

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

The following proceedings before the Oil Conservation Commission, State of New Mexico, came on pursuant to legal notice of publication, and at the time and place as set out below.

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 hearings to be held September 30, 1948, beginning at 10:00 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. 157

In the matter of application of Skelly Oil Company for a special order authorizing dual completion for oil and gas production from two separate zones from a single well bore of its No. 1, Mexico "D" lease located in the center of NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 36, Township 23 South, Range 36 East, N.M.P.M., in the Langlie-Mattix Pool, Lea County, New Mexico.

CASE NO. 158

In the matter of application of Buffalo Oil Company for an order granting permission to drill an unorthodox location designated as Well No. 20-A, to be located 25 feet north and 25 feet west of the southeast corner of SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 21, Township 17 South, Range 32 East, N.M.R.M., on its Baish "A" federal lease in the Mal'jamar Pool in Lea County, New Mexico.

Given under the seal of the Oil Conservation Commission of New Mexico at Santa Fe, New Mexico on September 17, 1948.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

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

BEFORE: Hon. R. R. Spurrier, Secretary and Member

REGISTER:

George Graham, Santa Fe, N. M., for the Oil Conservation Commission.

Don G. McCormick, Carlsbad, N. M., for the Oil Conservation Commission.

Frank C. Barnes, Santa Fe, N. M., for the oil Conservation Commission.

J. N. Dunleavy, Hobbs, N. M., for Skelly Oil Co.

George W. Selinger, Tulsa, Okla., for Skelly Oil Co.

A. F. Holland, Tulsa, Okla., for Skelly Oil Co.

L. R. Spence, Hobbs, N. M., for Gulf Oil Co.

Foster Morrell, Roswell, N. M., for U.S.G.S.

John A. Frost, Artesia, for U.S.G.S.

John E. Cochran, Jr., Artesia, for Buffalo Oil Co.

Wilton E. Scott, Artesia, N. M., for Buffalo Oil Co.

Frank R. Lovering, Hobbs, N. M., for Shell Oil Co.

Seth & Montgomery (By J. C. Seth), Santa Fe, N. M., for Stanolind Oil & Gas Co.

Roy O. Yarbrough, Hobbs, N. M., for the Oil Conservation Commission.

COMMISSIONER SPURRIER: All right, gentlemen, the meeting is in session. Let the record show that the minutes of the Commission will show that I have been directed by the Commission to sit for the purpose of receiving the record only today. There will be no decisions made here today, and any orders promulgated from this meeting will be reviewed and signed by the other two members of the Commission.

Mr. Graham, will you read the first case, the advertisement?

(Reads the notice of publication in Case No. 157.)

MR. SELINGER: George W. Selinger, representing Skelly Oil Co.,

and also representing the applicants J. N. Dunleavy and A. F. Holland. We have one witness, Mr. Holland, we would like to have sworn.

(Witness sworn)

MR. SELINGER: As a preliminary statement, the purpose of our application is to request permission to complete and produce our Mexico "D" No. 1 well, located in the center of the NE¹/₄SE¹/₄ ✓ of Section 26, 23 South, 36 East, in the Langlie-Mattix field, Lea County, so as to produce from two separate zones; and setting a packer between these zones so that there would be no commingling of the gas from the upper strata and the oil from the lower horizon. We might say that this application was filed because of an offset well, the Ralph Lowe Shell State No. 2-C, which was given permission by this Commission to likewise make dual completion.

A. F. HOLLAND, having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. SELINGER:

Q. State your name.

A. A. F. Holland.

Q. What company are you associated with?

A. Skelly Oil Co.

Q. In what capacity?

A. An engineer in the production department.

Q. Mr. Holland, have you heretofore testified before the Oil Conservation Commission of this state?

A. I have not in this state.

Q. Are you a graduate engineer?

A. I am.

Q. What school did you attend?

A. University of Oklahoma.

Q. With the exception of the period of time you served in the armed forces, have you practiced your profession since graduation?

A. I have.

Q. How long have you been with the Skelly Oil Co.?

A. A little over two years.

Q. Mr. Holland, are you familiar with the Skelly Oil Co.'s Mexico "D" No. 1 well?

A. Yes.

Q. And, Mr. Holland, are you generally familiar with the west offset to this well operated by Ralph Lowe?

A. Yes.

Q. I hand you what has been marked by the reporter as Skelly Exhibit 1, and ask you to state, firstly, what the area in yellow is.

