

BEFORE THE

Oil Conservation Commission

SANTA FE, NEW MEXICO

March 16, 1955

IN THE MATTER OF:

CASE NO. 861 - Regular Hearing

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES

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ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 16, 1955

IN THE MATTER OF:

The application of the Oil Conservation Commission upon its own motion for an order:

(a) Creating the Crosby-Devonian Gas Pool in Lea County, New Mexico, for production of gas from the Devonian formation described as:

Twp. 25 South, Rge. 37 East
All of Section 28

Case No. 861

said pool to embrace the common source of supply discovered in the Anderson-Prichard Oil Corporation No. 1 American Republics-Federal Well, NE/4 SW/4 Section 28, Township 25 South, Range 37 East, Lea County, New Mexico.

(b) Establishing pool rules, drilling units, well spacing, casing programs and other related matters in the above-described areas.

BEFORE:

Honorable John F. Simms
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 861.

Mr. Malone?

MR. MALONE: Ross Malone, representing Anderson-Prichard Oil Corporation. Anderson-Prichard is familiar with the practice of the Commission of receiving statements at the conclusion of a hearing, but because of the rather unusual circumstance that it is

the owner and operator of the only well now producing from the proposed Crosby-Devonian Gas Pool, and because of the further fact that it does not propose to present testimony at this hearing, we would like to make a brief statement.

Anderson-Prichard recognizes its obligation as the operator of the only completed well in this pool, to recommend to the Commission, pool rules including drilling units, well spacing, casing programs and other regulations to govern the development of this pool. However, the single producing well has been on the line less than a week. Anderson-Prichard now has in progress, certain studies on the basis of which it proposes to make recommendations to the Commission as to the size of the unit and the other matters which will be covered by the rules to be promulgated.

It feels that observation of the well and its performance will have an important bearing on the recommendations to be made. Such observation, while desirable for at least a 60-day period, is almost essential for almost 30 days. For that reason, Anderson-Prichard will request the Commission to place Case 861 on the docket of the April hearing and that if testimony be received in that case at this hearing, the witnesses who are presented, be available for cross examination next month in the light of the information which may be disclosed in the interim.

MR. MACEY: Mr. Kellahin?

MR. KELLAHIN: Jason Kellahin. If the Commission please, Jason Kellahin representing Phillips Petroleum Company. We are going to want to offer testimony at this hearing and also to ask the Commission not to continue this case. I believe if the

Commission is going to receive testimony it would be well for us

to reserve the statement until the conclusion of our presentation. However, I would like to know if the Commission is going to go ahead and receive testimony at this time. We are prepared to present it.

MR. CAMPBELL: If the Commission please, Campbell and Russell of Roswell. We represent Harry Leonard individually, and the Leonard Oil Company and the H. P. Saunders Estate, who together are the Harry Leonard and Saunders Estate, each own a fourth mineral interest under the northwest quarter of Section 28 and the southeast quarter of Section 28, and Harry Leonard owns various mineral interests under the south half of Section 21 and the east half of the southeast quarter of Section 20. We also represent Mr. Art Yaeger of Midland, who owns a mineral interest under the south half of Section 21. Leonard Oil Company owns working interest under the east half of northwest quarter of Section 21 and the west half of northeast quarter of Section 21, and other working interests in the general area.

We feel that time is certainly premature for establishing any pool rules in this area, for spacing or drilling units and if testimony is to be offered we certainly object to what we understand is the anticipated request of 320-acre units in this area. We are owners of half interest in the minerals underlying the Phillips Well, which is a direct east offset to the Andersen-Prichard well, Phillips well is not yet completed and we feel that certainly the Commission should withhold hearing any evidence looking toward the establishment of pool rules in this area until such time as additional information is available.

~~In the meantime, of course, we expect that the working interest~~

owners will comply with their lease contracts and drill the offsets that may be required by the developments in the field. We will join in the request for continuation without evidence, at this time.

MR. WALKER: Don Walker with Gulf. We have some acreage which we hope will be in this pool. We are certainly interested in any rule that might be established. However, the first that we knew of any proposed rules was when the docket came out about ten days ago. We certainly think a continuation should be granted so this can be looked into a little more thoroughly for all concerned.

MR. MACEY: Mr. Kellahin, in connection with your statement and the other statements that have been made here, I realize that we are probably a little premature in requesting pool rules on short notice, knowing at the time that we made the advertisement that the well was not even connected to the transmission line. We will continue the case until April. If you would like to put your testimony on now and be available next month, all well and good. If you prefer to defer the testimony to next month, well and good, the choice is up to you.

MR. KELLAHIN: In the first place, I cannot agree with the Commission statement. I dislike to be disagreeing with the Commission. I do not think the Commission was premature in calling this case for this hearing, particularly in view of Mr. Campbell's statement that they would expect the leaseholders, the holders of the operating interest to meet their lease obligation. That is merely saying that pending that time, we are going to have 160-acre spacing, if there is going to be any opportunity for establishing an orderly spacing pattern in this pool and achieving an orderly development, then certainly the Commission should set a case down

for hearing as soon as possible, and then if they have to look back at a future date and revise that on the basis of other information, that is the time to do it.

