

BEFORE THE  
OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO

Transcript of Proceedings

February 20, 1951

E. E. GRESSON  
COURT REPORTER  
UNITED STATES COURT HOUSE  
TELEPHONE 2-0872  
ALBUQUERQUE, NEW MEXICO

BEFORE THE  
OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO

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PROCEEDINGS

The following matters came on for consideration before the Oil Conservation Commission of the State of New Mexico, pursuant to legal notice at a hearing held on February 20, 1951, at 10:00 a.m., at Santa Fe, New Mexico.

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 and the Rules and Regulations of said Commission promulgated thereunder, of the following public hearing to be held February 20, 1951, beginning at 10:00 o'clock a.m. on that day in the City of Santa Fe, New Mexico, in the Council Chamber of the City Hall.

STATE OF NEW MEXICO TO:

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

Case 253

In the matter of hearing called by the Oil Conservation Commission, upon its own motion, for extension of the boundaries of the Teague-Ellenburger pool, the North Maljamar pool, and the Drinkard pool of Lea County, New Mexico.

Case 254

In the matter of the application of Stanolind Oil & Gas Company for approval of the Guadalupe Foothills Unit Area, covering

11,040.04 acres, more or less, located in Twps. 22 and 23 S, R.25 E, N.M.P.M., Eddy County, New Mexico.

Case 255

In the matter of a hearing to be held by the Oil Conservation Commission, upon its own motion, for approval of an unorthodox location to be located 895 feet from the south and west lines section 18, T.27 N, R.9 W, N.M.P.M., Kutz Canyon-Fulcher Basin pool, San Juan County, New Mexico.

Case 256

In the matter of a hearing to be held by the Oil Conservation Commission upon its own motion, for approval of an unorthodox location to be located 990 feet from the north line and and 790 feet from the west line section 15, T.27 N, R.10 W, N.M.P.M., Kutz Canyon-Fulcher Basin pool, San Juan County, New Mexico.

Case 257

In the matter of the hearing called by the Oil Conservation Commission, upon its own motion, to amend Order No. 748, Section 1, paragraphs (b) and (c).

Case 258

In the matter of the application of Byrd-Frost, Inc. for permission to communitize the short sections on a north-south basis, being located on the west side of T.29 N, R.8W, such units to approximate the regular 320-acre units for the Mesa Verde pools underlying the above described ares in San Juan County, New Mexico.

Case 259

In the matter of the application of Paul B. Palmer, Associates,

for approval of an unorthodox location known as Hutten No. 1, described as 1188 feet from the south line and 1980 feet from the east line section 17, T.29 N, R.13 W, N.M.P.M., San Juan County, New Mexico.

Case 247

In the matter of the application of Earl A. Benson and William V. Montin for the approval of the Gallegos Canyon Unit Agreement embracing 39,324.51 acres of land in Township 28 North, Ranges 11, 12 and 13 West and Township 29 North, Ranges 12, 13 West, N.M.P.M., San Juan County, New Mexico.

GIVEN under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico, February 20, 1951.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

/s/ R. R. Spurrier

SEAL

R. R. SPURRIER, SECRETARY

BEFORE:

Hon. R. R. Spurrier, Secretary and Director

REGISTER:

William Ed McKellar, Jr.  
Dallas, Texas  
Magnolia Petroleum Company

M. T. Smith  
Midland, Texas  
Shell Oil Company

W. E. Bates  
Midland, Texas  
The Texas Company

W. L. Ambrose  
Midland, Texas  
Cities Service Oil Company

W. B. Edwards  
Ft. Worth, Texas  
Gulf Oil Corporation.

Murray C. Moffatt  
Ft. Worth, Texas  
Gulf Oil Corporation

William Randolph  
Hobbs, New Mexico  
Continental Oil Company

R. L. Boss  
Hobbs, New Mexico  
Gulf Oil Corporation

R. G. McPherson  
Hobbs, New Mexico  
Gulf Oil Corporation

Roy Yarbarough  
Hobbs, New Mexico  
Oil Conservation Commission

Scott R. Brown  
Farmington, New Mexico  
Western Natural Gas

John O. Carothers  
Durango, Colorado  
Byrd-Frost, Inc.

Neal Neece  
Dallas, Texas  
Byrd-Frost, Inc.

W. A. Scott  
Hobbs, New Mexico  
Shell Oil Company

James P. Baldridge  
Hobbs, New Mexico  
Humble Oil and Refining Co.

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

Al Greer  
Aztec, New Mexico  
Oil Conservation Commission

Paul B. Palmer  
Farmington, New Mexico  
Paul B. Palmer, Associates

John M. Kelly  
Roswell, New Mexico  
Independent

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

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MR. SPURRIER: Meeting will come to order. The first order of business is to state for the record that Governor Machen has instructed me to sit for the purpose of taking the record only. There will be no decisions here today. All cases will be taken under advisement. The first case on the agenda is the allowable hearing.

