

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

TRANSCRIPT OF HEARING

Cases No. 635
638 and 639
(Consolidated)

January 20, 1954
Regular Hearing

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

January 20, 1954

In the Matter of:

Skelly's application for approval of 120 acre
unorthodox gas proration unit in the Langmat
Gas Pool: W/2 SW/4 and NE/4 SW/4 32-24S-37E

Skelly's application for approval of 40 acre
unorthodox gas proration unit in the Eumont
Gas Pool: NW/4 SE/4 30-20S-37E

Cases No. 635,
638 and 639

(Consolidated)

Skelly's application for approval of 80 acre
unorthodox gas proration unit in the Eumont
Gas Pool: E/2 NE/4 32-20S-37E

(Notice of Publication read by Mr. Graham)

MAX E. CURRY

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. SELINGER:

Q State your name.

A Max E. Curry.

Q You are associated with what company?

A Skelly Oil Company.

Q In what capacity?

A As Petroleum Engineer.

Q Where are you located, Mr. Curry?

A Hobbs, New Mexico.

Q Are you familiar with Skelly Oil Company's operation in Lea
County, New Mexico?

A I am.

Q Are you familiar with Skelly Oil Company's State M Lease in the Langmat Gas Pool?

A I am.

Q How much of a lease is that?

A It consists of 120 acres all within a single quarter section.

(Skelly's Exhibit No. 1, Case 653,
marked for Identification)

Q I will hand you what has been marked as Skelly's Exhibit No. 1. Does that indicate the State M Lease?

A It does.

Q What is the description of that tract?

A The description would be the west half and the northeast quarter of the southwest quarter of that section.

Q What is that, Section 32?

A Section 32.

Q Township 24 South, Range 37 East?

A That is correct.

Q Does Skelly Oil Company have a gas well on that 120 acre tract?

A They do.

Q Which well is it?

A It is the State M No. 3 Well, located in the northeast quarter of the southwest quarter.

Q Who owns the remaining acreage in the southwest quarter of Section 32?

A Atlantic Refining Company.

Q Is there a gas well, to your best knowledge and information, on

that 40 acre tract?

A That is correct, there is.

Q How many gas wells are there in the southeast quarter of Section 32, to your best knowledge?

A There are three wells on the southeast quarter of Section 32.

Q So that in the south half of Section 32, at the present time, there are five producing gas wells?

A That is correct.

(Skelly's Exhibit No. 2, Case 635,
Marked for Identification)

Q I will hand you what has been marked as Skelly's Exhibit No. 2. Does that instrument give the completion data on this particular well?

A It does.

Q When was this well completed as a gas well?

A In June, 1951.

Q Is this well a dually completed oil and gas well?

A It is.

Q Was the oil well completed prior to the completion of this well as a gas well?

A It was.

(Skelly's Exhibit No. 3, Case 635,
Marked for Identification)

Q I will hand you what has been marked as Exhibit No. 3, and ask you to state what that is.

A Exhibit No. 3 is an Allan Wells radio activity log, which is run on the State M. No. 3 Well. On this log the information concerning completion of this well is indicated, showing the perforations,

the manner of segregation of the two zones, and showing the oil pay zone.

Q Is this well, according to Exhibit No. 3, producing gas from what is now classified by the Commission as the Langmat Gas Pool?

A It is.

MR. SELINGER: We would like to offer in to evidence Skelly's Exhibits No. 1 through 3, inclusive.

MR. SPURRIER: Without objection they will be admitted.

MR. SELINGER: That is all we have of this witness in this particular case, Case 635.

MR. SPURRIER: Any questions of the witness? If not, he may be excused.

MR. SELINGER: We are ready to proceed in Case 638, if the Commission please.

MAX E. CURRY

having been duly sworn, testifies further as follows:

DIRECT EXAMINATION

By MR. SELINGER:

Q Mr. Curry, are you the same Mr. Curry that testified in Case 635?

A I am.

(Skelly's Exhibit No. 1, Case 638,
Marked for Identification)

Q Mr. Curry, I will hand you what has been marked as Skelly's Exhibit No. 1 in Case 638. Is that a plat of the area?

A It is.

Q How many wells, Mr. Curry, are there in the southeast quarter

of Section 30?

A There are two gas wells, Cities Service State No. 2 and Skelly State G No. 1.

Q How many acres does Skelly have in the southeast quarter of that section?

A 40 acres.

Q How many acres does Cities Service have in that quarter section?

A They have the remaining 120 acres.

Q What is the description of that section, is that Section 30, Township 30 South, Range 37 East?

A It is.

(Skelly's Exhibit No. 2, Case 638, Marked for Identification)

Q I will hand you what has been marked as Skelly's Exhibit No. 2 in Case 638, and ask you to state if that is the data indicating the completion of the particular well involved?

