

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 FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO TO:

All interested parties:

The Oil Conservation Commission of the State of New Mexico hereby gives public notice that hearings will be held before the Commission pursuant to Rule 503 of the General Rules and Regulations of this Commission on the dates hereinafter set forth for the purpose of setting the allowable production of oil and gas for the State of New Mexico for the calendar month following the date of each hearing. All such hearings shall be held in the Office of the Oil Conservation Commission at Santa Fe, New Mexico, commencing at 10:00 a.m., and shall be on the following dates:

January 24, 1950	July 25, 1950
February 21, 1950	August 24, 1950
March 21, 1950	September 21, 1950
April 25, 1950	October 24, 1950
May 23, 1950	November 21, 1950
June 22, 1950	December 22, 1950

Dated this 3rd day of January, 1950.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

/s/ R. R. Spurrier
R. R. SPURRIER, SECRETARY

SEAL

NOTICE FOR 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 January 24, 1950, beginning at 10:00 o'clock A.M. on that day in the City of Santa Fe, New Mexico, in the House of Representatives.

STATE OF NEW MEXICO TO:

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

Case 208

In the matter of the application of Culbertson and Irwin, Inc., to dually complete, for oil and gas production from two separate zones, namely, the Yates gas zone and the Queen oil zone, their Lankford No. 1 well, located 1650 ft. from the north line and 1650 ft. from the east line of section 25, township 23 south, range 36 east, N.M.P.M., Lea County, New Mexico.

Case 209

In the matter of the application of the Standard Oil Company of Texas, for an order of approval of the unit agreement for the development and operation of the Carrizozo Unit Area, within Townships 6, 7 and 8 south, Ranges 8 and 9 east, N.M.P.M., containing 45,223.09 acres, Lincoln and Socorro Counties, New Mexico.

Given under the seal of the Oil Conservation Commission of New Mexico at Santa Fe, New Mexico, on January 10, 1950.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

/s/ R. R. Spurrier
R. R. SPURRIER, SECRETARY

SEAL

BEFORE: Hon. Guy Shepard, Chairman

Hon. R. R. Spurrier, Secretary and Member

REGISTER:

R. S. Dewy, Midland, Texas, for Humble.

J. W. House, Midland, Texas, for Humble.

W. E. Hubbard, Houston, Texas, for Humble.

Joe. W. Lackey, Roswell, for Malco.

Glenn L. Shoemaker, Midland, Texas, for Stanolind Oil Purch. Co.

Robert C. Anderson, Roswell, New Mexico, for Malco Ref. Inc.

Clarence E. Hinkle, of Roswell, New Mexico, for Standard Oil Company of Texas.

Art McQuiddy, of Roswell, New Mexico, for Oil and Gas Assn.

R. S. Blymn of Hobbs, New Mexico, for Oil Conservation Commission.

Roy O. Yarbrough, of Hobbs, New Mexico, for Oil Conservation

Commission.

R. A. Wright of Midland, Texas, for Sinclair Oil & Gas Company.

Lloyd Holsapplo of Fort worth, Texas, for Sinclair Oil & Gas Company.

G. H. Gray of Midland, Texas, for Sinclair Oil & Gas Company.

Wm. E. Bates of Midland, Texas, for The Texas Company.

R. T. Wright of Jal, New Mexico, for El Paso Natural Gas.

G. E. Kendrick of Jal, New Mexico, for El Paso Natural Gas.

John M. Kelly of Roswell, New Mexico, for Independent.

James M. Monay, Jr., of Hobbs, New Mexico, for Independent.

E. E. Kinney of Artesia, New Mexico, for New Mexico Bureau of Mines.

Ralph L. Gray of Artesia, New Mexico, for Buffalo Oil Company.

Frank C. Barnes of Santa Fe, New Mexico, for New Mexico Oil Conservation Commission.

Glenn Staley of Hobbs, New Mexico, for Lea County Operators Com.