(Witnesses sworn.)

MR. GRAHAM: Will you state your name and official position.

MR. UTZ: I am Elvis R. Utz, engineer of the Oil Conservation Commission.

Q Mr. Utz, have you made a study of the market demand for New Mexico for the month of March 1951?

A Yes, I have.

Q Do you have the Bureau of Mines estimates for that period?

A The Bureau of Mines estimate for last month was 138,000 barrels per day. That is their estimate of New Mexico's share of the market demand. This month it is up 2,000 barrels or one and four tenths per cent to a hundred and forty thousand barrels.

Q Elvis, have you received and compiled the nominations of New Mexico oil purchasers?

A Yes, I have. The nominations for this month were 142,000 barrels, 142,110 barrels, or up 8.029 barrels over last month, or 5.9 per cent. The nominations for the allocated pools is 141,350 barrels up 7,982 over last month or 6 per cent.

Q In your opinion, what will be the reasonable market demand for the month of March for New Mexico oil?

A I would recommend a normal unit allowable of 52 barrels or 153,588 for the allocated pools, 154,388 for the State, 800 barrels for the west or unallocated pools.

Q In your opinion, can southern New Mexico, that is, the allocated pools, produce without waste that 153,588 barrels?

A As far as the information we have at hand available, they can.

Q What is your recommendation for the southern allocated pools, southern New Mexico?

A What is my recommendation?

Q Yes.

A I gave that a moment ago, at 153,588 barrels.

Q How should it be distributed?

A According to the present rules and regulations of the New Mexico Oil Conservation Commission.

Q What would be the normal unit allowable?

A 52.

Q 52 barrels per well?

A Yes.

MR. GRAHAM: I believe that is all.

MR. SPURRIER: I don't have anything further.

MR. GRAHAM: Anything further?

MR. UTZ: I might make one statement regarding the computed allowables for last month. The computed allowable for the State was 149,636, or 1,049 barrels below our estimate. For the allocated pools it was 148,836, or 1,249 barrels below our estimate. The estimated figures I gave are based on figures just given. That is all.

MR. SPURRIER: Does anyone have any comment on Mr. Utz' testimony?

MR. McKELLAR: Representing Magnolia Petroleum, I would like to ask him a question or two.

Q (by Mr. McKellar) January of this year, the top unit allowable was 48 barrels a day.

A That's right.

Q That was, the total allocation for the State, was not produced was it?

A The total allocation for the State was not produced. I have no figures for January on production yet.



Q How about December?

A I have no figures.

Q What is the last month you have?

A November.

Q What was the top unit allowable in November?

A I will give you that in a moment.

Q It was less than 50. It was somewhere in the neighborhood of 45 or 44 and the State did not make the total allocation, did we?

A No, the State has not made the total allocation.

MR. McKELLAR: I don't want to be facetious about this or take the Commission's time, but it seems to me that it is apparent that on a state-wide basis we are, the wells in New Mexico are not capable of making a top unit allowable of even 50 and now we are going to 52. I don't know what the picture is in New Mexico. I don't know what the pipe line picture is. I wonder if any inquiry has been made as to whether the pipe lines can answer the increased allowabb or not.

MR. UTZ: I think Mr. Kinney can answer the question better than I can. But it is my understanding they can handle it.

MR. McKELLAR: It seems they were unable to make the top allowable on a 40 basis, now we are going to 52. I think we should use extreme caution before we pull these wells too hard at this time. Of course, we want the oil and we are

going to get it eventually and there may come a time when we are harder pressed for oil than we are now and we are going to have to pull wells. I think the Commission should use extreme caution to increase those wells to 52.

MR. UTZ: You feel that allowable --

MR. McKELLAR: I think it will exceed the maximum efficient rate of production on the majority of the wells.

MR. UTZ: For one month?

MR. McKELLAR: For one month, yes. I think you are unable to make it so why set it up there. Once you set it, a man is going to try to make it, naturally.

MR. SPURRIER: The production, Mr. McKellar, in New Mexico never comes up to the allowable.

MR. McKELLAR: That's correct.

MR. SPURRIER: There is a certain reason for that which we can explain here. You already know it. The allocation, the actual allowable by 7 or 8 per cent, or may be even more.

MR. McKELLAR: That's right. That is all I had. We ought to make a detailed study into the maximum rate of these wells before we set an allowable at 52. It has never been that high, has it?

MR. UTZ: No.

MR. SMITH: In conjunction with Mr. McKellar's question there, as far as Shell is concerned, I believe we nominated 29,800 barrels and we are in a position to handle the total nomination that we made. About the other companies here and

the total nominations as Mr. Utz read off there, I assume they would be in a position to handle anything they nominated for. I can only speak for Shell but we have we have a large demand and can handle that quantity.

