

BEFORE THE
OIL CONSERVATION COMMISSION
Hobbs, New Mexico
March 28, 1956

IN THE MATTER OF:

CASE NO. 1042

TRANSCRIPT OF PROCEEDINGS

BEFORE THE
OIL CONSERVATION COMMISSION
Hobbs, New Mexico
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Application of Schermerhorn Oil Corporation)
for an order granting a 400 acre non-standard)
gas proration unit in the Eumont Gas Pool, Lea)
County, New Mexico, in exception to Rule 5 (a))
of the Special Rules and Regulations of the Eumont)
Gas Pool as set forth in Order R-520.)
)

Applicant, in the above-styled cause, seeks an)
order granting the establishment of a 400 acre)
non-standard gas proration unit in the Eumont)
Gas Pool, Lea County, New Mexico; said unit to)
consist of the SE/4 SE/4, N/2 SE/4 , NE/4, E/2)
NW/4, NW/4 NW/4 of Section 32, Township 18)
South, Range 37 East, Eumont Gas Pool, Lea)
County, New Mexico; said unit to be dedicated to)
applicant's Linam "A" No. 1 Well located 1980)
feet from the South line and 1980 feet from the)
East line of said Section 32.)
)

Case No. 1042

BEFORE:

Warren W. Mankin, Examiner

TRANSCRIPT OF HEARING

EXAMINER MANKIN: The next case on the docket is case 1042, the application of Schermerhorn Oil Corporation, for an order granting a 400-acre non-standard proration unit in the Eumont Gas Pool.

WILLIAM MARSHALL

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

MR. MANKIN: Have you previously testified before the Commission?

A. No, I haven't.

MR. GURLEY: Would you state your name and position and qualify yourself as a witness, please.

A. William S. Marshall, geologist for Schermerhorn Oil Corporation. I have a B.A. Degree from Cornell University, June 1951, and a M.A. Degree from Columbia University, June 1954. I have been employed by Schermerhorn Oil Corporation as a geologist for the last twenty-one months.

MR. MANKIN: You are acquainted with the properties and the oil and gas development in Eumont and other pools of Lea County?

A. Yes, I am.

MR. MANKIN: Qualifications accepted, proceed.

MR. MARSHALL: Schermerhorn Oil Corporation is applying for a 400-acre non-standard gas proration unit in the Eumont Gas Pool, consisting of the SE/4 SE/4, N/2 SE/4, NE/4, E/2 NW/4 and NW/4 NW/4 of Section 32, Township 18 South, Range 37 East, Lea County, New Mexico. Said unit to be dedicated to the Schermerhorn Oil Corporation's Linam "A" No. 1 Well, located 1980 feet from the South line and 1980 feet from the East line of Section 32. I would like to submit two exhibits. Exhibit No. 1 is a plat of the area showing the proposed unit and also showing contours on top of the zone in the Queen formation which we feel is the main zone of permeability and porosity. This zone is in what is known as the Penrose sand. Exhibit No. 2 is a back pressure data sheet of the test taken by Permian Basin Pipeline Company personnel.

MR. GURLEY: Is this entire thing suppose to be your exhibit?

A. Well, there are two copies there.

MR. MANKIN: Proceed.

MR. MARSHALL: The gas from this well is being delivered into Permian Basin's high pressure system and we feel that this well can effectively drain the area which we propose to unitize without waste and this test shows that the well can

flow into a line pressure of about 440 pounds, which is the average pressure on the Permian Basin line. It will flow about 4 million feet a day. And we feel that we can do this without undue waste.

MR. GURLEY: What is the name of your well that you have located?

A. It is the Schermerhorn Linam "A" No. 1.

MR. GURLEY: And where is the location?

A. 1980 feet from the South line and 1980 feet from the East line of Section 32, Township 18 South, Range 37 East.

MR. GURLEY: And you intend to produce this well from what formation?

A. The Queen formation.

MR. GURLEY: Is this non-standard gas proration unit that you propose lie wholly within a single governmental section?

A. Yes, it does.

MR. GURLEY: Is it your opinion that the entire unit may reasonably be presumed to be productive of gas?

A. Yes, it is.

MR. GURLEY: Does the length and the width of the non-standard gas proration unit you propose exceed 5,280 feet?

A. No, it does not.

MR. GURLEY: Have you notified all of the operators adjoining your property?

A. Yes, we have.

MR. GURLEY: Have you received any word from them? Let me change that question a bit, did you request approval of their waivers on any objections to that?

A. No, we didn't.

MR. GURLEY: Within what area involved here did you use as a basis for your notice to these operators?

A. We notified all of these offset operators.

MR. GURLEY: Within 1500 feet?

