

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 23, 1963

EXAMINER HEARING

IN THE MATTER OF:)
)
)

Application of Charles B. Read for a)
non-standard oil proration unit, Lea County,)
New Mexico. Applicant, in the above-styled)
cause, seeks the establishment of a 48.99-)
acre non-standard oil proration unit in an)
undesignated Delaware pool consisting of Lots)
4 and 5 of Section 31, Township 26 South,)
Range 32 East, Lea County, New Mexico.)
)

Case 2733

BEFORE:

Elvis A. Uts, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: The next case will be Case 2733.

MR. DURRETT: Application of Charles B. Read for a non-
standard oil proration unit, Lea County, New Mexico.

MR. CHRISTY: Sim Christy of Hervey, Dow & Hinkle,
Roswell, New Mexico, appearing for the applicant. We have two
witnesses, Mr. Examiner, Mr. Herbert Ware and Mr. Charles B. Read.

(Witnesses sworn.)

MR. UTZ: Are there other appearances in this case?

You may proceed.

(Whereupon, Applicant's Exhibits Nos.
1 and 2 were marked for identification.)

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C H A R L E S B. R E A D ,

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

DIRECT EXAMINATION

BY MR. CHRISTY:

Q Would you please state your name, address and occupation?

A My name is Charles B. Read, Post Office Box 1822, Roswell, New Mexico. I am engaged in the oil and gas business, including the purchase of oil and gas leases, development of property to oil and gas production.

Q Mr. Read, you are the applicant in this case, are you not?

A Yes, sir.

Q Will you please, briefly, state to the Commission what is sought by the application?

A We seek to form a non-standard oil proration unit in an undesignated Delaware pool, in Lea County, New Mexico, consisting of Lots 4 and 5 of Section 31, Township 26 South, Range 32 East, containing 48.99 acres. The well to be dedicated to the proration unit is located 330 feet from the west line and 409.7 feet from the north line of Lot 4. The well is presently being completed as a producer of oil in paying quantities from the Ramsey formation at approximately 4,230 feet. A more detailed description of the well, its location and expectation of the production will be

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given by the next witness.

Q Do you own the oil and gas leases covering these lands?

A Yes, sir. I own Federal Lease LC068281, covering Lot 4, and Federal Lease LC068281-C covering Lot 5. My ownership is subject to outstanding overriding royalties.

Q Are the overriding royalties identical in the two leases, as to the zone we are seeking from the Ramsey sand?

A No, sir.

Q What are the overrides?

A Presently there is a 3% override on both Lots 4 and 5, and the ownership is identical; and an additional 2% override in royalty on Lot 5 which is owned by Mr. O. E. Bradley.

Q So, of course, the royalties are identical because it is the same base lease?

A That is correct.

Q Would the royalty be $2\frac{1}{2}$?

A Yes, sir.

Q Now, I believe that you have a communitization agreement, Mr. Read, in connection with this proration unit?

A Yes, sir.

Q I hand you what has been marked as Applicant's Exhibit 1 and ask you to please identify the instrument.

A It is the communitization agreement that we just spoke of.

Q Is this a standard Federal form of communitization agree-

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ment?

A Yes, sir.

Q Has it been approved by the applicable regulatory body?

A It has been approved as to form by the United States Geological Survey.

Q As I understand, the form has been approved, and the agreement will be executed when the order of the Commission has been entered authorizing the non-standard proration unit?

A After the order has been entered, the communitization agreement will be submitted to Roswell, and the "rush process" them within a few days.

Q Now, the communitization agreement covers oil and associated hydrocarbons from the top of the Ramsey, and to a total depth of about 4,415 feet, does it not?

A It covers from the surface down to the base of the Ramsey.

Q The surface to the base?

A That is correct, from the top of the Ramsey section Delaware sand to a total vertical depth of 4,415 feet.

Q Now, under the provisions of the communitization agreement, will every owner receive his fair share of recoverable hydrocarbons underlying the land within the communitized zone?

A Yes, sir, that is correct.

Q So there would not be a violation of correlative rights?

A No, sir.

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Q Now, who has signed and ratified the communitization agreement as among the royalty and overriding and working interest owners; the overriding first, who among the overriding owners has signed it?

A Mr. O. E. Bradley and wife, Mr. E. A. Hanson and wife, and Mr. Buck Russell and wife. Also Continental Oil Company.

