

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

The following proceedings, coming on pursuant to notice of publication, were held at 10:00 A. M. in the House of Representatives, Capitol Building, Santa Fe, New Mexico, April 30, 1948.

NOTICE OF PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

The State of New Mexico, by its Oil Conservation Commission hereby gives notice, pursuant to law, of the following public hearing to be held April 30, 1948, beginning at 10:00 o'clock A. M. on that day in the City of Santa Fe, New Mexico:

STATE OF NEW MEXICO TO:

All named parties in the following cases and notice to the public.

CASE NO. 137

In the matter of the application of Kewanee Oil Company for an order granting permission to drill one unorthodox location designated as Well No. 35-B to the "red sand" on that portion of its Baish B Lease described as the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 27, Township 17 South, Range 32 East, N.M.P.M. in Lea County, New Mexico.

CASE NO. 138

In the matter of the application of Petrolite Corporation Ltd., for a permit or authority to clean tanks, treat waste, purchase and/or process tank bottoms, and waste oil otherwise unmerchantable and for a general order relating to such operations.

CASE NO. 139

In the matter of the application of Roland Rich Woolley, Paton Bros. & Sargent, Aston & Fair, and Premier Petroleum Corporation for approval of an unorthodox well spacing plan and proration plan for a part of the Premier Pool and involving certain 80-acre tracts in Sections 23, 25, 26, and 27, in Township 17 South, Range 30 East, N.M.P.M., in Eddy County, New Mexico.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico on April 15, 1948.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

BY /s/ R. R. Spurrier
R. R. SPURRIER, Secretary

BEFORE:

Hon. R. R. Spurrier, Member and Secretary

REGISTER:

George Graham
Santa Fe, N. M.
For the Commission

H. N. Sweeney
Hobbs, N. M.
For the Commission

Frank C. Barnes
Santa Fe, N. M.
For the Commission

Roy O. Yarbrough
Hobbs, N. M.
For the Commission

J. M. Harbison
Box 1462, Pampa, Texas
For Kewanee Oil Co.

John E. Cochran, Jr.
Artesia, N. M.
For Kewanee Oil Co.

J. O. Seth
Santa Fe, N. M.
For Stanolind Oil and Gas Co.

Herbert R. Kane
Santa Fe, N. M.
For Petrolite Corporation

Geo. H. Miller
Houston, Texas
For Shell Pipeline Corporation

F. C. Brown
Houston, Texas
For Shell Pipeline Corporation

O. H. Tucker
El Paso, Texas
El Paso Natural Gas Co.

Glenn Staley
Hobbs, N. M.
For Lea County Operators

Guy Shepard
Santa Fe, N. M.
For the Commissioner of Public Lands

Harve H. Mayfield
Midland, Texas
Magnolia Petroleum Co.

M. L. Patterson
Odessa, Texas
For Phillips Petroleum Co.

R. G. Schuehle
Midland, Texas
For Texas-Pacific Coal and Oil

H. R. Markley
Odessa, Texas
For Phillips Petroleum Co.

Carl W. Jones
Midland, Texas
For Phillips Petroleum Co.

Chuck Aston
Artesia, N. M.
Consulting Petroleum Geologist

Foster Morrell
Roswell, N. M.
U. S. Geological Survey

M. C. Brunner
Midland, Texas
For Shell Oil Co.

E. J. Gallagher
Hobbs, N. M.
For Gulf Oil Corporation

Francis C. Wilson
Santa Fe, N. M.
Wilson Oil Co.

W. D. Gerand, Jr.
Hobbs, N. M.

T. H. Card
Ft. Worth, Texas
For Stanolind Oil and Gas Co.

Albert F. Keel
Santa Fe, N. M.
For Petrolite Corporation

Walter Famariss
Hobbs, N. M.
For Famariss Oil Co.

COMMISSIONER SPURRIER: Gentlemen, we are faced again with the prospect of having only one member of the Commission present. I have reason to believe that it is entirely within the law for one member to sit to take the record. However, I want you all to understand that there can be no decisions rendered here this morning. I am sitting for the purpose of taking the record. Any order issued from the record taken here will be passed upon by at least one more Commissioner, and if possible, two.