A. It is our leases, operated by Skelly Oil Co.

Q. I notice the legend indicates a purple circle. Will you state to the Commission what that indication is?

A. That indicates the wells in this area that are producing gas from the Yates formation. It indicates only those wells that are on record in the Lea County Operators Committee.

Q. Now, starting from the top of the exhibit, would you briefly indicate, generally, the location of those wells? From the top of the exhibit there are two such wells in Section 30. Is that right? On top of the exhibit?

A. That is correct.

Q. There is one well in Section 36. Is that right?

A. That is correct.

Q. Now, what is that well? The name of that well?

A. That is Ralph Lowe's State C No. 2.

Q. That is a well which this Commission has heretofore granted permission to dual complete?

A. That is correct.

Q. Now, that well is completed in what formations, Mr. Holland?

A. It is a dual completion producing gas from the Yates formation, and oil from the Queen formation.

Q. At what depth is the gas perforations in that well?

A. From 2900 feet to three thousand feet.

Q. And at what depth is the oil perforations?

A. The pipe--the oil pipe--is set on top of the pay there, and there is a zone in excess of 100 feet that is open in that well.

Q. Now, the well which is the subject of this application is the direct offset?

A. It is.

Q. In which direction?

A. East.

Q. That is the well that is indicated on the yellow acreage in Section 36?

A. That is correct.

Q. Now, you desired permission to complete and produce that well at what depth?

A. The oil zone. From [✓]3400 feet approximately to [✓]3500. The gas in the Yates from 2900 to 3,000.

Q. The oil production is to be produced from the tubing or the annular space?

A. From the tubing.

Q. And where is the gas to be produced in that well?

A. Through the annular space between the tubing and casing.

Q. And at approximately what depth do you contemplate setting

the packer?

A. Approximately 3200 feet.

Q. And is it your opinion that the setting of the packer will prevent the commingling of the two substances?

A. Yes.

Q. Aside from the fact that the direct west offset is dual completed, are there any economical reasons which justify, either as to the oil horizon or the gas horizon, the necessity for such dual completion?

A. Yes, based on the performance of the Ralph Lowe well. The well is--was completed for a potential of sixty barrels a day, and production declined rapidly, and I understand the well is producing less than five barrels per day now.

Q. And you feel, economically, the oil producing horizon would not justify the drilling of a separate well to that formation?

A. That's right.

Q. With regard to the packer, will you use a packer which is generally recognized and approved by the industry and subject to the approval of the Commission?

A. Yes.

Q. And likewise will you be governed by the rules as set forth in the Order granted Ralph Lowe--in Order No. 750--which gave permission to dual complete?

A. Yes.

Q. For the purpose of completing the record, we would like to have made part of this case Order No. 750, issued by the Oil Conservation Commission in Case No. 127.

Now, I hand you what the court reporter has marked as Skelly Exhibit 2, and ask you to state what that is?

A. That is a sample log of the Mexico "D" well No. 2.

Q. Does that indicate the contemplated producing depth of the oil and gas?

A. Yes, it does in this respect. The yellow color representing sand you will notice is present from 2900 feet to a little below 3,000 feet. That is the interval where we propose to produce gas.

Q. Excuse me. That is the numbers on the left-hand side of the exhibit which is marked 29 and 30. Is that right?

A. Yes, that's right. That represents 2900 feet in depth, and the next mark 30 represents 3,000 feet in depth.

Q. That is the contemplated completion for gas production?

A. Yes.

Q. Now, where do you contemplate the oil production? On this exhibit?

A. The pipe was set at 3400 feet on this well.

Q. How is that indicated on the exhibit?

A. It isn't indicated.

Q. What are the two black lines on each side of the column between 34 and 35?

A. It is--it represents the way their geologist indicates oil saturation.

Q. Where do you contemplate the oil saturation will be found in this well?

A. Below 3400 feet to a total depth of 3500.

Q. And about what depth with respect to the figures on the column to the left do you contemplate setting this packer?

A. It will be probably above 3200 feet. In the interval 3,000 to 3200.

MR. SELINGER: We would like to offer in evidence Skelly Exhibits

1 and 2.

Q. Mr. Holland, do you have any additional information that you desire to give to the Commission?

A. I have none, unless they desire to ask a question.

COMMISSIONER SPURRIER: I would like to inquire about the volume of gas at 2900 feet.

A. We have no test on that.

MR. SELINGER: How much do you contemplate it to be?

MR. MCCORMICK: The offset well is a ten million cu. ft. well. Is it very likely that gas producing horizon will turn into oil?

A. I don't believe so. It is in the same horizon--zone--as these other gas producing wells farther north, and those wells are still relatively dry gas wells.

