

BEFORE THE
OIL CONSERVATION COMMISSION
March 27, 1957
Hobbs, New Mexico

IN THE MATTER OF:

Case No. 1231

TRANSCRIPT OF HEARING

DEARNLEY - MEIER & ASSOCIATES
INCORPORATED
GENERAL LAW REPORTERS
ALBUQUERQUE - SANTE FE
3-6691 2-2211

BEFORE THE
OIL CONSERVATION COMMISSION
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 IN THE MATTER OF: :
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 Application of the IbeX Company for approval :
 of an unorthodox location and the establish- :
 ment of an allowable for its McElvain No. 2 :
 Well in the E-K Queen Pool, Lea County, New :
 Mexico, in exception to Rule 104 of the Com- :
 mission Rules and Regulations. Applicant, :
 in the above-styled cause, seeks an order :
 authorizing an unorthodox location and the :
 establishment of an allowable for its Mc- :
 Elvain No. 2 Well located one-half foot from :
 the North line and 1978 feet from the East :
 line of Section 30, Township 18 South, Range :
 34 East, Lea County, New Mexico. Applicant :
 is the owner of the SW/4 SE/4 of Section 19 :
 offsetting said well to the north. :
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 -----: :

BEFORE:

Warren W. Mankin, Examiner.

TRANSCRIPT OF PROCEEDINGS

MR. MANKIN: Do we have any representation from Rowan Oil Company yet? (No response) The next case on the docket is Case No. 1231.

MR. COOLEY: Application of the IbeX Company for approval of an unorthodox location and the establishment of an allowable for its McElvain No. 2 Well in the E-K Queen Pool, Lea County, New Mexico, in exception to Rule 104 of the Commission Rules and Regulations.

MR. ELLIOTT: I am R. L. Elliott representing Ibex Company and T. H. McElvain in this case. At this point, I think it would be well to amend my application. I believe that it will be correct in moving that we strike that portion of Rule 104 (f) 2-A, strike that (f) 2-A and amend it so that it will read, "As an exception to the provisions of the Oil Conservation Commission Rule 104," and in the paragraph, "That portion not all oil and gas leases within a radius of 660 feet of the unorthodox location", and "Under premise of Oil Conservation Commission Rule 104 (f) 2-A", so that the application will read, "That applicant now is the owner of both pro-ration units, and by virtue of having common ownership of both pro-ration units, is entitled to a favorable decision as an exception to Rule 104."

MR. MANKIN: Is there any objection to amendment of the application? If not, the amendment will be so accepted.

MR. ELLIOTT: As a matter of information, it might be that I should be sworn in as a witness with Mr. Reaugh inasmuch as there might be some legal questions you might ask in connection with this.

(Witnesses sworn.)

MR. MANKIN: Proceed.

O. H. REAUGH

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

DIRECT EXAMINATION

BY: MR. ELLIOTT:

MR. ELLIOTT: Our witness is Mr. O. H. Reaugh, who I believe qualified some two years ago before a hearing in Santa Fe. Would you like for him to be requalified?

MR. MANKIN: No, except that he qualified as what type of an engineer?

MR. ELLIOTT: Qualified as an expert on production. Mr. O. H. Reaugh is our production superintendent of the Ibx Company.

MR. MANKIN: Not as a technical witness, but qualified as a production manager at that time?

MR. ELLIOTT: No, I believe it was as a technical witness, as an engineer and production superintendent.

MR. MANKIN: The qualifications are acceptable.

Q (By Mr. Elliott) Mr. Reaugh, we are trying to establish before the Commission the right to an unorthodox location in what is referred to as our McElvain No. 2 Well, situated in the Northwest Quarter of the Northeast Quarter of Section 30, Township 18 South, Range 34 East, NMPM, in Lea County, New Mexico. Would you state when this well, or when the form 101 was filed in this well?

A I don't have that date with me. The location was staked on September 28th, 1955, and was surveyed by a licensed surveyor in New Mexico, and the well was spudded on November 12, 1955, and completed on November 16th, 1955.

