

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

SANTA FE, N. M.  
PHONE 983-3971

ALBUQUERQUE, N. M.  
PHONE 243-6691

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
December 6, 1962

EXAMINER HEARING

-----  
IN THE MATTER OF: )  
)

Application of Gulf Oil Corporation for com- )  
pulsory pooling, Lea County, New Mexico. )  
Applicant, in the above-styled cause, seeks )  
an order force pooling all mineral interests )  
in the Blinebry Gas Pool underlying the SE/4 )  
of Section 23, Township 22 South, Range 37 )  
East, Lea County, New Mexico. )

CASE 2711

-----  
BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: The hearing will come to order, please.  
The first case this morning will be Case 2711.

MR. DURRETT: Application of Gulf Oil Corporation for  
compulsory pooling, Lea County, New Mexico.

MR. KASTLER: Bill Kastler of Roswell, New Mexico,  
with Gulf Oil Corporation. Our witness today will be Mr. John  
H. Hoover.

(Witness sworn.)

JOHN H. HOOVER

called as a witness, having been first duly sworn on oath, testi-  
fied as follows:

DIRECT EXAMINATION

BY MR. KASTLER:



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Q Will you please state your name, your position and state of employment?

A John Hoover, employed by Gulf Oil Corporation, Roswell, New Mexico; Petroleum Engineer.

Q Mr. Hoover, have you previously qualified as an expert witness in Petroleum Engineering and testified before the New Mexico Oil Conservation Commission?

A Yes, sir, I have.

MR. KASTLER: Mr. Nutter, if the witness' qualifications are admitted, I'll proceed.

MR. NUTTER: Please do.

Q (By Mr. Kastler) Mr. Hoover, do you have a plat showing the acreage involved in Gulf's application in Case No. 2711?

A Yes, sir, and it's marked Exhibit No. 1.

(Whereupon, Applicant's Exhibit No. 1 marked for identification.)

Q Would you please explain the background leading up to this case?

A Yes, sir. After a hearing on August 7, 1956, Order No. R-857 dated August 16, 1956, was issued by this Commission, which approved a non-standard 160-acre Blinebry gas proration unit covering our O. I. Boyd lease; and referring to Exhibit 1, our O. I. Boyd lease is outlined in green and described as the South Half Southwest Quarter, Northeast Quarter Southwest Quarter, and the Southwest Quarter of the Southeast Quarter of Section 23,



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Township 22 South, Range 37 East in Lea County, New Mexico. Then after hearing on July 6, 1960, Order No. R-1726, dated August 4, 1960, was issued by this Commission, which approved a 200-acre non-standard unit. This non-standard unit on Exhibit 1 is outlined in red and it's described as the Southwest Quarter and the Southwest Quarter Southeast Quarter of this Section 23.

This order stipulated that the 200-acre non-standard unit was approved for a two-year period to allow time to attempt to form two standard proration units in the South Half of Section 23.

On August 8th of 1962, a hearing was held, and it resulted in Order R-1726-A being issued, and this order extended Order No. R-1726 to December 4, 1962, at which time the order was to terminate.

Q What is the present status of the Allie M. Lee 160-acre proposed standard unit covering the Southeast Quarter of Section 23?

A We have completed our negotiations with Union Texas Petroleum Company, who operates the Allie M. Lee No. 1, which is located in the Northeast Quarter Southeast Quarter of Section 23, and the agreements are in the process of formal execution by all the working interest owners.

Q Do you have a copy of the communitization agreement which has been negotiated by all of the working interest owners and which is being formally executed at this time?



A Yes, sir, and we would like to have this marked Exhibit No. 2.

(Whereupon, Applicant's Exhibit No. 2 marked for identification.)

Q Basically, what does this agreement provide?

A It provides for the pooling and the joint operation of the lands in the Southeast Quarter of Section 23 for the production of Blinebry gas and associated liquid hydrocarbon only.

Q Who are the working interest owners in the Northeast Southeast and Southeast Southeast of Section 23?

A That's Allied Chemical Corporation, Joseph E. Seagram and Sons, Inc., Pan American Petroleum Corporation.

Q Do you have any knowledge as to the identity of the royalty owners in the East Half of the Southeast and Northwest Southeast of Section 23?

A Yes, sir. It's my understanding that they are the First National Bank of Nevada, Trustee of the Estate of Allie M. Lee, Deceased, Lillian H. Coll, and M. W. Coll.

Q Does Samedan Oil Corporation have or appear to have any interest in this acreage, to the best of your knowledge?

A It is my understanding that they assigned their leasehold interest insofar as the Blinebry gas rights are concerned, to the three working interest owners, and obtained an overriding royalty of 3/4ths of 7/8ths.

Q Along with the two or three royalty owners, you have testified there is another corporation, Samedan, that has an

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overriding royalty interest?

A That's what I understand.

Q Have you been informed by Union Texas Petroleum, which is a division of Allied Chemical Corporation, that they will attempt to secure the execution of the agreement by their own royalty owners?

A Yes.

Q At this time have you been informed that those royalty owners have executed the agreement?

A No, sir. I attempted to contact Union Texas by telephone, but was unable to make connection.

Q Who are the royalty owners of the Southwest of the Southeast of Section 23, which Gulf proposes to commit to this unit?

A We have 57 royalty interests in this Quarter Section, and we have a list of these royalty owners which I would like to have marked Exhibit No. 3.

(Whereupon, Applicant's Exhibit No. 3 marked for identification.)

Q What has been your experience with these royalty owners?

