

BEFORE THE  
OIL CONSERVATION COMMISSION  
Hobbs, New Mexico  
January 4, 1956

IN THE MATTER OF:

CASE NO. 988

TRANSCRIPT OF PROCEEDINGS



DIRECT EXAMINATION

By MR. DANIELS:

Q My first witness is Mr. Joseph P. Musick. Will you state your name, address and occupation to the Commission?

A My name is Joseph P. Musick, Jr. I reside at 109 West College Avenue in El Paso, Texas.

Q Mr. Musick, are you familiar with the application, together with this amendment which has been filed by El Paso Natural Gas Company in this case?

A Yes, sir, I am. For the record I would like to further state, I am an office land man for the El Paso Natural Gas Company located in El Paso, Texas.

Q To your knowledge, what does this application seek to do that has been filed here?

A El Paso Natural Gas Company's application seeks approval of a 320 acre non-standard gas proration unit in the Jalmat Gas Pool for the El Paso Natural Gas Company Carlson-Federal No. 1 Well, which is located in the NW/4 SW/4 of Section 22, Township 25 South, Range 37 East, New Mexico Principal Meridian, Lea County, New Mexico.

Q In your capacity as office land man for El Paso, do you have occasion to work with lands located in the Permian area?

A Yes, sir, I do.

Q Do you have occasion to work with lands located in Lea County, New Mexico?

A Yes, sir, I do.

Q Are you familiar with the lands located in Township 25 South, Range 37 East, NMPM?

A Yes, sir, I am.

Q In particular, are you familiar with the S/2 of Section 22, Township 25 South, Range 37 East?

A I am.

Q Those are the lands that are involved in this application.

A That is correct.

Q To your knowledge, has El Paso ever drilled a well in the S/2 of Section 22?

A Yes, sir, El Paso has drilled a well in that section.

Q Is the S/2 of Section 22 made up of contiguous quarter-quarter sections?

A It is, sir.

Q And does the S/2 of 22 lie wholly within a single governmental section?

A It does.

Q Does the length and width of the S/2 of 22 exceed 5,280 feet?

A No, sir, it does not.

Q Does the entire non-standard gas proration unit sought in this case, being the S/2 of Section 22, lie within the horizontal limits of the Jalmat Gas Pool?

A Yes, sir.

Q I hand you this paper marked El Paso Natural Gas Company's Exhibit No. 1 and ask you what that is?

A Exhibit No. 1 is a plat showing Section 22 and the E/2 of Section 21, Township 25 South, Range 37 East, Lea County, New Mexico.

Q Was that plat prepared under your direct supervision?

A Yes, sir, it was.

Q What does it show with respect to the S/2 of Section 22?

A Exhibit No. 1 shows in the shaded area specifically all of the S/2 of Section 22 which is the tract which El Paso Natural Gas Company seeks to have approved as a 320 acre non-standard proration unit.

Q Are you familiar with the ownership of the S/2 of Section 22, insofar as the same is reflected by the records of El Paso Natural Gas Company?

A Yes, sir, I am.

Q What do those records show with regard to this ownership?

A The NW/4 of the SW/4 of Section 22 is covered by USA Oil and Gas Lease number LC 032579-C. El Paso Natural Gas Company owns 50% of the oil and gas under same to the base of the Glorieta formation. El Paso Natural Gas Company owns 65% of the oil and gas below the base of the Glorieta formation. The Indian Petroleum Company owns 50% of the oil and gas to the base of and 35% of the oil and gas below the base of the Glorieta formation. As for the SW/4 of the SW/4 of Section 22, this tract is covered by USA Oil and Gas Lease number LC 032579-C. El Paso Natural Gas Company owns all the gas rights in this land. The Anderson Prichard Oil Company owns all of the oil rights in this land. The E/2 of the SW/4 of Section 22 is covered by USA Oil and Gas Lease number LC 063261. El Paso Natural Gas Company owns all of the gas in these lands and Skelly Oil Company owns all of the oil rights in these lands. The N/2 of the SE/4 of Section 22 is covered by USA Oil and Gas Lease number LC 032579-A. El Paso Natural Gas Company owns all of the gas rights in this tract, and Anderson Prichard Oil Company owns all of the oil rights in this tract. The S/2 of the SE/4 of Section 22 is covered by USA Oil and Gas Lease number LC 032579-C. El Paso Natural Gas Company owns all of the gas rights in this tract from the surface down to a depth of 3500 feet. West States Petroleum Corporation owns all of the gas rights on this tract below the depth of 3500 feet from the surface and owns all oil rights in this tract.