MR. SELINGER: That is all we have, Mr. Spurrier.

COMMISSIONER SPURRIER: Anyone else have anything to state or add?

MR. LOVERING: I would like to know in what manner this well was originally completed before casing was set.

A. The casing was set at 3400 feet. Twenty sacks of cement were used around the shoe, and a two-stage cement job was performed on this well, and I believe 200 sacks of cement were used there.

MR. LOVERING: You only have twenty sacks around the shoe?

A. Yes, sir.

MR. LOVERING: You consider that adequate protection for any commingling behind the casing for these two zones?

A. Yes, sir.

Q. Do you think that the practice in the field is exact enough so that you can place twenty sacks with adequate assurance that those two zones will be separated now and forever?

A. I believe so, yes.

MR. LOVERING: I question it. I would feel that maybe there ought to be more adequate protection there. I don't recall what Ralph Lowe used on his completion job. Do you happen to have any completion figures on that cement job?

A. I don't have it, no, sir.

MR. LOVERING: Twenty sacks, gentlemen, is a small amount of cement used down there to separate these two zones. First of all, to get the total amount in place where it counts, and to give you good bondage and all. I kind of doubt you actually have sufficient protection between the two zones.

MR. McCORMICK: What would be the effect if you didn't have-- might get commingling behind the casing? They state that will separate the two fluids to keep them from commingling. Of course, if the job has already satisfied the Commission--the twenty sack job--then there probably isn't a real question to be raised. If it has already satisfied the Commission. If there is any commingling, it would be taking place already; of which, evidently, there is no evidence at the moment.

MR. LOVERING: The reason I brought it up, I just wondered if they were going to take any additional steps to give it adequate protection.

MR. DUNLEAVY: J. N. Dunleavy for Skelly Oil Co. Twenty sacks of cement, regardless, will come up about 3100 feet. At 2830 feet we installed two-stage to displace 200 sacks of cement above that. You have got bondage between 3100 and your shoe. And you have got plenty of wells in New Mexico that haven't got that much cement around them.

MR. LOVERING: I don't question that at all.

MR. DUNLEAVY: And any time the bondage breaks, the gas going

around there, if it goes around, we don't have to understand it entered, for the pressure tube facing this well, if we open up that casing with perforations, the face of that well bore will open and it won't call for any hazard. I contend it is as efficient a job as you can develop.

MR. SELINGER: I might further add to the question of the gentleman on cross-examination that I don't know how familiar he is with the terms of Order No. 750, but under the terminology of that Order, the Commission makes six-month's interval retesting to insure the fact that there is no commingling of the two producing horizons. And that is why, if you will recall, our application specifically states that we would like to have the Commission issue an order which we would be subjected to the same requirements that the Ralph Lowe order in Case No. 127 contains.

MR. LOVERING: I only brought up the question to see if they were going to take any adequate steps or considered what they had adequate. Evidently, there is no present sign of the gas going around, so at present there is no commingling.

MR. McCORMICK: I would like to inquire if there is any gas in this lower formation.

A. With the oil? Yes, sir. I don't know just what the ratio will be. One report of that field estimated the average to be seven thousand cu. ft. of gas per barrell of oil.

MR. LOVERING: It is rather high.

A. Yes, sir.

MR. SELINGER: But, Mr. Holland, conversely, the upper horizon is dry gas?

A. Yes.

MR. McCORMICK: How much ~~oil~~ do you get in this lower pay?

Have you tested it?

A. We have had some tests on it. I believe it will be about a thirty barrel per day well.

MR. McCORMICK: And the flow?

A. At first it will flow.

COMMISSIONER SPURRIER: Mr. Selinger, what will be the disposition of the gas from the Yates?

MR. SELINGER: Ask the witness.

A. We hope to sell it through Texas-New Mexico.

COMMISSIONER SPURRIER: And if you can't sell it through Texas-New Mexico, you will probably leave it ~~shot~~ in.

A. It will be ~~shot~~ in.

COMMISSIONER SUPURRIER: Isn't it true, Mr. Holland, that there are several wells completed in Lea County in the same manner in which you wish to complete this well?

A. There are.

MR. MORRELL: Foster Morrell, U.S.G.S. Mr. Selinger, I would like to ask the witness a question. To clarify the record, as I understand it, pipe is to be set, or is set, about 3400 and the packer at about 3200.

A. Will be set in all probability at about 3200.

MR. MORRELL: So, the packer will be set in the pipes rather than in the open hole?