Q You have signed it, of course?

A That is correct.

Q Now, do these people that you just named constitute all of the working interest and overriding royalty interests that you mentioned under these lands?

A That is correct.

Q So that outside the Federal Government everyone has signed?

A That is true.

Q Now, as soon as the communitization agreement has been approved by the government, will you furnish this Commission a fully executed copy with all the signatures?

A Yes, sir.

MR. CHRISTY: For the record, we will leave with you one unexecuted counterpart, which you have there. We are very short of them, but we will furnish you a certificate of approval and that will complete your file. If you need more we will be glad to furnish them.

MR. UTZ: I think this will suffice.

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Q (By Mr. Christy) Now, Mr. Read, turning to the economic matters in connection with this application, if the present well in Lot 4 is not communitized with Lot 5, how would this affect waste, speaking of economic waste?

A It's not economically feasible to drill wells on the 24-acre spacing. The wells cost approximately \$50,000.00 to drill and complete, and with a reduced allowable for 24 acres, the payout is so long that it is not economically feasible to drill these wells; conversely, with 48 acres it is an economic venture to drill these wells in this area. Therefore, unless the non-standard proration unit in the area is granted the result will be economic waste.

Q I believe Lot 4 contains 24.48 acres and Lot 5 contains 24.51 acres?

A That is correct.

Q Making the proposed proration unit 48.99 acres?

A That is correct.

Q Now, you understand, of course, that if the application is granted you will still have to comply with the rules and regulations, and file the appropriate forms with the Commission?

A Yes, sir, I understand.

Q Do you have anything further that you wish to state to the Examiner in connection with this application?

A No, sir.

MR. CHRISTY: That is all we have from this witness.



We have not gone into the acreage that it will drain. This witness is strictly for purposes of the communitization agreement.

MR. UTZ: Any questions of Mr. Read?

CROSS EXAMINATION

BY MR. RAMEY:

Q Have you filed your Commission Form C-104 as yet?

A Well, we are in the process of testing the well at the present time.

Q When you do file this, you realize you will be granted the 24-acre allowable until the time an order is written?

A Yes, sir.

MR. UTZ: Then you are receiving an allowable at the present time on Lot 4?

A We are in the process of testing the well and we have not yet made the request for facilities and allowable. It has been testing for about seven days and no oil has been sold.

MR. UTZ: But, you don't anticipate making such a request?

A No, sir.

MR. UTZ: Are there other questions?

MR. CHRISTY: I might state, also, Mr. Utz, the principal reason we come before the Commission at this time rather than waiting until we complete the well is because of expiring leases. Of course, we would have waited until the wells were complete. We didn't have enough time left.



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MR. RAMEY: I was just trying to point out that the operator would be subject to a 24-acre allowable.

MR. UTZ: Both leases expire at the same time?

MR. CHRISTY: Where the well is will not expire. The other lease will expire February 28th unless communitized, and the communitization agreement cannot be approved by the United States Geological Survey until this Commission makes it a proration unit, acceptable proration unit; but in the absence of a Commission order and the approval by the United States Geological Survey the Lot 5 lease will expire on February 28th. That is a correct statement, isn't it, Mr. Read?

A That is right.

MR. DURRETT: If this application was approved by the Commission, subject to the communitization, that would save your lease for you, would it not?

A Yes, it would.

MR. DURRETT: And the converse it true?

A We just can't economically drill a well on that.

MR. DURRETT: I see.

MR. UTZ: Any other questions? The witness may be excused.

(Witness excused.)

H E R B E R T E . W A R E

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



DIRECT EXAMINATION

BY MR. CHRISTY:

Q Would you state your name, address and occupation?

A My name is Herbert E. Ware, my address is 307 Petroleum Life Building, Midland, Texas.

Q Mr. Ware, you are a geological engineer, are you not?

A Yes.

Q Have you previously testified before the New Mexico Oil Commission as a geological engineer and had your qualifications accepted?

A No, sir, I have not.

Q Will you briefly state to the Examiner your educational background? Give us the dates and type of degrees and where from, if any.

A I graduated from the University of Oklahoma in 1953 with a Bachelor of Science degree in geology, and received a Masters Degree in 1954 from the same institution.

Q What practical work have you done in the geological field, and for whom and where?