We are prepared to go ahead and present our testimony at this time. I don't see what necessity there might be for having the witnesses back next month to cross examine. Certainly the persons who are present will have every opportunity to cross examine at this time.

MR. MACEY: You want to put your evidence on, or anything you want to put on?

MR. KELLAHIN: In view of the Commission's Ruling that this case is going to be continued, we will not present testimony at this time, but will present it next month. However, we do make this request. I think it is a perfectly proper request, that pending the hearing and final determination of this matter, that the Commission enter an interim order, which would, in effect, prevent the drilling of this area on 160-acre spacing until such time as a final determination has been made as to what the spacing order should be.

MR. MALONE: May it please the Commission --

MR. MACEY: Mr. Hinkle?

MR. HINKLE: Clarence Hinkle, representing Humble Oil and Refining Company. The Humble is interested in this case to the extent that they own the lease covering the northeast quarter of the northeast quarter of Section 28, Township 25 South, Range 37 East. We concur in the request made by Mr. Kellahin that an interim order be entered preventing the development of the area on 160-acre spacing until the case can be heard.

MR. MALONE: On behalf of Anderson-Prichard, I would like to express the view that the Commission has the inherent authority to refuse applications to drill in order to protect the Commission in the exercise of its power to set up preration units and a spacing pattern. While that is under consideration, certainly in the absence of any lease expiration problems that do not exist, that the Commission has the power to protect itself and hold the matter in status quo until the determination is made.

MR. CAMPBELL: I wish to go on record against this moratorium. The lease contracts were entered into in good faith. If there is a good faith, why they cannot be complied with, they are fully protected under the lease contracts. I don't believe this Commission should put itself into a position of entering interim orders to get between the working interest and royalty owners, anymore than they should enter spacing orders to do the same thing.

There is nothing to prevent the people from drilling wherever they want to, so long as the royalty owners don't sue them. The business of asking the Commission to come between them and the people they have contracts with would be extremely bad precedent to set. If they have lease expirations, they had better get on, dig them just like Phillips did, in offsetting the Anderson-Prichard Well, or give the lease back. I object to any moratorium.

MR. DUTY: Cletus Duty, representing Woodley Petroleum, owner of the lease covering the south one hundred acres of the southeast quarter. We would like to join in the request for the restraining of any drilling on 160-acre units.

MR. GAINES: C. D. Gaines, Sinclair Oil and Gas Company. Sinclair will join in the objection to any such order by the

Commission. We feel that the company has its leases to protect. Sinclair is willing to develop their acreage on lesser spacing, and we see no reason at this time why any restriction should be made on a company developing their acreage.

MR. MACEY: We will take a five minute recess.

(Recess.)

MR. MACEY: In connection with Case 861, the Commission will continue the case to the April hearing, regular hearing the month of April, and we will not enter an interim order.

Does anyone have anything further they would like to say in connection with the case?

MR. WOODRUFF: Norman Woodruff, representing El Paso Natural Gas Company, we are interested both as a purchaser of gas from the well that is being produced, and also as owners of the Camp in the vicinity of the well, taking water from the fresh water sands. We have a multiplicity of interests. We feel there are certain rules for a pool which have nothing to do with the spacing, such rules are the casing rule.

We have prepared a series of rules which we think will adequately protect the fresh water sands and which we believe may be necessary to protect against blowouts during the drilling of wells. If the Commission is receptive to hearing and receiving our proposals on that, we would be happy to give it to them. We think these factors are important and which have no connection whatsoever with the acreage allocation.

MR. MACEY: It is all right with us.

MR. WOODRUFF: Are you interested in receiving or having me briefly

MR. MACEY: Do you have a proposed set of rules?

MR. WOODRUFF: Yes.

MR. MACEY: I think it would be all right for you to introduce the rules and outline them.

MR. WOODRUFF: Did you say you wanted me to outline them?

MR. MACEY: Yes.

MR. WOODRUFF: We are recommending three strings of casing. The surface casing, which would be adequate to protect the fresh water bearing sands found in the Santa Rosa Formation; we are recommending an intermediate string which would be through the San Andres Formation, that formation being both a lost circulation formation and also a presence of considerable salt water. A third string would be a string to the top of the Devonian pay.

Most important of the rules that we propose for cement would be that of the intermediate string. We believe it is important in cementing the intermediate string to protect the known producing horizons presently existing in this area, which would be the Yates, Seven Rivers and Queens Formations. We also think it necessary to protect against the encroachment of water from the Salado Formation which occurs at approximately 1,100 to 1,200 feet.

The program which we propose here would adequately, we believe, provide for such protection. I will be happy to answer any questions.

MR. MACEY: Does anyone want to ask Mr. Woodruff any questions?

MR. PARSONS: On the intermediate string on the San Andres, is that entirely through the San Andres?

MR. WOODRUFF: That is correct, we are recommending to a

4800

Completed 4/20/55
at the hearing

depth of 1,400 feet which we believe would protect against the San Andres Formation.

MR. MACEY: Anyone else? We will continue the case then until the regular hearing in April.

STATE OF NEW MEXICO)
 : SS.
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 18th day of March, 1955.

Ada Dearnley
Notary Public, Court Reporter

My Commission Expires:
June 19, 1955

