

BEFORE THE
OIL CONSERVATION COMMISSION
Hobbs, New Mexico
April 25, 1956

IN THE MATTER OF:

CASE NO. 1058

TRANSCRIPT OF PROCEEDINGS

NEW MEXICO OIL CONSERVATION COMMISSION
MABRY HALL - STATE CAPITOL
SANTA FE, NEW MEXICO

REGISTER

HEARING DATE April 25, 1956 TIME: 9:00 a.m.

NAME:	REPRESENTING:	LOCATION
J. M. M. Cagney	Shell Oil Co.	Hobbs.
W. G. Abbott	Amerade	Mohammet, N.M.
Layton A. Webb	Sinclair Oil & Gas	Midland, Tex
William R. Loar	Sunray Mid-Continent	Box 2039 Tulsa, Okla,
James H. Hinkle	Humble Oil & Ref. Co.	Freemont, N.M.
E. W. Nestor	SHELL OIL COMPANY	MIDLAND, TEX
W. T. Wheeler Jr	CONTINENTAL Oil Co.	EUNICE, N.M.
L. W. Folmar	The Texas Co.	Fort Worth, Tex.
John P. McNaughton	N. G. Penrose, Inc.	Ft. Worth, Tex
H. N. Wade	The Texas Co.	Ft. Worth, Tex.
R. J. Montgomery	OCC	Hobbs
O. K. Gilbreth Jr	Gulf	Roswell
James D. W. W.	O.C.C.	S. F.
Jack Campbell	Campbell & Russell	Roswell NM
P. W. Smith	I.P.C. Fuel Co.	Hobbs
Paul S. Johnson	Gaskle Oil Co.	Hobbs
Al S. Devery	Humble Oil & Refining Co.	Midland Texas
Joe Graybeal	✓	✓
A. H. Kamen	K. I. Dunn Natural Gas	K. I. Dunn

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HEARING DATE April 25, 1956 TIME: 9:00 a.m.

NAME:	REPRESENTING:	LOCATION
R. M. Anderson	Sinclair	Midland
W. T. Lyon	Continental Oil Co	Roswell, N. M.

BEFORE THE
OIL CONSERVATION COMMISSION
Hobbs, New Mexico
April 25, 1956

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Application of Sunray Mid-Continent Oil Company)
for the determination of the allowable for its pro-)
posed State "J" Well No. 1 to be located in Section)
1, Township 12 South, Range 33 East, Bagley-)
Siluro-Devonian Pool, Lea County, New Mexico.)

Applicant, in the above-styled cause, seeks an)
order granting an allowable equal to that of a standard)
40 acre proration unit with deep pool adaptation in)
accordance with Commission Order R-69 (c); said)
allowable to be granted to its proposed State "J")
Well No. 1 to be located 330 feet from the North line)
and 330 feet from the West line of Section 1, Town-)
ship 12 South, Range 33 East, Bagley-Siluro-Devonian)
Pool, Lea County, New Mexico. Applicant proposes)
to dedicate to said well the W/2 W/2 of the NW/4 of)
said Section 1.)
-----)

Case No. 1058

BEFORE:

Warren W. Mankin, Examiner

TRANSCRIPT OF HEARING

EXAMINER MANKIN: Hearing will come to order. First case that we have today is Case 1058 which is the application of Sunray-Mid-Continent Oil Company for the determination of allowable for the proposed State "J" Well No. 1 in the Bagley-Siluro-Devonian Pool. I might state right here this is a companion case to Case 1049 which was heard on April 3 for an unorthodox location in the same pool and the same well. Proceed.

CLARENCE SYMES

Called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By WILLIAM R. LOAR:

Q State your name and occupation.

A Clarence Symes, Jr., District Geologist for Sunray Mid-Continent Company, Roswell District.

Q. What is your educational background, Mr. Symes?

A I received a B.S Degree in Petroleum Engineering, geology optional, from Texas Technological College.

Q What has been your practical experience?

A I have been geologist or district geologist for 10 1/2 years in the Permian Basin in Southeast New Mexico area.

Q And in dealing with the geological problems of Sunray Mid-Continent in Southeastern New Mexico you are familiar with the Bagley-Siluro-Devonian Pool, is that right?

A Yes.

Q I hand you what the reporter has marked as Exhibit 1. Will you identify that for us?

A This is a map on the Bagley Field, Lea County, New Mexico, contoured on the Siluro-Devonian formation. On this particular map we have indicated in green the present producers from the Siluro-Devonian formation. Also indicating wells that have reached the Siluro-Devonian section. We also have shown the proposed location by Sunray Mid-Continent Oil Company which is indicated in red.

Q And the yellow indicates the leases that Sunray Mid-Continent has in the Siluro-Devonian?

