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Application of Sunray Mid-Continent Oil Company for approval of a 320-acre non-standard gas proration unit in the Jalmat Gas Pool, Lea County, New Mexico and for the forced pooling of all interests therein within the vertical limits of the Jalmat Gas Pool. Applicant, in the above-styled cause, seeks an order establishing a 320-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the NE/4 of Section 20, and the NW/4 of Section 21 of Township 22 South, Range 36 East, Lea County, New Mexico, said unit to be dedicated to the applicant's Greer No. 2 Well located in the NW/4 NW/4 of said Section 21. Applicant further requests the forced pooling of the interests of all persons within the vertical limits of the Jalmat Gas Pool underlying the above-described acreage.

Case No.
1317

Mabry Hall, State Capitol
Santa Fe, New Mexico

Pursuant to notice, the above-entitled matter came on for hearing at 9:00 A. M.

BEFORE:

Mr. Elvis A. Utz, Examiner.

T R A N S C R I P T O F H E A R I N G

EXAMINER UTZ: The hearing will come to order. First on the Docket will be Case 1317.

MR. COOLEY: Case 1317: (Readvertisement) Application of Sunray Mid-Continent Oil Company for approval of a 320-acre non-standard gas proration unit in the Jalmat Gas Pool, Lea County.

New Mexico and for the forced pooling of all interests therein within the vertical limits of the Jalmat Gas Pool.

MR. WHITE: If the Commission please, I am L. C. White, Santa Fe, New Mexico, appearing on behalf of the Applicant, Sunray Mid-Continent. At this time, I would like to file for the record an affidavit of Burns Errebo certifying he's mailed notice of the application to all the royalty owners of interest within the three hundred twenty-acre tract.

MR. COOLEY: Mr. White, that affidavit will be identified as Exhibit One in Case 1317.

MR. WHITE: We move for it's admission at this time.

EXAMINER UTZ: Without objection it will be admitted.

(Whereupon Sunray's Exhibit No. 1
was marked for identification.)

EXAMINER UTZ: Any witnesses?

MR. WHITE: This is the only one.

MR. COOLEY: Any other appearances in this case? Would you stand and be sworn, please?

(Whereupon the witness was sworn.)

D O N A L D E. H A L L

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

DIRECT EXAMINATION

BY MR. WHITE:

Q Mr. Hall, will you state your full name for the record, please?

A Donald E. Hall.

Q Where do you reside, Mr. Hall?

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A Midland, Texas.

Q By whom are you employed, and in what capacity?

A Sunray Mid-Continent Oil Company as a Senior Staff Engineer.

Q Mr. Hall, are you familiar with the application of Sunray Mid Continent in this hearing this morning?

A Yes, sir.

(Sunray's Exhibits No. 2 and No. 3 were marked for identification.)

Q I'll ask you to refer to Exhibit Two and explain to the Commission the purpose of the exhibit and what it portrays?

A This exhibit is a section of the Jalmat Gas Pool, shaded in yellow are Boren and Greer leases, which is the acreage that we are attempting to unitize.

Q Is the applicant the owner and operator of these two leases?

A Yes, sir. It also shows the surrounding gas wells which are circled in blue, and the acreage that is allotted to these units is circled in red with the number of acres shown on each unit.

Q That is dedicated to each one?

A Dedicated to each unit, yes, sir. Also, I have surrounding--shown by a blue line connecting a number of the gas wells surrounding our lease, is a cross section or diagrammatic section which I will refer to on Exhibit Three.

Q Now, will you refer to Exhibit Three and state to the Commission what that diagram shows?

A Exhibit Three is a diagrammatic section of the wells surrounding our Boren and Greer leases in the Jalmat Gas Pool. I have shown the perforations of the wells that surround our lease, where they have been perforated.

This exhibit is to show that the porosity sections are continuous throughout this area. These, the red shaded areas, are just three of the better sand stringers in the zone.

Q Does this exhibit show the continuity--

MR. COOLEY: (Interrupting) Mr. White, may I interrupt, please? We went on without finding the witness as an expert. I thought he wasn't going to testify as an expert. However, this log, as appears on Exhibit Three, I believe, would require the services and knowledge of an expert witness. Would you, at this time, qualify Mr. Hall as an expert geologist?

Q (By Mr. White) Would you state your professional qualifications and education, Mr. Hall?