A. Yes.

MR. MORRELL: And the size of the pipe?

A. Seven inch O. D.

MR. MORRELL: Another question I have. What is the location of the Ralph Lowe Shell State No. 2-C to which you referred?

A. It is 990 from the south line and 1650 from the west line of Section 36, Township 23 South, Range 36 East, Lea County,

New Mexico.

MR. MORRELL: The well is therefore in the $SE\frac{1}{4}$ of the $SW\frac{1}{4}$?

A. Yes, sir.

MR. MORRELL: The No. 1 Mexico "D" for which you are making application is stated to be a direct east offset?

A. I believe I did state that. But I believe I am wrong, ✓
if you will allow me to check that. It is a diagonal offset.
I was in error.

MR. MORRELL: The application says the $NE\frac{1}{4}SE\frac{1}{4}$, which would be a diagonal offset.

MR. SELINGER: Let us get the record straight. What is the exact location of the applicant's well so that the record will clearly show it.

A. In the center of the $NW\frac{1}{4}$ of the $SE\frac{1}{4}$ of Section of Section 36, Township 23 South, Range 36 East.

MR. MORRELL: Approximately 1980 feet from the South and East lines?

A. Yes, sir.

MR. MORRELL: You referred to a well shown on the exhibit filed, identifying that by a circle on the yellow. That circle appears to be in the $SW\frac{1}{4}$ of the $SE\frac{1}{4}$. I was just making these observations mostly to correct the record so that you would be talking about the proper location.

A. That's right.

MR. SELINGER: The Skelly Exhibit 1 therefore should be corrected to indicate the correct location as now brought out by the testimony. Now, for clarification, repeat to the record the correct location of the Mexico "D" No. 1 well.

A. It is as Mr. Morrell just stated. It is 1980 feet from the south line and 1980 feet from the east line of Section 36.

Township 23 South, Range 36 East, Lea County, New Mexico.

MR. SELINGER: Now, Mr. Holland, will you come to the reporter's desk and indicate on the Skelly Exhibit 1 by pencil the location of the well?

(The witness marks the exhibit.)

MR. SELINGER: And the well, therefore, is a northeast diagonal offset?

A. That is correct.

MR. MORRELL: I want to make one additional statement, which isn't exactly in the form of testimony.

COMMISSIONER SPURRIER: I would like to ask the witness a question first. Mr. Holland, you say the gas-oil ratio from your oil producing zone will probably be about seven thousand; and Langlie-Mattix has no gas-oil ratio limitation. But I wonder what Skelly Oil Co.--what disposition they intend to make of the gas that is produced with the oil from the lower zone?

MR. DUNLEAVY: It will be sold to El Paso. If it please the Commission, on those sand wells in that area, usually upon shooting you get quite an increase in gas. After a short period of time when the well is produced, the gas tapers off. Upon drilling that well, we had barely sufficient gas to flow it through the casing, and upon shooting it, it brought the oil and gas ratio up to where it was about seven or eight thousand. Within ninety days, probably be down to 3500. And we are disposing of our gas to El Paso or Phillips, which will take the gas going through that oil. The gas from the Andres will be sold to El Paso as dry gas under a dry gas contract.

COMMISSIONER SPURRIER: Is there anyone else who would like

to be heard now?

MR. MORRELL: The top of the Queen, what depth is that?

A. I don't have the depth on that.

MR. MORRELL: Approximately what in actual feet below 3500?

MR. DUNLEAVY: I Imagine you can take it off that strip.

A. The first sand there is about 3425 feet. And I believe that is the top of the Queen.

COMMISSIONER SPURRIER: Does anyone else have anything further?

MR. MORRELL: I would like to make a statement after the witness is excused.

COMMISSIONER SPURRIER: I think the witness may be excused.

MR. MORRELL: Mr. Spurrier, I have a statement I would like to put in the record in the way of a general proposition. But first on this specific case, we see no objection to the presence of gas-oil dual completion, which is largely the old so-called casinghead gas production. Continental, holding the Vaughn lease immediately south of these subject leases, was faced with the same proposition, and drilled a well in the NW $\frac{1}{4}$ of Section 1--NE $\frac{1}{4}$ of Section 1--24 South, 36 East. They were involved in the question as to whether dual completion was warranted. However, in view of the rapid decline of the oil production from the Queen formation, and the Ralph Lowe Shell State well, they completed in the Yates for a gas well only, indicating the probable southwest limit of oil production in that immediate vicinity.

