

1 BEFORE THE OIL CONSERVATION COMMISSION
2 OF THE STATE OF NEW MEXICO

3 APPLICATION OF SIMMS AND REESE
4 OIL COMPANY FOR EXCEPTION OF
5 CERTAIN LANDS AND OIL WELLS
6 FROM COMMISSION ORDER NO. R-111.

7 APPLICATION

8 Simms and Reese Oil Company, a partnership, hereinafter
9 called Applicant, respectfully makes application to the Oil Con-
10 servation Commission of New Mexico, hereinafter called Commission,
11 as follows:

12 1. Applicant requests the deletion from the provisions
13 of Commission Order No. R-111 of Section 33 and the $W\frac{1}{2}$ of Section
14 34 in Township 18 South, Range 30 East, N.M.P.M.

15 2. In the alternative, Applicant requests the Commission
16 to except from the provisions of said order oil and gas well known
17 as McClay No. 1, located on the $NE\frac{1}{4}$ of the $SE\frac{1}{4}$ of Section 33, Town-
18 ship 18 South, Range 30 East, N.M.P.M., and oil and gas well known
19 as McClay No. 2, located upon the $SE\frac{1}{4}$ of the $NE\frac{1}{4}$ of said Section
20 33.

21 In support of said application, applicant shows to the
22 Commission as follows:

23 1. Applicant is the owner of an oil and gas operating
24 agreement granting to it the sole and exclusive right to prospect
25 for and produce oil and gas on 400 acres of land located in said
26 Section 33 and the $W\frac{1}{2}$ of said Section 34 under Federal Oil and Gas
27 Lease LC-028978(b) from deposits above a depth of 3500 feet from
28 the surface.

29 2. Applicant is the owner of the above described oil
30 and gas wells and states the following facts with reference there-
31 to:

32 a. McClay No. 1. This well was originally
drilled in the year 1935 to a reported depth of
3556 feet and was plugged and abandoned. In the
year 1954 applicant reentered said well and cleaned
it out to a total depth of 2903 feet. $7\frac{1}{2}$ inch
surface casing was set on top of the salt section
and water shut-off obtained. The salt section
was found to be leached out to the extent that
it would be impracticable to attempt to fill the
annulus around the production string with cement
as required by Order No. R-111. 4 inch production
string was set at 2903 feet and cemented with 100
sacks. A Gamma Ray - Neutron log was taken, the
casing was perforated and after sandfrac treat-
ment the well made a commercial producer on Sep-
tember 1, 1954. Production has declined to ap-
proximately 25 barrels of oil per day at the time
of this application. During the progress of the
above stated operations, Applicant communicated
with Southwest Potash Corporation, who at one
time held a potash prospecting permit covering
the above described area and ascertained that
said company had no interest in the area, having
concluded from core tests that it did not contain

1 potash minerals in commercial workable quantities.
2 Applicant communicated with Duval Sulphur and Potash
3 Company and ascertained that this company did not
4 hold a potash prospecting permit in its name cover-
5 ing said area, but that some individual in Santa Fe
6 had a potash prospecting permit which he was hold-
7 ing for the benefit of said company. Responsible
8 officials of said last named company stated to Ap-
9 plicant that the company would not insist upon
10 compliance with Order No. R-111 as to said well
11 and applicant is informed that this is the present
12 position of said company. Mr. C. L. Jones, Geologist,
13 stationed at Carlsbad with the United States Depart-
14 ment of the Interior of the Geological Survey, under
15 date July 29, 1954, advised in writing that he had
16 examined the radiometric well log above mentioned
17 and that said log does not show any indications
18 that the well penetrated a valuable deposit of
19 potassium minerals, and further that his records
20 did not indicate that the lands in the vicinity
21 of said well can be considered as being valuable
22 for potash.

