and we would like to sell. They would pay five cents for all the gas they can buy.

MR. McCORMICK: But they will only buy a million and a half feet a day?

MR. CLARK: They will buy two and half million, but Warren wants three million. It is just a question of who is going to sell them the additional five hundred feet.

MR. McCORMICK: Couldn't it be worked out so that each well would sell its prorata part to the five cent purchasers and its prorata part to the four cent purchasers?

MR. CLARK: So far, we have been unable to do it.

MR. McCORMICK: Why?

MR. CLARK: Nolan and Byrom want to sell two and a half million feet a day and we would like to sell a million and a quarter at that price and so would El Paso.

MR. McCORMICK: I understood Mr. Hanners to say that Nolan and Byrom had consented to a modification.

MR. CLARK: Modification in the take in the amount.

MR. HANNERS: Mr. McCormick, basically Byrom and Nolan had contracted with us for the three million cubic feet at the four cent price, do not want after a ratable take sets in to have to sell all of their gas to us at four cents. They want some of the other people to take part of that four cent margin. We had suggested a solution for Byrom and Nolan to sell a million and a quarter from their Williams No. 3 to Warren at four cents, for El Paso Natural to sell a million and a quarter to Warren at four cents, for Byrom and Nolan in order to equalize to sell a million and a quarter from their well, Williams No. 1 to ~~Lea County Water~~ at the five cent price.

MR. McCORMICK:: You mean the Lea County Water?

MR. HANNERS: Yes. That left one well and a million and

a quarter feet unprovided for. That is the well owned by Clark and Christie. We suggested that if they would sell us out of the million and a quarter a half a million at the four cent price and three quarters of a million to Lea County Water at five cents it would equalize with Clark and Christie getting 4-6/10s cents for the million and a quarter sold by them for Byrom and Nolan from their two wells. A million and a quarter to Warren and a million and a quarter to Lea County Water equalizing on four and a half cents thereby providing a little better price basis to Clark and Christie, but someone would have to make the dual connection. Clark and Christie being the petitioners in the proceeding and standing now with the well with no market we thought that might appear equitable for them to get a little better price than Byrom and Nolan, but for them to assume the expense of the dual connection and that was not satisfactory.

MR. McCORMICK: What is wrong with that Mr. Clark, that sounds like a fair deal to me?

MR. CLARK: We just paid for one connection out there. We just paid to get on to the Lea County Water Company line. We feel that we are being unjustly penalized by standing the expense of another connection. We kind of feel like that Warren should give just a little bit. That is the way we feel about it. So far, they have given nothing. They have made no effort --

MR. McCORMICK: But the ratable take provisions apply only when gas is tendered to the lines of the purchasers, and under the law we can't require a purchaser to lay a line to your well.

MR. CLARK: It looks like there should be some way to work it out but so far we seem to be unable to do it. We

have been on the telephone ever since we left the other room.

MR. CHRISTIE: It will work itself out if you will just set it on an equitable basis and ratable take. We haven't been happy to sell gas under the market. We have contracted for five cents and we can't see why we should sell gas for less. We would rather shut the wells in than sell under the market. We understand you don't have any control over that.

MR. HANNERS: Warren's position is that they take the gas for their operation as is rather than to have to set in motion some treating process in their own plant where they could provide their own fuel gas. I am getting into a subject with which I am not too familiar. They laid their line from the plant to the Williams No. 3, the first well. They feel that four cents is all they can economically pay for it. If they had to pay more than that they would have to consider abandoning and setting in motion the treating process in their own plant. The four cents is all they feel they can economically pay. In the absence of Mr. Carney, the engineer who is unable to be here for this hearing, I have talked with him on the telephone and they do not consider any change in their four cent price.

MR. McCORMICK: If the Commission should enter an order requiring each purchaser to purchase his prorata share of his demand from each producer, wouldn't you be back at the same point that has been suggested by Mr. Hanners?

MR. CHRISTIE: I wouldn't think so.

MR. McCORMICK: What is the difference?

MR. CHRISTIE: Their demand is three million feet and they can't get it out of two wells and they want somebody on the

five cent contract to give them that extra million. They just don't like it. We don't want to give up the five cent market to a four cent market.

MR. McCORMICK: You would rather do that than not have any market?

MR. CHRISTIE: Personally, we would rather shut it down until such a time as there is a market.

MR. SPURRIER: There are some very pertinent questions to be asked here. In the absence of any witness, I don't feel that there is any sense in asking the question. I wonder how we are going to arrive at anything unless we do have witnesses.

I might say that I am strongly thinking of recommending that we continue the thing and that the witnesses be present at a future hearing. There are a lot of unanswered questions. For example, what would Warren do if this sweet gas were not available.