I think we will review the order of the cases. I

have been informed that it would be convenient under the circumstances to call Case No. 138 first.

MR. GRAHAM: 139.

COMMISSIONER SPURRIER: Is it 139, George?

MR. GRAHAM: 138.

COMMISSIONER SPURRIER: Case No. 138, which pertains to a tank cleaning permit for Petrolite. If there is no objection from the other applicants, we would like to try 138 first. Is that all right with you, Mr. Aston and Mr. Cochran? Mr. Graham, read the advertisement from 138, please.

(Mr. Graham reads the advertisement.)

COMMISSIONER SPURRIER: Will the applicant come forward, please?

MR. KOOL: If the Commission please, I have been requested by Petrolite to ask at this time that the Commission--if the Commission will concede it--that we be given a continuance to a definite date approximately in the middle of July. If it meets with the Commission's approval. I do not have all the information as to why the company is requesting this continuance, but it is our information that they are unable to be present to present their matter at this time. I have some additional information, if you would like it for the record, as to why ...?

COMMISSIONER SPURRIER: Well, I don't think it is necessary, Judge Kool, but since I am caught here by myself I will have to take the record. Obviously, we can't hold it today, but I will have to let the Commission decide to what date--to what definite date. You asked for approximately the 15th of July?

MR. KOOL: Approximately the 15th of July, if that is convenient. We could be notified as to that date at some future time, and that would be perfectly satisfactory to us.

MR. GIRAND: If the Commission please, we would like for the record to show that Neal and Girand of Hobbs, N. M. would like to be notified of any hearing made in which this appli-

cation would be set out. We represent both Walter Famariss and Hardin & Houston who are authorities on permits for the purpose of treating tank bottoms.

MR. SETH: The Lea County Operators yesterday also requested that this matter be postponed. While as to the date--there will in all probability be a hearing on the matter of these gas wells in oil fields, and we suggest that they be set down together because there will be people interested in both of the questions.

COMMISSIONER SPURRIER: Yes.

MR. SETH: And this gas well business ought to be determined before the middle of July. It is getting rather urgent.

MR. KOOL: If I might state one reason for Petrolite asking for a continuance at this time, they do a great deal of their hauling by railroad and it is our information that cars in their business are unavailable at this time, and that is why they ask this continuance for this length of time. It might be taken into consideration by the Commission. I don't know of my own knowledge, of course, of the matter that Judge Seth was speaking about, and whether or not it is important that this would have to be heard at the same time, or whether or not it could be heard at a later date. If it is urgent that the gas matter come up first, we would still request that we be allowed at least to the 15th of July for hearing.

MR. GIRAND: I would like to join Judge Kool on that matter because I don't see the relationship between the gas well

MR. SETH: No relationship except the peoples' convenience.

COMMISSIONER SPURRIER: Any further comment from anyone on this matter?

MR. GIRAND: I would like to know this, Mr. Commissioner, whether or not any discussion or any endeavor of the group here today will try to pass on the general order? The only

application is for a general order relating to tank cleaning and is the one that has been continued. There has been no notice of any others. A suggestion of a general order regulating tank cleaning. Before I leave the meeting I would like to know whether or not there will be any discussion of the proposed order presented.

MR. SETH: We want the whole thing continued.

MR. GIRAND: We do, too, Judge.

COMMISSIONER SPURRIER: I think you have pretty well answered your own question. Mr. Graham, have you anything to add on that?

MR. GRAHAM: Nothing, except that at one time the operators were circularized with some suggested such order relating to general activity of tank cleaning in Case No. 110.

MR. GIRAND: If I am correct, and I think I am, at one time the industry--a committee appointed by the Commission--submitted to the Commission a suggested order. That was on November 3rd, and there has been no action on that submitted order. I believe that is right, isn't it, Mr. Graham?

