

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
October 18, 1956

IN THE MATTER OF: *
*
CASE NO. 1103 *
(Rehearing)*
*

TRANSCRIPT OF PROCEEDINGS

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
October 18, 1956

IN THE MATTER OF:

The application of Cities Service Oil Company on rehearing of Case No. 1103, Order R-874 for an order granting permission to effect a single string oil-oil dual completion in the Dean-Devonian and Dean-Pennsylvanian Pools, Lea County, New Mexico. Applicant, in the above-styled cause, seeks on rehearing in Case 1103, Order R874 re-consideration of the New Mexico Oil Conservation Commission's denial of its application for permission to make a single string oil-oil dual completion in the Dean-Devonian and Dean-Pennsylvanian Pools, Lea County, New Mexico; said rehearing will be restricted to the receiving of new evidence on those issues specifically raised in the application for rehearing.

CASE NO. 1103
(Rehearing)

BEFORE:

E. S. Walker - Member

A. L. Porter, Jr. - Secretary and Member

TRANSCRIPT OF HEARING

MR. PORTER: The meeting will come to order. The case for consideration this morning is Case 1103, the application of Cities Service Oil Company for rehearing. I have a letter dated October 15, signed by Alfred O. Hall, Attorney for Cities Service, which I would like to make a part of the record. This letter requests that the application for rehearing be dismissed. Is there objection to the application for dismissal? If not, the case will be dismissed. The hearing is adjourned.

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

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

Dated at Santa Fe, New Mexico this 19th day of October, 1956.

11/30/56

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 1102

TRANSCRIPT OF PROCEEDINGS

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

November 13, 1956

MR. PORTER: You may proceed.

MR. COUCH: The undisputed facts are that the Ohio's A. C. Dean Well No. 1 was commenced on 3-31-56 projected to the Pennsylvanian and Devonian formations on a leasehold tract of 200 acres. The well site is of course the NW/4 of the NW/4 of Section 35 and the NE/4 of Section 34 being the adjoining quarter section to the west is the remainder of the 200 acre tract.

On June 20, 1956, a drill stem test was run in the Strawn. At the hearing approximately one month later I requested that the well be recognized as an exception to the spacing provisions of the order proposed by Sinclair Oil and Gas Company. I also requested that the allowable of the well be permitted to remain at the allowable determined under statewide rules applicable at the time it was drilled. The Ohio did not at that time request a full 80 acre allowable - we requested only that the allowable not be cut by the application of the proposed rules.

As we all know, it appears doubtful whether a Permo-Penn well will pay for itself even under 80 acre spacing with only a normal 80 acre allowable. It is certain then that a well cannot return the invested capital if the allowable is limited to 1/2 of such an 80 acre allowable. That is the cut Order R-892 would place on the Ohio's well.

It has come to my attention that some of the operators have

obtained the impression The Ohio favors 40 acre spacing in the Dean Permo Pennsylvanian Pool. We do not. On the basis of all available information to date, The Ohio's management definitely advocates 80 acre spacing as the proper method of developing the pool. If it is desired to avoid any exception to 80 acre spacing insofar as the Ohio's acreage is concerned, that can readily be accomplished by recognizing a full 80 acre unit out of Ohio's own 200 acre tract. I repeat, The Ohio approves 80 acre spacing.

That brings us almost up to date. Early last evening Sinclair Oil and Gas Company and The Ohio arrived at what appeared to be an acceptable basis for forming an 80 acre unit within Section 35. The Ohio's leasehold is not state acreage. Our 200 acre tract is covered by three undivided interest leases containing no pooling provision. Royalty owners interests must be taken into account. With these facts in mind The Ohio suggested to Sinclair a continuance of the case to the regular December Hearing, with an interim order continuing The Ohio's allowable in effect until that date. It is my understanding that Sinclair has no objection to the continuance of the case, but as of last night Sinclair insisted that the cut in allowable must be effective December 1st, 1956.

In my opinion, if Sinclair desires to work out an agreement on the basis discussed last night there is every reason to believe the entire transaction including a satisfactory arrangement with

our royalty owners can be worked out prior to the December Hearing. I have attempted to consider carefully all aspects of the problem. I have concluded that a continuance of this case will be in the best interest of attempting to work out an 80 acre unit within the standards and limitations of the order. The cause of 80 acre spacing in New Mexico will, in my opinion, be better served by continuing this case at this time to permit a good faith effort to comply with the provisions of Order R-892. I therefore request that the case be continued until the regular December Hearing and in fairness to The Ohio, I request the Commission enter it's interim order continuing the allowable of The Ohio's well in effect until the regular December Hearing.

^{HARBIN}
MR. HAMON: May I make a statement?

MR. PORTER: ^{HARBIN} Mr. Hamon, I presume that your statement would be limited to the motion of Mr. Couch at this time.

^{HARBIN}
MR. HAMON: Yes, sir.

MR. PORTER: You may proceed.