MR. CHRISTIE: They have a plant that, when they shut the wells in 30 days ago, that they put the plant in operation. I think Mr. Murray will back me up in that. Within a few minutes that supplied them with sweet gas through their processing plant anyhow. They have operated on it all through the years up until the last January when this gas became available.

MR. SPURRIER: How much does it cost to process sour gas and make it sweet?

MR. CHRISTIE: Their own man said here that day seven minutes.

MR. SPURRIER: What do they pay for the sour gas?

MR. CHRISTIE: I couldn't answer that.

MR. HANNERS: I am not in a position to answer any of those questions. We have no type of information on that at all.

MR. CHRISTIE: That is written into the record before. I believe that is right that it took them seven minutes.

MR. McCORMICK: My recollection is a little hazy of some of the facts. I will ask Mr. Clark, I believe you will know enough about the facts to supply me with this information. To which wells is Warren now connected?

MR. CLARK: Williams No. 3, Nolan and Byrom, Williams No. 3.

MR. McCORMICK: I understand a lot of this is repetitious but I want to get it firmly in my mind. I understand that Warren is now purchasing three million feet per day from this one well?

MR. CLARK: Yes.

MR. McCORMICK: To which well or wells is Lea County Water connected?

MR. HANNERS: They are connected to the Williams No. 1 Byrom and Nolan well, and within the last few days have connected to the Clark and Christie well.

MR. McCORMICK: Are either you or Mr. Clark able to tell me how much is being taken by Lea County from each of these two wells?

MR. HANNERS: I assume Mr. Murray could.

MR. MURRAY: One million a day.

MR. McCORMICK: The fourth well is the El Paso Natural Gas well and it is shut in, as I understand it?

MR. HANNERS: That is right. El Paso Natural Gas is present.

MR. McCORMICK: Then, you have only one well out of the four that is not producing?

MR. HANNERS: That is correct. That is the state well, the El Paso Natural.

MR. McCORMICK: Who represents El Paso Natural here, Mr. Taylor?

MR. TAYLOR: That is right.

MR. McCORMICK: What is the attitude of your company about the one well of yours that is shut in?

MR. TAYLOR: The attitude of the El Paso is the same as it was at the last hearing that if the ratable take could be worked out we will go along with anything that the Commission decides on that. We do not particularly want to lay a line to our well at this present time, however, we would if that was necessary. As Mr. Howell stated at the last hearing, we are just about as far on the sidelines and we take purely the position not that of a buyer.

MR. McCORMICK: If you should run a line to the Warren Petroleum and start selling them part of this three million feet a day that they are taking all four wells would be hooked up, two of them selling three million feet at four cents and two of them two million at five cents. What would you think of such an action as that?

MR. TAYLOR: Anything that I might say about that is

more or less halfway personal and only about halfway official, but as I understand it, we have our contract on, that is a contract when, if we want to at some date in the future, we can take the gas from that well into our lines, we have a market for it sometime in the future.

MR. McCORMICK: What would be wrong with your selling it to Warren in the mean time?

MR. TAYLOR: As I understand the official position of our company, we would be very happy to do that. I might add that we were present at the meeting at which the ratable take was worked out, a million and a quarter from our Shell State well and agreed to.

MR. HANNERS: I might say this, if you don't mind?

MR. McCORMICK: Go ahead.

MR. HANNERS: The plan just suggested for Warren to take a million and a half from Byrom and Nolan and Williams No. 3, and million and half from El Paso would provide our three million market and be satisfactory. That would leave the Williams No. 1 owned by Byrom and Nolan with only a million market and Clark and Christie with only a million but each of those million markets at the five cents, it would come close to equalizing in dollars and cents, but it would have two of the wells producing a million and a half and two producing only a million. We make no objection. That would answer our problem.

MR. McCORMICK: Mr. Hanners, as I understand the position of Warren, you are taking three million feet of this sweet gas and using it in your gasoline plant in a process of yours?

MR. HANNERS: That is correct, basically for fuel gas.

MR. McCORMICK: Basically for fuel gas?

MR. HANNERS: That is right.

MR. McCORMICK: To run pumps and so forth?

MR. HANNERS: That is right.

MR. McCORMICK: Do you necessarily need this three million feet of gas?

MR. HANNERS: Economically it is better policy to take it as they do instead of operating their own treating plant. That is getting into an engineering subject.

MR. McCORMICK: But from the standpoint of conservation, if you would take sour gas and treat that and use that instead of three million feet of sweet gas, the resources would be conserved a little longer?

