

BEFORE THE  
OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO

Santa Fe, New Mexico

NOTICE OF PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

"The Oil Conservation Commission of New Mexico, pursuant to law, hereby gives public notice of the following hearings to be had at a regular meeting of the Commission October 15, 1947, beginning at 10:00 o'clock A.M., on said date at Santa Fe, New Mexico:

"STATE OF NEW MEXICO TO:

All named parties in the following cases, and notice to the Public:

CASE NO. 112

"In the matter of the application of the Grayburg Oil Company of New Mexico for permission to produce well No. 13-B on its Keely (federal) lease in the NE/4 of Section 26, Township 17 South, Range 29 East, N.M.P.M. in Eddy County, New Mexico.

CASE NO. 113

"In the matter of the application of Roy H. King for an unorthodox location on the SW/4 SE/4 section 27, Township 18 South, Range 38 East in the Hobbs Pool, Lea County, New Mexico.

"Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico, on October 1, 1947.

OIL CONSERVATION COMMISSION

/s/ R. R. Spurrier

By: R. R. Spurrier, Secretary

S E A L"

Said meeting was called at 10:00 o'clock A.M., Wednesday, October 15, 1947, in the Coronado Room of the La Fonda Hotel, Santa Fe, New Mexico.

MEMBERS OF THE COMMISSION PRESENT

Hon. Thomas J. Mabry, Governor, Chairman  
Hon. John E. Miles, State Land Commissioner, Member  
Hon. R. R. Spurrier, Secretary, State Oil Conservation Commission, Member  
Hon. Luke J. Frazier, Attorney  
Hon. George Graham, Attorney

R E G I S T E R

<u>NAME</u>	<u>COMPANY</u>	<u>ADDRESS</u>
R. F. Miller	Grayburg Oil Company of N. M.	Artesia, N. M.
John E. Cochran, Jr.	Attorney for Grayburg Oil Company	Artesia, N. M.
J. B. Hardin		Hobbs, N. M.
Frank D. Gardner	Sinclair Prairie Oil Company	Midland, Texas
Harvey Hardison	Standard of Texas	Midland, Texas
Foster Morrell	U. S. G. S.	Roswell, N. M.
Lloyd L. Gray	Gulf Oil Corporation	Tulsa, Oklahoma
Roy O. Yarbrough	Oil Conservation Commission	Hobbs, N. M.
M. C. Brunner	Shell Oil Company	Hobbs, N. M.
L. E. Slagle	Shell Oil Company	Hobbs, N. M.

Register (Cont'd)

<u>NAME</u>	<u>COMPANY</u>	<u>ADDRESS</u>
Walter Pamariss, Jr	Phillips Petroleum (Legal Dept.)	Hobbs, N. M.
Raymond A. Lynch	Phillips Petroleum Co.	Midland, Texas
H. R. Mearkley	Independent	Odessa, Texas
John M. Kelly	Attorney	Roswell, N. M.
W. D. Girand, Jr.	Humble Oil Company	Hobbs, N. M.
W. E. Hubbard	Humble Oil Company	Houston, Texas
R. S. Dewey	Humble Oil Company	Midland, Texas
Nelson Jones	Humble Oil Company	Houston, Texas
Guy Shepard	State of New Mexico	Santa Fe, N. M.
R. J. Heard	Grayburg Oil Company	Loco Hills, N.M.
Joe W. Lackey	Malco Refineries, Inc.	Roswell, N. M.
Wm. E. Bates	The Texas Company	Midland, Texas
E. D. Corbett	Humble Pipe Line Company	Midland, Texas
Jack W. Slackgole	Stanolind Oil Purchasing Co.	Midland, Texas
Glenn Staley	Lea County Operators	Hobbs, N. M.
N. Raymond Lamb	N. M. Bureau of Mines & Mineral Resources	Artesia, N. M.
William B. Macey	Oil Conservation Commission	Artesia, N. M.
J. O. Seth	Stanolind Oil Company	Santa Fe, N. M.
John D. Culp	Stanolind Oil Company	Hobbs, N. M.
A. E. Willig	The Texas Company	Ft. Worth, Texas
H. D. Murray	The Texas Company	Midland, Texas
Frank E. Isett	Roy H. King (Representative)	Dallas, Texas
Henry Forbes	Continental Oil Company	Midland, Texas
G. H. Gray	Repelle Oil Company	Midland, Texas