MR. SPURRIER: What percentage are your nominations up?

MR. SMITH: We only nominate in proportion to the anticipated new connections which is only two or three hundred barrels.

MR. SPURRIER: That would be a very small percentage.

MR. SMITH: That's right. We haven't actually received the amount of oil that we nominate for. We would like to have the oil but due to the underproduction in the State of New Mexico, it always falls short of that I would say, 5 per cent. We can handle the full 29,800 barrels.

MR. SPURRIER: Does anyone else have any comment. It is very seldom we have any comments during an allowable hearing and I appreciate the comments by Mr. McKellar and Mr. Smith.

That is all.

(Witness excused.)

**ED KINNEY,**

having been first duly sworn, testified as follows:

**DIRECT EXAMINATION**

By **MR. GRAHAM:**

Q Will you state your name and official position?

A Ed Kinney. Petroleum engineer, New Mexico Bureau of Mines.

Q As part of your duties in that capacity is the study of market demand?

A Yes, it is.

Q With particular reference to storage and withdrawals?

A Yes, sir.

Q Will you talk on that?

A During the past four weeks withdrawals from storage in New Mexico has amounted to a 556,600 barrels. At the first of the year New Mexico storage was only approximately 24 per cent full. The crude demand and the production demand are in excess of the present supply, both in New Mexico and nationally.

The last Bureau of mines figures published last Saturday showed crude stocks in the United States to be 238,875,000 barrels. It has been testified many times by representatives of the major companies that the safe minimum working level would be 240,000,000 barrels.

It is my recommendation that the State of New Mexico make an attempt to supply its proportionate share of the current demand.

Q Are you in substantial agreement with the recommendations of Mr. Utz?

A Yes, sir.

Q That an attempt should be made to produce more oil in New Mexico?

A Yes, sir.

Q It would not result in waste to have a 52 allowable?

A To my knowledge it would not. I have been studying a demand and storage problem, I have not studied the engineer angle.

MR. SPURRIER: Does anyone have any questions of this witness or any comment?

Are you familiar with what the Texas Railroad Commission did last week with the allowable?

A Yes, sir.

MR. SPURRIER: Would you care to put it in the record?

A In the State of Texas the demand was for a 24 day producing schedule in the month of March. The Commission increased from a previous allowable of 20 days to a total of 23 on a state-wide basis. It is calculated to be an approximate increase of 75,000 barrels a day. The request of producers was for 24 producing days in the majority.

MR. McKELLAR: To clarify the statement, the demand for the producers were for 23 days state-wide, 19 East Texas at the Commission's hearing there was a demand for crude by purchasers who were unable to obtain it. The Commission began pooling the audience and the demand came up for 24 days. If we could get the oil we could sell all we could get in 24. Judge Culbertson says now we have got from 23 to 24. Give me five more mines and I can get it to 25 and he could. There is no question of demand. If the wells of New Mexico can handle 55 barrels a day we can handle it. The Commission set 23 days in Texas.

MR. SPURRIER: Which is an increase of what, 15 per cent?

MR. McKELLAR: I don't know the per cent.

MR. SPURRIER: Do you know?

MR. KINNEY: 15 per cent.

MR. McKELLAR: I would like to recommend that Mr. Staley's organization make a study of this. When we convene here next month, we may well have a recommendation for top unit allowable of 54. That would be in keeping with the past history. The next month after that it would be 56. If history repeats itself, and the demand is going to increase rather than decrease, I think we should back off here in New Mexico and decide what our wells will accept rather than just go on using Kentucky Wintage by guess and by golly.

MR. SPURRIER: Does anyone else have any question of the witness?

MR. RANDOLPH: Representing Continental Oil Company. I have heard it said that the unit allowable does not effect the gross production of the state?

A (by Mr. Kinney) The unit allowable, an increase does not make any major increase in the production in New Mexico as it does in some of the other producing states.

MR. RANDOLPH: Just speaking for itself, the unit allowable does effect the way we produce our wells. We try to let each well stand for itself and those capable to produce the unit allowable, we do so, those that don't, we nominate accordingly. It is to our advantage to have a higher unit allowable.

MR. SPURRIER: Do you have a further comment?

MR. KINNEY: I have questioned a few engineers with major companies. The engineers are concerned with New Mexico production and I have asked them whether our present allowable is effecting the wells. In the opinion given me at this time there is no evidence to indicate that on a general basis we are hurting our wells. It is my opinion that the engineering departments of the various companies should make an attempt to present any evidence to the contrary to the Commission.

MR. SPURRIER: Does anyone have anything further?  
If not the witness is excused.

(Witness excused.)

MR. SPURRIER: If anyone has anything more for the record in this case, we might as well have it now. Mr. Morrell? Mr. Staley?