J. D. Harvay of Santa Fe, New Mexico, for Independent.

Clyde B. Gartner of Santa Fe, New Mexico, for Independent.

R. G. Schuehle of Midland, Texas, for Texas-Pacific Coal and Oil Company.

B. R. Luscomb of Ft. Worth, Texas, for Stanolind Oil and Gas Company.

Paxton Howard of Midland, Texas, for Shell Oil Company.

M. T. Smith of Midland, Texas, for Shell Oil Company.

A. R. Ballou of Dallas, Texas, for Sun Oil Company.

M. L. Patterson of Odessa, Texas, for Phillips Petroleum Company.

Elvis A. Utz, Santa Fe, New Mexico, for Oil Conservation Commission.

George A. Graham, Santa Fe, New Mexico, for Oil Conservation Commission.

Don G. McCormick, Carlsbad, New Mexico, for Oil Conservation Commission.

I N D E X

<u>WITNESS:</u>	<u>p a g e</u>
M. T. Smith	5
George Gray	7
W. E. Bates	7
Joe W. Lackey	8
W. E. Hubbard	9
Glenn L. Shoemaker	10
Elvis A. Utz	11
John M. Kelly	15
Robert S. Blymn	17
Clarence E. Hinkle	18

EXHIBITS

<u>Number</u>	<u>For Identification</u>
Commission's Exhibit 1	5
Culbertson & Irwin, Inc., Exhibit "A"	15
Standard Oil Company of Texas, Exhibit "A"	19

COMM. SHEPARD: The meeting will please come to order.

The first order of business will be the matter of taking up the allowables. At this time, Mr. McCormick will have something to say. Attorney Don McCormick.

MR. McCORMICK: If the Commission please, I would like for the record to show that due notice of this hearing was given, pursuant to Rule 503 of the general Rules and Regulations of the Commission, the copy of the publication being Exhibit 1, and that this notice was published in the following newspapers:

Farmington Daily Times	Carlsbad Current-Argus
Gallup Independent	Espanola Valley News
Hobbs Daily News-Sun	Roswell Dispatch
Santa Fe New Mexican	Portales News.

If the Commission please, I would like to call upon the purchasers of crude oil to make their nominations. Is there someone here who represents the Shell Oil Company?

MR. SMITH: M. T. Smith.

MR. McCORMICK: Will you be sworn, Mr. Smith?

M. T. SMITH

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By Mr. McCormick:

Q State your name please.

A M. T. Smith.

Q With what company are you connected?

A The Shell Oil Company.

Q In what department?

A Crude Oil Purchasing Department.

Q I would like to ask if you have a nomination to make for the month of February, 1950?

A Yes, sir, we do.

Q What is that nomination?

A That nomination for the month of February is 30,500 barrels per day, calendar day.

Q That is for purchase in Eddy, Lea and Chaves Counties?

A We purchase in Lea County.

Q How does that compare with your purchases for the last month of which you have a record?

A That is practically the same as the month of January with the exception of the 500 barrels which we nominated to take care of new production which will probably come in during the month of February. In other words, our nominations are practically the same for February as they were for January.

MR. McCORMICK: Any questions by the Commission?

Q (By Mr. McCormick) Do you have anything else you would like to state, Mr. Smith?

A These nominations, Mr. McCormick, represent the actual purchasings or gatherings by Shell Oil Company from the respective leases of this State. That is, the purchases do not represent any purchases we would make from other companies. They are solely the gatherings which we have control of.

MR. GRAHAM: That is, commitments from producers?

THE WITNESS: That's right.

MR. McCORMICK: Does anybody have any questions they would like to ask Mr. Smith? You may be excused, Mr. Smith.

THE WITNESS: Thank you.

(Witness excused)

MR. McCORMICK: Does Sinclair Oil Company have a representative here?

MR. GRAY: George Gray.