A That is correct, it is.

Q When was Skelly Oil Company's State G No. 1 completed?

A It was completed as an oil well in 1937, the month of January.

Q When was this well completed as a gas well?

A September, 1951.

Q Is this well now a dually completed oil and gas well?

A It is.

Q Is this well producing gas from the, what the Commission has now classified as the Eumont Gas Pool?

A That is correct, it is in the Queens Formation.

(Skelly's Exhibit No. 3, Case 638,
Marked for Identification)

Q I will hand you what has been marked as Skelly's Exhibit No. 3 in Case 638, and ask you to state whether or not that indicates the perforations of both the oil and the gas in this well?

A It indicates the perforations of the gas zone and shows the open hole producing interval of the oil zone.

Q Do you know whether or not the Cities Service Well is a dually completed oil well and gas well, or strictly a gas well?

A I do not know. To the best of my knowledge it is a producing gas well.

MR. SELINGER: I would like to offer in evidence Skelly's Exhibits No. 1 through 3, inclusive, in Case 638.

MR. WALKER: They will be admitted.

Q Mr. Curry, has Cities Service, the owner of the 120 acres in this particular quarter section, indicated to you their desire of forming one unit covering the southeast quarter of Section 30, or whether they desire to form their own 120 acre unit?

A They have indicated by letter that they desire to form a 120 acre unit embracing this lease in this southeast quarter of this section.

(Skelly's Exhibit No. 4, Case 638,
Marked for Identification)

Q I will hand you what has been marked as Skelly's Exhibit No. 4 in Case 638. Is that a copy of the letter you received?

A This is the letter.

Q This is the letter you received from Cities Service?

A That is correct.

MR. SELINGER: We would like to offer Exhibit No. 4.

MR. WALKER: It will be admitted.

MR. SELINGER: I believe that is all we have in this particular case. We are ready to proceed in Case 639 if no one has anything in Case 638.

MR. WALKER: Proceed with Case 639. Are there any questions that anyone cares to ask regarding this case? Okay, proceed with 639.

MR. MASSEY: H. E. Massey, of the Cities Service Oil Company. We would like to know Skelly's position in regards to our standard unit 120 acres.

MR. SELINGER: We have no objection to Cities Service's 120 allocation for your well. At the last hearing we took the position that it is quite obvious where the gas wells are already drilled, there is nothing you can do short of shooting down somebody's gas well. Since Cities Service have indicated they desire their 120 acres assignable to their well we have no alternative but to assign 40 acres to our well. If they desire their 120 we have no objection.

MR. SPURRIER: Any other questions or comments regarding these cases? If not we will move on to 639.

(Skelly's Exhibit No. 1, in Case 639,
Marked for Identification)

Q Mr. Curry, with respect to Case No. 639 were you here last month when Bert Fields, in Case 626, testified with respect to the assignment of all of the acreage in Section 32 not assignable to Atlantic and Pacific Western?

A I was.

MR. SELINGER: If the Commission please, this is a companion case to 626 in which the Bert Fields had assigned 160 acres and the remaining acres in this section is assignable to the P. W. 80 acre tract and the Gulf have their own acreage.

(Skelly's Exhibit No. 2 in Case 639,
Marked for Identification)

Q Mr. Curry, I - - with respect to Case 639, Exhibit No. 1 what is the description of the Pacific Western State D Lease?

A The State D Lease consists of 80 contiguous acres bounded by the east half of the northeast quarter of Section 32, Township 26 South, Range 37 East.

Q Does that adjoin the 160 acres requested in the Bert Fields application, Case 626?

A It does.

Q Now, to the west of the Bert Fields application for its unit what is the status of the 80 acres?

A That 80 acres is operated by Atlantic and they have two gas wells. It is their State O No. 1 and State O No. 2 Wells.

Q So, with respect to the north half of Section 32 at the present time there are now four producing gas wells, is that correct?

A That is correct.

Q I will hand you Skelly's Exhibit No. 2 in Case 639. Is that the completion data on the Pacific Western State D No. 1 Well?

A It is.

Q When was that well completed?

A It was completed as an oil well in December, 1936.

Q When was that well completed for gas?

A In May, 1951.

Q Is that a dually completed oil and gas well?

A It is.

Q Is that well producing gas from what is now classified by the Commission as the Eumont Gas Pool?

A It is.

(Skelly's Exhibit No. 3 in Case
369, Marked for Identification)

Q Referring to Skelly's Exhibit No. 3 in Case 639 what does that indicate?

A It indicates the manner of completion of, the completion and segregation of the oil and gas zones and the manner in which it was done.

Q With the granting of the application in Case No. 626 and this application, 639, would the entire north half of Section 32 be assignable to the presently drilled gas wells?

A It would.