The general statement that I desired to make was that there is a serious question as to whether the notice of hearing, as set forth over Mr. Spurrier's signature by notice dated September 17, 1948, in a case of this character is sufficient to give all parties who may be interested sufficient

information as to the character of the application so that they might come before the Commission, after full consideration, and present sufficient and satisfactory questioning and testimony. The facts brought out in this particular hearing on the Skelly case, I think, leaves no question--I am not making this statement questioning the Skelly Case No. 157--but I think the matter should be sufficiently considered so that the Commission might instruct applicants as to what information should be furnished to be incorporated in a call for hearing. I recall several years ago that cases were continued by reason of the fact that the call for hearing did not incorporate certain features which were presented at the hearing. One in particular was the Southern Union case involving Folger Basin, which later turned out that the Commission issued an order on well spacing. We had a similar case come on at the hearing of July 29, when Mr. Card, representing the Lea County Operators Committee, questioned the application of the Grayburg Oil Co. that the notice of hearing was insufficient. It seems to me in connection with the dual completion the hearing should at least state sufficient facts; naming the formations to be completed, whether the completion is to be oil-gas or oil. It is probable that an abstract might be requested from the applicant which could be incorporated in the notice of hearing so that it would leave no doubt in the minds of interested parties as to the exact nature of the application.

MR. MCCORMICK: I would like to inquire who owns the lease on the northeast and southeast. Is that Amerada?

MR. SELINGER: Yes.

MR. MCCORMICK: And who owns the north offset to your present

well?

MR. SELINGER: The same company.

MR. McCORMICK: And who owns the west offset? Ralph Lowe?

MR. SELINGER: Ralph Lowe.

COMMISSIONER SPURRIER: Mr. Selinger, do you have something?

MR. SELINGER: Yes. Of course, Mr. Morrell's comments can be probably directed at the Commission rather than we, as applicants. If he had read our application, it was specific enough. We showed--we pointed out that we wanted permission to "produce gas and/or fluid hydrocarbons gas at approximately 2900 feet and oil through the tubing at approximately 3600 feet." Now, whether the Commission in their notice sufficiently goes into detail as to the specific problems asked, we, as applicant, have no control over that. We do our best by making our application as specific as possible. I feel that when the Commission issues a notice which was similar to the notice issued in the Ralph Lowe case, and in which it states that the applicant is requesting an order authorizing dual completion for oil and gas from two separate zones from a single well, to my mind, as a lawyer, that is sufficient indication to the offset operators that what is contemplated is not only an oil and gas dual completion, but might be contemplated an oil and oil completion. If the Commission will recall, our company objected to the general proposition of the dual completions. And we felt that certainly oil-oil dual completion is as a matter of general practice wrong. The Commission saw fit to issue certain dual completions, and when someone offsets you with a dual completion, we are going to be in here asking for one too, whether against our general grain of knowledge or not. I think that satisfactory notices

of sufficient magnitude, to notify all offset operators that Skelly Oil Co. on its Mexico "D" lease wants to dual complete a well, that even if it is ambiguous as to oil-oil or oil-gas or gas-gas, the notice is sufficient because of its ambiguity that operators, particularly offset operators, would have sufficient interest to come and attend the hearing. That is the purpose of a public hearing. We think that the application or notice both is sufficient to give offset operators an opportunity of coming and being present at this hearing.

MR. MORRELL: Mr. Selinger, I am pretty sure you misunderstood the purpose of my remarks. Your application or notice of hearing here is based on the practice up to date.

MR. SELINGER: That's right.

MR. MORRELL: To which no objection could be raised. I am raising the question for further cases so that there would not be any question. When I came to Santa Fe yesterday afternoon, I inquired of at least a half dozen operators as to what was to be done with this hearing. They didn't know. Neither did I.

MR. SELINGER: Mr. Morrell, you knew the Ralph Lowe was a dual completion for oil and gas?

MR. MORRELL: That is an assumption we could make, but there is nothing on the record to indicate it.

MR. SELINGER: The order shows it.

MR. MORRELL: Let's not debate what is past. This is for the future. It is true that the notice gives the person an opportunity to come to the Commission and state--and ask for a copy of the application. It is an administrative burden on the Commission as to how many copies they could furnish. The thought was that the Commission could request applicants to

furnish hereafter with applications a sufficient abstract already prepared for them that they wouldn't have to go through and possibly misinterpret. That could be incorporated in the notice of hearing. I have no quarrel with how it is done now because that is in accord with practice. It is a suggestion for the future.

MR. GRAHAM. Mr. Morrell, did you not suggest virtually a pretrial? You don't know what the testimony is going to be when these notices are posted.