If not, I might say now that in view of the evidence presented here that I will discuss this matter with the rest of the Commission but in the meantime I am going to recommend that the allowable be set at 52 barrels.

If no ones has anything further we will take up the next case. Case Number 247.

(Mr. Graham read the notice of publication.)

MR. SETH: That case is not in complete shape and I have to move for continuation and I would like to move that it be continued to April.

MR. SPURRIER: To the regular April hearing?

Let the record show that Mr. Graham read the notice of publication.

Judge Seth made a motion that this case be continued to the regular April hearing which would be April 24. Is there any objection to the motion? There being no objections to the motion, I will recommend to the Commission that the case be continued to April 24. You will not receive any further legal notice on this case, but we will make a note of it when we advertise for the April hearing.

The next case is Case No. 253.

(Mr. Graham read the notice of publication.)

MR. ROSS MALONE: Gulf Oil Company is present and we are prepared to present testimony.

MR. SPURRIER: Will you please come forward?

MR. MALONE: We are prepared to present testimony on the extension of the boundaries of the Teague-Ellenburger pool.

(Witness sworn.)

R. L. B O S S,

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. MALONE:

Q State your name please?

A R. L. Boss.

Q By whom are you employed?

A Gulf Oil Corporation.

Q In what capacity?



A Zone Geologist.

Q Where do you reside?

A Hobbs, New Mexico.

Q Are you familiar with the present limits of the Teague-  
Ellenburger pool as delimited by this Commission?

A I am.

(Document, marked "Gulf's Exhibit 1" for identification,)

Q I hand you an instrument identified as "Gulf's Exhibit 1"  
and ask you to state whether that correctly depicts the limits of  
the pool.

A The limits as shown on the plat are the present limits as  
set up by the Commission.

Q Those limits are shown in pink on the plat?

A That's correct.

Q Has Gulf recently completed a well outside of the present  
limits of that pool?

A Yes, sir.

Q What is that well?

A That is the E. C. Hill No. 1 well.

Q What is the location of the Gulf E. C. Hill No. 1?

A The well is located 1980 feet from the south line and 1980  
feet from the west line of section 27, Township 23, south Range 37  
E, Lea County New Mexico, principle meridian.

Q Did you personally examine the examples on this well while  
it was being drilled?

A Yes, sir.

Q has it been completed as a producing well?

A It has.

Q Based on your examination of the producing examples and your observation from what formations is it producing?

A Ellenburger Dolomite. Ellenburger formations.

Q At what depth?

A 9785 feet, but it is producing through casing perforations between 9710 and 9750.

Q How does the depth of the producing horizon differ from the Ellenburger in the Teague-Ellenburger field?

A It is almost identical.

Q Has Gulf made a recommendation to the Commission as to the extent of the proposed extension of the Teague-Ellenburger field?

A They have recommended the pool be extended.

Q To include what additional acreage?

A To include the south half of section 27.

Q Is that the area that is shown in green on the Gulf's Exhibit Number 1?

A That's correct.

Q What is your opinion based on, the information presently available as to the extent of that deposit with reference to the south half of section 27?

A Our knowledge of the limits of the pool are, of course, somewhat limited by the lack of subsurface information available

in the pool but based on the information that is available this seems a reasonable extension of the productive area.

Q What would include one additional location south of the present limits, would it not?

A One additional location south.

Q By whom are these leases in the south half of section 27 owned, if you know?

A The acreage is controlled by the Amerada Petroleum Corporation, the Atlantic Refining Company and the Gulf Oil Corporation.

Q Is the E. C. Hill Number 1 actually owned by the three companies and operated by Gulf?

A Yes, sir.

Q Does the proposed extension meet with the approval of those companies?

A To the best of my knowledge it does.

MR. SPURRIER: Do you offer this as an exhibit in the case?

MR. MALONE: Yes.

MR. SPURRIER: It will be accepted as Exhibit No. 1.

Does anyone have any questions of this witness. If not, the witness will be excused. Thank you gentlemen.

(Witness excused.)

MR. SPURRIER: By way of little explanation of these extensions to pools and the designation of new pools I might say that companies are requested to submit information to the Commission, pertinent information about their well completion

whereupon the Oil Commission calls a hearing to extend that pool or to designate a new pool as the case may be, on its own motion. The reason we do that is to avoid having the companies make application every time they make an extension to a pool. We feel that it is probably easier for us to set it up than it is for you to employ some high priced lawyer to draw the application for you. With all due respect to the lawyers sitting out there.

MR. GRAHAM: The North Maljamar pool is in this same case.

MR. SPURRIER: Were you prepared to give testimony in that case?

MR. MALONE: Gulf is only interested in the Teague-Ellenburger.