A I graduated from the University of Oklahoma as a petroleum engineer. I have worked for Sunray Mid-Continent in the capacity of a petroleum engineer for approximately ten years, on the Gulf Coast and in the Permian Basin.

Q Has this area here been under your jurisdiction as well?

A Yes.

Q Have you previously testified before the Commission?

A Yes, sir.

MR. WHITE: We ask his prior qualifications be received.

EXAMINER UTZ: Qualifications are accepted. Continue.

Q (By Mr. White) You may continue, Mr. Hall. I think the last question was whether or not this exhibit shows there's continuity of sand throughout the area.

A Yes. Sand sections show very similar in each of these logs.

Q And did you say the permeability is good or not, and if so, what is your basis for that statement?

A The--I have no figures on the permeability. I would say it is sufficient to drain considerable acres, in excess of three hundred and twenty acres.

Q Would you say that the permeability is good as reflected by the open flow potentials?

A Yes.

Q And is porosity continuous throughout?

A The porosity is continuous throughout in almost all the sections.

Q Now, referring to Exhibit "A", attached to the application, will you state what well you intend to recomplete into the gas field?

A Exhibit "A"?

Q That's attached to the application.

A It is Greer No. 2. H. D. Greer No. 2.

Q In Section 21?

A In Section 21, it is six hundred sixty from the north and west lines of Section 21.

Q Now, do you have any core analysis or log of that well?

A No, sir.

Q Do you have any reason to believe that it would not be similar to that as portrayed in Exhibit No. 2?

A No, sir. We do have a log on Greer No. 1,--

Q (Interrupting) That's Exhibit No. 3, pardon me.

A (Continuing) We do have a log on Greer No. 1 which is the closest well to the proposed gas well, and it showed a section very similar to the sections and the surrounding gas wells.

Q Now, according to Exhibit "A", that's attached to the application, four wells in Section--in the northwest of Section 21, and two wells in the northeast quarter of Section 20. Are those producing wells?

A They have all been producing wells from the South Eunice Pool of Seven Rivers Section. Right now, No. 2 has been temporarily abandoned because it was producing a hundred percent water.

Q Now, will you state to the Commission how you propose to recomplete this Well No. 2?

A We intend to set a bridge plug below the gas zone, dump some cement on top of it, perforate the different gas stringers, and frack them and treat it as a gas well.

Q From your studies, is it your opinion that if this well is recompleted in the Jalmat Gas Pool, it would be able to make an allowable attributable to a 320-acre unit?

A Yes, sir.

Q Now, is the No. 2 Well a commercial well at the present time?

A No, sir. From the South Eunice Pool, it isn't.

Q Would it be possible to unitize with any other acreage

other than the northeast quarter of Section 20?

A No, sir. The surrounding acreage is unitized in that section, unitized in the section to the north, and the only logical acreage to unitize with is the acreage, northeast quarter of Section 20.

(Sunray's Exhibit No. 4 was marked for identification.)

Q I direct your attention to what's been marked Exhibit No. 4, and ask you to state the purpose of this exhibit?

A Exhibit No. 4 shows the gas production in the two sections that the Boren and Greer leases lie within, and in, from each, the gas wells and the surrounding sections of this, that's Section 20 or 21. They include Sections 15, 16, 17, 18, 19, 20, 21, 22, 27, 28, 29, and 30, all in Township 22 South, Range 36 East.

Q Does this exhibit show that each of these wells which have been dedicated three hundred or more acres, are capable of making their allowables?

A Yes, sir. I show on this exhibit, the operator, the well, the acreage dedicated to that well, the unit designation and section of each well, the 1956 gas production and the gas production from January through July of 1957.

Q Now, turning to the economics involved, Mr. Hall, approximately how much do you anticipate the cost to be to plug back your Greer No. 2 and complete it as a gas well?

A Approximately eleven thousand dollars.

Q Now, if you were to complete that as you state you would like, and then were to go into the northeast quarter of Section

20, and convert or dually complete your Boren Well No. 1 or 2, what would the cost of that be?

A Approximately thirteen thousand dollars.

Q Making a total cost of twenty-five thousand, or twenty-four thousand, approximately?

A Yes.

Q And if the application is granted, then there would be a saving of approximately thirteen thousand dollars?

A Yes, sir.

Q To recover the same amount of gas?

A To recover the same amount of gas.

Q Mr. Hall, what attempt has been made to work out a pooling agreement with the various royalty interests?