MR. MORRELL: I don't believe that there is anything in the nature of a pretrial.

MR. GRAHAM: They must be based on the application as far as that is concerned, unless we go into the pretrial and find out what they are going to testify.

MR. MORRELL: No, it is more in the nature of a complete statement in the application, in the shortest possible form, and states the facts, and in requesting a complete copy of the application

MR. GRAHAM: We never have, of course, the names of these offset operators at hand when we draft these notices.

MR. MORRELL: That wouldn't be necessary.

MR. GRAHAM: And our law is not too specific as to the requirement. We have sought heretofore only to give such notices as would cause you to come here to this hearing, or anybody that might be interested.

MR. MORRELL: But you want to give sufficient notice that they can come fully prepared to discuss the subject.

MR. SETH: They might bring in the notice a sufficient description of the land, legally sufficient. But there ought to be a means whereby interested parties wouldn't have to

come to Santa Fe or write the Commission to find out what it is about. I would suggest--couldn't a photostatic copy of the application be sent to Mr. Staley and have it available for all interested parties.

MR. GRAHAM: The application you mean?

MR. SETH: Yes. Not necessarily the exhibits. Just the application. He could determine there whether it is of sufficient importance to come to Santa Fe.

MR. DUNLEAVY: In connection with this application, it was duly posted, and my mind goes back to Ralph Lowe's application, which was heard before the Commission here and approval granted on the same day. It wasn't taken under advisement. And so far as I can recall, there was no objection as to the offsets on this dual completion. And certainly we have had due notice given; and so far as I know there has been no objection to the offsets. It costs money to hold these rigs in dual completions such as this, and I certainly feel that some decision should be rendered in a short period of time so that we can take action.

COMMISSIONER SPURRIER: We will do the best we can, Mr. Dunleavy. Mr. Lovering, do you have something?

MR. LOVERING: Having an interest in the offset to this, we have no objection to the completion. But the point Mr. Morrell brings out is well taken. I believe in this instance the mere statement of the horizon to be completed in has been a big help to us. Of course, we knew pretty well what they were going to do, but I can conceive in many cases where you would have a number of gas levels down the hole and it might make a difference in the objection to be raised if you knew what horizon can be communicating there. There are horizons where

we think several communicate one with the other, and some not. In this particular case, we don't think any particular communication between reservoirs exists, and have no objection to completion. I think just the mere statement in your order that the horizon mentioned would put everybody on guard and might save somebody a trip up here that otherwise he wouldn't be interested in. If a certain horizon were involved and some were not. I think just a little bit more information in that order would be a great help to the operators.

MR. SELINGER: One notice would be less trouble than having Mr. Spurrier put out a bunch of notices.

COMMISSIONER SPURRIER: It has been my opinion in the past that the Oil Conservation Commission has not made their notices as an abstract, and I am sure that in the future, if it is expedient to make them in a manner more like an abstract, that we can do that. If we can serve two purposes, namely, a written notice and an abstract of the application, we will be glad to do so. I do know that there was no intent in either of these advertisements, nor the ones in the past, to make an abstract. It has been my thought that someone interested enough in the case to look into it could probably get the information from our copy of the application or by contacting the applicant. Mr. Staley, I think that probably this thing is worthy of consideration. And if you should care to advise us after consulting some of the other Lea County Operators, we would be glad to change the style.

MR. STALEY: We would be glad to furnish mimeographed copies of anything that the Commission sends down. We were discussing it with Judge Seth, and felt that if you could send us, or your office at Hobbs, photostatic copies of the applications, not

necessarily the exhibits, but the entire application, that such part of that as would give all operators a clear idea of what is contained in the application to the Commission. We could mimeograph that and send it out to all operators, not only Lea County, but Eddy County and Chaves County as well. We would be glad to assist in any way possible.

MR. GRAHAM: Mr. Staley, if we were to send you a photostatic copy of the application, you would copy that and circularize the industry. Now, the practical thing up here is these last minute applications being filed to get under a deadline, and some of it is handled by 'phone and that sort of thing in order to get the publication in the ten days. Now, just as a matter of practicality, we, of course, can shoot you the application. They would probably get it about the same time or sometime after the advertisements themselves. Would that meet the situation practically in your judgment?

MR. STALEY: I believe it would. We realize, of course, that you in making the publication, that it isn't practical to include all of this that is filed with the Commission by the applicant. But if we had on file in our office a photostatic copy so that any mistake would be ours; that is, it would cut out just one more chance in copying by a stenographer or in checking where a location is, whether northeast or southwest when it should be some other direction.