MR. McCORMICK: Will you come forward, Mr. Gray?

MR. GRAY: Well, I'll make this statement. It is my understanding that Sinclair Oil and Gas Company has sent a wire to the Oil Conservation Commission in New Mexico, stating their nominations. I don't know whether you have received that wire or not, but it will be forthcoming in time.

COMM. SHEPARD: You don't know what nominations they are making by wire, Mr. Gray?

MR. GRAY: Not the exact barrels; something between 20,000 and 21,000.

Mr. McCORMICK: Let the record show that the telegram, when received, will be made a part of the record.

MR. GRAY: If you will, please.

MR. McCORMICK: Thank you, Mr. Gray.

Does the Texas Oil Company have a representative here?

MR. BATES: W. E. Bates.

MR. McCORMICK: Will you come forward, Mr. Bates?

W. E. BATES

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By Mr. McCormick:

Q State your name, please.

A W. E. Bates.

Q What company are you connected with?

A Texas Company.

Q In what capacity?

A Oil Purchasing representative, West Texas and New Mexico.

Q Do you have a nomination to make for crude oil purchases

for the month of February, 1950?

A No, I don't have the exact figure. It will be approximately 27,000 barrels a day.

Q And how does that compare with your present rate of purchases?

A It is the same as the month of January.

MR. McCORMICK: Any questions by the Commission?

Does anybody else have any questions?

Q (By Mr. McCormick) Do you have anything else you would like to state?

A No, sir.

MR. McCORMICK: Thank you, Mr. Bates.

THE WITNESS: Yes, sir.

(Witness excused).

MR. McCORMICK: Will Mr. Anderson of Malco come forward, please?

MR. LACKEY: I will.

JOE W. LACKEY

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By Mr. McCormick:

Q State your name, please.

A Joe W. Lackey.

Q What company are you connected with?

A Malco Refineries Company.

Q Of Roswell?

A Yes, sir.

Q Do you have a nomination to make for purchases in Eddy, Lea or Chaves Counties for the month of February, 1950?

A In Eddy County, 1800 barrels a day.

Q How does that compare with your present purchases?

A It is very comparable to our past month's purchases.

MR. McCORMICK: Are there any questions by the Commission?

COMML SHEPARD: No.

MR. McCORMICK: Any questions by anybody else?

Q (By Mr. McCormick) Do you have anything else you would like to state?

A No, sir.

MR. McCORMICK: Thank you.

(Witness excused).

MR. McCORMICK: How about the Humble Oil Refining Company?

W. E. HUBBARD

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By Mr. McCormick:

Q State your name, please.

A My name is W. E. Hubbard.

Q And with what company are you connected?

A The Humble Oil and Refining.

Q I would like to ask you whether your company has a nomination for purchases of crude oil in Eddy, Lea, or Chaves Counties for the month of February, 1950?

A Yes, sir.

Q What is that nomination?

A 7,650 barrels per day.

Q How does that compare with your present purchases -- your present rate of purchase?

A Well, it is the same; in December we ran 7,653 barrels a

day. This month, we took our December purchases of actual runs.

MR. McCORMICK: Any questions by the Commission? Any questions by anyone else?

Q (By Mr. McCormick) Do you have anything else you would like to state, Mr. Hubbard?

A No, sir.

MR. McCORMICK: Thank you, sir.

(Witness excused).

MR. McCORMICK: Does Stanolind Oil Company have a representative here?

GLENN L. SHOEMAKER

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By Mr. McCormick:

Q State your name, please.

A Glenn L. Shoemaker.

Q With what company are you connected?

A Stanolind Oil Purchasing Company.

Q Does your company have a nomination to make for purchases of crude oil in Eddy, Lea, or Chaves Counties for the month of February, 1950?

A We don't, for this reason: that our notice did not call for nominations. But I will be glad to contact our main office and have them wire you or call you, or make a nomination.