A We started as early as March of 1957, to unitize this, or to make a pooling agreement which would unitize Boren and Greer leases, we have circulated this pooling agreement form by letter and other means, we have been very successful in obtaining pooling of this acreage, thirty-two of the royalty owners representing seventy-five point seventy-six percent of the acreage within the proposed unit, have signed the pooling agreement.

MR. WHITE: Will you mark that, please?

(Sunray's Exhibits No. 5 and No. 6 were marked for identification.)

Q (By Mr. White) Mr. Hall, I hand you here what's been marked as Exhibit No. 5 and ask whether or not that is the pooling agreement that's been circulated?

A Yes, sir.

Q And I hand you here what's been marked Exhibit No. 6 and ask you to state what that is?

A Exhibit No. 6 is a royalty ownership list. It shows the royalty owners, the acres that each royalty owner has, and it shows the percent of, under the Boren lease, that the royalty owners have an interest in, and under, the percent that the royalty owners have in the Greer lease.

MR. WHITE: If the Commission please, I might state that, as the witness testified, there was seventy-five point seventy-six percent of the total acreage signed up. There are nine royalty owners which includes the Gloyd's Estate as one royalty owner that has not signed up.

We have correspondence that we can introduce in the record, the originals. We request that we can substitute copies of them.

I might state, of the total number of royalty owners, there are three of them whose addresses are unknown; two of the owners are agreeable to signing up the pooling agreement if we first obtain a unit allowable for three hundred twenty acres. That's sort of putting the cart before the horse.

Another royalty owner is willing to sign up if we were to release our rights to our formation below the Yates. So we are not accepting that one.

As to the Gloyd's Estate, they are objecting to the drainage of the offsetting wells in Section 21. However, according to our correspondence, they have neither objected to or concurred in the pooling agreement.

The other remaining royalty owner that's not signed up, is

actually signed up, but he deleted the words, "distillate or condensate", and substituted "dry gas", so we wouldn't accept that as being signed up.

So, in effect, why, we do have a very high percentage of the royalty owners signed up. And, if the Commission desires, we can introduce letters verifying this statement, if you wish.

MR. COOLEY: Yes, please, Mr. White, and with the reservation earlier made that you may withdraw the originals and substitute copies thereof. You want to introduce them as a group?

MR. WHITE: Yes, sir. I thought it might be better not to read them in the record, a resume as to what they did say.

Q (By Mr. White) Mr. Hall, in your opinion, would this application, if granted, prevent waste and protect correlative rights?

A Yes, sir.

MR. WHITE: We have no further questions.

EXAMINER UTZ: Are there any questions of Mr. Hall?

MR. COOLEY: I have a few.

EXAMINATION

BY MR. COOLEY:

Q I believe it's Exhibit Six, Mr. Hall, that shows the breakdown on the various leases, percentage of royalty owners that have signed up?

A Yes, sir.

Q Would you tell me what the percentage is in the Boren

lease, and about what the percentage is in the Greer lease?
Did you have that total?

A I can give it to you. Let's see.

MR. WHITE: We might go through, I might suggest we go through this and show which ones have not signed.

MR. COOLEY: That would be satisfactory.

MR. WHITE: Gloyd Estate.

A Would you like to have that--

MR. WHITE: (Interrupting) Yes, the Gloyd Estate. That would be the Greer. Wilson, two and a half acres. He'll sign up if we first get our three hundred and twenty allowable.

EXAMINER UTZ: By two and a half acres, you mean royalty acres.

MR. COOLEY: These interests are all undivided interests, are they not?

MR. WHITE: That's right. Then, Hoffman and Owings. Owings, apparently that's a partnership and they each have a one point two four. And the last four on the list, of which the addresses of the last three are unknown.

MR. COOLEY: Bedford, Dore, Pryett and Jones Estate.

MR. WHITE: They have not signed up. We haven't heard from Bedford and the addresses of the last three are unknown.

Q (By Mr. Cooley) Now, back to my original question, the Gloyds have an interest in the Greer tract?

A Yes, sir, .028 plus.

Q Wilson, Hoffman and Owings are in the Boren tract?

A Yes, sir.

Q Bedford, Dore, Pryett and Jones in the Greer tract?

A Yes, sir. You skipped one, Southern Minerals Corporation, in the Greer tract on the first one. Second from the bottom.

Q What has been the response from Southern Minerals Corporation?

A They were the ones that deleted the, "condensate and distillate", from the pooling agreement. They signed it though, leaving out those two words. Those two words were on pages two and three of the pooling agreement.