Q Were all the operators owning interests in Section 22 notified of El Paso's intention to form a non-standard gas proration unit consisting of the S/2 of Section 22?

A Yes, sir, they were all notified.

Q How was that notification given?

A By registered mail.

Q To your knowledge, have you received any objection?

A No, sir.

Q Further, were all offset operators owning interests within 1500 feet of the Carlson-Federal No. 1 Well, which was drilled by El Paso in the NW/4 of the SW/4 of 22, notified of its intention to form a non-standard gas proration unit consisting of the S/2 of 22?

A Yes, sir, they were so notified.

Q How were they notified?

A By registered mail.

Q And have you received any objection to that application?

A No, sir, none.

Q In the event the Commission sees fit to grant the non-standard gas proration unit sought by El Paso in this case, is it El Paso's intention to communitize the S/2 of Section 22 on behalf of this well?

A Yes, sir, that is correct.

MR. GURLEY: What is the present status of your agreement among the owners of the gas rights under S/2 of Section 22? Perhaps I should make that a little clearer - in your application you state that El Paso Natural Gas holds the gas operating rights under the S/2 of Section 22. Do you have such operating rights by written agreement at this time over the entire half section?

A Yes, sir, to my knowledge we do.

MR. GURLEY: What is the basis for the counsel's statement on the communitization of the S/2?

MR. DANIELS: Under the NW/4 of the SW/4 El Paso owns 50% of the oil and gas rights and Indian Petroleum owns the balance of those oil and gas rights,

and Indian, by virtue of their agreement with El Paso, has agreed to join in a communitization of the S/2 of Section 22. We will have a co-owner on that particular 40 acre tract.

MR. GURLEY: Is that the only tract there that the gas rights are partially owned by another party?

MR. DANIELS: That is right. On the rest of it the gas rights are wholly owned by El Paso.

MR. GURLEY: Then actually you have a written agreement to communitize at this time.

MR. DANIELS: We have. We don't have the communitization agreement prepared because we are awaiting the Commission action in this case. However, we do have written agreement on the part of Indian Petroleum that they will communitize in the event El Paso desires to do so.

MR. GURLEY: I see. Then actually your statement in your application is in error due to the fact that there is no gas operating agreement at present?

MR. DANIELS: As far as the communitization agreement is concerned, there is none; only the operating agreement by El Paso for the gas rights.

MR. MANKIN: I have one question. This is five separate federal leases, is it not, has the U.S.G.S. tentatively agreed to this communitization of the five federal leases.

MR. DANIELS: The U.S.G.S. has <sup>not</sup> not. We have approached them.

MR. MANKIN: So you do not know what their position would be in this?

MR. DANIELS: No. We have every reason to believe that they will go along with us.

MR. GURLEY: What do you base that statement on, sir?

MR. DANIELS: Well, we have, just off the record, have spoken to the U.S.G.S. and we don't think they would be willing to go along on a 160 acre.

As far as we are concerned, based on our off-the-cuff conversation with them, they didn't seem to indicate any objection to the size of this proration unit. That is what we base that on. We will have to approach them directly for permission.

MR. GURLEY: In a case such as that, is it not customary for you to approach with a written application to the U.S.G.S. for approval of such communitization agreement.

