

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO
July 11, 1956

IN THE MATTER OF:

CASE NO. 1097

TRANSCRIPT OF PROCEEDINGS

DEARNLEY-MEIER AND ASSOCIATES
COURT REPORTERS
605 SIMMS BUILDING
TELEPHONE 3-6691
ALBUQUERQUE, NEW MEXICO

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO
JULY 11, 1956

IN THE MATTER OF: :

CASE NO. 1097: Application of Humble Oil & Refining Com- :
pany for an order granting a 320 acre non- :
standard gas proration unit in the Eumont :
Gas Pool in exception to Rule 5 (a) of the :
Special Rules and Regulations of the Eu- :
mont Gas Pool as set forth in Order R-520, :
and further requests an order for forced :
pooling of all interests refusing to join :
therein in said 320 acres. Applicant, in :
the above-styled cause, seeks an order :
granting the establishment of a 320 acre :
non-standard gas proration unit comprising :
the S/2 of Section 29, Township 21 South, :
Range 36 East, Eumont Gas Pool, Lea County, :
New Mexico, and the forced pooling of any :
interests within said S/2 of Section 29 :
which have heretofore refused to join said :
unit; said unit to be dedicated to appli- :
cant's Eumont Gas Unit No. 2 Well No. 1 :
which was formerly known as their State :
"B" Well No. 7 located 1980 feet from the :
South line and 660 feet from the East line :
of said Section 29. :

BEFORE:

Warren W. Mankin, Examiner.

T R A N S C R I P T O F P R O C E E D I N G S

MR. MANKIN: The next case is 1097.

MR. GURLEY: Application of Humble Oil & Refining Company
for an order granting a 320 acre non-standard gas proration unit in
the Eumont Gas Pool in exception to Rule 5 (a) of the Special Rules
and Regulations of the Eumont Gas Pool as set forth in Order R-520,
and further requests an order for forced pooling of all interests
refusing to join therein in said 320 acres.

MR. HINKLE: If the Examiner please, Clarence Hinkle, ap-

& Refining Company to be dedicated to a well now entitled Eumont Gas Well No. 2, which was formerly Humble Oil & Refining Company State "B" No. 7 Well located in the SE/4 of Section 29, Township 21 South, Range 36 East.

Q Has notice been given to all of the offset owners of this application?

A Accompanying the application to the Commission, we sent a copy of the application, which was furnished to Shell Oil Company, Standard of Texas, Gulf Oil Corporation, Stanolind Oil and Gas, Skelly Oil Company, Texas Company, Continental Oil Company, Peerless Oil and Gas, The Atlantic Refining Company, Cities Service, and C. C. Pollard.

Q Mr. Dewey, I hand you Humble's Exhibit No. 1 and ask you to state to the Commission what that is.

A Humble's Exhibit No. 1 was prepared by me to show the location of a 160 acre tract which has been dedicated to Humble's State "B" No. 7 Well in Section 29, Township 21 South, Range 36 East, said 160 acre tract is marked in red on the exhibit, and the exhibit further shows a 160 acre tract in the SW/4 of Section 29, Township 21 South, Range 36 East, which 160 acre tract we propose to, with the Commission's approval, combine with the first mentioned 160 acre tract to form a 320 acre unit in the S/2 of Section 29, Township 21 South, Range 36 East. This latter tract is colored in yellow on the exhibit. On the exhibit indicated the locations of the Eumont Wells which I was able to find on the most recent gas proration schedule for the Eumont Gas Pool, together with the amount of acreage that is dedicated to each well.

A list of those wells is as follows:

Continental Oil Company, Lockhart B-28, Federal 3L, Located in 28-21-36, with 240 acres dedicated to it.

Atlantic Refining Company, State J, 1H, Located in 29-21-36, with 160 acres dedicated to it.

Continental Oil Company, State C-20, 5M, Located in 20-21-36, with 160 acres dedicated to it.

Continental Oil Company, Lockhart A-30, Federal 1H, Located in 30-21-36, with 160 acres dedicated to it.