COMMISSIONER SPURRIER: It is right. I don't know about the date, but I know that the recommendation was submitted. And it is my thinking, after this proposed order was circulated just lately and reviewed in the Lea County Operators meeting yesterday, that now Judge Seth and you, Mr. Girand, have asked a continuance of your case, and Judge Kool. And certainly this proposed order that was reviewed yesterday by the operators committee will have some bearing on the hearing, whatever date it is continued to.

MR. GIRAND: Mr. Seth, we take the position that Walter Famariss and Hardin Houston were more or less the pathfinders in trying to obtain from this Commission a set of rules and regulations covering tank cleaning. Both of the individuals, the partnership and Mr. Famariss, have spent

considerable money coming to hearings here and trying to perfect an order that was workable both from the standpoint of the oil industry and the tank cleaning operator. We now stand in the position that here is another applicant coming in asking for the very thing we asked for last July, and still no rules or regulations governing his application or what he must state to show himself entitled to be granted a permit or license. We feel before further hearings or additional applications should be considered by this Commission that some rules and regulations pertaining to the operations of those permittees should be entered. And, of course, I feel that Walter Famariss and Hardin and Houston should be subject to those rules as well as any new applicant. But I do feel that we have tried to be all the help we could to the Commission and we have asked for guidance, but we would rather that a general order be entered before additional applications are heard, so that any new applicant would have to comply with that order.

COMMISSIONER SPURRIER: Mr. Girand, I am sure that you know the Commission well enough to know that they have appreciated what you have tried to do, and anyone coming in for another permit would certainly have to abide by the same rules and regulations that you would. I am going to take this record to the other members of the Commission and we will work out the best solution to it.

MR. FAMARISS: In the hearing of October 15, 1947

COMMISSIONER SPURRIER: What case?

MR. FAMARISS: 110.

MR. GRAHAM: That was consolidated, wasn't it, with 104?

MR. FAMARISS: Yes, because the Commission held jurisdiction of 104. The Commission, at a later date after that hearing, appointed a committee representative of the industry. That committee met, and after considerable effort and consideration,

submitted to the Commission their report, and a general order, which, at that time was agreeable to the industry by virtue of the membership of the committee. That suggested general order is on file with your office. The proposal made by the Lea County Operators, or the order circularized through the Lea County Operators yesterday, is at variance with that committee report. My testimony here is not for the purpose of presenting any controversy at this time over it. I only ask that the Commission in considering the recommendations of the committee first, and then the Lea County Operators, if the Lea County Operators report should be considered for adoption, that the other members of the industry be circularized and considered before final action would be taken on that suggested order. It was circularized amongst the one factor of the industry only.

COMMISSIONER SPURRIER: To go a little further with this case, there are some facts that have been brought to the Commission which are not in evidence in the record, and apparently the Commission stands to be criticised here this morning for undue delay in getting out a general order in this matter. The order which was circulated in Lea County Operators yesterday is not necessarily the Lea County Operators' idea of a general order for this thing. As a matter of fact, it wasn't written by Lea County Operators. It has been proposed to everyone here for their criticism. And that is exactly what we want done, both by Lea County Operators and Walter Famariss and Hardin & Houston and Petrolite and everyone else. It doesn't seem practical, although the great State of Texas has such an order, that we should enter one just like theirs. And I am sure that Lea County Operators nor the tank cleaners want one of that type. Does anyone have anything further in this matter?

MR. SWEENEY: Mr. Spurrier, may I make a remark off the record?

COMMISSIONER SPURRIER: Yes, sir.

(Remarks of Mr. Sweeney not taken.)

MR. GIRAND: This is for the record. Any time an attempt for compromise between any two parties is made, both parties should be consulted, and that was not done in the instant case.

MR. FAMARISS: I would like also to add for the record that the tank cleaners do not consider the proposed order of compromise.

COMMISSIONER SPURRIER: Does anyone have anything further?

MR. JONES: Mr. Commissioner, are you asking now for criticism to go in the record as to the proposed order?