MR. DANIELS: Well, we have not in this case, sir.

MR. GURLEY: I beg your pardon.

MR. DANIELS: We did not do it in this case, sir.

MR. GURLEY: But it is customary.

MR. DANIELS: We have not filed an application.

MR. GURLEY: One more question. Do you want to introduce this as Exhibit No. 1?

MR. DANIELS: Yes, sir, after my second witness has testified.

MR. MANKIN: The reason we mentioned this federal approval or tentative approval is that we have had similar experiences before, especially when there was any possibility of oil being reached on either side of this they were a little leery to approve it, such a request - that is why we would like to have gotten tentative approval.

MR. DANIELS: Well, our approval was not in line with this conversation. There is no approval at this point. They might deny it, but we don't anticipate them doing it.

MR. MANKIN: I believe I would like to make the request that El Paso, that they would so notify and so make the request of the U.S.G.S. so that we might be informed by the U.S.G.S. of their intentions in this matter.

MR. DANIELS: We would be glad to furnish that.

MR. MANKIN: And you will send a copy to us. When the U.S.G.S. so informs you that they would likewise notify us.

MR. GURLEY: One further question. You stated a moment ago that you will communitize. Is that for gas rights alone?

MR. DANIELS: Just for gas rights, yes, sir.

MR. GURLEY: That is all.

MR. MONTGOMERY: I may possibly have a question I would like to ask Mr. Musick after I hear the geological testimony.

MR. GURLEY: What was that?

MR. MONTGOMERY: I would like possibly to ask Mr. Musick a question after I hear the geological testimony.

MR. MANKIN: You do have a geologist, do you, here to testify in that respect. Would you be willing to wait until that time for your question from Mr. Montgomery?

MR. DANIELS: O.K.

MR. MANKIN: Is there any other question of this witness? Do you have anything further Mr. Daniels?

MR. DANIELS: Nothing further of the witness.

MR. MANKIN: If there is nothing else, the witness may be excused.

MR. DANIELS: El Paso would like to introduce as a matter of reference to the Commission a copy of letters to the operators in the section, as well as the offset operators. We have not marked that as an exhibit. Unless you wish us to do so at the present time, we will just use it as a matter of reference.

MR. MANKIN: We will just use it as reference.

MR. DANIELS: Right. El Paso's second witness is Mr. Merrion Spitler. El Paso intends to introduce this witness as an expert witness.

M E R R I O N   S P I T L E R

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

DIRECT EXAMINATION

By MR. DANIELS:

Q Mr. Spitler, will you state your full name?

A Merrion E. Spitler, Geologist with El Paso Natural Gas.

Q Have you been previously qualified and accepted as an expert witness before this Commission?

A Yes, sir.

Q And I will ask the Commission at this time if his qualifications are still acceptable?

MR. MANKIN: They are.

Q Are you familiar with the application filed in this case, together with this amendment.

A Yes, sir.

Q And in your own words, what does it seek to do?

A It is our intention to dedicate the S/2 of Section 22, Township 25 South, Range 37 East, to the El Paso Natural Gas Carlson-Federal No. 1.

Q In your capacity as geologist for El Paso, have you had occasion to work with the lands composed of the S/2 of Section 22?

A Yes, sir.

Q I hand you what has been marked El Paso Natural Gas Company's Exhibit No. 2 and ask you what that is.

A It is a plat of Section 22 and the E/2 of Section 21, Township 25 South, Range 37 East, indicating the 1500 foot radius from the El Paso Carlson-Federal No. 1 in the S/2 of Section 22, and in the S/2 of Section 22 the location of the proration unit which we have requested.

Q To your knowledge, has El Paso ever drilled a well in the S/2 of Section 22?

A Yes, sir.

Q What is the name of that well?

A That is the El Paso Natural Gas Carlson-Federal No. 1.

Q Will you outline to the Commission, the characteristics of that well.