A When we asked for and obtained approval for the Blinebry proration unit, we contacted all of these 57 royalty interests, and although we did not receive any objections, some of them neglected to answer our correspondence. It was necessary at that time to force pool, and therefore we feel it will be necessary again; if they were contacted, it will be necessary to force pool.

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Q Was a considerable amount of time involved in this process of attempting to get these royalty owners to consent to or ratify the 200-acre non-standard unit agreement?

A Yes, sir, a considerable amount of time and expense.

Q Have these royalty owners each received a notice of this hearing?

A Yes, they were furnished a copy of it, and we have not heard of any objections.

Q Do you feel that this would be the case, that is, that they would not readily consent or would not all consent to the 160-acre standard unit, if you attempted now to secure a specific approval of the unit?

A Yes, sir.

Q Are there further considerations, also, which warrant force pooling in this case?

A Yes. The Commission Order R-1726-A specified that the 200-acre unit would terminate as of December 4, 1962. This means that unless the Southwest Quarter of the Southeast Quarter is pooled to form a standard 160-acre unit immediately, the conditions of this Order R-1726 would have not been fulfilled, with the result that Gulf's Ollie I. Boyd unit would revert to the 160-acre allowable authorized under Order R-857.

Q In your opinion, does this case warrant any action by the Commission in addition to the force pooling order?

A Yes, sir. We believe that the order should be extended



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to January 1st, 1963, for this reason. We have contacted the purchaser of the Blinebry gas from both the O. I. Boyd No. 3 and the Allie M. Lee Well No. 1, being the same purchaser, and they advise that as of December 1st, our O. I. Boyd Well No. 3 is approximately 12 million overproduced, whereas the Allie M. Lee Well No. 1 as of December 1st is approximately 1.8 million overproduced.

The advised that they had scheduled their takes from these wells so that as of January 1st each well would be approximately 2.6 million overproduced, or approximately in balance.

Q In relative balance, that is?

A Yes.

Q If the application is granted, would correlative rights be adversely affected?

A No, sir.

MR. KASTLER: This concludes the direct examination, and I move at this time that Exhibits 1, 2, and 3 be entered into evidence.

MR. NUTTER: Gulf's Exhibits 1 through 3 will be admitted in evidence.

(Whereupon, Applicant's Exhibits Nos. 1, 2, and 3 admitted in evidence.)

MR. NUTTER: Does anyone have any questions of Mr. Hoover?

MR. DURRETT: Yes, sir, I have a question or two.



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Q And they told you that as of December 1st --

A Yes, by their letter of December 3rd, 1962, they advised that as of November 30, 1962, the Boyd No. 3 Well will be approximately 12,244 MCF overproduced. The Lee No. 1 Well will be approximately 1,845 MCF overproduced.

Q Now they also advised that as of January 1st, as a result of rescheduling takes, the two wells would be 2.6 million overproduced?

A Yes, sir. That was approximately -- to state their letter exactly, they say they have scheduled -- "The production has been scheduled during the month of December, 1962, whereby the estimated December 31, 1962 status on the Boyd No. 3 and Lee No. 1 will be approximately 2,784 MCF and 2,669 MCF overproduced, respectively."

Q You mentioned the word "relatively" a while ago, too. Were they considering that one of the wells has a 120-acre allowable and the other has a 200-acre allowable? Would this be the actual status, regardless of the size of the unit?

A I assume they are going strictly on the size of the units that are assigned, and using the proration schedule.

Q What is your proposal, that the existing order be extended until January 1st?

A Yes, sir.

Q The 200-acre unit?

A Yes, sir.

Q And the 120-acre unit?

A Yes, sir.





NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

REGISTER

HEARING DATE DECEMBER 6, 1962 TIME: 9 A.M.

NAME:	REPRESENTING:	LOCATION:
RE Statton	Sunray Dx	Hobbs
William R Loar	✓	Tulsa
Ch Colthrop	Continental Oil Co.	Hobbs
Jason Keliakin	Kelley & Fox	Santa Fe
J.P. Boylan	Continental Oil Co	Hobbs, N.M.
WV Kastler	GULF OIL CORP	Roswell NM
JH Hoover	✓	✓
C.R. Black	TEXACO Inc.	Midland, Texas
L.C. White	DEWS	Santa Fe
A. J. Loevo	Loreo Stewart	Artesia
John J. Powers	N.M.O.C.C.	Hobbs
Richard S. Morris	Jeth. Montgomery, Kerici Hudson	Santa Fe
Al. Carter	OCC	Santa Fe
Walter J. ...	"	"
Walter Porter	Amir Capital Inc	Artesia
T.F. Welch	Amir Capital Inc	Artesia
D.D. Stokes	Shell Oil Co	Roswell

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

REGISTER

HEARING DATE DECEMBER 6, 1962 TIME: 9 A.M.

NAME:	REPRESENTING:	LOCATION:
Ray C. Jeter	Western Natural Gas Co.	Midland
C. W. Nance	Tenneco Oil Co.	Hobbs
Charles Stone	Carpenter Oil & Gas Co.	Artesia
James J. Farnham	Continental Oil & Gas Co.	Denver
Leslie R. Evans	Woods Simon Lease	Artesia
Harvey J. Orange	Continental Oil Co.	Artesia
John A. Queen	Continental Oil Co.	Roswell
W. A. Moore	"	"
W. B. Hall	"	"
C. R. Appledorn	"	Artesia
Frankie Rawley	Carpenter Oil & Gas Co.	Fort Worth, Tex
Harry H. Dippel	Continental Oil Co.	"
Walter J. ...	"	"
Donald L. Merrill	"	"
R. L. Seeborn	"	Roswell NM