Q Is this a copy of the survey that was made --

A That is a copy.

Q --setting the location of the well?

A Yes.

MR. ELLIOTT: At this time, I would like to move that this be entered as Exhibit A.

(Applicant's Exhibit A Marked for Identification.)

Q That survey, Mr. Reaugh, was made by whom?

A John Mathias of Southeastern Engineering Company, who is a licensed surveyor.

Q He is a registered licensed surveyor?

A Yes, sir.

Q Would you state to the Court exactly what happened at the time -- Excuse me, Mr. Examiner, would you state to the Examiner, to the best of your knowledge, what happened from --

A As far as we can determine, the location was staked properly. The well was found to be in an unorthodox location at the time the offset operator started to stake the location on the offsetting acreage. At that time, we had a re-survey made and found that it was, according to another survey, five-tenths of a foot on the McElvain acreage. After finding the location was wrong, we went back to try to locate the original stake, but the tank battery is built on the site of the -- where the original stake should have been, and where the ~~arrow~~ ^{error} came in, through surveying through road contractors or bulldozer operators. We are unable to determine --

Q When was the first time that you knew that there was an unorthodox location?

A It was late, in either -- During October of 1956, I believe. The survey -- it was probably late in October.--The survey was made November 12, 1956, and the location determined at that time.

Q Is this a copy of the survey that was made at that time?

A That is a copy.

Q Who made that? A The same surveyor.

Q Mr. Mathias, the registered surveyor?

A Yes, sir.

MR. ELLIOTT: We would like to enter copies of this plat as Exhibit B.

(Applicant's Exhibit No. B Marked for Identification.)

Q The survey, according to Mr. Mathias, showed that the actual location then was five-tenths of a foot from the North line of this forty acre unit? A That is correct.

Q When you found out that the location was unorthodox, what procedures, or what did you do with reference to the Oil Conservation Commission?

A They were notified, and subsequent to that time, why we were advised by the Commission, while we were in negotiations with the offset lease holder, to try for some kind of arrangement. The well was subsequently shut down.

Q Were any arrangements made with the offset operator?

A They have been, yes.

Q And who was the offset operator?

A Mr. Sivley.

Q What arrangements did you make with Mr. Sivley?

A We purchased the offsetting 40-acre tract.

MR. ELLIOTT: As Exhibit C we would like to enter a photo-static copy of the assignment and agreement made with Mr. Sivley on this adjoining 40-acres

(Applicant's Exhibit No. C Marked
for Identification.)

Q Since the purchase from Mr. Sivley, the ownership of proration, the 40-acre proration unit where the well is located is the same as that of the 40-acre proration unit to the north?

A That's correct.

Q Is the well now shut down?

A The well is now shut down.

MR. ELLIOTT: I believe that's all the questions I have of Mr. Reaugh.

MR. MANKIN: Are there any questions of the witness in this case?

MR. FISCHER: I just want to ask a question.

MR. MANKIN: Mr. Fischer.

CROSS EXAMINATION

BY: MR. FISCHER:

Q Who, if you know, who surveyed for Mr. Sivley? Who was the surveyor for Mr. Sivley?

A I think, -- I don't know who surveyed for Mr. Sivley. I

can't say.

Q Did you ever find the stake?

A No, we didnt. We went out to check the location, of course, and the tank battery was built over where the stake should have been, if it were properly staked.

Q I wanted to ask you if you are attempting to ask for an 80-acre allowable for this well?

A No, we are asking just for an unorthodox location on that same 40.

MR. FISCHER: Thank you.

MR. MANKIN: Let the record show, in answer to Mr. Fischer's question, that the Commission has on file a copy of the survey which Mr. Sivley filed, which was made by Mr. Edward E. Kenny, a registered professional surveyor, which indicated this difficulty, the survey being made on November 16th, 1956 -- correction, November 5th, 1956.

Are there any further questions of the witness in this case?
Mr. Cooley.