A Yes, the Sunray Mid-Continent leases are shown in yellow here which are in the SE/4 of Section 36, 11-33, and the N/2 of Section 1, 12-33, expiring 7/10/57, a state lease.

Q Alright, and will you give us the description of the proposed location which is the subject of Case No. 1049?

A The proposed location is proposed in the NE NW corner of SEction 1, 330 out of the north and 330 out of the west.

Q Being described as the NW NW NW of Section 1, 12 South, 33 East, is that right?

A That's right.

Q This is the same exhibit which you introduced in the previous hearing, is it not?

A That's right.

Q On this plat do you show a fault?

A Yes, I have indicated a fault running northeast southwest between the TP No. 1 "B" State located in the SE/4 NE/4 of Section 2, 12-33E, and the Sunray Mid-Continent No. 165 State located in the SW/4 of the NW/4 of Section 1. The reason this fault is drawn in between these wells - this is the No. 165 State drilled by Mid-Continent Oil Petroleum Company was bottomed in the Atoka formation. By estimating your Atoka and your Mississippian Woodford on down to your Devonian we estimate the Devonian there would be roughly around minus 7400' compared to the TP Well which is a minus 6477 which is between 9 and one thousand feet of dip.

Q Now then you've also control by the dry hole down in Section 11, do you not?

A This - there is a well in Section 11 located in the center of the SE/4 of the

NE/4 which is dry and abandoned and shows south and east dip.

Q Now then, your - how can you locate a fault, Mr. Symes?

A Well, actually to be exact on a fault if you have a well that cuts it, then you've definitely located it between that well. If it's cut two wells then you've located the direction. It has been my experience out in this part of the country that when you have this type of dip that you can normally suspect a fault.

Q In your opinion, is this a conservative placing of the fault?

A Yes, I consider this very conservative.

Q I hand you what the reporter has marked as Exhibit No. 2, will you identify that for us?

A This is a plat or a map of the Bagley Field contoured on the Siluro-Devonian section, similar to the other plat, but I've changed the fault - moving it a little closer in to the Mid-Continent No. 165 Well and could move it on over to the - closer in to the dry hole in Section 11 and of course show more acreage on the up-thrown side of the fault.

Q Well, then actually it is rather difficult to establish the true location of the fault for a well or two wells, is that right?

A That's right.

Q And either one of these two exhibits would show a reasonable placing of the fault as we now know the structure.

A Of that I am certain.

Q Going back to Exhibit No. 1, if the fault line occurs further west than what you have shown it, then the well location as proposed would unduly become hazardous and in all probability a dry hole, is that right?

A Yes, if it's moved slightly west there that well would cut the fault.

Q And you believe that we have approximately 40 acres underlying the W/2 of the W/2 of the NW/4 of Section 1, 12 South, 33 East, is that right?

A That is right.

Q You believe that the granting of this application would be a protection of correlative rights to all parties involved.

A Yes I do.

Q I believe that is all.

MR. MANKIN: Mr. Montgomery, do you have any questions? Any further questions of the witness?

MR. JACK CAMPBELL: I have one question I would like to ask either the counsel or the Commission Examiner. I haven't seen the application in this case. Does it request the present allowable attributable to the W/2 W/2 or ---

MR. MANKIN: I believe you will find that was the basis of their application.

MR. CAMPBELL: I have no other questions. I want to make a statement.

MR. MANKIN: Is there further questions of the witness in this case? Did you wish to have entered ---

MR. LOAR: I would like to have introduced as evidence for the record, two exhibits which we have introduced here as Exhibits 1 and 2.

MR. MANKIN: Is there objection to entering Exhibits 1 and 2 in the evidence in this case? If not, they will be so entered. If nothing further of the witness, the witness may be excused. We will have at this time any statements which you desire to put into the record.

MR. CAMPBELL: Mr. Examiner, Jack Campbell, Campbell, Campbell and Russell, Roswell, New Mexico, I would like to make a statement in this case on behalf of Texas Pacific Coal & Oil Company. Texas Pacific Coal & Oil Company