MR. SPURRIER: Is anyone prepared to give us testimony on this North Maljamar pool? In the absence of anyone to present testimony I will read the letter into the record which we received on this extension. This letter is signed by G. B. Suppes, addressed to the New Mexico Oil Conservation Commission dated January 30. "

"Our Mitchell B-#5-E, located in the Southwest corner of the Southwest Quarter of the Northwest Quarter of Section 5-17S-32E., was completed in October, 1950.

"Our Mitchell B-#6-D, located in the Southwest corner of the Northwest Quarter of the Northwest Quarter of Section 5-17S-32E., was completed in December, 1951. The above two wells were completed in Zone 8. I think these two wells should

be added as an extension to the North Maljamar pool. Mitchell #5 is a top allowable well. Mitchell #6 will probably make from 10 to 12 barrels per day."

Does anyone have any further comment in this case? Mr. Morrell, do you have any comment either on or off the record. If there is no further comments on the case, I will say that I will recommend to the Commission that these two extensions be made as recommended by the Gulf and Suppes.

We also have a letter from Continental Oil Company which concerns the Drinkard pool. Mr. Randolph, would you care to make any presentation on that?

MR. RANDOLPH: I didn't come up with the express purpose of testifying in this case. If the Commission desires, I will be glad to.

MR. SPURRIER: If Mr. Shaffer didn't ask you to be prepared I believe we will read his letter into the record.

MR. RANDOLPH: I believe that will be sufficient.

MR. SPURRIER: We will let the record show the whole letter being read but actually I will read only the part of it that is pertinent to you as a matter of extension to the Drinkard pool. (Reads the letter.)

"Continental Oil Company, Hobbs, New Mexico, January 29, 1951. New Mexico Oil Conservation Commission, P. O. Box 871, Santa Fe, New Mexico. Gentlemen: The Continental Oil Company being the operator of the J. H. Nolan Lease, L. C. 032096 (b) on which is completed the J. H. Nolan No. 1, classified as a Wildcat

and located 660 feet from the South and West lines of Section 11-T 21S-R 37E, Lea County, New Mexico, wishes to present pertinent data to show that the present boundaries of the Drinkard Pool should be extended to include the subject well.

"The J. H. Nolan No. 1 was completed on October 15, 1950, at a plug-back depth of 6592 feet for an initial potential of 40 barrels of 38.6" tubing with 46.2 MCF gas per day for a gas-oil ratio of 1,155 cubic feet per barrel. Completion was made through perforations 6530-6535', 6542-6546', 6551-6560'. As the well has been pumping since completion, no bottom-hole pressure data is available.

"As shown on the attached cross-section, Exhibit "A", the Drinkard formation was encountered in the subject well at 6450' or a -3027 subsea datum. The electrical survey of the Continental Nolan No. 1 as compared to the E. F. Moran Owm Nes. 1 and 2 in Section 14-21-37, now included in the Drinkard Pool, substantiates the continuity of the Drinkard formation between the two leases.

" In view of the evidence presented herein, the Continental Oil Company respectfully requests that the boundary of the Drinkard Pool, Lea County, New Mexico, be extended to include the Southwest 1/4 of the Southwest 1/4 of Section 11, Township 21, Range 37 East.

Yours very truly,  
E. L. Shafer  
Supt. New Mexico District  
West Texas-New Mexico Division  
Production Department"

MR. SPURRIER: Does anyone have any comment on this particular extension? If not, that completes the case, gentlemen, and as I said before I will recommend all these extensions to the Commission as they have been recommended to us.

The next case is Case 254.

(Mr. Graham read the notice of publication.)

MR. SETH: I think the publication in this case was premature. I don't believe it is ready for hearing at this time, and I want it to be continued to the May hearing.

MR. GRAHAM: I might add that in the Land Office that application has not been formally presented. It is only in a proposed stage at this time.

MR. SPURRIER: Judge Seth has requested that the case be extended to the regular May hearing and the Oil Conservation Commission stands in default for advertising this case prematurely. There being no objection to Mr. Seth's motion, we will recommend to the Commission that the case be brought up for regular hearing in May which falls, I believe, on May 22. The legal advertisement having been made, we will not readvertise but we will give you a reminder in the notices which we will send out for the May hearing.

The next case is Case 256.

(Mr. Graham read the notice of publication.)

MR. SPURRIER: Here again Byrd-Frost applied to the Commission for an extension for a unorthodox location. It wasn't

within our rules and regulations. I should say that the rules and regulations didn't give me authority to approve it so it was necessary to call it for a hearing. Here again the Commission prepared the advertisement as the rules and regulations of the Commission provided that it may do in a case like this.

Who is appearing for the Byrd-Frost. Please, come forward.

(Witness sworn.)