PROCEEDINGS

Meeting called by John E. Miles, Land Commissioner & Member.  
Case Docket for #112 read by George Graham, Attorney.

BY JOHN E. COCHRAN, JR.

Governor Mabry, Members of the Commission: This is a matter in which the Grayburg Oil Company of New Mexico makes application for permission to produce Well No. 13-B on the Keely lease located in the NE/4 S.26, T. 17S, Range 29E, N.M.P.M., in Eddy County, New Mexico.

(After being duly sworn, Mr. Raymond Miller testified as follows)

MR. COCHRAN:

Will you state your name please?

MR. MILLER:

Raymond Miller.

MR. COCHRAN:

By whom are you employed?

Mr. Miller:

Grayburg Oil Company of New Mexico.

MR. COCHRAN:

In what capacity are you employed?

MR. MILLER:

As Production Engineer.

MR. COCHRAN:

As Production Engineer for Grayburg Oil Company, what do your duties consist of?

MR. MILLER:

They include the setting of casing, acidizing and composition of the well's termination or bottom hole pressure, gas-oil ratio and compilation of records.

MR. COCHRAN:

As production engineer, you are familiar with all the properties and wells located in Eddy County?

A. I am.

Q. In your application you designated the Keely B well?

A. Yes, sir.

Q. Do you have a map the Commission might see the location of that well?

A. Yes, sir. I have here a plat showing the entire unit area of the Keely B Well.

Q. The quarter-section cross stitched on the map, that is a part of the Keely B Lease?

A. Yes, sir.

Q. How many wells have been drilled on this lease?

A. Thirteen.

Q. How many in the NE/4 of section 26?

A. Five.

Q. Will you explain to the Commission when the first four wells were drilled on this tract?

A. Keely 1-B was completed in April 30, 1943. Keely 4-B - NE/4 - completed March 30, 1944. Keely 7-B - SW/4 - NE/4 - completed July 31, 1944. 8-B SE/4, NE/4 - completed February 21, 1945.

Q. From what horizons do those four wells produce?

A. San Andres.

Q. From what depth?

A. You mean top of San Andres or pay?

Q. Pay?

A. 2800 feet to 3100 feet.

Q. On this 160 acre tract, the fifth well is located approximately in the center of the tract - will you tell the Commission the history of the drilling?

A. This well, located 1345 feet from the north line and 1295 feet from the east line, S/26. The well was drilled to a total depth of 5076 feet, completed in the Yezo Formation, unproductive of oil or gas at that depth. We plugged back to 3050 feet, used 7 inch casing and completed it as an oil well capable of producing in excess of 200 barrels per day.

Q. You have tested the well?

A. Yes.

Q. Is the well shut in at the present time?

A. Yes, it is shut in.

Q. In your application to the Commission, you asked that you be permitted to produce the 13-B Well?

A. Yes, sir.

Q. In doing that you proposed to produce the total allowable as fixed by the Commission for the total 4 wells on the 160 acre tract?

A. Yes, sir.

Q. The production from that 160 acres would be the equivalent of the allowable for the 4-40 acre units?

A. Yes, sir.

Q. In your opinion, would producing this tract in that manner be in the interest of conservation and prevention of waste?