A From 19 -- June of 1954 until January of 1956 I worked for Arkansas Fuel Oil Corporation as a geological engineer. From January 1956 until March of '62 I worked for Richardson Base Oil Company in Fort Worth. Since March, 1962 I have been a consulting geologist.

Q Are you familiar with the area involved in this appli-

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cation and the wells?

A Yes, sir, I am.

Q Have you had substantial work and dealings in the Delaware sand formation?

A Yes, sir, I have had experience in the Delaware sand since I went to work with Richardson and Base.

Q How many years ago?

A It would be from January of 1956 until the present date.

MR. CHRISTY: Does the Examiner have any questions?

MR. UTZ: I have none.

MR. CHRISTY: Thank you, sir.

Q (By Mr. Christy) Now, would you please briefly tell the Examiner the pertinent facts concerning the drilling and potential of this well?

A As Mr. Read previously testified, the well is located in Section 31, Township 26 South, Range 32 East. The well was spudded on December 7, 1962 and drilled to a total depth of 4,324 feet. It was completed as a producer in paying quantities from the Ramsey sand formation. The producing interval in the well is between 4,229 and 4,235.

Q I believe the well is presently being tested?

A That is correct.

Q Now, is that an open hole interval, or is the 4,229 to 4,235, is that open hole or what?

A ~~These are continuous perforations.~~



Q You were the geologist on the well?

A Yes, that is correct.

Q Now, are there any other wells -- Excuse me, let's take this first. Let me hand you what has been marked as Applicant's Exhibit 2 and ask you to identify that instrument.

A These ?

Q Yes, sir, what is the instrument?

A That is a map, a structural map on top of the Ramsey sand, with superimposed isopac of the gross sand thickness.

Q Was this map prepared by you?

A Yes, sir, it was.

Q It does show, in red, the area involved in this application?

A That is correct.

Q Are there any other wells in the area producing from this Ramsey sand formation, and, if so, would you locate them on Exhibit 2, please?

A Yes, sir. In the undesignated field there are three producers at the present time, Continental Oil Company's Number 1 Russell located in Section 30; the Charles B. Read Number 1 Russell located in Section 31; the Charles B. Read Number 3 Russell located in Section 31.

Q That is the well, the Number 3 Well is the one involved in this application?

A That is correct.



Q Is there also a dry hole in this undesignated field?

A Yes, sir. The Charles B. Read Number 2, which is a west offset to the Number 1 discovery well.

Q Sir, I noted the contour lines you have here on Exhibit 2, and in connection with the next question I wish you would refer to them if they appear pertinent. In your opinion will this Charles B. Read Well Number 3 effectively and efficiently drain the entire 48.99 acres described in the application and outlined in Exhibit 2?

A Yes, sir, in my opinion it will. In each of the wells located in Section 30 and 31, the entire Ramsey sand was cored and evaluated. In the three producers, which includes Continental's Number 1 Russell, Charles B. Read Number 1 Russell and the subject well, the Number 3 Russell, the physical characteristics of the sand were excellent in each of these wells. The permeabilities were more than adequate and the porosities were extremely adequate also.

Q I notice a well in the lower right-hand side of Exhibit 2 not marked. Is it a dry hole down there?

A That's correct.

Q Now, the 1,100, the minus 1,100 foot contour line appears to go right near that well and the Continental Number 1 Well, is that correct?

A That is true.

Q Are those actualities now?

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A That is correct.

Q Would you care to elaborate on that?

A Yes. In each of the producing wells, including the Continental Well, the same relative position in the Ramsey sand is perforated. In the Continental Number 1 Russell, the lowest perforation exists at a minus 1,100, and minus 1,100 foot contour structurally is substantiated by the well down in Texas.

Q Which is a dry hole to the east?

A It is wet.

Q So that we have an actuality there of wetness at minus 1,100 and the Continental Number 1, for an actuality?

A Yes, sir. I would like to say this, that is not entirely correct. The Continental Well is still productive down to the minus 1,100 foot contour.

Q It is at least there.

MR. UTZ: Which Continental well is that?

A The well located in Section 30.

Q (By Mr. Christy) Now, sir, again referring to Exhibit 2, is your proposed unit in this application connected to the Delaware Pool that lies to the west of the land involved in this application, and shows on the left-hand side of Exhibit 2?

A No, sir, it is not.