BY: MR. COOLEY:

Q Mr. Reaugh, does the Ibex Company anticipate development of the quarter quarter section, that being the Southwest Quarter of the Southeast Quarter of Section 19, Township 18, South, Range 34 East, covered by the assignment of Mr. Sivley's?

A Yes. The plans aren't definite as to when.

Q They do plan to drill a well on that acreage?

A Yes, sir.

MR. COOLEY: That is all.

MR. MANKIN: Are there any further questions of the witness in this case?

MR. DuPONT: I didn't understand that last statement. Will the 40-acres that you are asking for, be on the Southwest of the Southeast of 19, or will it be --

A No, on the Northwest of the Northeast of 30.

MR. COOLEY: My question was whether you plan to develop the recently acquired 40-acres.

A That's right.

MR. ELLIOTT: May I ask another question?

MR. MANKIN: Go ahead.

REDIRECT EXAMINATION

BY: MR. ELLIOTT:

Q I don't believe I got this in the record. Mr. Reaugh, would you state which 40-acre unit we are asking for an allowable to be set, in this case?

A In the Northwest, Northeast of Section 30, 19, 34, New Mexico Prime Meridan.

Q That is the 40-acre unit that is within six inches from the boundary? A That's right.

MR. ELLIOTT: That is all.

RECROSS EXAMINATION:

BY: MR. COOLEY:

Q Mr. Reaugh, do you feel that this unit should be granted a

full allowable in that Ibex owns the offsetting acreage?

A Yes, sir, I do.

Q In your professional opinion, would correlative rights of any offset operators be effected by granting a full allowable?

A No, it is maximum distance from the offset operators, it being approximately 660 from any offset operators' properties, so that the closest any well could be drilled, without exceptions to Statewide Rules, would be at least 990 feet, and 990 in one direction and 330 in another. I don't know what the diagonal distance would be, but I don't believe it would effect any other property as to improper drainage.

MR. COOLEY: I believe that's all.

MR. MANKIN: Are there any further questions?

MR. MONTGOMERY: Mr. Examiner, would you read what the location was that Mr. Kenny surveyed?

MR. MANKIN: The location indicated on Form C-128, which Mr. Sivley presented on the survey of Mr. Kenny on November 5th, 1956, was one foot from the North line and 1980 feet from the East line of Section 30, Township 17 South, Range 34 East.

MR. MONTGOMERY: Does that place it on another forty acre tract?

MR. MANKIN: No.

A No, it will be six inches further on the lease.

MR. MANKIN: It puts it six inches south of the location of which we have the recent survey.

MR. MONTGOMERY: I would like to ask Mr. Reaugh a question.

BY: MR. MONTGOMERY:

Q Mr. Reaugh, when the undeveloped acreage is drilled, do you plan -- What location do you plan to drill?

A Well, I am not certain, but I believe it would be 330 out of the Northwest corner of the 40-acres.

Q It would be 990 from -- 660 from the nearest well then?

A Yes, sir, there has been a well drilled in the adjoining 40-acres west of this 40-acres that we have purchased.

MR. MONTGOMERY: That is all.

MR. MANKIN: Are there any further questions? Mr. Fischer.

BY: MR. FISCHER:

Q The well is west of Section -- What section, rather?

A In Section 19.

MR. MANKIN: The well which you indicated, that would be a well in the Southeast of the Southwest of Section 19, is that correct?

A Yes, sir.

Q (By Mr. Fischer): Mr. Reaugh, your deviations, in your survey of that, what was your greatest deviation in drilling a hole?

A I can look for it. We have a record here. I think it was two degrees. Two or two and a quarter.

Q It is not over three degrees?

A No, sir.

MR. FISCHER: Thank you.

MR. MANKIN: Are there any further questions of the witness?

MR. COOLEY: I have some questions.

BY: MR. COOLEY:

Q Mr. Reaugh, in your professional opinion, do you feel that that McElvain No. 2 Well, I believe it is, is producing from the bottom -- the quarter sections outlined as the unit in the application?

A I wouldn't know. We would have to take a directional survey to find out. With the two degree deviation you can wander two feet, I wouldn't know which way.