MR. GRAHAM: It would be a little difficult to keep from making a mistake sometime. Of course, we can do that all right.

MR. SELINGER: We have always made it a policy of filing sufficient copies of a regular application in all state matters regardless. And if you recall, Mr. Spurrier, we filed three

copies of this application with you. Now, we are perfectly willing to file five copies, and insted of a photostat you can require an additional copy or two. And as soon as you get that and set it for hearing--you can on that application set the day of hearing, and send Mr. Staley an exact duplicate copy of the original on file. That would be an exact duplicate.

MR. GRAHAM: Of course, the three copy situation arose from the three members on the Commission.

MR. SELINGER: But at least you would have sufficient copies to send one directly to Mr. Staley.

MR. GRAHAM: That's right.

MR. SELINGER: I know that since Mr. Spurrier has been on the Commission that he has endeavored to require the industry to file their application by a certain day so that all the matters would be heard at the same time. I think he still does that. I believe he sends out a notice saying that all applications going to be heard on a certain day set for hearing should be filed two or three weeks prior to that. And I know that all matters we have sent for as a result of memos which he has sent out to everybody through Mr. Staley that anyone having any application should have it filed by a certain date, and I believe that it is still being done that way.

MR. COCHRAN: I wonder if some of the brevity of the notices aren't caused by facts like this. When you prepare an application/^{you put a caption} on it, and immediately follow that with the application. Of course, you make your caption as short as possible. Many times the notice you receive is identical with the caption you have used. Would it be helpful if persons preparing these applications prepared a form of notice? I mean it wouldn't

include the entire application, but it might go a little more into detail than the caption. As far as preparing applications are concerned that wouldn't be difficult. It may be helpful to the Commission.

COMMISSIONER SPURRIER: My offhand observation, Mr. Cochran, is that that would be quite all right. As I have briefly indicated, our former advertisements have not been in the nature of an abstract, but in the nature of fulfilling a legal requirement. And I think that a little thought on our part--we can work out with Mr. Staley a system of probably presenting the whole application to anyone that is interested and give them sufficient time to study it before any hearing. I think if we may, in the interests of time, we should move on to the next case. I appreciated all your comments.

MR. MORRELL: I wonder if Mr. Selinger would like to enter in the record the correction of this typographical error in the notice?

MR. SELINGER: It has already been done.

COMMISSIONER SPURRIER: Does anyone have anything further?

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

(Reads the advertisement in Case No. 158.)

COMMISSIONER SPURRIER: Mr. Cochran?

MR. COCHRAN: Yes, sir?

COMMISSIONER SPURRIER: I don't want to take your prerogative of your opening statement, but I believe in this case, to begin with, that we--that two such unorthodox locations have been granted you.

MR. COCHRAN: Kewanee Oil Co., yes, sir.

COMMISSIONER SPURRIER: In the interests of time, although we are not particularly rushed--your witness will be Mr. Scott?

MR. COCHRAN: Yes, sir.

COMMISSIONER SPURRIER: And Mr. Scott has been qualified before this Commission?

MR. COCHRAN: Yes, sir. As a brief statement, Buffalo Oil Co. owns what it designates as its Baish "A" lease, which is a Federal lease, and which is described as the $N\frac{1}{2}SE\frac{1}{4}$ and the $N\frac{1}{2}SE\frac{1}{4}$ of Section 21, and $W\frac{1}{2}NW\frac{1}{4}$ of Section 22, Township 17 South, Range 32 East in Lea County, New Mexico.

WILTON E. SCOTT, having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. COCHRAN:

Q. Mr. Scott, how many wells have been drilled upon the Baish "A" lease to date?

A. There have been drilled 19 wells on this lease, of which three are completed in the Yates sand and 16 have been completed in the Maljamar horizon.

Q. How many input wells are there on this lease?

A. There are at present two input wells within the boundaries of the lease, and three offsetting it by a matter of twenty-five feet.