A The well was spudded in 7/23/55 and completed 9/1/55 as a gas well with an absolute open flow of 22 million cubic feet of gas per day from the interval in the Lower Yates and upper Seven Rivers formation in the Jalmat Gas Pool.

Q Will you give the location of this well?

A The well is located in the <sup>center of the</sup> NW/4 of the SW/4 of Section 22.

Q Would you say that well was completed in the Jalmat Gas Pool?

A Yes, sir.

Q Was that initial potential of 22 million . . . did the well have that potential after any kind of treatment to increase the well?

A No, sir. At one time a figure of 16,500,000 MCF, but that was a preliminary test and not . . . only a three point curve. We have for our own gas test and after the well had cleaned up and fraced we reached a potential of 22 million on it.

Q And this repotential that you state there, 22 million, that potential was had after final treatment and completion.

A That is right. That is the repotential at this time. Today.

Q So the 16,500,000 MCF figure as stated on our application is a preliminary figure made by this company.

A Yes, sir.

Q Mr. Spitler, what wells have been drilled in the S/2 of Section 22?

A The wells drilled in the S/2 of Section 22 are all Langlie Mattix wells. The names of them are the Anderson Prichard Harrison No. 2 and the Anderson Prichard Harrison No. 3. They are oil wells in the Langlie Mattix Pool. There is the West States Carlson A 22 No. 1 and 2. They are both oil wells in the Langlie Mattix Pool and Anderson Prichard has an Indian No. 1 which is a junked and abandoned well in the S/2 of Section 22.

Q Will you tell us, in your own words, the story of this Anderson Prichard Indian No. 1 Well that was junked and abandoned.

A From Anderson Prichard we obtained the information when this well was drilled a TD of 3,007 feet, and in that drilling well gas was encountered from 2,739 to TD and it was decided to run tubing in the well to attempt to test and at that time there were 800 feet of tubing dropped in the well. After long fishing operations, it was determined it would not be possible to recover all of the tubing without excessive expense, and it was decided at that time to junk the well and abandon it.

Q In your opinion, after an examination of the well, do you feel that it is a productive well?

A I believe it would have been. A gamma neutron log was run on that well. They were only able to log it - down through the very top of the Yates. It indicates that the Yates formation is running only 20 feet low to our

Carlson-Federal No. 1, which would make it not too low to produce gas and also the fact that they did encounter gas while drilling the well, but had it been tested, in our opinion, and had the well been treated and fraced, it would have made a commercial gas well in the Jalmat pay.

Q What wells have been drilled offsetting El Paso's Carlson-Federal No. 1? The normal offset is what I am speaking of.

A Well, not exactly offsetting, but to the west of our Carlson-Federal No. 1 there is the Argo Lanehart No. 1 which is a gas well in the Jalmat pay and the Humble Hadfield No. 1, also a Jalmat gas well, and the Rodman Hadfield Nos. 1 and 2 are gas wells in the Jalmat pay. These wells are immediately to the east of our Carlson.

Q To the west, is that right?

A That is right.

Q In your opinion, is the entire S/2 of Section 22, Township 25 South, Range 37 East, which is sought to be created as a non-standard gas proration unit in this application productive of gas or can it reasonably be expected to be so?

A I believe so.

Q In your opinion, can this well competently produce an allowable allocated on a 320 acre basis?

A Yes, sir.

Q Has the Carlson-Federal No. 1 well been assigned to any other acreage?

A No.

Q Is it the intention of El Paso to use the Carlson-Federal Well as the unit well for the unorthodox gas proration unit sought in this application?

A It is.

Q In your opinion, would the granting of a non-standard gas proration unit covering the S/2 of Section 22 be injurious to the correlative rights by the owners of natural gas or crude oil in offsetting sections?

A No. The well is completed in the Jalmat pay in the gas pool and under those circumstances, it would not be injurious to correlative rights of owners.