A. Yes, 1500 feet. The northeast 40 acres of this proposed unit is now under lease to the Humble Oil and Refining Company and it is state land.

MR. GURLEY: Do you have a communitization agreement with Humble?

A. We have not drawn up a formal agreement yet, we are waiting for the decision of this hearing. They have agreed to go ahead with it.

MR. GURLEY: But you have nothing in writing as yet?

A. Just a letter from Humble Oil and Refining Company.

MR. GURLEY: Would you like to introduce that letter as evidence? Would you care to make that an exhibit? You have no use for the original do you?

A. No. We would like to be able to make a copy of it.

MR. GURLEY: Alright, would you make a certified copy of this letter and send it to us for our own records. For the purpose of the record, would you read that letter, please.

A. This is from the Humble Oil and Refining Company, Exploration Department, P. O. Box 1287, Roswell, New Mexico. It is dated February 20, 1956. Re: Project No. 61, Proposed Gas Unit, Section 32, T-18S-37E, Lea County, New Mexico. It is addressed to Schermerhorn Oil Corporation, P. O. Box 1537, Hobbs, New Mexico. Attention: Mr. J. H. Moore. "Dear Sir: Confirming our telephone conversation of January 16, 1956, and today, February 20, 1956, this is to advise that Humble is agreeable to the inclusion of our 40 acres,

being the NE/4 NE/4 of Section 32, in your unit covering parts of this Section 32, T-18S-R-37E. We understand that you have already made application to the State for approval of this unit excluding Humble's acreage. We will appreciate your revising your application and thereby include our acreage. We, of course, are coming into the unit with our 40 acres on a straight joint operating basis, and as quickly as you have prepared the operating contracts and communitization agreements, along with a detailed statement of well costs, we will give them our careful consideration and advise whether or not such contracts are acceptable to our legal department. There should be no trouble along these lines. Thank you very much. "

Yours very truly, and its signed R. M. Richardson.

MR. GURLEY: Do you understand sir, that the policy of the Commission now, when communitization agreements or joint operating agreements are in the process of being developed, but have not been made, that if we should grant this non-standard unit, we make the allowable--or that is we subject the allowable to a date, commencement, upon receipt of an affidavit from the parties involved that there has been a legal communitization worked out, and signed, executed. If you will see to it that we get that as soon as possible it will expedite the situation somewhat.

A. Yes, sir, we certainly will.

MR. MANKIN: In regard to Exhibit 3, to which you just testified to in reading, let the record show that the Commission received an application dated February 14, for a 360-acre unit, which excluded the Humble acreage but was amended by letter from Schermerhorn dated February 20, including Humble's 40 acres for the 400 acres as advertised and is being heard in this particular case.

I will ask you, Mr. Marshall, does this particular well have a separator set at the well?

A. I don't believe it does.

MR. MANKIN: Then you are not aware of whether this well is producing any liquids or not?

A. On the test, as shown on Exhibit I, it didn't produce any liquids. Whether it has since then I don't know. It certainly hasn't produced very much.

MR. MANKIN: You do realize of course, that there are Penrose oil wells offsetting this lease both to the west and to the north?

A. Yes, I do.

MR. MANKIN: Approaching the gas-oil contact, which do produce considerable amounts of liquids and are classified as oil wells.

A. Yes, I am aware of that.

MR. MANKIN: Would you be in agreement to conducting a test and submitting it to the Commission indicating by setting some type of test separator, indicating what the well was making in the way of liquids, if it was making liquids and submit that to the Commission to satisfy the Commission to the effect that it is or is not making liquids.

A. Yes, that would be agreeable to us.

MR. MANKIN: And you would so indicate that on a gas-oil ratio report C-116. Would that be agreeable?

A. Yes, that would be agreeable to us.

MR. MANKIN: We would like to know that for our own information because it is a questionable area. Where the entire acreage is entirely gas productive and as you well know we have other hearings set up in regard to Humble acreage,

you may not know that, in which they will perforate the upper zone for gas and the lower zone for oil and which is known as the Penrose member for the oil and the-- some people call it the Knight member for gas. This is perforated in the Penrose, did I understand you to say?

A. Thats right. It is perforated in both the, I call it the Stuart, the upper portion of the Queen---its perforated in the Stuart and in the Penrose.

MR. MANKIN: And then you are stating here that to the best of your knowledge that it makes very little liquids even though it is penetrated in both zones?

A. Yes.

MR. MANKIN: However, an offset well proposes to segregate these two zones to make oil from one and gas from the other?

A. Yes, well the gas-oil contact is, if you use minus 175, a subsea minus of 175 would be right in the Penrose area. And we perforated above that contact.