Q What is the basis for this? This is the North Mason over here to the west?

A Yes, sir, on the west side of the Exhibit 2 is the North



Mason Field.

That has two dry holes drilled along the east side of the North Mason Field, which is directly west of this particular area. Also the Charles B. Read Number 2 Russell Well was found to have no sand.

Q So I assume there is a permeability barrier in between the two?

A Which existed down by the dry holes.

Q So as I understand it, the two pools are not connected, and this is a separate pool we are speaking of here in the application, and it is undesignated by this Commission?

A That is correct.

Q Do you have anything further in connection with this?

A No, sir.

MR. CHRISTY: That, I believe, is all from this witness, Mr. Examiner.

MR. UTZ: Are there any questions of this witness?

CROSS EXAMINATION

BY MR. UTZ:

Q Would it be a fair statement to say that you have both a structural and permeability pinchout situation in this pool?

A Yes, sir, we feel that is correct.

Q So, you feel that anything above minus 1,100 foot contour would be productive, providing it has permeability?

A That is correct. I would like to state I used the 1,100

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foot contour because it is the lowest producing depth at the present time.

Q You feel that Lot 5 has enough permeability to be productive?

A Yes, sir, I do.

Q What is your basis for making that statement?

A The sand was found to go out in a westerly direction. It went from 113 feet to 29 feet in a due west direction. The Charles B Read Number 3 Russell was somewhat thinner than the Number 1. However, the well that was drilled down in Texas again exhibits a full enough section to allow for production, I mean it was a clean sand section of that well.

Q A good permeability well?

A That is correct.

Q I am wondering why you drilled the well on the west side of Lot 4 instead of on the east side?

A We were trying to enhance the structural position, for one thing.

Q Now, in regard to net pay?

A No, I wouldn't say that.

Q Net pay does increase to the east, does it not?

A Yes, sir, it does.

MR. UTZ: Any other questions of the witness?

BY MR. RAMEY:

Q Mr. Ware, do you think there is enough evidence to

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warrant designating this as a pool rather than carrying it as undesignated?

A In the future, yes.

Q Do you think there is any possibility that the North Mason and this undesignated area could tie in through development in the northern part of Section 30?

A I think the possibility could exist. It would take a while to find out. I personally feel that the permeability barrier is fairly well established at the present time in the wells in the North Mason Field which penetrate the entire Ramsey section. They were found to have, especially down to the Texas portion, which is the portion on that map they found to have five to seventy-five feet of sand. The dry holes, as noted on Exhibit 2, of the Graridge Number 1 is a very dirty section. The Marathon D-2 down across the section line had 57 feet, and the sand is definitely thinned on the east side of the North Mason; it thinned to 29 feet and is thinning to 113 feet in the Number 1 Russell. I think the evidence is of a pinch-out or permeability type barrier between the two separate areas. It is fairly evident by these three wells it is separate.

Q That is directly east, and the Continental well in Section 19, Number 4, has in excess of 50 feet?

A That is correct.

Q Most of the wells in the North Mason Field did not entirely penetrate the Ramsey sand?



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A It is hard to say exactly how much they did have, but the sand on the west side goes from 30 or 40 feet on up to a maximum of 70 or through bond, and then thins again on the east side.

Q So, perhaps we should leave this undesignated until we can establish whether it is a direct tie-in or whether it is not?

A Yes, sir.

MR. UTZ: Was the Read Number 1, would that be considered the discovery well, or the Continental well?

A The Continental well.

BY MR. DURRETT:

Q That is Continental Number 1, is that correct?

A Yes, sir.

Q Do you have the date that well was completed, do you have any idea?

A No, sir. It has only been producing approximately for two years.

Q You wouldn't know the top perforation, approximately?

A Yes, sir, it would be minus 1094.

MR. DURRETT: Thank you.

MR. UTZ: Are there other questions? The witness may be excused.

(Witness excused.)

MR. CHRISTY: That is all for the applicant.

MR. UTZ: Are there any other statements to be made in



this case? The case will be taken under advisement.

STATE OF NEW MEXICO)
) ss.
COUNTY OF BERNALILLO)

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

Bill Langford

Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the New Mexico Oil Conservation Commission Case No. 2233, heard by me on 2/3/53.
[Signature]
_____, Examiner
New Mexico Oil Conservation Commission

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