Continental Oil Company, Lockhart A-30, Federal 6F, Located in 30-21-36, with 160 acres dedicated to it.

Continental Oil Company, Lockhart A-30, Federal 5K, Located in 30-21-36, with 80 acres dedicated to it.

Texas Company, Rector, 2P, Located in 30-21-36, with 40 acres dedicated to it.

Texas Company, Rector, 3J, Located in 30-21-36, with 80 acres dedicated to it.

Texas Company, Rector, 40, Located in 30-21-36, with 120 acres dedicated to it.

Drilling & Exploration, State F, 3-K, Located in 19-21-36, with 185 acres dedicated to it.

Gulf Oil Corporation, Janda B State, 1J, Located in 32-21-36, with 160 acres dedicated to it.

Humble Oil & Refining Company, State B, 1E, Located in 29-21-36, with 60 acres dedicated to it.

Cities Service Oil Company, State, 3A, Located in 32-21-36, with 320 acres dedicated to it.

Gulf Oil Corporation, Arnott Ramsey D, 3F, Located in 33-21-36, with 480 acres dedicated to it.

Sinclair Oil Company, State, 176, 3J, Located in 19-21-36, with 160 acres dedicated to it.

Q Are all of those wells producing from the vertical limits of the Eumont Gas Pool?

A To the best of my knowledge they are. They all appear in the proration schedule for the Eumont Gas Pool, and I assume that that is correct.

Q Does the proposed unit lie wholly within a single governmental section?

A It does. It lies within the S/2 of Section 29, 21 South, Range 36 East.

Q Does the length or width exceed 5,280 feet?

A It does not exceed 5,280 feet.

Q Mr. Dewey, you have testified with respect to the location of Humble's Well "B" 7, located in the SE/4, Section 29, and I would like for you to give the Commission data with respect to the drilling and completion of that well.

Humble Oil & Refining Company drilled New Mexico State "B" 7, 1980 feet north of the south line and 660 feet west of the East line of the NE/4 of SE/4 of Section 29, T-21-S, R-36-E, Lea County, New Mexico. This well was completed February 1, 1956, at a depth of 3900 feet in the Eunice Field. Subsequently the well was plugged back to 3866 feet to shut-off water. In December of 1947 the hole was drilled to 4015 feet, a retainer set at 3791 feet and the formation below the retainer was squeezed with 100 sacks of cement. The

5-1/2-inch casing from 3730 to 3775 feet was perforated and the perforations were acidized with 1000 gallons. The well flowed with an estimated one million cubic feet of gas per day with spray of water and no oil.

On May 1, 1953, the following work was completed to make this well a dual gas-gas completion.

Repaired 5-1/2-inch casing. 3-27-53 set Baker model K bridging plug on Perforating Guns Atlas wireline at 3700 feet. Tested 5-1/2-inch casing from 3700 to 0 with 1000 pounds for 30 minutes. Test OK. No drop in pressure. Shot 5-1/2-inch casing with 2 Perforating Guns jet shots at 2850 feet. Pressured casing to 1000 pounds to break circulation behind 5-1/2-inch casing at very slow rate.

4-2-53 set Baker Model DAB packer at 3692 feet on Perforating Guns Line with PSI standing valve in packer. Tested packer and standing valve with 1600 pounds. Tested OK.

4-5-53 perforated 5-1/2-inch casing 3200 - 3310, 3340 - 3425 and 3460 - 3555 feet with 2 Perforating Guns Atlas Jet shots per foot, total 580 shots.

4-9-53 treated 3200 to 3310 and 3340 to 3425 and 3460 to 3555 with 500 gallons Cardinal Mud Acid. Maximum and minimum tubing pressures 1600 and 1200 pounds.

4-12-53 Hydrafraced from 3460 - 3555 feet with 2-batch treatment, 1500 gallons. Maximum and minimum gel pressure 3150 and 2700 pounds. Hydrafraced 3340 - 3425 with 1-batch treatment, 1500 gallons. Maximum and minimum gel pressure 3400 and 2800 pounds.