Q We would like for you to do that, Mr. Shoemaker. Do you have the figures on your present rate of purchases?

A I would estimate about 4500 barrels of oil a day.

Q Do you know of any reason why that rate of purchases would

not continue during February?

A Not of my own knowledge.

Q In your opinion, is it likely to be about the same?

A I would think so, but that is just me, personally. It would, of course, -- that would have to be decided by our main office.

Q You know of nothing that is likely to change the situation, do you?

A Not of my own knowledge.

MR. McCORMICK: Any questions by the Commission? Thank you, Mr. Shoemaker.

(Witness excused).

MR. McCORMICK: Phillips Oil Company, does it have a representative? Continental Oil Company -- does Continental Oil Company have a representative here? Magnolia? That is the Magnolia Petroleum Company, isn't it?

COMM. SHEPARD: Magnolia Petroleum Company.

MR. McCORMICK: Gulf Oil Corporation, does it have a representative here? Atlantic Refining Company, does it have a representative here? I would like to ask if there are any other representatives of purchasers here today that have not been called on?

I would like to call as a witness, Mr. Elvis Utz.

ELVIS A. UTZ

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By Mr. McCormick:

Q State your name, please.

A Elvis A. Utz.

Q I would like to ask what your business is? With whom are

you connected?

A Engineer, Oil Conservation Commission.

Q How long have you been with the New Mexico Oil Conservation Commission?

A About ten months.

Q I would like to ask if you are familiar with the records of the Commission as to pipe line runs, current production, and the potential producing capacity of the various pools in the State of New Mexico?

A Yes, I am.

Q Do you have an opinion as to what the market demand for crude oil in the entire State of New Mexico will be for the month of February, 1950?

A Our opinion is 143,900 barrels.

Q And on what is that based?

A That is based on the past months of allocation and pipe line runs and United States Bureau of Mines estimates.

Q I would like to ask how much of that demand will be satisfied by the unallocated pools of San Juan, McKinley, and Rio Arriba Counties?

A Approximately 900 barrels per day in the unallocated pools.

Q And then that would leave 143,000 barrels per day to be met by the pools in Lea, Eddy and Chaves Counties?

A That is correct.

Q How about the potential producing capacity of the wells in these three counties? Is it greater than the figure which you gave as the market demand?

A Yes, it is greater considerably.

Q I would like to ask if, to prevent waste, in your opinion, it is necessary that the production in Lea, Eddy and Chaves

Counties be restricted and limited during the month of February, 1950?

A We believe it is, in order to prevent waste.

Q How much oil, in your opinion, can southeastern New Mexico, that is, Eddy, Lea and Chaves Counties produce without committing waste, and within the market demand?

A We believe 143,000 barrels.

Q And is that your recommendation for the allowable production for those three counties?

A It is.

Q In your opinion, how should that be distributed?

A It should be distributed in the three counties of Eddy, Lea and Chaves under the present rules and regulations of the Commission.

Q You are familiar with those rules and regulations?

A Yes, sir, I am.

Q I would like to ask if, in your opinion, such distribution will be reasonable and will it prevent waste, and will it protect correlative rights?

A Yes, we believe it will.

MR. McCORMICK: Are there any questions by the Commission? Any questions by anybody else? You are excused.

(Witness excused).

MR. McCORMICK: That's all.

COMM. SHEPARD: Does anyone else have anything to offer? Mr. Staley, do you have? Do you have anything on that for the New Mexico Oil and Gas Association?

MR. STALEY: Nothing.

COMM. SHEPARD: Mr. Hinkle?

MR. HINKLE: Nothing.

COMM. SHEPARD: Well, if not, we will take up the next case. Is City Service here? If not, we will take up the next case and prepare this order some time today.

MR. HUBBARD: I would like to ask a question first, please, sir. Do you not think that the record should show the estimate of the Bureau of Mines for February?

COMM. SHEPARD: Yes.

