

CASE NO. 43

BEFORE THE OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO.

IN THE MATTER OF: THE APPLICATION OF THE NEW MEXICO ASPHALT AND REFINING COMPANY FOR AN ORDER WHEREIN: THE RESPECTIVE UNITS OF PRORATION WITHIN THE WEST LUSK, BARBER, EAST LUSK FIELDS, AND THE NEWLY DISCOVERED BENSON AREA, ALL WITHIN EDDY COUNTY, PRODUCING ASPHALTIC BASE CRUDE OIL, SHALL BE ALLOWED TO PRODUCE OVER AND ABOVE THE CURRENT ALLOWABLE, INsofar AS SUCH UNITS ARE CAPABLE AND INsofar AS SUCH MAY BE DONE WITHOUT WASTE, UP TO 100 BARRELS OF CRUDE OIL DAILY FOR PURCHASE BY THE APPLICANT FOR THE PURPOSE OF SUPPLYING THE UNITED STATES ARMY ENGINEERS WITH ASPHALT AND ROAD OILS TO BE USED IN THE CONSTRUCTION OF AIRBASE PROJECTS IN NEW MEXICO AND TEXAS, AND THE NEW MEXICO HIGHWAY DEPARTMENT FOR PAVING OF ROADS WHERE FEDERAL APPROVAL OF SUCH PAVING HAS BEEN GRANTED, AND WHEREIN SUCH PRODUCTION AND PURCHASE FOR SUCH PURPOSES ARE RATIFIED SINCE THE EXPIRATION OF A SIMILAR ORDER, NO. 476, WHICH EXPIRED DECEMBER 1, 1942.

Pursuant to notice by the Commission, duly made and published, setting August 3, 1943, at ten o'clock, A. M., for hearing in the above entitled matter, said hearing was convened on said day, at said hour, in the Coronado Room, La Fonda, Santa Fe, New Mexico, the Commission sitting as follows:

HON. JOHN J. DEMPSEY, Governor of New Mexico, Chairman
HON. JOHN M. KELLY, State Geologist, Secretary
HON. H. R. RODGERS, Commissioner of Public Lands, Member
HON. CARL B. LIVINGSTON, Chief Clerk and Legal Adviser.

APPEARANCES:

<u>Name</u>	<u>Company</u>	<u>Address</u>
A. S. Willig	The Texas Company	Ft. Worth, Texas
Harvey E. Yates	Harvey E. Yates	Artesia, N.M.
Roy Yarbrough		Hobbs, N.M.
Walter P. Luck	N.M. Asphalt & Ref. Co.	Artesia, N.M.
C. H. Brooke	Agua Negra Ranch	Santa Rosa, N.M.
A. M. McCorkle	Stanolind Oil & Gas Co.	Ft. Worth, Texas
P. H. Lillie	Agua Negra Ranch	Santa Rosa, N.M.
Leo Fry	Stanolind Oil & Gas Co.	Hobbs, N.M.
L. F. Peterson	Stanolind Oil & Gas Co.	Ft. Worth, Texas
Lake J. Frazier	Maryland Casualty Co.	Roswell, N.M.
Geo. P. Livermore	Geo. P. Livermore, Inc.	Lubbock, Texas
U. S. Welch	Flynn, Welch & Yates	Artesia, N.M.
F. W. Brigance	Rowan Drilling Co.	Ft. Worth, Texas
R. U. Fitting	Shell Oil Co.	Midland, Texas
H. J. Kemler	Shell Oil Co.	Midland, Texas
R. B. F. Hummer	Phillips Petroleum Co.	Bartlesville, Okla.
C. A. Daniels	Phillips Petroleum Co.	Amarillo, Texas
E. H. Foster	Phillips Petroleum Co.	Amarillo, Texas
Lloyd L. Gray	Gulf Oil Corp.	Tulsa, Okla.
Neville G. Penrose		Ft. Worth, Texas
Rice Tilley		Ft. Worth, Texas
Harvey Hardison		Houston, Texas

Edgar Kraus	Atlantic Oil & Ref. Co.	Dallas, Texas
R. F. Windjohr	Nash, Windjohr & Brown	Ft. Worth, Texas
James M. Murray	Me-Tex Co's	Hobbs, N. M.
J. C. Echlin	American Employers Ins. Co.	El Paso, Texas
Glenn Staley	Lea County Operators	Hobbs, N. M.
K. M. Fagin	Magnolia Petroleum Co.	Dallas, Texas
S. P. Hannafin	Magnolia Petroleum Co.	Roswell, N. M.
C. G. Campbell	Tex. Pac. Coal & Oil Co.	Midland, Texas
Leo R. Manning	State Land Office	Santa Fe, N.M.
W. K. Davis	El Paso Nat. Gas Co.	Jal, N. M.
Foster Morrell	U. S. Geological Survey	Roswell, N. M.
Harry Leonard	Leopard Oil Co.	Roswell, N. M.
Hugh L. Sawyers	N.M. Oil & Gas Asso.	Roswell, N. M.
John P. Morgan	Sun Oil Co.	Dallas, Texas
J. O. Seth	Seth & Montgomery	Santa Fe, N. M.
W. L. Morrison	Honolulu Oil Corp.	Lubbock, Texas
R. S. Dewey	Humble Oil Co.	Midland, Texas

The meeting was called to order by the Chairman, and upon request of the Secretary, the Chief Clerk read the call of the meeting, as follows:

"NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

The Oil Conservation Commission, by law invested with jurisdiction as the oil and gas regulatory body of the State of New Mexico, hereby gives notice of the following hearing to be held at Santa Fe, New Mexico:

Case No. 43

In the matter of the application of the New Mexico Asphalt and Refining Company for an order wherein; the respective units of proration within the West Lusk, Barber, East Lusk Fields, and the newly discovered Benson Area, all within Eddy County, producing asphaltic base crude oil, shall be allowed to produce over and above the current allowable, insofar as such units are capable and insofar as such may be done without waste, up to 100 barrels of crude oil daily for purchase by the applicant for the purpose of supplying the United States Army Engineers with asphalt and road oils to be used in the construction of airbase projects in New Mexico and Texas, and the New Mexico Highway Department for paving of roads where Federal approval of such paving has been granted, and wherein such production and purchase for such purposes are ratified since the expiration of a similar order, No. 476, which expired December 1, 1942. This case is set for 10 A. M., August 3, 1943.

Any person having any interest in the subject of said hearing is entitled to be heard.

The foregoing Notice of Publication was made pursuant to the direction of the Commission at its Executive Meeting June 22, 1943.

Given under the seal of said Commission at Santa Fe,

New Mexico, on July 8, 1943.

OIL CONSERVATION COMMISSION

(SEAL)

By (Sgd) John M. Kelly
Secretary"

BY GOVERNOR DEMPSEY: I wonder if you don't want to amend that Application?

BY MR. LUCK: I ask leave to amend it to that extent.

WALTER P. LUCK

being first duly sworn, testified as follows:

BY MR. LUCK: We should like to enter into a stipulation with the counsel for the Commission whereby all testamentary and oral evidence heretofore introduced at a former hearing be used in support of this Application. I believe that has been filed with the Commission, and is now in your possession.

Particularly, the letter is from the U. S. Geological Survey, pertaining to waste, in which they--I will briefly outline the letter--in which they stated that if 100 barrels allowable of asphalt be permitted to be produced daily, that no damage or waste would result to the reservoir. Also, particularly, the evidence of Neil Miller, Geologist of Carlsbad, to the effect that no waste would result in the production of 100 barrels per day per producing unit, and to the effect that he has contracted to sell asphaltic oil to the New Mexico Asphalt and Refining Company, and that unless each producing unit be permitted to be increased to 100 barrels per day, we would not be able to supply the refineries. And the testimony of myself in that connection, stating that we have contracts with the United States Army Engineers, whereby we are obliged to deliver--to manufacture and deliver--asphalt for use in Army Airbases throughout New Mexico and Western Texas.

At this time I want to testify that we still have these contracts, and that the situation is not changed. That the demand is still present, and that we have been unable to supply the demands by, I would say, 25 per cent of their demands.

We have been running approximately 800 barrels of asphalt crude per day from all sources available where asphalt is produced in New Mexico. I am not prepared to say whether they could produce more, but we haven't heard anyone complaining that we have not been taking the oil. We have been taking it ratably, and as much as they could produce.

In this particular case, insofar as it affects the inclusion of the Benson Area in Eddy County, New Mexico, we have Mr. Harvey Yates, the owner of those leases producing that oil. I would like to have him on the stand.

(Witness excused)

HARVEY YATES

being first duly sworn, testified as follows:

BY MR. KELLY: Will you make a statement as to whether or not your lease in the Benson Area could make 100 barrels per day without waste?

BY MR. YATES: This is my first experience with heavy asphalt oil, but I believe you could.

BY MR. KELLY: How much is one of your wells producing now?

BY MR. YATES: It could produce 200 barrels per day.

BY GOVERNOR DEMPSEY: He asked what one would produce?

BY MR. YATES: By pumping 500 barrels of fluid we produce 230 barrels.

We have pumped 700 barrels of fluid with 150 barrels of oil.

BY MR. LUCK: By continuous pumping could you increase that production?

BY MR. YATES: I believe by pumping more fluid we get more oil, by pumping less fluid, naturally, we get less oil.

BY MR. KELLY: What is the proportion?

BY MR. YATES: In pumping 50 barrels of fluid we get 5 barrels.

BY MR. LUCK: You have one producing well now?

BY MR. YATES: Yes sir.

BY MR. LUCK: And are drilling another?

BY MR. YATES: Yes sir.

BY MR. LUCK: What is your program with respect to development?

BY MR. YATES: I intend to keep the rig running as long as I can

sell the oil.

(Witness excused).

WALTER P. LUCK (Recalled)

BY MR. LUCK: I have contracted for and on behalf of New Mexico Asphalt and Refining Company, to purchase all the allowable produced that may be established for Mr. Yates, regardless. We expect to purchase this oil ratably with all other fields.

BY GOVERNOR DEMPSEY: What is the capacity of your refinery?

BY MR. LUCK: The capacity is about 2100 barrels of vacuum distillate, running about 800 barrels a day now. However, we have the facility to increase it to 2500 barrels per day.

BY MR. KELLY: In your opinion, or the opinion of your geologist, is any waste being taken out of your pools outside of the Benson pool?

BY MR. LUCK: Not more than normally incident to any other taking of oil.

BY MR. KELLY: The Commission orders the case be taken under advisement.

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CERTIFICATE.

I hereby certify that the foregoing and attached four and a fraction pages of typewritten matter constitute a true, correct and complete transcript of the shorthand notes taken by me in Case No. 43, on the 3rd day of August, 1943, and by me extended into typewriting.

Witness my hand this 14th day of August, 1943.

Alice Stewart

Alice Stewart.