COMMISSIONER SPURRIER: No, I am not. If you had been here before you would have known that Judge Seth and Judge Kool and Mr. Girand have asked for a continuance of this case. I think that any further comments are probably not warranted at this time. The Commission, as a whole, is not here and there can be no decision made. We have taken the record which contains their request, and a decision will be made later as to what date the further record will be taken on this tank cleaning matter. If there is nothing further in this matter, we will call the next case.

MR. GIRAND: May we be excused?

COMMISSIONER SPURRIER: Yes, sir. George, let's read the advertisement for the next case.

(Mr. Graham reads the advertisement for Case No. 137.)

MR. COCHRAN: Mr. Spurrier, as stated in the notice, this is an application of Kewanee Oil Co. to drill a red sand well on that portion of its Baish B Lease located in Section 27, Township 17 South, Range 35 East, N.M.P.M., in Lea County, New Mexico. Do you wish to swear Mr. Harbison?

COMMISSIONER SPURRIER: Yes, please. George, swear the witness. (Witness sworn.)

John M. Harbison, having been first duly sworn,
testified as follows:

DIRECT EXAMINATION BY MR. COCHRAN:

Q. Will you state your name, please?

A. John M. Harbison.

Q. Are you employed by Kewanee Oil Co., Mr. Harbison?

A. I am.

Q. In what capacity?

A. Division engineer.

COMMISSIONER SPURRIER: Mr. Cochran, if you are going to qualify him, the record of your case a few days ago shows that and that will be satisfactory.

MR. COCHRAN: All right, sir.

COMMISSIONER SPURRIER: Just go ahead with the case.

Q. You are familiar with Kewanee operations in West Texas and New Mexico?

A. I am.

Q. You are familiar with Kewanee's Baish B Lease?

A. I am.

Q. This is a Federal lease?

A. It is.

Q. How many acres in Kewanee's Baish B Lease?

A. Approximately 1200.

Q. You have made application to drill a well on a portion of this lease?

A. We have.

Q. Will you state to the Commission where and to what depth you propose to drill this well?

A. It will be approximately 3400 feet, in the NW $\frac{1}{4}$ SW $\frac{1}{4}$, NE $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$, S $\frac{1}{2}$ of Section 27, Township 17 South, Range 32 East, N.M.P.M.

Q. That describes the portion of the Baish lease in Section 27?

A. That does.

Q. Will you state to the Commission the exact location of the proposed well from the section line?

A. The well is to be located--and the well is No. 35-B--in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 27, Township 17 South, Range 32 East, N.M.P.M., to be located 2606 feet west of the east line and 1249 feet north of the south line of said Section 27.

Q. How many wells have been drilled on Kewanee's Baish lease in Section 27 to date?

A. Sixteen wells.

Q. How many of these wells are producing wells?

A. Fourteen.

Q. What are the other two wells?

A. Input wells.

Q. From what depth or horizon are these fourteen wells producing?

A. They are approximately 4200 feet.

Q. And from what pay?

A. Maljamar Pay, Grayburg and San Andres.

Q. And 35-B is proposed to be drilled to the red sand?

A. That's right.

Q. What reason do you have to believe that the proposed location would make a producing red sand well?

A. In our recent drilling of 32-B we encountered what we thought in the red sand would make a top allowable well. So that is our reason for wanting to drill to red sand in that location.

Q. If the proposed well is a producing well--if the permit is granted--would you propose to drill other red sand wells?

A. Yes, sir.

Q. Would it be your plan to set up a spacing pattern? A uniform spacing pattern for additional red sand wells?

A. It would be.

Q. Why is it you have selected this particular location for the first red sand well?

A. Since we encountered red sand there and what we think is in producing quantities, our management is of the opinion that we should drill a well where we are sure of getting a good well to start with. From it we can further develop the red sand area if it extends.

Q. In other words, it is your thought if the first red sand well is a producing well that you would go ahead with the red sand well program?