A. It would.

Q. In your opinion would it result in a greater recovery of oil from that 160 acres?

A. I believe it would.

Q. This is a federal lease?

A. Yes, sir.

Q. Have you communicated with the United States Geological Survey to ascertain their feeling about this application?

A. We have, and I have here a letter from Mr. Foster Morrell, District Supervisor, in which he states the Survey has no objection to our producing this well in this manner.

MR. COCHRAN:

We offer this letter in evidence.

(Letter from Mr. Foster Morrell, District Supervisor of the United States Geological Survey, offered in evidence as Exhibit #1.)

Q. Mr. Miller, if you are permitted to produce the 13-B well, will the rights of any other operator be affected?

A. No, sir. As shown on the map, all surrounding property is owned by the Grayburg Oil Company and its associated companies.

Q. If the Commission grants this permission to produce this well, will it enable you to make certain engineering studies?

A. Yes it will. We contemplate selecting other quarter sections with comparable wells, comparing the decline and bottom hole pressure and increase in gas-oil ratio with the other quarter sections and determine perhaps a better spacing program for the unit area as a whole.

Q. The production of this tract in this phase would guide you, to a certain extent, in your development.

A. Yes, sir. It would.

MR. R. R. SPURRIER:

We have had several cases of 5-option drilling before the Commission, and in most cases the Company has come before the Commission before the well was drilled.

MR. SPURRIER (Cont'd.)

I wonder if you want to show in the record you drilled this well for some other purpose?

MR. COCHRAN:

When you commenced drilling 13-B, what was the circumstances surrounding the drilling of that well, what depth did you propose to go?

A. 5,000 feet. Did drill it to a total depth of 5076 feet and as I said, penetrated the upper Yesc.

Q. At the time this well was drilled it was a wildcat test in search of deeper test?

A. Yes, sir.

Q. Did you have any definite plan as to what you might do with the well if it were not a producer?

A. Yes. The United States Geological Survey originally approved this location when we proposed, if unproductive, to use it as a gas inject well in re-pressuring; inasmuch as it was a very good producer and gave us an opportunity to make these studies, we thought it would be in the interest of conservation to produce the well.

Q. As an oil well instead of inject well?

A. That is right.

Q. You have obtained permission from the United States Geological Survey to do that?

A. Yes, sir.

Q. That is the reason you make this application to produce this well as an oil well?

A. Yes, sir.

MR. SPURRIER:

How much do you anticipate producing from 13-B per day?

A. It will be approximately 37 or 38 barrels a day.

MR. SPURRIER:

Then how much would you produce from each of the other four?

A. 1-B and 4-B are marginal wells - during the Month of September they produced an average of 29 barrels per day. 7-B and 8-B, top allowable wells, during the month of September produced 48 barrels per day.

COMMISSIONER MILAS:

Any other witnesses? (No response)

Any questions?

MR. GEORGE SELINGER (Skelly Oil Company)

Mr. Miller, I was interested in your statement with respect to future development, you were conducting some reservoir tests which would affect your future development in this area. Is it your idea - you intend to drill 5 option wells on other quarter sections?

- A. If these reservoir studies indicate it would be better, we have that in mind.

COMMISSIONER MILES:

That isn't included in this hearing?

- A. That is right.

MR. SELINGER:

I understand your application is to divide the total lease allowable amongst the five wells?

- A. Correct.

Q. I believe two of them are now marginal units, also all the wells on the lease - this particular quarter section - become marginal units. How do you intend to divide your allowable in those instances?

- A. If they are all marginal wells we will be able to produce legally all the oil the wells will make.

Q. In other words, you will produce all five wells to capacity?

- A. That is right.

Q. An operator that offsets a tract as five wells in which his own tract has only four wells - when all wells are down to margin, the five well tract will receive more oil than the four well tract or marginal tract?

- A. They might get a little less if the five wells were not making as much as the four wells.

Q. Suppose all wells produce 35 barrels and the adjoining one producing 35 barrels, the five well tract would receive more oil?

- A. That is right. The other operator would have the privilege of drilling more wells.