JOHN O. CAROTHERS,

DIRECT EXAMINATION

By MR. SPURRIER:

Q Mr. Carothers, I wish you would state the case simply what you want to do here and exactly where you want the location to be and why Byrd-Frost is asking for this type of location.

A We made the location 990 feet from the north line and 790 feet from the west line, of section 15, Township 27 north Range 10 W, San Juan County, New Mexico.

The reason for making this location 790 feet is due to topographical conditions of the land. There is a deep canyon there and you cannot make the well location 990 feet due to this canyon. Under Rule 748, Section 2, Paragraph C, "Due to the terrain and location of the proposed well at a lesser distance in the Rules and Regulations can be permitted."

Q In other words, the Rules and Regulations provided for a hearing for an unorthodox location of this kind?

A That's right.



MR. SPURRIER: Does anyone have any questions of this witness? Mr. Morrell?

MR. CAROTHERS: I might also state that the Rules and Regulations require signature in writing from all the off-set operators in an unorthodox location. Byrd-Frost being the owners of all off-set leases, therefore, we didn't present any.

MR. SPURRIER: Did you say that the location is impossible or very expensive to make?

MR. CAROTHERS: Well, it is impossible to make 990.

MR. SPURRIER: If there are no further questions of the witness, the case will be taken under advisement.

The next case is Case 255.

(Mr. Graham read the notice of publication.)

MR. GRAHAM: Let the record show that this witness was sworn in the case 255 in which he is now testifying.

MR. CAROTHERS: This location is made for the same reason as the other one. 895 from the south and 895 from the west of Section 18, Township 27, north, 9E.9W, Kutz Canyon-Fulcher Basin pool, San Juan County, New Mexico. It is made in an unorthodox location due to topographical conditions off-set operators are Southern Union, Johnson and Johnson. Permission has been secured from both of these off-set operators and presented to the Commission.

MR. SPURRIER: What is your reason for making this unorthodox location?

MR. CAROTHERS: Due to topographical conditions.

MR. SPURRIER: Another impossibility.

MR. CAROTHERS: Yes. Another impossibility. The pictures of this location haven't been presented to the Commission showing the deep canyon.

MR. SPURRIER: If you desire, we will make those pictures a part of this case.

MR. CAROTHERS: I would like to.

MR. SPURRIER: And accept them as exhibits.

MR. CAROTHERS: I would like to present them as exhibits.

MR. SPURRIER: The pictures are very convincing. Does anyone else have any question from this witness? If not, the case will be taken under advisement and I will recommend that both of these cases be approved, Mr. Carothers.

Next case is 257.

(Mr. Graham read the notice of publication in Case No. 257.)

MR. SPURRIER: In this case, the Commission has called it on its own motion for the reason it is familiar to most operators in the San Juan Basin. Mr. Carothers has just presented two cases of unorthodox locations which would have not been necessary had the tolerance been granted in this Order 748 that is given in a similar order for the Blanco pool. In order to be consistent, the Commission is entertaining the idea of amending this order to give a tolerance and automatic tolerance of about 200 feet to be consistent with the other order and

and there stop many of these unorthodox applications, which do impose a bearing upon the operator.

We probably have no witnesses in this case but we will have Mr. Graham read the pertinent paragraphs of the order which we propose to change.

MR. GRAHAM: "This order Number 748 relating to spacing in the Kutz Canyon Fulcher Basin gas pool adopted June, 22, 1948, Section 1, Paragraphs A, B, and C.

Section 1: No well shall be drilled or completed or recompleted and no notice of intention to drill or drilling permit shall be approved unless,

(b) such drilling unit be in the shape of a square except for normal variations in legal subdivisions of the United States Land Surveys, and,

(c) Such well be located on its drilling unit at a distance from the unit boundaries of not less than 990 feet provided if such proposed new well is to be an off-set to any then producing gas well completed in the pool or drilling of which has been authorized prior to the effective date of this order located on an adjoining unit in which interests are not identical with those in the unit proposed to be drilled. Such proposed well may be located and drilled off-setting existing wells and as close to the common unit boundary as the well to be so off-set."

The problem is to insert a phrase in relation to a

tolerance. That is brought out by Mr. Carother's case.

MR. SPURRIER: Does anyone have any comment to make upon this problem? Mr. Morrell?

MR. MORRELL: I would like to ask if they have any definite wording in mind as to proposed change.

MR. SPURRIER: I would be glad to have the USGS submit a proposed wording.

MR. MORRELL: I would like to comment that the tolerance for adverse topographic reasons is warranted. I do feel though that Section 1b and 1c should not be modified as not being the proper place in the order for the modification. You have in Section 2c of the existing order 748 the following wording. "That because of the nature of the terrain, location of the proposed well at a lesser distance from one of the outer boundaries of its drilling unit should be permitted"

It is my suggestion that Section 2c be modified to cover this point that you are now desiring. In that connection I would propose not in final form but as a means of arriving at a modification, using the variance as set forth in Order 799 covering Blanco gas pool which reads:

"Section 1c: Subject to variations of 200 feet for topographic conditions."