A. That's right.

Q. And if your first red sand well was dry you might never try to develop red sand production in this particular area?

A. That is correct.

Q. Mr. Spurrier, this is a Federal lease, and even if a permit is granted to drill this well by the Commission, the matter still must be cleared with the U. S. Geological Survey office at Roswell. Mr. Morrell, the supervisor, and I have had some discussion about this matter, and he is here this morning, and I believe it would be well if you heard his comment with reference to the proposed red sand well.

COMMISSIONER SPURRIER: I would like to hear his comment. They are just another regulatory body.

MR. MORRELL: If the Commission please, I think it would be appropriate to enter a few things on the record in connection with this particular location. First, the survey office does not desire to take any action that will tend to delay or retard development. Mr. Cochran has already stated for the record, together with the witness, the reason for the selection of this particular location, known as 35-B. Whatever action is taken on that particular well location, it should be considered entirely as a project in the nature of an exploratory development and not setting a precedent for a well spacing

program. The reason I mention that is that the Commission held a hearing on April 14th in Case No. 132. Kewanee made application for four additional so-called five-spot wells in Section 25-17-32. Those were additional wells being drilled essentially at the common intersection of the forty-acre tracts, fifty feet off. That was a spacing pattern that the company has adopted which we concurred in and gave them a lease or agreement which was filed in the record. For the development out of the main reservoir of the Maljamar Pool in the Grayburg and San Andres formations.

COMMISSIONER SPURRIER: About 4200 feet.

MR. MORRELL: About 4200 feet, that's right. Now, it so happens that 35-B, the well in question in the case this morning, is essentially almost exactly that same spacing pattern, but it is scheduled to go to the red sand. Consequently, it is apparent that if additional wells can be drilled to the Maljamar reservoir on the spacing pattern adopted in 35, you are going to have complications if that extends over to Section 27. In talking preliminarily with Kewanee, we suggested the possibility of the red sand location being the center of the ten acres, 330 two ways from the forty-acre subdivision. Their chief petroleum engineer from Tulsa says it is a question of getting management to authorize expenditure. That the records of some of the earlier wells drilled in the center of forty-acre tracts around well No. 35-B did not indicate too favorable an accumulation from the red sand, but that the showing found in 32, which was drilled for input purposes, indicated substantial production from the red sand. We have had to consider a similar type of case before in other areas to encourage exploratory wells. But in each case, we have it definitely understood that it is a search for exploratory purposes, and if satisfactory production is obtained, that further development would be on a regular well spacing

pattern. In this case, preferably 330 locations so that additional five-spot locations to the Maljamar Pay could be made in the regular manner. As Mr. Cochran has stated, Kewanee has to still make an adequate showing before approval is granted, regardless of the actions of the Commission. But if the Commission does grant it and an adequate showing is made to us, they would then be in position to receive approval and go ahead without further delay.

COMMISSIONER SPURRIER: Mr. Morrell, is there any reason to believe, providing production is found in this red sand, that the Nomenclature Committee won't recognize it as a separate pool?

MR. MORRELL: So far as production from the red sand, it would be automatically put into the Pearsall Pool, which is now established by the Commission to include acreage immediately south of this location.

COMMISSIONER SPURRIER: Yes.

MR. MORRELL: So, it would be subject to a separate allowable so far as proration is concerned.

MR. COCHRAN: Any further questions, Mr. Spurrier?

COMMISSIONER SPURRIER: No, I have none.

MR. COCHRAN: Kewanee Oil Company asks that an order be entered granting it permission to drill well No. 35-B on its Baish B Lease in the proposed location, and that if production is obtained from this well, that the well be granted an allowable separate from other wells located on the same tract which are producing from a different horizon. Thank you.

COMMISSIONER SPURRIER: Does anyone have anything further?

MR. GRAHAM: Let me ask one question?

COMMISSIONER SPURRIER: Mr. Graham.

MR. GRAHAM: By reference to the map, how far is 35-B from 32-B?

MR. HARBISON: Approximately twenty-five feet southwest.

MR. GRAHAM: About twenty-five feet?

A. Yes, sir, from 32-B.

MR. GRAHAM: Is that a producing well?