^{HARBIN}
MR. HAMON: If the Commission please, Sinclair Oil and Gas Company does not object to continuing this case until the next term, or the next hearing date, but we do vigorously object to the well, the Ohio's well producing its present allowable after December 1st.

Now, the 40 acres which we have on the east of their 40 acres is state land. If the well continues to produce its present

allowable from December 1st until this hearing comes up on December 15th, it will be draining considerable oil from our lease. It would be depriving the State of New Mexico and the school system of royalties which would rightfully belong to them. Now, we think that this well should be brought within this Commission's order which was entered into October 4th, and that on December 1st, the allowable be reduced in accordance with that order.

Now, as Mr. Couch says, some negotiations have been conducted between Sinclair and Ohio. I believe myself that there be no question but what the 80 acre unit would be for. Perhaps before December 1st, I understand from Mr. Couch that his problem may be with his royalty owners, but it seems to me that he has two and a half weeks before December 1st. Possibly all of his royalty owners can be contacted before that time and the 80 acre unit formed before December 1st, and then if that happens, why, of course, it would take its regular 80 acre unit allowable, but I don't know, I have no control over his royalty owners. Maybe that might not be possible, to get their consent and maybe something might come up on December 15th where this case wouldn't be heard. In the meantime, this well would be producing, what is it, 90 barrels per day or more than it would be allowed under the order entered by the Commission on October 4th. Therefore, we are perfectly willing and recommend that the case be passed until, I believe it

is the December 15th Hearing, the 13th, but that well be brought within the order of this Commission, and of course, I assure the Commission, as far as Sinclair is concerned, why we will use every effort in trying to work out the 80 acre spacing before December the 1st. As a matter of fact, we have made our definite offer, and it is, I believe, as to whether or not he can get his royalty owners signed up.

MR. PORTER: Mr. Gregg.

MR. GREGG: Gregg with Humble Oil, and I would normally oppose the continuance of the allowable to Ohio on this well. However, I think, under the circumstances, we have no objection to the continuance of it as Mr. Couch indicated. We might suggest that a possibility of a way out would be an understanding that if nothing is arranged by the December Hearing, that the allowable could be retroactive to December 1st at that time or whatever time it comes out, and make the over production at some later period, which they would make during the interval.

~~HARBIN~~
MR. HAMON: If the Commission please, may I say one more thing?

MR. PORTER: Mr. ~~HARBIN~~ Hamon.

~~HARBIN~~
MR. HAMON: It seems to me that the Ohio be protected by permitting this allowable to reduce December 1st under this Commission's order, and then in the event that this 80 acre unit is

not formed, and in the event that they ultimately win in their application, then this Commission could grant them their back allowable which they lost during that period of time.

MR. PORTER: Mr. Thomlinson.

MR. THOMLINSON: W. P. Thomlinson for Atlantic Oil Company. We have no objection to having the case continued. We have no objection to Ohio receiving the larger allowable until the case is settled, provided that the same advantage is extended to other wells in the field that have proration units less than 80 acres.

MR. PORTER: You heard Mr. Thomlinson. Did you have any reference to any specific unit?

MR. THOMLINSON: Yes, sir, we have one in the same site ^{with 20} ~~at~~

MR. PORTER: How many acres does that unit contain?

MR. THOMLINSON: That is a 52 acre unit, 52, I believe, and some fraction, and we do support 80 acre spacing and hope that it can be established in the pool, but we believe that if an advantage is to be offered to one well in the pool, if it has a proration unit of less than 80 acres, it should be the same as for any other.

MR. PORTER: Have you estimated or computed the allowable that would be granted to a 53 acre unit?

MR. THOMLINSON: Under what circumstances, 80 acre or 40 acre?

MR. PORTER: Using a 40 acre formula.

MR. THOMLINSON: I think our allowable would be about, some two hundred and eighty some barrels a day.

MR. PORTER: Does anyone else have a statement with reference to Mr. Couch's motion?

The Commission has ruled that it is willing to continue the case until the December Hearing, but that the allowable provision of Order R-892 will go into effect on December 1st.

MR. COUCH: I would like to state at this time, if the Commission please, that Ohio feels that the provision of the allowable is not in compliance with the statute or the rules that apply to Ohio's well. I want also to assure the Commission that we will do everything we can to work out this agreement we have discussed with Sinclair. If we are unable to do it by December 1st, I want to state frankly now that I will be before this Commission prior to December 1st for a request to continue the case status quo of Ohio's well until such time as the December Hearing.

MR. PORTER: The Commission has ruled that Case 1102 will be re-continued to the regular December Hearing which I believe is on the 13th, but that the allowable provisions of Order R-892 will go into effect on the scheduled date.

STATE OF NEW MEXICO)
)
 COUNTY OF BERNALILLO) ss

I, J. A. TRUJILLO, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me in Stenotype and reduced to typewritten transcript by me; and that same is a true and correct record to the best of my knowledge, skill, and ability.

WITNESS my Hand and Seal, this, the 26th day of November, 1956, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

J. A. Trujillo

 NOTARY PUBLIC

My Commission Expires:

October 5, 1960