23 b. The well known as McClay No. 2 was drilled
24 in the year 1954, completion being made about Decem-
25 ber 1, 1954. 8 5/8ths inch surface casing was set
26 on top of the salt and cemented with 80 sacks of
27 cement, circulative to surface. No showing of oil
28 or gas was found at any depth above 3,035 feet.
29 The producing zone in the McClay No. 1 well was
30 found at 2844 to 2863 feet and this zone was barren
31 in well No. 2, and No. 2 was drilled to a total
32 depth of 3,070 feet and 5 1/2 inch casing was set at
the point and cemented with 100 sacks. The casing
was perforated from 3,035 and 3,065 feet and after
sandfrac treatment the well produced at the rate
of some 40 barrels per day for a short while, but
rapidly declined and for the past two months has
been making approximately 5 barrels of oil per day.

3. Sufficient core tests have been made in and around
said Section 33 and the W¹/₂ of said Section 34 to demonstrate that
said area does not contain potash minerals in commercially workable
quantities so that the purpose and objection of said Order No.
R-111 will no longer be served by retaining this area within the
potash area covered by said Order. Section II (2) of said Order
recognizes the fact that ~~either~~ area embraced in said Order might
thereafter be deleted from the defined area and no good reason
exists for retaining the area in question within the purview of
said Order No. R-111.

4. The nature of the oil deposits in the area in question
is such that a prudent operator must hesitate to do additional

1 drilling in the event he is required to comply with the casing and
2 cementing requirements of Order No. R-111. Well No. 2, above men-
3 tioned, which was an offset to well No. 1, above mentioned, entirely
4 missed the pay section from which well No. 1 is producing, and the
5 pay section from which well No. 2 is producing is not such as to
6 justify further development except upon an exploratory basis.

7 5. Due consideration for the correlative rights of the
8 oil and gas leaseholders and of those interested in the production
9 of potassium minerals will disclose that there is no prospect of
10 the presence of potassium minerals in the area in question in com-
11 mercially workable quantities, and that no company has any plan or
12 program for further prospecting for potassium minerals or for min-
13 ing in said area. Such consideration will further disclose that
14 oil may be developed in such area in commercial quantities, but
15 that such development is extremely hazardous due to the spotty
16 character of the deposits and the uncertainty as to the life of the
17 wells. In the light of these facts regulations as to casing should
18 be such as to permit further exploration and development without
19 requiring an undue waste of casing which will be entailed by en-
20 forcing the cementing regulations contained in Order No. R-111.

21 6. In the event the area in question is not deleted from
22 said Order No. R-111, an exception from the provisions of said
23 Order should be made as to well No. 1 for the reason that said
24 well was completed in its present condition on the representation
25 of Duval Sulphur and Potash Company that it would raise no objec-
26 tion thereto and for the further reason that the amount of cement
27 required to fill the annulus behind the production string would be
28 so great as to render the project uneconomical. Well No. 2 should
29 be excepted from said Order because the small amount of production
30 obtainable therefrom is insufficient to justify the relatively
31 large expenditure of money required to fill the annulus behind the
32 surface string with cement, and because of the fact that said well

1 in all likelihood will have to be plugged and abandoned in a short
2 while unless the Applicant elects to drill said well to a deeper
3 depth in the search for additional producing zones.

4 WHEREFORE, APPLICANT PRAYS that said Section 33 and the
5 $W\frac{1}{2}$ of said Section 34 be deleted from the potash area defined in
6 Order No. R-111 and in the alternative, that the above described
7 wells, No. 1 and 2, be excepted from said Order.

8 DATED at Carlsbad, New Mexico, this 17th day of February,
9 1955.

10 SIMMS AND REESE OIL COMPANY

11 By Geo L. Reese, Jr.
12 Partner

13 STATE OF NEW MEXICO)
14 : ss.
15 COUNTY OF EDDY)

16 GEO. L. REESE, JR., being first duly sworn on oath, de-
17 poses and says:

18 That he is one of the general partners of Simms and Reese
19 Oil Company, a partnership; that he has read the foregoing Applica-
20 tion and understands the contents thereof, and that the statements
21 therein contained are correct and true, except such matters as are
22 stated upon information and belief, and as to the latter he verily
23 believes the same to be true.

24 Geo L. Reese, Jr.
25 SUBSCRIBED AND SWORN to before me this 17th day of Febru-
26 ary, 1955.

27 Katherine C. Perry
28 Notary Public

29 My Commission expires:

30 9 October 1955

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