Q. They would have a tendency of drilling five option wells in marginal tracts?

- A. That would not necessarily be true, it would depend entirely on the individual operator.

MR. FOSTER MORRELL:

For the benefit of the record - a question for some time, particularly in the shallower area in Eddy County, as to whether full recovery of oil can be obtained through 40-acre spacing of wells. There have been a number of applications for five option wells. It has been explained to the Commission why this particular location was approved by my office. Primarily, because it was a dry hole - x Deep test formations, in view of the fact a good oil well, we recommended and gave our approval of use of this well as an oil well provided they obtained the consent of the Commission - San Andres production of 3100 feet can possibly increase ultimate recovery by additional drilling. This particular well will aid in determining whether that oil could be obtained within the Grayburg Cooperative Repressuring Agreement approved by the Department. We are working now toward completing unitization of upper zones which will permit closer space irrespective of 40 acre sub-division lines. It is, I think, very good as a conservation move. The same thing in Square Lake and Maljamar, it is a matter whether additional oil will pay the cost of drilling.

COMMISSIONER MILES:

Anyone else have a question?(No response)

The Order will be granted.

BY MR. FRANK E. ISETT (Representing Mr. Roy H. King).

Our request is for an unorthodox location in S. 27, T. 18S, Range 38E, in the Hobbs Pool, Lea County, New Mexico.

We would like to amend that petition calling for the location to be 600 feet from the south line and 5 feet from the west line and the SW/4 of the SE/4 of section 27, township 18S, range 38E. Since making this original petition I have had Mr. West make a map of the area and he finds the location would have to be 650 feet from the south line and, as shown on this plat, due to the fact that it ends in an addition to the City of Hobbs and these plats here are built up and have houses on them, the locations could not be 320 feet from each line on that account; therefore, we ask permission to drill the well 650 feet north of the south line which puts it on vacant lots and will be no damage to the property. We also request it be 5 feet from the west line as this is the particular Shell Oil Company used in drilling #2 Sanger in direct offset to the West. They made 330 feet from the south line and 5 feet from the west line. There is considerable depth in the formation to the east and for that reason we asked the Commission for a location that is the same pit of the Shell Oil Company.

GOVERNOR MABRY:

Shell Oil Company seem to agree to this?

MR. ISETT:

Yes, sir, they have approved it.

GOVERNOR MABRY:

The amendment is allowed.

(After being duly sworn, Mr. Isett testified as follows)

Our petition is that we be granted unorthodox location on the Sanger lease at the edge of the City of Hobbs, S. 27, T. 18S, R 38E. Our reasons for desiring this location to be 650 feet from the south line of the City of Hobbs is the City has built an addition in this area; we have permission of the Shell Oil Company to drill this well, and reason for asking the location 5 feet from the west line we are using the same method the Shell Oil Company used on their #2 Sanger investment company well, which is the west offset to our proposed well. The reason for this unorthodox location is the fact that the dip in the formation to the west is very rapid. Our geologist thinks we would stand a great deal better chance of getting a producer, consequently aid in the recovery of oil from that section.

MR. LAKE FRASIER:

Do you offer in evidence Exhibit No. 2?

A. I offer in evidence a letter from the Shell Oil Company, dated September 26, 1947, as Exhibit #2.

MR. FRASIER:

What is Exhibit No. 1?

A. Exhibit No. 1 is a map drawn by Mr. West a licensed engineer, showing the proposed location of this well.

MR. GEORGE GRAHAM:

Mr. Isett, the original lease provides no well can be drilled within 300 feet of a structure?

A. I never have seen the original lease. Mr. King secured the formula from the Shell Oil Company. There were no structures on the plat at the time except a lease house and windmill in the center of the section.

MR. GRAHAM:

Your desire is to drill a well that will still be on your structure and at the same time away from the house unit?

A. It will be across the road from any house.

MR. GRAHAM:

The land is privately owned land?