Using that wording from Order 799, and applying it to Section 2c of Order 748, that because of the nature of the terrain a tolerance of, a variance of 200 feet for topographic conditions may be permitted.

In addition I think that variance could also be subject to approved modification of Section 1b. In other words, 1b of Order 748 provides for drilling units in the form of a square. I think that should be maintained as the ideal. But better than of prior drilling or ownership there may be circumstances where an "L" shape, say, might be worked out by mutual agreement, between adjoining operators. That would then also require less than 990 feet from the other boundary of that tract. So, my suggestion to modification of 2c is a dual suggestion. To cover 200 foot tolerance for topographical reasons and any approved modification of the shape of the drilling unit from that required under Section 1b. In approving unorthodox locations, the general local survey as to the Federal Lands requires the operator to make a showing to us as to reasonable necessity and any desirability of a location less than 990 feet from the outer boundary. Upon showing satisfactory evidence as submitted in this case, we have no objection to the approval, and we have approved both these applications that Mr. Carothers has testified to this morning.

MR. SPURRIER: Thank you, Mr. Morrell. Does anyone else have a comment?

There being no objections and with Mr. Morrell's suggestion, I will recommend to the Commission that this tolerance be provided.

Case No. 258 is next.

(Mr. Graham read the notice of publication in Case No. 258.)

(Witness sworn.)

**N E A L     N E E C E,**

having been first duly sworn, testified as follows:

MR. NEECE: I would like to introduce this plat as an exhibit in this case.

MR. SPURRIER: There being no objections, the exhibit will be accepted.

MR. NEECE: This plat was prepared from the official Township plat of the Surveyor General, Sections 6, 7, 18, 19, 30 and 31, in Township 29, north, Range 8 W, San Juan County, New Mexico, are all so narrow that it is impossible to approximate the regular 320 acre spacing. However, by commutising the short or the irregular west half of Section 6 with the irregular northwest quarter of Section 7, a unit of 341.14 acres is achieved.

By commutising the irregular southwest quarter of Section 7 with the irregular west half of Section 8, a unit of 347.87 acres is arrived at. By commutising the irregular west half of Section 19 with the irregular northwest quarter of Section 30 a unit of 347.46 is arrived at.

If we commutise the irregular southwest quarter of Section 30 with the irregular west half of Section 31 a unit of 340 acres is arrived at

We would respectfully request the Commission that the

units are commutised in this order.

MR. SPURRIER: Does Byrd-Frost own all the acreage that has been commutised.

MR. NEECE: No, we don't own all of 31 and we don't own all of 6. We have a well in the southeast quarter of the southwest quarter of Section 19 which is the approximate center of the unit that I have designated as No. 3. We do own all of that proposed unit. We would own all of unit No. 2 but we would not own all of unit No. 1 or all of unit No. 4.

MR. SPURRIER: Are you advised as to whether these other owners will be willing to commutise with Byrd-Frost?

MR. NEECE: No, sir. I am not. However, our position would be that if they are not willing, we wouldn't want the Commission to enter the order unless they were willing.

This is more or less, and I would like for the Commission to rule on unit No. 3 because we are effected and we do have a well there. But nobody else is effected there. And, I would like them to rule on No. 2 because we own all of it. But as to unit No. 1 and unit No. 4 I would not want the Commission to rule on them since I have not had an opportunity to contact the owners of those and I wouldn't want to take the position of asking the Commission to force signing them to commutise if they don't want to.

MR. GRAHAM: You are in favor of provisional order?

MR. NEECE: Yes, when it comes time to drill it if I can get the other people to go in with us, why, we would do it that way.

MR. SPURRIER: Do you have the recommendations for the location of other wells in these three other units?

MR. NEECE: No, sir, I would suggest they be located in the approximate center of the units.

MR. SPURRIER: This is all Federal land is it not? Mr. Morrell, I will call on you once more.

MR. MORRELL: We are in favor of the petition. We have requested that Byrd-Frost make the petition to the Commission so that it would be in accordance with the Commission's rules. I feel an order similar to order R-3<sup>5</sup> in Case No. 236 which was requested of the Delhi Oil Corporation for the communitization of narrower half sections on the west side of Township 30 north, Range 9 W, be adopted for the acreage covering Byrd-Frost application involving Township 29 north, Range 8 W.

MR. GRAHAM: Would you give the number again?

MR. NEECE: Case No. 236, Order R-35.

MR. MORRELL: The spacing of the wells as set forth in that order could be equally admitted to the case of Byrd-Frost.

MR. GRAHAM: In that case, Mr. Morrell, all the parties were in agreement.