Q Now, Mr. Curry, I want to ask you a general question, with respect to all three of the cases, that is, Case 635, Case 638 and Case 639. In each instance Skelly Oil Company is requesting an unorthodox unit confined within the governmental quarter sections, is that correct?

A That is correct.

MR. SELINGER: We would like to offer in evidence Skelly's Exhibits No. 1 through 3, inclusive.

MR. SPURRIER: Without objection they will be admitted.

MR. SELINGER: We have nothing further in any of the three cases.

MR. SPURRIER: Is there a question of the witness?

MR. FOSTER: I would like to ask the Commission a question. Does the Commission regard the units in these three cases as unorthodox units?

MR. SELINGER: I will say insofar as the applicant is concerned we consider all three of them unorthodox.

MR. FOSTER: That was obvious to me. I didn't know what the Commission was thinking. The reason I ask, we have got some units like this. We just didn't bother to come in here and establish them after notice and hearing as to unorthodox units. In interpretation of the rules we didn't think it was necessary. Is a non-standard unit to be regarded as an unorthodox unit?

MR. WALKER: I don't know whether I can answer for the Commission, I don't believe I am qualified to answer the question at this particular time, because I don't know what is on the docket. I think you are entitled to some kind of an answer. I can't answer the question speaking for myself.

MR. FOSTER: We don't want to get into trouble with the Commission. We hadn't regarded them as unorthodox, requiring notice and hearing.

MR. STANLEY: I think I can answer your question, Judge Foster. You can choose either one of two methods to dispose, this is our interpretation of the proration unit, to dispose of any acreage less than 160 acres and lying within a quarter section. You can do it by waivers and either come before the Commission and request a hearing.

MR. FOSTER: Do you interpret less than 160 acres or more than 160 acres in a governmental quarter section constituting an un-

orthodox unit?

MR. STANLEY: In my interpretation if you have any acres that is less than 160 and lies within a legal subdivision or quarter section, that may be classified as an unorthodox unit as far as the proration schedule. Our interpretation is that you can dispose of it by getting waivers from the offset operators or come before the Commission for a hearing.

MR. SPURRIER: To the Judge, I can't answer your question. If I could I would have.

MR. FOSTER: I thought any defined unit was not an orthodox unit. The rules do define a standard unit wouldn't be an unorthodox unit, because it is defined. By the same rule a non-standard unit wouldn't be unorthodox because it is defined, we know what it is, the Commission has already told us. We have assigned acreage to some of our wells based on that interpretation of the rules, without bothering to come up here and take up the time of the Commission and try to establish a unit that the Commission has already defined. I just want to know which way to go. Since you defined them I thought that would constitute a unit assigned to the well either already assigned to the unit or on a well already drilled to the unit, just like a standard unit, particularly when all the land in the unit, if it isn't a legal quarter section. I think we ought to get an official ruling from the Commission on it. We have some others that we want to know what to do with.

MR. SELINGER: If the Commission please we interpret it to mean that the non-standard unit, or unorthodox, any unit containing less than 160, or as the rule says, containing less than 158 or not,

lying in a governmental legal quarter section. Now, Rule 2 says that each well drilled or recompleted within the whatever gas pool it is shall be located on a tract, not "may" but "shall" be located on a tract consisting of not less than a quarter section of approximately 160 surface contiguous acres, substantially in the form of a square which shall be a legal subdivision quarter section of the United States Public Lands Survey. You are prohibited, anybody is prohibited from drilling or recompleting a well on less than 160 acres. Your Rule 2 says that.

MR. FOSTER: Suppose you already got one?

MR. SELINGER: That talks about a recompleted well. It also says in Rule 7, I think the language is clear, "for the purpose of gas allocation," that means you have the well drilled, you have complied with Rule 2 or else the well was drilled prior to the adoption of Rule 2, for the purpose of gas allocation. It means that every gas well that is completed has to come up for gas allocation, it says, for the purpose of gas allocation in this gas pool a standard proration unit shall consist, it defines the amount of acreage in the form of a square within a legal subdivision of a quarter section. Then it has the exemptions route, which says, "provided, however, a gas proration unit other than a legal quarter section may be formed after notice and hearing". In other words, you have anything less than a governmental quarter section, 160 acres, you can only get relief here by notice and hearing. Then, it says there is another alternative route, that is to go before the Secretary of the Commission by the waiver route. I think the rule is very clear, that anybody having less than 160 acres on other than a govern-

mental quarter section, in the first place can't drill a well on it, can't recomplete the well on it unless he meets the requirements. Then if the well was recompleted prior to the adoption of Rule 2, then every well has to come up for an assignment of acreage. You have to follow Rule 7-A, I think the rule is clear. We have done two of three things, we have filed all of our requests for exemptions before the Commission, and secondly, as some of the offset operators know, we have refused to give waivers because we feel that all the matters should be presented to the Commission in the form of a hearing until such time as the procedure is definitely established by the Commission.