MR. HANNERS: That is right. It may have some value other than just the operation of their pumps. That is my understanding.

MR. McCORMICK: We were thinking if it wouldn't be desirable if you wouldn't quit taking any gas down there and using, meeting your fuel requirements from treated sour gas and let the entire output of this sweet gas pool be taken by the Lea County Water Company.

MR. HANNERS: It is a question I wouldn't be able to answer in the absence of one of the men from the engineering section or the management section of the company. We have

been discussing further the suggestion that we made at the meeting in Hobbs to take the four wells and divide them with a million and quarter market and I have just been talking to Mr. Clark and Mr. Christie on that, on a plan we discussed at Hobbs for Byrom and Nolan to sell us the million and a quarter at four cents for that same company to sell Lea County Water a million and a quarter at five cents. That would equalize on the price at four and a half cents for those two wells. For El Paso Natural to sell their million and a quarter at four cents and for Clark and Christie to get their million and a quarter by selling three quarters of a million to Lea County Water at five and a half million to Warren at four cents and they will equalize on four and six-tenths cents. One thing only, that would require Clark and Christie to lay a line. They are the petitioners and are asking relief. They laid a line to the Williams No. 3 in anticipation of a long time take from it.

MR. SPURRIER: I think your client should be prepared to answer that and as I say I don't believe there is any alternative except to recommend a continuation of the case and I think they should also be prepared to consider Mr. McCormick's suggestion.

Why shouldn't they be closed in and how do they expect to remain in competition when they pay one cent less than the going price. I assume there is no one here to represent Byrom and Nolan.

MR. HANNERS: They are not present.

MR. SPURRIER: So, in that respect, how would they feel

about this thing. These things are all important questions before the Commission and should be answered before we can write a sensible order.

MR. HANNERS: We have talked to them about the price feature on it. I agree with the Commission that we need some technical information that I am not able to provide and neither are the petitioners nor neither is the water company.

MR. SPURRIER: At the suggestion of various people at the previous hearing the Commission has taken judicial notice of their own records and we have assembled a considerable amount of information which we will be glad to put into the record in writing, that is, introduce it in writing or we can introduce it verbally at this time. I personally know of no reason for introducing it verbally and taking up everyone's time unless there is someone in the room who would like to hear that data at this time. The record will be available if you make proper arrangements with the reporter to any and all of you and you may have the benefit of what we have assembled.

If there is no objection, we will swear Mr. Barnes and have him introduce part of it and Mr. Utz to introduce the rest of it. Is there any objection?

Will you swear the witnesses, Mr. Graham?

(Witnesses sworn.)

FRANK BARNES,

having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY
MR. MCCORMICK:

Mr. MCCORMICK: Mr. Barnes, will you be seated over there, please.

(Document, handed to the reporter, was marked for identification as Commission's Exhibit No 1 in Case 235.)

MR. SPURRIER: You may proceed, Mr. McCormick.

Q Your name is Frank Barnes?

A Yes, that is right.

Q What is your official position?

A Geologist with the New Mexico Oil Conservation Commission.

Q At the request of Mr. Spurrier, did you make a compilation of the completion data and geological data as reflected by the official reports filed with the Commission as to the four wells in the Williams gas pool?

A That is correct.

Q I hand you Commission's Exhibit 1 and ask you if that is the compilation of data which you made?

A That represents the Commissions records up to the present time on those four wells.

Q That is a correct transcript of those records?

A To the best of our knowledge.

MR. MCCORMICK: Any interested party wish to inspect this?

We offer this Exhibit in evidence.

(Which said Commission's Exhibit No. 1, having been previously marked for identification, so offered in evidence, is in words and figures as follows:

COMMISSION'S EXHIBIT NO. 1

"E. B. CLARK - Cooper "C" #2, NWNE Section 3, T. 20S, R.37E, 660S and 1550E.

Drilling commenced April 2, 1950; Completed May 15, 1950.

Gas Zone 3525-3560; Csg. 8 5/8" Set 1338' with 400 sax, 5 1/2" Set 3523' with 300 sax.

Open Hole 3523' to 3560'. Queen Sand. I.P. 25,000 MCF/day
Rock Pressure 1140 PSI.

THE EL PASO NATURAL GAS COMPANY - Shell State "1, NE/4 NE/4, Section 3-20-37, 660N and 990E.

Drilling commenced December 18, 1949; Completed June 4, 1950.

Elevation 3573; Total Depth 4005'; Plugged Back 3615'.

Gas Zone 3550-3580.

3 5/8" Csg. Set at 1843' with 300 sax, 5 1/2" Csg. Set at 3635' with 100 sax.