Q Marked Exhibit Five?

A Marked Exhibit Five, yes.

Q Is the Boren lease presently held by production?

A Yes, sir.

Q Would you state what productions are being presently obtained from the Boren lease?

A The Boren lease has two wells, producing from the Seven Rivers, the oil colony of Seven Rivers, but production is very small. I think it's in the neighborhood of three barrels a day per well. I'm not--

Q (Interrupting) Is that production from within the vertical limits of the Jalmat Pool?

A No, that production was in the vertical limits of the South Eunice Pool. The oil wells are in the South Eunice; the gas wells are in the Jalmat Gas Pool.

Q And even if this application were denied, the Boren lease would not be lost for lack of production?

A No, sir.

MR. COOLEY: That's all the questions I have, Mr. Examiner.

MR. WHITE: We move for the admission of Exhibits Two through Six.

EXAMINER UTZ: Is there any objection to the entrance of the Sunray Exhibits Two through Six? If there are no objections, they will be accepted.

(Whereupon Sunray's Exhibits No. 2 through No. 6 were accepted in evidence.)

EXAMINATION

BY EXAMINER UTZ:

Q Mr. Hall, I would like to go into this proposition of whether or not this well, the possibilities of whether this well will be able to make it's allowable or not. If the well will be able to make it's normal allowable, 320-acre allowable, in the Jalmat Gas Pool, can you say whether or not any royalty interest would be hurt by being forced into this communitization?

A You say if they did--if this well would not make it's three hundred--

Q (Interrupting) If it will make it--

A (Interrupting) No, sir.

Q They will not be injured in any way, is that your answer?

A No, sir. No, sir, I don't see how.

Q Now, you base your premise as to whether or not this well will be able to make a 320-acre allowable on the details of Exhibit No. 4, the production from the offset wells?

A Yes, sir. Along with the way the wells were completed.

I did not go through this, these production figures in detail. Immediately above our lease the Ohio MacDonald No. 6, I believe that is shown here as the Ohio Jalmat Gas Unit No. 6, now. That well is capable of--well, during the month of February, 1957, it produced forty-two million cubic feet of gas, showing that it's capable of producing considerable gas. I believe the present allowable for a hundred sixty acre well is in the neighborhood of sixteen million a month now, which, that would be considerably over twice that for a three hundred and twenty acre unit.

Q Did you say sixteen million a month for a hundred sixty acre well?

A Yes, which is approximately thirty-two million a month. I believe that would probably average out a little less, about sixteen million a month, won't it?

Q Can you say how far the MacDonald No. 6 is from your proposed recompletion, your Greer No. 2?

A It would be the diagonal of a thirteen hundred and twenty foot square with thirteen hundred twenty foot sides. I don't recall exactly what that is now.

Q It would be in the neighborhood of fifteen hundred feet, wouldn't it?

A Feet, yes.

Q And that is the nearest well to your Greer No. 2?

A That is--

Q (Interrupting) Nearest the Jalmat?

A Nearest Jalmat Gas Well to the Greer No. 2.

Q Can you say what the structural position is between your

MacDonald No. 6 and your No. 2, is it up-dip, down-dip or--

A (Interrupting) This is not a structural cross section, it's just a diagrammatic section, it is practically level. I don't believe that structure would influence production from these wells, but I would say they are within fifteen, twenty feet, main level.

Q Now, to the south of your, south offset of the Greer lease, I believe we have the Gulf Greer No. 1?

A Yes, sir.

Q That well has a hundred sixty acres dedicated to it?

A Yes, sir.

Q And do you know what the proration status of that well is?

A Oh, I'm sure that it is--I don't know how far ahead on production it is, but during the last, well, from February through July, it has produced in excess of thirty million cubic feet per month.

Q And the three hundred twenty acre allowable would be about thirty-two million a month?

A Yes, sir. This has produced as much as forty, close to forty-five million a month.

Q Well, it looks as though the Gulf No. 1 Greer is a non-marginal well, capable of making a three hundred twenty acre allowable, is it not?

A Yes, sir.

Q There being two non-marginal wells, one to the south offset, and one north offset, capable of making a three hundred twenty acre allowable, what would be your opinion as to the kind

of a well you would get by recompleting your Greer No. 2?

A I believe that our Greer No. 2 would be as good as either of these wells, possibly with the new methods of fracturing in large volumn fract treatments, it would be a better well.