That is all we have in our three cases.

MR. VICKERY: If the Commission please, I am J. H. Vickery, with Atlantic Refining Company. I would like to ask Mr. Selinger a question, please.

MR. SELINGER: Yes.

MR. VICKERY: We have one waiver returned to us unsigned, concerning our State 24 Lease, which is concerned in Case 635 today, in which you are requesting the 120 acre allowable.

MR. SELINGER: In Case 635. Go ahead.

MR. VICKERY: I believe you stated in a letter to us, it wasn't exactly clear, that the Commission policy was not exactly clear in relation to matters of this kind. I wonder if you would clarify the statement and point out exactly where it needs qualification. To me the rule is very clear.

MR. SELINGER: I think the rule is very clear. Judge Foster has a different opinion, you might ask him that question.

MR. FOSTER: I think the rule is clear, I just don't think it is clear like you do.

MR. SELINGER: At least we have followed our opinions at an open hearing and presented all of our cases before the Commission.

MR. FOSTER: We are not filing any objection. I say the Commission ought to give us some rule regardless. Apparently here the way I read it, it is perfectly clear to me. We don't need this kind of hearing. The way you read it it is clear to you that you do.

MR. SELINGER: Yes, it is clear to me.

MR. VICKERY: Rule 7-A and B seem to me to outline a very definite policy.

MR. SELINGER: Are you referring to waivers?

MR. VICKERY: That is right, in regard to waivers.

MR. SELINGER: We think that all the exemptions should be presented to the Commission at open hearing. We think that not only are the people involved in a particular section involved, but I think the people surrounding that section likewise are involved, because you have the matter of density, two or three of you operators may agree to do a certain course of action within that section. I think it involves the surrounding offset operators in other sections. I think the matters should be brought out in an open hearing so that operators in adjoining sections, like Humble did today, have an opportunity to get just what is going on. I think they are entitled to it.

MR. VICKERY: Don't you think they are entitled to it when you request a waiver from them?

MR. SELINGER: No, because the waivers can be changed without

the majority of operators in field knowing about it.

MR. VICKERY: You object to waivers as a general policy?

MR. SELINGER: No, I didn't express any opinion about waivers. I told you that Skelly will not sign any waivers to any surrounding offset that would require them to have an open hearing after notice. I didn't say whether it is good or not. Everybody is entitled to their opinion, whether they want to go the waiver route or go the way by open hearing route.

MR. VICKERY: It looks like Skelly has taken the position that the open hearing is absolutely necessary in all cases.

MR. SELINGER: I say that the open hearing is the better of the two, that is what I say.

MR. RHODES: Mr. Vickery, do you have any objection to these Skelly applications?

MR. VICKERY: No, sir, I have no objection to them.

MR. MACEY: Do you have any objection if Atlantic was to file for a hearing in their particular 40 acre tract?

MR. SELINGER: No, sir. I say this, I think it is the duty of this Commission to see that no small operator gets hurt with an isolated 40 acre tract. I think that every case must stand on its own bottom. I think the fundamental duty of the Commission is to prevent the drilling of unnecessary wells, and secondly to protect correlative rights in seeing that all acreage within a governmental quarter section and governmental half section, or at most a governmental section, is adequately taken care of so there are no loose ends left out with unassigned acreage.

MR. SPURRIER: As a member of this Commission that is what I

thought the rule intended.

MR. SELINGER: That was our opinion that the rule intended that too.

MR. STANLEY: That is your company policy, to choose the hearing route rather than the waiver route.

MR. SELINGER: I am not criticizing the waiver route, I say where skelly acreage is involved we think it goes beyond just the agreement between two operators or three operators, how they are going to divide up their acreage. I think the surrounding operators are entitled to know the situation too.

MR. SPURRIER: Anyone else have a comment in these cases?

MR. MACEY: For the purpose of straightening this out, Mr. Selinger, to review your six cases, you want 634 continued to February; 635 you presented testimony; 636 you requested dismissal; 637 you are going to consolidate it with the Amerada Case 645 --

MR. SELINGER: That is right.

MR. MACEY: 638 you presented testimony, and 639 you presented testimony.

MR. SELINGER: That is entirely correct.

MR. SPURRIER: We will take the cases just heard under advisement and move on to Cases 640 and 641.

STATE OF NEW MEXICO)
 : ss
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, do hereby that the foregoing and attached transcript of hearing in Cases 635, 638 and 639, before the Oil Conservation Commission, State of New Mexico, at Santa Fe, on January 20, 1954, is a true and correct record of the same to the best of my knowledge, skill and ability.

DATED AT ALBUQUERQUE, NEW MEXICO, this 27th day of January, 1954.

ADA DEARNLEY & ASSOCIATES
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