MR. MORRELL: In this case they are all Federal lands and we won't approve the drilling unless they do communitize.

MR. SPURRIER: Is there any further comment in this case or any questions of the witness? If not the witness may be



excused and the case will be taken under advisement.

Case No. 259 is next.

(Notice of publication read by Mr. Graham in Case No. 259.)

(Witness sworn.)

P A U L B. P A L M E R.

having been first duly sworn, testified as follows:

MR. SPURRIER: Just go ahead and state your case.

MR. PALMER: I am Paul B. Palmer, Farmington, New Mexico, representing Paul B. Palmer Associates.

I would like first to present a letter to your Commission and ask that it be inserted into the record from Mr. Hoy.

MR. SPURRIER: Mr. Palmer has presented a letter addressed to the Oil Commission from G. W. R. Hoy. There being no objections, the letter will be accepted in this case as Exhibit Number 1. And for your information I will read the letter.

"Gentlemen: On date of August 23, 1950, the undersigned wrote a letter to Mr. Al Greer, Oil and Gas Inspector, Aztec, New Mexico, on behalf of Mr. E. J. Chivers and Mr. Sam H. Carson, both of Farmington, New Mexico, relative to the above well.

"Also, on date of August 14, 1950, Messrs. Carson and Chivers wrote a letter to Mr. Greer relative to the above

mentioned well, requesting certain information relating thereto.

"Since the foregoing letters were written, the differences between Messrs, Chivers and Carson and the parties for whom they were drilling the above well all have been amicably disposed of. For that reason any objection or objections heretofore filed by the undersigned on behalf of Carson and Chivers hereby are withdrawn and request hereby is made that the Commission disregard any such objections.

"It is my understanding that the parties in interest in the well, principally, C. C. Mumma, P. M. Smoak, I. J. Coury, J. D. Hubbard, Sam H. Carson, Paul B. Palmer, W. H. Peacock, and Joe W. Bostick are ready and able to proceed with completion of the well upon granting of permission by the Commission so to do. Very truly yours, G. W. R. Hoy."

You may proceed.

MR. PALMER: This well is drilled down to a depth of approximately ten hundred and five feet. The objective is the pictured cliff formation which is estimated to be at 1050. So, it would appear that the well is practically on the top of the picture cliff formation.

From the best information that we have, this well was drilled to that point, I believe, about last - the end of last May as I recall or early June perhaps. A 1005 approval of this ~~un~~methodox location was made by the Commission and after that time some objection was made as this letter indicated, partly

from a misconception of the matter being unorthodox location and I believe the letter, the former letter from Mr. Hoy which is in the file indicates the latter was in Section 19, which is approximately 2 miles away from where it actually is. The principle reason for the request in this case is the peculiarity of the terrain in that the San Juan River cuts our acreage, we might say, in three portions. We have sort of an "L" shaped area there, the river cuts right through the main portion or the west side of the "L" and leaves the heel off the "L" in one area which is this area where the well is and the area across the river to the north and another area over to the south and the southeast.

If we went to the center of the section or close to it it would be approximately impossible to drill there at least without tremendous expense. It would be in the - if not in the river it is at least in the river at flood stage.

Immediately south of us or, that is, approximately the section lying south of us rises a cliff of approximately six or seven hundred feet perhaps. This leaves us, you might say, three areas there of approximately 200 acres each. Not entirely in blocks but approximately so.

We believe, because of the peculiarity of the terrain that in this heel of the "L" this is about the best location that could be possibly arranged and we feel it is fair enough from the section lines that there is no possible objection.

I would like to say this, too, that this is entirely Wildcat area. There are no producing wells I believe within six or seven miles but that would be subject to correction. But I think it is approximately right. It is outside the boundaries of any designated pools, I believe. I don't know that there is anything further that I care to add unless there would be some questions.

MR. SPURRIER: Do I understand from Mr. Hoy's letter that there are no objections from the off-set operators to your location?

MR. PALMER: I don't know that the letter itself would give that impression but I would say this, that there are no leases around about us at all so far as I know. We control or have or own everything in that immediate area so far as my information is concerned. Not only in this section but also to the sections east, south and southeast.

MR. SPURRIER: Does anyone have a question of this witness. If there are no further questions of the witness and in the absence of objections, I will recommend to the Commission that this location be approved.

(Witness excused.)

MR. SPURRIER: Anything further to be brought before the Commission?

(Discussion off the record.)

MR. SPURRIER: Meeting is adjourned.

STATE OF NEW MEXICO     )  
                              :    ss.  
COUNTY OF BERNALILLO    )

I HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Commission in Santa Fe, New Mexico, February the 20th, 1951, is a true and correct record of the same to the best of my knowledge, skill and ability.

DONE at Albuquerque, New Mexico, this 2nd day of March, 1951.

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REPORTER

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