Q. One of the input wells on this lease you designate as 8-A?

A. That is correct.

Q. Well No. 8-A is the only well drilled in the $SW\frac{1}{4}$ of the $NW\frac{1}{4}$ of Section 21?

A. It is the only well on that unit.

Q. Will you tell the Commission the history of that well?

A. That well was drilled in 1937 and completed in March of that year at a depth of approximately 2,350 feet, where it was producing out of the Yates sand. By the year 1940 its production had dropped considerably, and it was deepened and recompleted

in July of 1940 at a new total depth of 4,097 feet, where it was producing out of the regular Maljamar pay horizon. It produced at an initial production from that horizon of 200 barrels of oil a day and continued producing until September 1, 1942, at which time it was assigned to the Maljamar Cooperative Re-pressuring agreement to be used as a gas input well. At the time it was made an input well for the injection of gas into the Maljamar pay horizon it was producing approximately 30 barrels of oil a day and had as of that date an accumulated production of 63,366 barrels of oil. It remained an input well until the latter part of 1946 when a new program was initiated in the Maljamar Cooperative Repressuring Association whereby seven input wells were drilled and an effort made to recover all of the old producers that had been used as input wells. This well was taken off of injection at that time and cleaned out to the total depth, shot in the two pay horizons within the Maljamar pay, cleaned out and tested from each horizon for a period of approximately nine months. At no time during those tests did the well indicate that it could be recovered as a producer as it produced dry gas entirely from all the horizons. It was then considered a hopeless proposition to recover this well as a producer and in 1947 it was placed back on injection and is yet used as a gas injection well in the pressure maintenance project.

Q. At the present time this is the only well on that 40-acre subdivision?

A. That is correct.

Q. And in your application you have asked that you be granted a permit to drill a well located 25 feet North and 25 feet West of the southeast corner of SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 21, which is

this 40-acre tract?

A. That is correct.

Q. And you also ask that if permission is granted to drill that well that you be allowed to produce the allowable that would be allocated to that well under the allocation plan of the cooperative?

A. Yes.

Q. Do you feel, Mr. Scott, that by drilling this well that you will recover substantial quantities of oil that would not otherwise be recovered?

A. Yes.

Q. Now, the lease in question is committed to the cooperative agreement, is it not?

A. The entire lease, yes, sir.

Q. Would you tell the Commission what the situation is in the cooperative agreement with reference to making up allowable lost by reason of using wells for input wells?

A. Under the original agreement wherein 13 old producers were used as input wells, the owners of those input wells were compensated in cash in the amount of approximately sixty per cent of an input well's allowable, or state top allowable. However, when the old injection wells were turned back to the operators for reconversion to producers, an entirely new program was initiated to drill new input wells, that practice was ceased and no compensation has since been made for input wells.

Q. At the present time no arrangement of any kind exists with reference to making up lost allowable for input wells?

A. That's right.

Q. Mr. Scott, do you know whether an order has ever been entered by the Commission on behalf of the cooperative deleting that provision in the original order about lost allowable for input wells?

A. No, I do not.

Q. But you do know that arrangement was discontinued by the

operators committee of the cooperative agreement?

A. Approximately two years ago.

MR. COCHRAN: If the Commission please, we would like to offer in evidence a letter written on September 10, 1948, addressed to Mr. W. E. Scott of the Buffalo Oil Co., from Foster Morrell, supervisor, of the U.S.G.S., in which he acknowledges receipt of a copy of this application, and in which he states that his office has no objection to the application and feels that the drilling of such wells should be encouraged. That is all I have, sir.

COMMISSIONER SPURRIER: Does anyone have any further questions of the witness?

MR. MCCORMICK: I would like to inquire if there is any possibility that the owners of overriding royalties, if there are any, would be affected adversely by this arrangement?

A. I don't see how they could. There are owners on this Baish "A" lease of overriding royalty. However, this is an inside location, and the only way they could be affected would be that their income would be increased.

MR. MCCORMICK: The overriding royalty is over the entire ... ?

A. Over the entire Baish "A" lease.

MR. MCCORMICK: Not cut up into fortys?

A. No, it is not.

MR. COCHRAN: I might add something to that, Mr. McCormick. There are permit overriding royalty owners, but in the Maljamar field before production was obtained, the permit overriding royalty owners entered into a pooling agreement, which covered some seven or eight permits, and the royalty was pooled under all of the A or preferred acreage. So, throughout the Maljamar pool on A leases the ownership is

uniform as to permit overriding royalty owners.

COMMISSIONER SPURRIER: Does anyone else have anything? If not, the witness is excused, and the hearing is over.

STATE OF NEW MEXICO)
: ss
COUNTY OF SANTA FE)

I, E. E. Greeson, Notary Public, hereby certify that the foregoing transcript of proceedings before the Oil Conservation of the State of New Mexico, at the time and place therein set out, is a true record of such proceedings to the best of my knowledge, skill, and ability.

I further certify that I am the official reporter for the District Court of the United States for the District of New Mexico.

DATED at Santa Fe October 21, 1948.


Notary Public

My Commission Expires 8-4-52.