A. Yes, sir.

GOVERNOR MABRY:

Is that all?

MR. SPURRIER:

In event you obtain production here, what would a property owner who offsets you - what would his alternative be, is it possible he could drill a well to secure a fair share of oil that underlies the property?

A. No, sir. The surface of the land was sold by Sanger Investment Company to a real estate man in Hobbs. They bought it knowing about the oil and gas lease made by Sanger Investment Company and Shell.

MR. NELSON JONES (Humble Oil Company)

Did I understand you to say your reasons for wishing to drill at the point shown in the application you are afraid you might get a dry hole as a regular hole.

A. We could not drill the regular 330 because it would put it right where a house stands.

MR. JONES:

I believe I heard you say 5 feet - one of the lines?

A. Yes, sir.

MR. JONES:

You purpose to get that close to the line is to have a better chance of getting production?

A. Yes, sir.

MR. JONES:

It is your feeling part of this acreage is likely to be dry?

A. Yes, sir.

MR. JONES:

In event you get a producer 5 feet from the line, do you expect the full 40 acre allowable?

A. I am not a geologist or engineer. If we find San Andres high - for instance #5 of the Shell Oil Company found a considerable depth as compared to #3, the west offset, yet they are allowed



a full 40 acre unit. No. 2 of the Shell which is 5 feet from the west line found a very nearly flattening and its allowable is full unit. If we should find that flattening continues we feel we should be allowed a 40 acre unit.

MR. JONES:

Suppose you find it doesn't contain it?

A. I suppose it would be up to the Commission.

MR. JONES:

I am trying to get your attitude. It would be your whole tract wasn't productive - a full allowable would be allocated to a 40 acre unit.

A. The Shell-Turner #1, directly south offset to this well is allowed a 40 acre unit.

MR. JONES:

Do you intend to take any precaution to assure a straight hole will be drilled?

A. Yes, sir.

MR. JONES:

What method do you use?

A. In Texas we usually run an acid test and find out how the hole is.

MR. JONES:

You intend to file any result with the Commission?

A. We would be glad to, yes, sir.

MR. JONES:

Thank you.

COMMISSIONER MILES:

Anyone else?

MR. A. E. WILLIG (The Texas Company)

I don't believe you have described the amount of acreage contained in your lease?

A. It is exceptional - we have an option of four 40-acre tracts. We decided as we finish each well, if the first well is a dry hole the chances are we wouldn't exercise our option on the others.

MR. WILLIG:

If you get production on this well, how much acreage would that valid?

A. Valid 40 acres and have option to drill on any other 40 on the section.

MR. MORRELL:

I have no position with respect to the necessity for adjusting locations by reason of townsite of Hobbs or any other townsite. I do raise a serious question with respect to drilling within 330 feet of the line of a 40 acre pro-ratio unit where it depends entirely on ownership of adjoining acreage. In this case the Petitioner has a satisfactory agreement

with the Shell for approving this particular location as between themselves. The question is raised in the matter of all parties concerned. If this 40 acres - this 40 acre tract was owned and offset the operator objected, that party would be unable to drill this location. Granting this petition outright would then give right to one party, the other party might not be entitled to the consideration which would be given that operator to recover such oil as under his property. Then the question in this type of case, an adjustment of allowable might not permit him to drill the well where he thinks best. A well 5 feet from the line could not be approved on a federal oil and gas lease. If this particular 40 happened to be federal land he could not drill - we might have 40 acres in a similar situation and would have to deny that right to our lessees. We desire to give our lessees the same right of neutralization, if the State can allow those we can go under the State law and make an exception under the Federal. The question would be whether an adjustment would be possible to drill as close as 5 feet to the line. I offer this suggestion for consideration.

COMMISSIONER MILES:

Anyone else? (No Response)

The case will be taken under advisement and a decision rendered at a later date.

MR. ISITT:

I would like to make another statement - In reference to getting permission to drill this well within 300 feet, when this lease was taken over there was just one little old shack on the land.