MR. MCCORMICK: If the Commission please, the Bureau of Mines was requested for that estimate and for some reason, they sent the estimate for the month of March. We have the benefit of the estimate for December, for January, and for March, but at the present moment, we do not have it for February. But when that is received, which it will be probably during the day, with the consent of the Commission, we will make that a part of the record.

COMM. SHEPARD: It will be done.

MR. MCCORMICK: While I have the floor, if the Commission please, I wonder if the Commission would like to make some announcement as to the desired method for receiving nominations in the future at these monthly hearings?

COMM. SHEPARD: We would be glad to receive them in writing or in person, either way you desire to offer them.

MR. MCCORMICK: From all purchasers in the State?

COMM. SHEPARD: From all purchasers in the State. And if they were submitted in writing, we prefer that they be in the form of a sworn affidavit.

At this time, we will take up Case 208. Mr. Graham, will you read the notice?

(Reads the notice of publication in Case No. 208).

COMM. SHEPARD: Mr. Kelly, will you be sworn?

JOHN M. KELLY

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

My name is John M. Kelly, of Roswell, New Mexico. I am the engineer for Culbertson and Irwin, Inc., of Midland, Texas, the petitioner in this case.

I would like to present and have one exhibit marked as Exhibit "A".

(Culbertson & Irwin, Inc.,
Exhibit "A", was marked for
identification).

If the Commission please, the Petitioner presents the following data in regard to its application to dually complete the Lankford No. 1 well, in Lea County, New Mexico.

1. That this application cover only the Culbertson and Irwin Inc., Lankford #1 well, located 1650 feet from the north and 1650 feet from the east lines of Section 25, Township 23 South, Range 36 East, Lea County, New Mexico.

2. That the well as of this date is producing approximately 30 barrels of oil per day from the Queens sand at a depth between 3525 feet to 3637 feet.

3. That there was encountered during the drilling of the well a considerable quantity of hydro carbon gas under high pressure between the depths of 2950 feet to 3190 feet. Said gas is coming from the Yates zone.

4. That the petitioner, to more fully utilize the natural resources of this area and to prevent excessive underground wastes, desires to dually complete said Lankford #1 well in such a manner as to produce the gas, from the Yates zone, through the annulus between the casing and tubing; and to produce the

oil from the Queens Zone through the tubing, placing a suitable retainer to prevent co-mingling of the products which are coming from different formations.

I have prepared a drawing showing the petitioner's intention to do that. From this, as you will notice, the oil is coming at the depth between 3525 feet and 3637 feet. This oil, as shown on the drawing, is being produced through perforations in the tubing and then to the surface in surface tanks. Now, the petitioner would like to perforate the casing between the points of 2950 feet and 3190 feet, in order to release the gas now in the Yates zone and which is cased off and cemented off at the present time. After perforating the casing, the petitioner would set a packer, a tubing packer below these perforations, in order to be able to produce the gas through the annulus between the casing and tubing, and sell it to the gas company serving the area.

This type of completion is now in use in the area in other wells and is a common method of procedure; and I do not believe there will be any co-mingling of the products by completing the well in this manner.

MR. SPURRIER: What was the gas? How much gas?

THE WITNESS: Approximately 25 million. It was not tested completely in the drilling.

MR. SPURRIER: What kind of packer, John?

THE WITNESS: More than likely, a Baker.

MR. McCORMICK: You are an attorney, Mr. Kelly, aren't you?

MR. SPURRIER: Off the record.

(Discussion off the record).

MR. GRAHAM: You have referred to other wells dually completed, Mr. Kelly. How far is this well from them?

THE WITNESS: I believe the closest well, Mr. Graham, is approximately two miles in Section 36, same township and range.

MR. GRAHAM: Are there any wells not dually completed between the dually completed job -- between these two wells?

THE WITNESS: No, sir. In fact, there are only two or three wells between them and they are producing from the Queens sand zone.