Well was plugged back from 4005' to 3615' and Csg. perforated with 120 jet shots (4 shots per foot) from 3550'-3580'.

7,650 MCF/day. Ten Minute Shut-In Pressure 1120 PSI.

Transporter: El Paso Natural Gas Company

NOLEN AND LANE - Sinclair Williams #1, SW/4 SE/4 Section 34-19-37, 330S and 1980E.

Drilling commenced August 25, 1949; Completed October 24, 1949.

Elevation 3548'. Total Depth 3578'.

Gas Zone 3560-3578.

5 1/2" Csg. Set at 3522' with 250 sax at bottom, 150 sax at 1325'

(Two Stage)

22,000 MCF/day. Dry Gas, Pressure 1140 PSI.

Open Hole 56', 3522-3578'

Transporter: Lea County Water Company.

NOLEN AND LANE - Williams #3. SE/4 SW/4 Section 34-19-37.
330S and 2770W East Line.

Drilling Commenced November 18, 1949; Completed December 31,
1949.

Elevation 3550'. Total Depth 3584'.

Gas Zone 3540'-3580'.

' 5/8" Csg. Set at 1320' with 400 sax, 7" Csg. Set at 3522'
with 300 sax.

26,500 MCF/day. Dry Gas. Pressure 1140 PSI.

Open Hole 62', 3522'-3584'.

Transporter: Warren Petroleum Corporation."

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(Witness excused.)

MR. McCORMICK: Mr. Utz, take the stand, will you
please.

ELVIS UTZ,

recalled, having been previously duly sworn, testified as
follows:

DIRECT EXAMINATION BY:
MR. McCORMICK

Q Your name is Elvis Utz?

A That is correct.

Q What is your official position?

A Engineer for the Oil Conservation Commission.

Q At the request of Mr. Spurrier, did you compile any data relating to the wells in the Williams pool or the wells in the Monument Oil pool that are on the same land?

A Yes, I have.

Q What is the nature of the data which you assembled?

A It is the figures only for May and June on the production of two gas wells that were not certain at the last hearing. Also in regard to some oil wells producing casing head gas in this area. Would you like me to read those figures?

Q Yes. Any intermediate figures you can eliminate if you can and just give us the results identifying each well.

A The Nolen and Lane Number 1 which is being taken by the Lea County Water, the figure for May was 22,349 MCF or approximately 745 MCF per day, for June.

Q Wait Just a minute. You say "the figure", what does that represent?

A That is the official figure from the purchaser's reports C 114.

Q That is filed by the Lea County Water Company?

A That is correct.

Q All right.

A The figure for June was 37,299 MCF or approximately 1,243 MCF per day. On the Nolen and Lane Williams Number 3 which is taken by Warren Petroleum Company the Warren reports on their C114, 98,807 MCF or approximately 3,299 MCF per day for June. Warren reports 96,684 MCF or 3,322 MCF per day. The oil wells in this area appear to have some discrepancy in reporting. The Monument JVR is 3,000. The E. B. Clark-Cooper, C1, subdivision C. Section 3-20-37, the oil produced was 871

barrels for the month of May. The limiting amount of gas that should have been produced under the limiting ratio was 2,804 MCF, 244 MCF was reported on the C115. Warren reports to have taken from that well 8,231 MCF. For June on the same well oil produced was 835 barrels maximum amount of gas which should have produced was 2,520 MCF. Producer reported 234 MCF. The purchaser reports on C 114, 7,515 MCF. On E. B. Clark-Cooper Number 1, subdivision B, Section 3-20-37 for May produced 553 barrels. The limiting gas ratio would have allowed 1,674 MCF. The producer reports 265. The purchaser reports 21,974. For June on the same well 525 barrels of oil produced. The limiting GOR would be 1,620 MCF. The producer reports 264 MCF. The purchaser reports 22,461 MCF. On the J. F. Lane Williams Number 1, subdivision M, Section 34-19-37 for May the producers report 110 barrels produced, limiting ratio would be 465 MCF. The producer reported 929 MCF. The purchaser reports 3,786 MCF. For June on the same well 102 barrels produced, limiting ratio of 450 MCF. The producer reports 931 MCF produced and the purchaser reports 4,131 MCF. I believe that is the most pertinent information regarding these wells. The others seem to be pretty well in line.

Q Who are the purchasers from those wells?

A Warren Petroleum.

Q Do you have any explanation for the discrepancy between the reports filed by the producer and the reports filed by the purchaser?

A No, sir, I do not have. I have no idea what it should be. All volumes of gas are supposed to be reported on 15.025 pressure based at 60 degrees, so I don't have any explanation.

MR. MCCORMICK: Anyone wish to ask a question of Mr. Utz?