MR. COOLEY: Thank you, that's all the questions I have.

MR. MANKIN: Are there any further questions of the witness?

MR. ELLIOTT: I have a statement I would like to make.

MR. MANKIN: Are there any further questions of the witness?

If not, the witness may be excused.

Mr. Elliott, do you desire to submit Exhibits A, B, and C in this case?

MR. ELLIOTT: At this time I would like to submit Exhibits A, B, and C in this case.

MR. MANKIN: Are there any objections to entering these Exhibits? If not, they will be so entered. Do you have anything further Mr. Elliott?

MR. ELLIOTT: I might add something here.

MR. MANKIN: Do you desire to take the stand?

MR. ELLIOTT: Yes.

MR. ELLIOTT: I think, probably, for the purpose of the record, it should be shown that the assignment received from Mr. Sivley was obtained on February the 11th, and was duly recorded on March 15, 1957 in Book 118, Page 307, Oil and Gas Record, Lea County, New Mexico.

I think it should be shown that the ownership, the assignment from Mr. Sivley is common with the exception of the oil payment interest to which Mr. Sivley is entitled to, which will come out of the interest of the Ibex Company and McElvain --

MR. COOLEY: From which well, come out of the Ibex, was that your statement?

MR. ELLIOTT: The oil payment interest will come out of the interest of the Ibex Company and T. H. McElvain. In other words, it will not effect any other interest, except that the federal government owns the minerals under both tracts that the Ibex Company and T. H. McElvain have on a lease on the Northwest of the Northwest of Section 30, by virtue of Federal Lease LC 069457, and that after the assignment from Mr. Sivley, are entitled to the lease designated as Federal Lease LC 063645.

MR. REAUGH: That's so far as it pertains to the 40-acres.

MR. ELLIOTT: Both leases cover others, but insofar as that, it pertains to the 40-acre tract. They are part of the federal leases which I designated.

It is the belief of our company, and we feel like we should request from the Commission, if agreeable with them, that the 40-acre

proration unit be designated to the McElvain Federal No. 2, and would be that 40-acre unit out of Section 30 in which the well is located

The well was given a McElvain allowable at the time it was shut down, and we also respectfully request that the Commission will grant as a maximum allowable on this well at the time the order is given.

I believe that's all I have to say.

MR. MANKIN: Are there any further questions of the witness in this case?

CROSS EXAMINATION

BY: MR. MANKIN:

Q Mr. Elliott, would Ibex be agreeable, since the well has been shut down for a period of time, would the Ibex Company be willing to perform a production test from the -- when it is -- again, when it is opened up to be certain that the well is capable of producing.

A Yes, sir, we will.

BY: MR. MONTGOMERY:

Q As I understand, the lease agreement there pertained only to the 240-acre tract in question. These extra provisions that you have --

A You mean this assignment from Mr. Sivley?

Q That's right. Will separate measurements be maintained?

MR. REAUGH: They will be on record.

MR. MANKIN: Are there any further questions of the witness? If not, the witness may be excused. Are there any statements to be

made in this case?

MR. DuPONT: As Mr. Elliott just stated, the federal government does own the royalty on both of the 40-acre tracts, and I just wanted to state that we have no objection to the granting of an allowable to that well in the 40-acres requested in Section 30, and at this time, the only reason the Geological Survey has not approved the unorthodox location as of now, is that we wanted to await the Commission's action in determining which 40 would be granted the allowable, so that for administrative purposes we could get the well on the proper lease, but as soon as that is determined, I anticipate that the Survey will approve their application for the unorthodox location.

MR. MANKIN: Are there any further statements to be made in this case? If not, the case will be taken under advisement.

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 the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal, this, the 4th day of April, 1957, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

J. A. Trujillo

Notary Public

My Commission Expires:

October 5, 1960

I do hereby certify that the foregoing is a true and correct report of the proceedings in the hearing held before the New Mexico Oil Conservation Commission on *March 27*, 1957, in Case No. *1231*.
Warren Markin
New Mexico Oil Conservation Commission Examiner