MR. McCORMICK: How effectively could the gas be shut off from the oil production?

THE WITNESS: One hundred percent, with the right packer setting.

MR. McCORMICK: And a test could be made easily and accurately for determining exactly what was coming from each zone?

THE WITNESS: Yes. As a matter of fact, I believe the Commission has ordered that in a case of this kind, you require a test to be made yearly.

COMM. SHEPARD: Any further questions? If not, you may be excused, Mr. Kelly, unless you care to enter your law degree in evidence.

(Witness excused).

ROBERT S. BLYMN

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By Mr. McCormick:

Q State your name, please.

A Robert S. Blymn.

Q Are you associated with the New Mexico Oil Conservation Commission?

Q What capacity?

A Petroleum engineer.

Q And where are you located?

A Hobbs.

Q Are you familiar with the well about which Mr. Kelly just spoke?

A Yes.

Q Have you checked his proposed method of completion?

A Well, I haven't seen the work that Mr. Kelly has done on it, but I have been informed of what they intended to do by the petitioner back two or three weeks ago.

Q I would like to ask you, in your opinion, if any waste would be caused by such a completion?

A No.

Q And it would enable the recovery of gas that is not presently being recovered?

A Yes.

Q Do you have any recommendation to make to the Commission as to their action on this petition?

A I would recommend that it be granted.

COMM. SHEPARD: You may be excused.

(Witness excused).

COMM. SHEPARD: Well, the application will be granted. We will take up the next case, 209. Mr. Graham will you read the notice?

(Reads the notice of publication in Case No. 209).

CLARENCE E. HINKLE

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

Members of the Commission, my name is Clarence E. Hinkle.

of the firm of Hervey, Dow and Hinkle, of Roswell, New Mexico, representing the Standard Oil Company of Texas. The matter before the Commission is upon the application of the Standard Oil Company of Texas for approval of Unit Agreement to be known as the Carrizozo Unit Agreement.

The application which has been served, I believe, and filed with the Commission, shows that the proposed area will comprise 45,223.09 acres, situated in Townships 6, 7, and 8, South of Ranges 8 and 9 East, in Lincoln and Socorro Counties.

Of the entire acreage, 37,361.23 acres are federal lands, 5,359.8 acres are state lands, and 2,502.06 acres are fee lands.

The area which is proposed to be unitized has heretofore been approved by the United States Geological Survey as one suitable and proper for unitization. That approval was given on October 18, 1949, and I would like to introduce as an exhibit at this time the geological map, which is the same map as was filed at the time with the United States Geological Survey, and on which they based their findings that the area is one suitable and proper as one for unitization.

(Map referred to was marked
Exhibit "A", for identification).

The form of the Unit Agreement which is proposed is the same form which has heretofore been used in a number of cases, and which has had approval by both the Secretary of the Interior, by the Commissioner of Public Lands, and by the New Mexico Oil Conservation Commission. Copies of that form have also been filed with the Commissioner of Public Lands, and I believe I'm safe in saying that it has the approval of his attorney as to form.

The Unit Agreement would designate the Standard Oil Company of Texas as the unit operator, and they would be given full power and authority to operate and develop all the lands within the unit area.

The Unit Agreement further provides that within six months from the effective date of the Unit Agreement, they will commence operations upon a test well upon a part of the unit area, and drill same to the depth of 4,000 feet unless oil or gas in paying quantities is encountered at a lesser depth, or to such a depth as further drilling would not be warranted.

It is believed that the Unit Agreement will promote the economic and efficient recovery of oil and gas and will be in the interest of prevention of waste, as contemplated by our New Mexico Oil Conservation Statutes.

I believe that that covers it.

COMM. SHEPARD: Any questions? If not, it will be granted. Is there anything further to come before the Commission? If not, we will stand adjourned.

(Whereupon, the hearing was adjourned at 10:45 o'clock, A.M.).