4-17-53 treated Yates from 3200 - 3310, 3340 - 3425 and 3460 - 3550 with 3000 gallons Cardinal 15 % LT acid. Maximum and minimum tubing pressure 1000 pounds.

Camco mandrel set at 3569 feet.

4-25-53 tested Yates section 24 hours through casing at rate of 3320 Mcf per day. (Perf. 3200 - 3310, 3340 - 3425 and 3460 - 3550 feet).

4-29-53 acidized with 3000 gallons Cardinal LT acid from 3730 to 3791 feet. Maximum and minimum pressure 1800 and 1500 pounds.

5-1-53 tested lower Grayburg section 13 hours on 3/4-inch tubing choke, volume 655 Mcf per day. Tubing pressure 125 pounds. (O.H. 3730 - 3775)

Dual gas-gas well.

As a result of the above recompletion, the upper perforations produced gas from the Yates formation through the tubing casing annulus and the lower perforations produced gas from the Grayburg formation. As a result of better geological correlation the formation open to the lower perforations was identified as Queen rather than Grayburg.

With the creation of the Eumont Gas Pool the Conservation Commission placed Humble State B-7 in the Eumont Gas Pool as a dual gas-gas well. While the dual equipment is still in the well, effective May 1, 1956, the status of the well has been changed to that of a single completion in the Eumont Gas Pool with 160 acres attributed to it. Gas produced from the well comes from between the vertical limits of the Eumont Gas Pool as defined by the Conservation Commission orders.

Q. Mr. Dewey, referring to Humble's Exhibit No. 2, state to the Commission what that is, and what it shows.

A. Humble's Exhibit No. 2 is a radio active log on this well on which, at my direction, our geological department has indicated their

interpretations of the tops of the Yates formation and top of the Seven Rivers formation, and the top of the Queen formation. This log, on this log has also been placed a location of the perforation intervals as described above. This log is identified as Humble's State "B" 7 well.

Q That log shows that this well is producing from the vertical limits of the Fumont Gas Pool? A That is correct.

Q Now, in your opinion, is the entire S/2 of Section 29, 21, 36, reasonably to be presumed to be productive of gas?

A Due to the gas wells which have been enumerated surrounding the Section 29, Township 21 South, Range 36 East, and more particularly the S/2 of that section, it is my opinion that the whole S/2 of the lease is reasonably productive of gas.

Q In your opinion, will well "B" 7 effectively and efficiently drain gas from the entire S/2 of Section 29?

A Considering drainage across leases, I consider it will.

Q It would tend to protect correlative rights, taking into consideration the other gas units which have been formed all around this unit?

A That is correct. I might call attention here particularly to the size of some of the other gas units. Gulf has one gas unit of 480 acres attributed to the Arnot Ramsay D, 3 F, and Continental has one with 240 acres attributed to it; Cities Service has one with 320 acres attributed to it, and this Cities Service unit is similiarly situated to the proposed 320 acre unit of Humble in that the location of the well with respect to the unit size is practically identical in size as that contained on Humble's lease.

MR. HINKLE: We would like to offer in evidence Exhibits 1 and 2.

MR. MANKIN: Is there any objection to Exhibits 1 and 2 in this case? If not, they will be introduced.

(Whereupon, Exhibits 1 and 2 were admitted in evidence.)

QUESTIONS BY MR. MANKIN:

Q Mr. Dewey, in your Exhibit 1, it was indicated in there in Sections 30 and 31, that the Texas Company on their Rector No. 40 had 120 acres assigned to that well. I believe if you will search order R-734, you will find that that 120 acres is not as you have indicated, but is the N/2 of the NE/4 of Section 31, rather than the 30 acres you show just west of the well, and the south east, I mean the SW/4. of the SW/4 of Section 30, being a 120 acre unit, so the unit which you have shown is in two sections, should be in two sections, rather than the one section as you have shown.

A Well, I stand corrected.

Q That is Continental acreage.

A The record should show I am corrected in that. I assumed that their having 80 acres to the west of that particular well, that the 30 acres to the west was attributed to Well No. 40 rather than the well to the south.

Q That to the south is Continental.