is the owner and operator of the 80 acre unit lying immediately west of the proposed location. It has a shut-in Devonian oil well, being its No. 1-D situated in the NE/4 NE/4 of Section 2, Township 12 South, Range 33 East, which is approximately 990 feet west of the proposed Sunray Mid-Continent location. That well was shut-in in order to provide a uniform spacing and proration unit plan in the Bagley Devonian Oil Pool. It is our feeling at this time that it would be improper for the Commission to grant a 40 acre allowable to this well, proposed well of Sunray Mid-Continent's, based upon the attributing to it of any particular acreage. The testimony has disclosed that the existence and certainly the direction and location of this fault is one which cannot be accurately determined until at least this well is completed, and we feel it would be unwise for the Commission to undertake before a well is drilled to attribute acreage to it. On the other hand, the pool rules of the Bagley Devonian Pool provide that a well which is drilled off the prescribed pattern in that pool will be given a 40 acre unit allowable, and if the Commission sees fit to grant this well an allowable before it is drilled, we feel that they should refer to that provision in the poolwide rules rather than undertaking at this time to attribute the W/2 W/2 or any portion of it to this particular well, inasmuch as the drilling and completion of the well might disclose facts other than that the Commission's order indicate prior to the completion of the well. In addition to that we would like to reserve our rights and certainly not waive them at this time to request a reduction in the allowable in the event the information obtained on drilling the well discloses that there may not be 40 productive acres attributable to the well. We also would like to reserve our rights and to not waive the right to request the Commission, in the event this well is completed as an oil well and is granted a full 40 acre allowable or more, we do not waive our right to request the Commission

to permit us to produce a shut-in oil well 1-D which would under circumstances of a 330' location with a full allowable suffer drainage as a result of the Sunray Mid-Continent well.

MR. MANKIN: Other statements to be made in this case?

E. W. NESTOR: E. W. Nestor for Shell Oil Company - I would like to point out that Shell does not operate in the Bagley-Siluro-Devonian Pool and we don't directly oppose the application of Sunray Mid-Continent because of any reason of drainage or effect of correlative rights; however, we do suggest to the Commission that there is at least one serious problem here in that applicant is requesting the granting of an allowable to a well which is not in being, and we seriously question that the Commission should be in a position of granting allowables to wells which don't exist. Until the proper forms are filed on the completion of the well, then and only then can the Commission grant an allowable which possibly then would be subject to review. Further, the question of the advisability of dedicating in any case, not in particular this case, but we feel that a precedent is involved here of the so-called long 40, being the W/2 of the W/2 of the NW/4 in this particular case. We feel that the rules which prescribe that four 40 acre wells - that the unit of pro-ration for the wells shall be the 40 acre units substantially in the form of a square which shall be a legal sub-division of the public lands and so on, and for that reason we urge great precaution by the Commission in this particular matter because we feel that there are two dangerous precedents involved in this particular case 1058.

MR. MANKIN: Any other statements in this particular case?

MR. LOAR: Sunray Mid-Continent feels that we have at least 40 productive acres between what we believe to be the fault line and the west boundary of our lease which is the N/2 of Section 1, and in order to protect those correlative rights, we feel that we should - in the oil and gas which are within the productive limits of

of this field, we feel that we should be entitled to drill a well to this supply of oil and gas, and we believe that we have shown reasonably that we can at this time - approximately 40 acres productive - and that we are entitled to have 40 acres attributed to this well or a 40 acre allowable granted to this well so that we may proceed with the drilling of it so as to protect our lease and the oil and gas underlying that lease.

MR. GURLEY: Now, in your application, sir, you state that the 40 acres which applicant proposes to assign is approximately the W/2 of the W/2 of the NW/4 of said Section 1. Is there a little misfiguring somewhere in there?

MR. MANKIN: Spacing, of course, for the pool is 80 acre spacing, but applicant is requesting a 40 acre due to a possible fault in the area. I might state here in regard to some of the statements that have been made in regard to a precedent that the applicant requested this particular hearing so that he would know whether to make his investment in the well or not - whether he should drill the well or not so he would have some reasonable assurance of what to expect providing conditions were as he expected them and as presented at this hearing.

MR. LOAR: We feel that the only changing conditions, except maybe to push the fault further east, which would increase the productive acreage, would be a dry hole which would then relieve the problem of everybody involved.

MR. MANKIN: Is there further statements?

MR. NESTOR: I might point out that as a part of the feeling of ours that they do is drill the well and then apply for the allowable - you'll get what is reasonable. I am sure the Commission will be reasonable. I know the operators will. They are sympathetic always with people who are drilling on the edge of the field, but we feel that the guaranteeing of an allowable to a well before it is drilled is a fairly dangerous thing. We feel that usually there may be no need for this case and we

would like not to see this practice of people coming in to try to get a guarantee for something which we feel is going to be granted on a reasonable basis if you need it anyway when your well is completed. It may be that the well will be dry and then we've all wasted our time.

MR. MANKIN: Is there anything further in this case? If not, we will take the case under advisement.

STATE OF NEW MEXICO)
)
COUNTY OF SANTA FE)

I, Bobby Postlewaite, do hereby certify that the foregoing and attached transcript of proceedings before the Oil Conservation Commission Examiner at Hobbs, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

Dated this 24th day of May, 1956.

Bobby Postlewaite