I want the record to show when the Shell Oil Company took over the lease in its regular form which contains a clause that no well shall be within 300 feet of any house now on said premises, but does not pertain to any house built after the lease is taken over.

BEFORE THE OIL CONSERVATION COMMISSION OF THE  
STATE OF NEW MEXICO

IN THE MATTER OF A HEARING  
CALLED BY THE NEW MEXICO OIL  
CONSERVATION COMMISSION FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 113

ORDER NO. 732

IN THE MATTER OF THE APPLICATION  
OF ROY H. KING FOR AN UNORTHODOX  
LOCATION ON THE SW $\frac{1}{4}$ SE $\frac{1}{4}$  OF SECTION  
27, TOWNSHIP 18 SOUTH, RANGE 38  
EAST, N.M.P.M. IN THE HOBBS POOL,  
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This matter came on regularly for hearing at 10:00 o'clock A.M., October 15, 1947, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 29th day of October, 1947, the Commission having before it for consideration the testimony adduced at the hearing of said cause and being fully advised in the premises:

FINDS:

1. That the applicant, Roy H. King, holds under farm out contract from Shell Oil Company the SW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 27, Township 18 South, Range 38 East, N.M.P.M. for the purpose of drilling a test well thereon.

2. That the indicated subsurface geology and the fact of residences and other structures on the surface thereof make it inconvenient to drill a test well at an orthodox or regular location upon the said tract.

3. That the Shell Oil Company is the owner of the mineral rights in the surrounding acreage, and have signified their agreeableness to the location proposed for the test well by Applicant King.

IT IS THEREFORE ORDERED:

1. That the applicant, Roy H. King, be and hereby is granted an unorthodox location for a test well to be located 650 feet north of the south line and 5 feet east of the west line of Section 27 in Township 18 South, Range 38 East, N.M.P.M. in the Hobbs Pool, Lea County, New Mexico, provided, however Applicant King conforms to all the rules and regulations of the Commission.

2. That should production be had in said well the same shall not be produced in excess of allowable for a 40-acre tract in the Hobbs Pool, as now or hereafter may be established.

DONE at Santa Fe, New Mexico, on the day and year herein designated.

OIL CONSERVATION COMMISSION

*R. H. King*  
CHAIRMAN

*R. E. Spurr*  
MEMBER

*R. E. Spurr*  
SECRETARY

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# WESTERN UNION

JOSEPH L. EGAN  
PRESIDENT

1201

SYMBOLS

DL = Day Letter

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# COPY OF WESTERN UNION TELEGRAM

October 2, 1947

ROY H. KING  
FIRST NATIONAL BANK BUILDING  
DALLAS 1, TEXAS

THIS IS TO ADVISE WAS ABLE TO GET NOTICE PUBLISHED IN HOBBS PAPER FOR HEARING ON PROPOSED SANGER WELL. YOU SHOULD APPEAR BEFORE COMMISSION TEN A.M., OCTOBER 15 AT LA FONDA HOTEL AT SANTA FE.

OIL CONSERVATION COMMISSION

GEORGE A. GRAHAM  
Attorney

NOTICE OF PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

The Oil Conservation Commission of New Mexico, pursuant to law, hereby gives public notice of the following hearing to be had at a regular meeting of the Commission October 15, 1947, beginning at 10:00 o'clock a.m. on said date at Santa Fe, New Mexico:

STATE OF NEW MEXICO TO:

All named parties in the following case, and notice to the public:

Case 113

In the matter of the application of Roy H. King for an unorthodox location on the SW $\frac{1}{4}$  SE $\frac{1}{4}$  section 27, Township 18 South, Range 38 East in the Hobbs Pool, Lea County, New Mexico.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico, on October 1, 1947.

OIL CONSERVATION COMMISSION

BY

  
R. R. SPURRIER, Secretary