A. 32-B is a producing well.

COMMISSIONER SPURRIER: If there is nothing further, the witness is excused.

Mr. Graham, will you read the advertisement for the next case?

(Mr. Graham reads the advertisement in Case No. 139.)

MR. ASTON: Mr. Commissioner, if it would be to the advantage of the Commission, I would like to be sworn as an expert witness and present the testimony in this case, as an expert witness, to facilitate matters.

COMMISSIONER SPURRIER: You have been qualified before this Commission before?

MR. ASTON: Yes, sir.

COMMISSIONER SPURRIER: All right.

(Mr. Aston sworn.)

MR. ASTON: This application encompasses thirteen 80-acre tracts or units in the sections as named in the notice of the application; and are all encompassed in Federal oil and gas leases. Approval is requested to drill two additional wells in each 80-acre tract to be located 330 feet from the outer boundary of each track and fifty feet from the common boundary of the two 40-acre tracts included in each 80-acre tract. The additional wells are to be drilled to more effectively drain the area and prevent underground waste by the loss of otherwise unrecoverable oil. The application also includes a request for a proration plan covering said 80-acre tracts. In this proration plan the 80-acre units, as set out, be given two 40-acre allowables to permit the operator to produce this allowable in the most efficient manner to prevent waste. This 80-acre allowable plan to go into effect on each

unit--each 80-acre unit--when the first of the unorthodox locations is drilled. A map covering the wells and the 80-acre tracts is filed with the Commission as Exhibit A, and I would like at this time, as noted under paragraph 3 of the petition, to file as Exhibit B a letter from the U. S. Geological Survey, and signed by Mr. Morrell as supervisor, stating that they do not protest this application. This letter is addressed to Mr. J. L. Briscoe, agent for Roland Rich Wooley.

Is there anything further that you need on that, Mr. Commissioner?

COMMISSIONER SPURRIER: I have one question, Mr. Aston.

MR. ASTON: Yes, sir.

COMMISSIONER SPURRIER: From what you said, do I understand that you expect to get two 40-acre allowables by drilling one well on an 80-acre unit?

MR. ASTON: No, I mis-spoke myself there if that is the construction. The intent was that the two 40-acre allowables would be as they are now run into a common tank battery.

COMMISSIONER SPURRIER: Yes.

MR. ASTON: And due to the fact that these wells go to the same reservoir as the other wells in the same tank battery, the two 40-acre allowables are now in effect.

COMMISSIONER SPURRIER: That's right.

MR. ASTON: But it would facilitate matters to allow the operator to drill his wells and then have the 40-acre allowables allocated to the 80-acre tracts. There are none of the wells considered in this proposal that will make top allowable, and these unorthodox locations will later allow the operators to make their top allowable in the 40-acre units encompassed in the 80 acres.

COMMISSIONER SPURRIER: I think that clears the record. Does anyone have anything further?

MR. GRAHAM: One question.

MR. ASTON: Yes, sir.

MR. GRAHAM: What about underground drainage?

MR. ASTON: There will be no complications because in each case the location is 330 feet from the offset operator's line. The proximity of the line will be to the middle line or common line between the two forty's, and they will be draining their own acreage rather than the offset operator's. It will remain a standard ten-spot location away from the other operators.

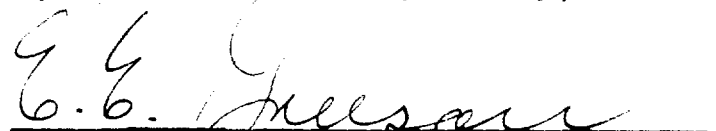
COMMISSIONER SPURRIER: If no one has anything further, the meeting is adjourned.

C E R T I F I C A T E

I HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Commission of the State of New Mexico is a true record of such proceedings to the best of my knowledge, skill, and ability.

I FURTHER CERTIFY that I am the official Court Reporter for the United States District Court for the District of New Mexico.

DATED at Santa Fe, N. M. this 8th day of May, 1948.


E. E. GREESON
Court Reporter