A On our map, it is an error. Continental has 80 to the north there. I see. Well, I would like to have that correction made.

MR. MANKIN: That is strictly a minor error, still it is the same sized unit. I just wanted to correct the record on that. As

you started your testimony, you indicated this well was designated presently as the Humble Well State "B" No. 7, and would be designated as Humble's Eumont Gas Unit Well No. 2. I believe you meant to say Eumont Gas Unit No. 2 Well No. 1.

A Well No. 1.

Q Would you like to correct that? A Yes.

Q Then, referring again, to your testimony, you indicated this well, even though it had been given dual completion permission, was now, would now be produced as a single completion with the Yates and Queen loam together, and with one allowable only, is that correct?

A That is correct.

MR. MANKIN: Any questions of the witness in this case? If not, the witness may be excused. Next witness, please.

(Witness excused.)

R. M. RICHARDSON.

called as a witness on behalf of the applicant, having been first duly sworn on oath, testified as follows:

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name, please. A R. M. Richardson.

Q Where do you live, Mr. Richardson? A Roswell, New Mexico.

Q By whom are you employed?

A Humble Oil & Refining Company.

Q In what capacity?

A Land man in charge of pooling, joint operations and unitizations.

Q Are you familiar with the effort which has been made by the

Humble Oil & Refining Company to unitize the S/2 of Section 29?

A Yes, sir, I am.

Q That is the S/2 of Section 29, Township 21 South, Range 36 East, Eumont Gas Pool?

A Yes.

Q I hand you Humble's Exhibit No. 3 and ask you to state to the Commission what that is.

A Exhibit No. 3 is a set of three counter parts to one communitization agreement which has been executed by Humble and all royalty owners with the exception of one owning an interest under the S/2 of Section 29, 21 South, 36 East.

Q Did you handle the matter of getting this unit signed up?

A Yes, I did.

Q Have all of the lease and royalty owners executed it?

A All of the lease and royalty owners have executed it with the exception of one person.

Q Who is that?

A It is Robert L. Craig, Sr., from Indianapolis, Indiana.

Q What interest does he have?

A He has a one-third of one twenty-fourth under the NW/4, . SE/4, . Section 29.

Q What is the nature of that interest?

A It is an overriding royalty.

Q Are you familiar with the ownership of all of this land in the S/2 of 29?

A Yes, I am.

Q How is it held, that is, lease ownership?

A The entire lease ownership is held by Humble, seven-eighths working interest held by Humble.

Q That is all the gas rights from the Eumont Gas Pool?

A That is right.

Q And the Humble has executed the communitization agreement with all the royalty owners except in the case of Mr. Craig?

A That's right.

Q What effort did you make, if any, to obtain the signature of Mr. Craig?

A We wrote Mr. Craig originally by registered mail on November the 8th, 1955, and by return mail, it developed that there was an estate problem, that one of the owners had died and the estate had not been closed, and later, we, through various title efforts, did straighten up the ownership through the wills and got the estate settled and it was developed that the ownership was in Robert L. Craig, Sr., Robert L. Craig, Jr., and David Frederick Craig. Then later, we sent another set of instruments for signature to the Craig estate attorneys and, on April 9, 1956, the attorneys wrote back that Mr. Robert L. Craig, Sr., had refused to sign, and on April 11, 1956, we called Mr. Craig by telephone.

Q Did you call him personally?

A I personally called Mr. Craig by telephone and discussed the matter with him, and explained what we were trying to do and why we were trying to do it, pointed out the benefits of the unit and the fact that it was a State Conservation Commission proration unit, and he requested a letter setting up further details or further information concerning the unit, which we got off that day, and on April 11, we wrote him explaining in further detail the unit, and then we didn't hear from him any more, so about April 25th, we called him

again by telephone --

Q You called?

A I personally called him by telephone, and he said he was sorry, that there was nothing wrong with the unit or nothing wrong with the instrument, and that he was in favor of it, but he couldn't sign it because he was dissatisfied with the way his mother's will had been drawn, and for a purely family reason, he refused to sign it, and from then on, about three weeks later, I think we made application for approval of the unit.