MR. CLARK: What bearing does this have on the oil in the same general area?

MR. MCCORMICK: I don't know myself. Were you directing a question to Mr. Utz?

MR. CLARK: Yes. What bearing does the gas study produced with the oil in the same general area have on the gas field?

A Well, this is in the area and if this amount of gas was produced in the area it would indicate the amount of gas available in this immediate area. Actually these figures came about by merely perusing the records of all the wells in this area pertaining to this case.

MR. CLARK: I don't know about the discrepancy.

MR. MCCORMICK: Any questions, Mr. Commissioner?

MR. SPURRIER: No. Are there any further questions of this witness? If not, you may be excused, Mr. Utz.

(Witness excused.)

MR. SPURRIER: Anything further in this case. You realize that I cannot continue this case. I can only recommend that it be continued. That is my intention. If anyone has any objection to continuing the case, now is the time to put it in the record.

MR. CHRISTIE: What we are materially interested in is the heavy take of this one well in getting that cut back. That is the reason for calling this in the first place. That is, to try to get the heavy take out of this one well stopped.

MR. FRASER: I would like to inquire. We have override

royalty over the north half of the area designated as gas pool. How do you propose to establish the ratable take? As I understand it, they have in mind establishing it on the well basis. It seems to us it should be established -- they should take into consideration the overflow and the increase attributable to the well.

MR. McCORMICK: There is just 40 acres attributable to this well under the present order.

MR. FRASER: There is 80 acres attributable to the well. There are only two wells on the north half.

MR. McCORMICK: The previous order establishing the pool has set the spacing at 40 acres, so only 40 acres would be attributable to each well.

MR. FRASER: Only 40? I thought you would attribute the full 80 until you had the well on those 40. That wouldn't be the case?

MR. McCORMICK: That wouldn't be the case the way it now stands. Mr. Taylor, can you tell us how far it is from your shut in well over to the Warren line to which you could attach or connect?

MR. TAYLOR: It is approximately a half mile. You mean to the Williams number 3 well?

MR. McCORMICK: To the closest point on the Warren line to which you could connect.

MR. TAYLOR: Apparently then, Mr. Hanners says their line comes in from the northwest to the Williams Number 3 and if that is the case it would be approximately half a mile.

MR. McCORMICK: How far is that well from the Lea County Water Company line?

MR. TAYLOR: Approximately one-fourth mile. Maybe just a little more.

MR. SPURRIER: In the interest of time and some other things, let's have about a ten minute recess. We will reopen at 2:30 p.m.

(Whereupon, the hearing stood at recess for ten minutes.)

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MR. SPURRIER: The meeting will come to order, please. We want to announce at this time that I am going to recommend to the Commission that this case be continued definitely to the 21st day of November which is our next regularly scheduled hearing and that at that time we want all the operators, purchasers, and producers concerned in this pool to be prepared to furnish pertinent information and to be on hand to do so. Further, if the operators have agreed upon and can show ratable take at that time that will be fine. If they can't, the Commission will enter an order for proration or an order for shut down. If there is anyone who has an objection or comment on that we would like to hear from you right now. That is what I propose to do.

MR. HANNERS: That will be entirely satisfactory.

MR. MURRAY: No objection.

MR. CLARK: No objection.

MR. McCORMICK: We hope that you can arrive at a fair solution to this yourselves, but if you can't we want you to be prepared to give us the technical data about the characteristics of the reservoir, the expected life of the wells, the drainage area, and also your exact uses of the gas and that particularly applies to Warren. May I comment that the Commission does not look with favor on the use of this type of gas as Warren is now utilizing it and the Commission would look with favor upon Warren withdrawing

from this pool as a purchaser, so that all of this sweet gas could be used for commercial or domestic purposes and Warren would get its supply or fill its needs from residue gas. We think that would serve the purposes of conservation.

MR. SPURRIER: I don't think the Commission wants to get into a position of determining end use, but if this sweet gas is being used at the expense of the other, or if sour gas is being flared while the sweet gas is being used, I think the Commission has no alternative but to look upon that with disfavor.

If there is nothing further, the meeting is adjourned.

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STATE OF NEW MEXICO)
) SS
COUNTY OF BERNALILLO)

Before me personally appeared, Ada Dearnley, who having been first duly sworn states that the foregoing and attached transcript of the proceedings of the Oil Conservation Commission on October 24, 1950 at Santa Fe, New Mexico, is a true and correct record of such proceedings to the best of her skill and ability.

DATED at Albuquerque this 2nd day of November, 1950.


E. E. Greeson, Notary.

My Commission expires:
August 4, 1952.