Q In your opinion, can an<sup>un</sup>orthodox gas proration unit in the S/2 of Section 22 be created without waste in the Jalmat Gas Pool.

A Yes.

Q The counsel has no further questions of the witness at this time.

MR. MANKIN: Any questions of the witness?

MR. MONTGOMERY: I am Mr. Montgomery of the Oil Commission. Mr. Spitler, do you have any structural information in this area?

A Yes.

MR. MONTGOMERY: Would you tell me what depth that you would expect to encounter the top perforations on the eastern side of the unit? To say more particularly, the S/2 of the SE/4.

A The S/2 of the SE/4. I will recall it from memory, but it seems to me that the log of the West States Carlson "A" No. 2 at the top of the Yates was encountered approximately 100 feet higher than the El Paso Carlson-Federal No. 1. Does that answer your question?

MR. MONTGOMERY: Well, my structure map indicates there is certainly more relief. What I am trying to find out is, I understand that El Paso owns the gas rights to 3500 feet on the S/2 of the SE/4, and a very rapid look at my structure map indicates the possibility that the lower perforations in this well would be below a depth of 3500 feet in that area.

A In the S/2 of the SE/4?

MR. MONTGOMERY: That is correct.

A Where do you have those perforations in that well?

MR. MONTGOMERY: Well, I don't.

MR. SPITLER: As I understand, the well is completed in the Langlie-Mattix Pool, and the lower most perforations in that well are 3,062. I believe a well's perforations in the Yates formation in the West States Carlson Federal would not be below possibly 31 - 3200 feet.

MR. MONTGOMERY: The lowest perforations on the El Paso well are 3,062 feet.

MR. SPITLER: 3,062 feet.

MR. MONTGOMERY: How far is that below the top of the Yates?

MR. SPITLER: Well, roughly 300 feet.

MR. MONTGOMERY: Do you have the top of the Yates on any well in the S/2 of the SE/4?

MR. SPITLER: No, I don't. Not with me.

MR. MONTGOMERY: My structure map here indicates the plus ---- it would be a plus 550 feet on the Yates. Do you happen to have an elevation on any of those wells?

MR. SPITLER: Only on the El Paso Carlson-Federal No. 1. The ground there was 3,087.9.

MR. MONTGOMERY: The terrain is relatively flat in that area.

MR. SPITLER: That is right.

MR. MONTGOMERY: We could assume then that the elevation would be roughly the same in the eastern portion of this unit; therefore, if the top of the Yates is correct, the top of the Yates would be encountered at a depth of 3,647. Would that be correct?

MR. SPITLER: I could not say right off hand, Mr. Montgomery, whether I could accept that.

MR. MONTGOMERY: If the Examiner please, I would suggest that - - -

MR. SPITLER: Did you say 2647 or 3647.

MR. MONTGOMERY: 3647.

MR. SPITLER: No, sir, I do not believe I will go along with that.

MR. MONTGOMERY: I have no further questions.

MR. MANKIN: Any further questions of the witness? Did you have anything further, Mr. Daniels?

MR. DANIELS: Only to offer El Paso Natural Gas Company's Exhibit No. 1 which has been marked and request that it be accepted as evidence.

MR. MANKIN: Is there objection to the entering of Exhibit No. 1 as evidence in this case? If not, it will be so entered.

MR. DANIELS: There is no further questions of the witness.

MR. MANKIN: Do you have anything further in this case? If there is nothing further, we will take the case under advisement.

MR. DANIELS: We will furnish the Commission with the U.S.G.S. decision.

MR. MANKIN: Thank you.

STATE OF NEW MEXICO    )  
                                  :   ss  
COUNTY OF SANTA FE    )

I, Bobby Postlewaite, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Commission Examiner at Hobbs, New Mexico, is a true and correct record, to the best of my knowledge, skill and ability.

Dated at Santa Fe, New Mexico this 17th day of January, 1956.

Bobby Postlewaite