Q Mr. Hall, would you locate your Greer No. 2 in relation to the boundary lines of the proposed unit?

A Greer No. 2 is located six hundred and sixty from the north line of Section 21, that is the north line of the proposed unit. It's located 1980 from the east line of the proposed unit. 1980 from the south line of the proposed unit, and 2640 from the west line of the proposed unit. Is that right? No, I'm sorry, 3300 from the west line of the proposed unit. In other words, it has a normal location of 660 out of the northwest corner of the Greer lease. These are normal quarter sections.

Q And the MacDonald No. 6 to the north is also a 660 - 1980 location from the unit lines?

A I'm pretty sure that is right, yes, sir.

MR. COOLEY: Check on your plat there.

A Yes, sir. It is 1980 from the west line, 660 from the south line of Section 16.

Q (By Examiner Utz) How many acres are dedicated to the MacDonald No. 6?

A The records show five hundred and twenty acres allotted, designated to the MacDonald No. 6, and the MacDonald 25. I believe those are called Jalmat Gas Unit No. 6, Jalmat Gas Unit No. 5. Now, recently, they had a hearing to allot two more forties to that. I don't know if that has been approved or not.

MR. COOLEY: That was Case No. 1206 before the Commission. It has been.

A That would be six hundred acres allotted to those two wells.

EXAMINER UTZ: Are there any other questions of the witness? The witness may be excused.

(Witness excused.)

EXAMINER UTZ: Would you ^{Offer.} ~~install~~ your exhibits?

MR. WHITE: All except these letters verifying those statements. I can either have those verifaxed or we can submit them and have them returned to us at a later date.

MR. COOLEY: You would have no way to make copies of them if we had them.

MR. WHITE: I could have them verifaxed at the office and bring them back to you.

MR. COOLEY: How many letters in total? Introduce them as a group and--

MR. WHITE: (Interrupting) Four letters. One is from Mr. Wilson, others from Lytle, Johnston and Soule, in regard to the Gloyd Estate, and our reply to the Southern Minerals Corporation, and a letter from Charles Hoffman in regard to the Hoffman, Owings interest. You may have the copies of that with this.

MR. COOLEY: Identify those four letters as a group of exhibits, as No. 7 in this case. And--

MR. WHITE: (Interrupting) We'll offer them in evidence with the request that we can withdraw them and substitute copies.

EXAMINER UTZ: Without objection, they will be accepted.

(Whereupon Sunray's Exhibit No. 7
was marked for identification
and accepted in evidence.)

MR. WHITE: That concludes our case.

EXAMINER UTZ: Any other statements in this case?

MR. COOLEY: Yes, Mr. Examiner, there are. The New Mexico Oil Conservation Commission has received four pieces of correspondence from royalty owners within the proposed non-standard proration unit, objecting to the forced pooling of their interests in this case.

First correspondence was received from John H. Wilson who is a royalty owner in the Boren lease. The next objection is from Charles J. Hoffman, who is a royalty owner under the Boren lease. The next correspondence is from Lytle, Johnston and Soule representing the S. M. Gloyd Estate. With respect to this correspondence, I notice that there's no objection as such contained therein.

I shall read this letter. It is quite short. "Gentlemen: As a royalty owner, our client is vitally interested in the caption and application, and we should, therefore, very much appreciate your notifying us of the date this application has been set for hearing. We should also appreciate your advising us if you know of the names and addresses of any interested owners who have indicated their intentions or desires to contest the application."

And the last piece of correspondence is from Roger B. Owings who is also a royalty owner under the Boren lease, objecting to the forcible unitization of this tract. That concludes all the appearances by letter, Mr. Examiner.

EXAMINER UTZ: Anyone have any objection to entering these

without complete reading?

MR. WHITE: We have no objection.

EXAMINER UTZ: Are there any other statements pertaining to this case? That is completed, so we'll proceed to the next case.

R E P O R T E R ' S C E R T I F I C A T E

STATE OF NEW MEXICO)
 : ss
 COUNTY OF BERNALILLO)

I, MARYANNA MEIER, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me in Stenotype and reduced to typewritten transcript by me and/or under my personal supervision; that same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal, this, the 17th day of October, 1957, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Maryanna Meier
 Notary Public

My Commission Expires:
 April 8, 1960

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examining Hearing of Case No. 1317,
 heard by me on Oct. 9, 1957.

Elmer H. Meier Examiner
 New Mexico Oil Conservation Commission