MR. HINKLE: I would like to offer in evidence Humble's Exhibit No. 3. Now, this is the communitization agreement, signed copies, and the only ones we have, and its counterparts. We would like to offer it with the understanding that it can be withdrawn and photostatic copy substituted, because this has to go to the Commissioner of Public Lands for approval.

MR. GURLEY: We would like to get that photostat as soon as possible.

MR. MANKIN: Is there any objection to entering Exhibit 3 in this case with the provision that it can be withdrawn and substitute photostatic copies of it? If not, it will be so entered.

(Whereupon, Applicant's Exhibit No. 3 was admitted in evidence.)

MR. HINKLE: That is all.

BY MR. MANKIN:

Q Mr. Richardson, you indicated that Mr. Robert L. Craig, Jr., had refused to sign it?

A Senior.

Q Sr. In the application, it was indicated that Mr. Robert L.

Craig, Jr., Mr. David Frederick Craig, and R. E. Craig, were owners of 1/24th overriding royalty interest. Has that condition changed?

A No, they all own a 1/3 of a 1/24th, or a net, 177.

Q Was that Robert Craig, Sr., instead of Jr.?

MR. HINKLE: The application you refer to in Section 6, shows there that R. E. Craig is the owner of 1/3 of a 1/24th.

A That should be R. L. Craig. This is R. L., that is an error.

Q You are relating to Section 6? A Yes, sir.

Q That is R. L. Craig, Sr.? A Yes, sir.

MR. HINKLE: We would like to have an amendment to the application so as to read R. L.

A That R. E. in Paragraph 5 should also be changed to R. L. Craig.

Q And that is R. L. Craig, Sr.? A Yes, sir.

Q Then, R. L. Craig, Sr., is the only person concerned that has not signed it? A That is right.

Q And David Frederick Craig, and Robert Lee Craig, Jr., have signed? A Yes, sir.

Q And Pollard and Peerless Oil Company have signed?

A Both Pollard and Peerless have signed.

Q Do you have the address of Robert L. Craig, Sr., which we may utilize?

A It is Robert L. Craig, Sr., c/o Craig Brokerage Company, Marott Hotel Building, Indianapolis, Indiana.

MR. GURLEY: Just for a matter of record, Mr. Richardson, do you have other than gas rights in this particular acreage, or, you made the statement, as I remember it, that you had the gas rights in

the Fumont Pool in this acreage. Is that all you have?

A We have the full rights in the entire S/2 except the NW/SW, and C. C. Pollard owns the deep rights and the oil rights under the NW/SW. Other than that, that is the full 7/8ths working interests.

BY MR. MANKIN:

Q Mr. Richardson, this is a State lease, is it not?

A Yes.

Q Is it one school fund or one interest, as far as the State is concerned, the entire S/2 of 29?

A No, there is four different State leases on that tract.

MR. HINKLE: But you don't know which ones, what institutions or whether it is common schools?

Q They are different leases, but as to whether it is all the same institution, you are not aware of that?

A No.

Q I take it from Mr. Hinkle's remark that he planned to withdraw Exhibit 3 and submit a photostat, that you intend to submit this to the Commissioner of Public Lands for his approval, based upon approval in this case?

A That is right.

MR. GURLEY: Will you notify us as soon as you receive that approval, Mr. Richardson?

A Yes.

Q (By Mr. Mankin.) So, you are asking for forced pooling of all interests that have not joined up this time, which the only one at this time that has not joined is Robert L. Craig, Sr.?

MR. HINKLE: Who has only 1/3 of 1/24th.

A That's right.

Q Have you had any indication from the State Land Office that

they would tentatively approve this unit?

A I don't believe it has ever been submitted to them at all.

Q But they have approved similar units in the past where the Commission has seen fit to approve the unit?

A That's right.

MR. MANKIN: Any further questions of this witness in this case? If not, the witness may be excused.

(Witness excused.)

MR. MANKIN: Is there any statements to be made in this case? If not, we will take the case under advisement. We will take a five-minute break.

(Short recess.)