MR. MANKIN: You didn't perforate above that contact of the Penrose so you got some Penrose gas and some Stuart gas and you don't feel that you got any great amount of Penrose oil?

A. Thats right.

MR. MONTGOMERY: Is the royalty owner common other than the State's 40 acres.

MR. GURLEY: Would you repeat that please.

MR. MONTGOMERY: Does one royalty owner hold all of the royalty with the exception of the-----

A. No. The royalty under our two tracts is pretty well split up among the Linam family and then some outsiders.

MR. MONTGOMERY: If at such a time it appears that this well produces enough oil that under Order R-520 it becomes an oil well, you will be willing to

reduce the unit to a 40-acre unit?

A. We would have no alternative, would we?

MR. MONTGOMERY: No, you wouldn't. What I am worried about is what provisions-----the State will still get their 40-acre share of the oil production if that should happen, until such time?

A. Yes, they would.

MR. GURLEY: You say that the royalty owners under your two tracts are numerous. Is that fee land or state land?

A. That is fee land. The only State land is under Humble's 40-acre tract.

MR. GURLEY: I see. And the rest of the tracts then are fee land?

A. Thats right.

MR. MANKIN: Is there further question of the witness?

MR. LYON: I have a question, Mr. Examiner. Mr. Marshall, I believe that you testified that in your opinion this entire unit is reasonably productive of gas?

A. Thats right.

MR. LYON: Are you familiar with the well situated approximately a mile north of your well, which is operated by, I believe it is Mapenza Oil Company---- Morris Antweil.

A. Morris Antweil, Lowe State well, yes.

MR. LYON: I believe that that well is classified as undesignated, but it is an oil well, is that correct?

A. Morris Antweil has two wells north of us. One is the Lowe State and one is the McMillan, which one are you-----

MR. LYON: The McMillan was the one I-----

A. The McMillan, yes, it is classified as an oil well.

MR. LYON: Is it producing from the same zone which is open in your well?

A. It produces from the Penrose, I believe.

MR. LYON: Do you feel that the zone which is open in that well is also open in your well?

A. Yes, the Penrose is open in our well.

MR. LYON: But it is still your opinion that this unit is reasonably productive of gas in its entirety?

A. Yes, it is. It is a question of, as I said before, the gas-oil contact. If you perforate below it you are going to have an oil well and the gas-oil contact certainly is not absolutely regular but there is enough evidence in that area I believe, to pin it down within very small deviations.

MR. MANKIN: Did you wish to make a statement?

MR. LYON: Yes, I would like to make a statement.

MR. MANKIN: Well why don't we see if there are any other questions and then we will take statements if you wish to make a statement.

MR. LYON: Well, perhaps I can shorten it by just making this brief statement. Continental is not opposing this application, because we feel that with the well located as it is that there would be no damage occur to our properties as a result of this well. But we felt that under the circumstances that this particular question should be brought out in open hearing for the Commission's consideration.

MR. MANKIN: Is there further question of the witness in this case?

MR. MARSHALL: I have one thing I would like to add to this discussion.

Morris Antweil's Lowe State well in Section 33, its in NW/4 NW/4 of Section 33, has been producing some gas. It is not a very big gas well and structurally it is in a

similar position to their McMillan well. And they perforated an almost identical structural position, or almost identical zones rather than we did in our Linam "A" well. And that included the top of the Penrose.

MR. LYON: It is producing in the same zone as the McMillan well?

A. No, that our Linam well is.

MR. GURLEY: Did you say that they were not producing much gas?

A. Well, I said that it was not a very good well. I think it was making about a half million feet.

MR. GURLEY: Well, do you think that your well is capable of producing the full allowable for the unit that you are asking?

A. Yes, I do.

MR. MONTGOMERY: Back to the McMillan well. The perforations in that well, do I understand you to say that they are perforated in the lower part of the Penrose?

A. I believe that is right.

MR. MONTGOMERY: And that they are not, and they do not have the other part open? The oil is coming from the lower part?

A. I believe it is, Randy, I am not exactly positive just where the perforations are. I have seen a log quite a few times.

MR. MANKIN: Any further questions of the witness? Did you wish to introduce Exhibits 1, 2, and 3 as evidence in this case and then to take Exhibit 3 and make a copy for our file?

A. Yes.

MR. MANKIN: Is there objection to entering Exhibits 1, 2, and 3 in this case? If not they will be so entered. Anything further? If not the witness may be excused and we will take the case under advisement.

STATE OF NEW MEXICO)
)
COUNTY OF SANTA FE)

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

Dated this 26th day of April, 1956.


