

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 27, 1960

IN THE MATTER OF:

APPLICATION OF CONTINENTAL OIL COMPANY
for a non-standard gas proration unit
and for an order force-pooling the
interests therein. Applicant, in the
above-styled cause, seeks the estab-
lishment of a 160-acre non-standard gas
proration unit in the Blinebry Gas
Pool consisting of lots 6, 10, 11, and
12 of Section 3, Township 21 South, Range
37 East, Lea County, New Mexico, to be
dedicated to Shell Oil Company's Taylor-
Glenn Well No. 1, located 3226 feet from
the North line and 1980 feet from the West
line of said Section 3. Applicant further
seeks an order force-pooling the interests
of those in said non-standard gas proration
unit who have gas rights within the vertical
limits of the Blinebry Gas Pool, including
M. F. Taylor, P. O. Box 574, Amarillo,
Texas, and R. B. Glenn, P. O. Box 461,
Amarillo, Texas.

CASE NO.
1875

BEFORE:

ELVIS A. UTZ - EXAMINER

TRANSCRIPT OF PROCEEDINGS

MR. UTZ: Case 1875.

MR. PAYNE: Application of Continental Oil Company for a
non-standard gas proration unit and for an order force-pooling
the interests therein.

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E X H I B I T S

<u>NUMBER</u>	<u>EXHIBIT</u>	<u>MARKED FOR IDENT.</u>	<u>RECEIVED</u>
App's. 1	- Location and owner- ship Plat	4	9
App's. 2	- Structural Map	5	9
App's. 3	- Comm. Agreement	6	9
App's. 4	Multipoint Press. Tests	7	9

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MR. KELLAHIN: Jason Kellahin of Kellahin & Fox, Santa Fe, representing the Applicant. We will have two witnesses, Mr. Queen and Mr. Lawrence.

(Witnesses sworn)

MR. UTZ: Any other appearances to be made in this case?

(No response)

JOHN A. QUEEN

a witness, called by and on behalf of the Applicant, having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name please?

A John A. Queen.

Q By whom are you employed, Mr. Queen? And in what position?

A Continental Oil Company, as Division Engineer.

Q What Division?

A Southeast New Mexico.

Q You have previously testified before the Oil Conservation Commission of the Petroleum Engineers, have you not?

A Yes.

MR. KELLAHIN: Are the witnesses qualifications acceptable?

MR. UTZ: Yes, sir.

QUESTIONS BY MR. KELLAHIN: Are you familiar with the application

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in Case 1875?

A Yes.

Q Would you state briefly what is proposed?

A This is an application of Continental Oil Company for the force-pooling for gas production in the Blinebry Gas Pool in Lots 6, 10, 11 and 12 of Section 3, Township 21 South, Range 27 East, Lea County, New Mexico.

Q Do you have a plat of that?

A I do have. Here is a complete set.

(Thereupon the documents referred to above was marked Applicant's Exhibit 1 for identification.)

Q Referring to what has been marked as Exhibit No. 1, will you state what that shows?

A Exhibit No. 1 is a location and ownership plat showing the leases involved in this matter and the immediately surrounding area. The Shell Oil Company Taylor-Glenn lease is shown cross-hatched in brown. Continental Oil Company's Hawk B-3 lease is shown cross-hatched in yellow. The proposed unit is outlined in red as shown, consists of Lots 6, 10, 11 and 12, Section 3-21S-36E. It is proposed to allocate this acreage to Shell Oil Company's Taylor-Glenn No. 1, shown circled in red.

Order No. R-920 approved a 120-acre gas proration unit, consisting of Lots 6, 10 and 11 for the purpose of allocation of gas.

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Q I believe you said 21 South, 36 East, is that correct?

A I believe I did, and its 21 South, 37 East. This unit has been assigned as a Blinebry Gas Well and it has an allowable assigned to it as a Blinebry Gas Well. We have shown also on Exhibit 1 the outline of some gas proration units offsetting the area as shown in yellow and in brown.

Q Under the situation which presently exists, is all of the acreage in the area dedicated to a unit with the exception of Continental's acreage?

A Yes. Immediately surrounding the area. I would also like, when I said in yellow and in brown, it is also in green.

Q Is there any acreage available in any other well available to which the Continental acreage would be dedicated?

A Not suitably located.

Q Will you discuss Exhibit No. 2?

(Thereupon the document referred to above was marked Applicant's Exhibit 2 for identification.)

A Exhibit 2 is a structural map of the same area as Exhibit 1. The structural configuration of Blinebry marker as shown by contour lines of an interval of 25 feet of structural relief. The proposed unit is shown outlined in red. The proposed unit well is shown circled in red, the Taylor-Glenn No. 1. Other Blinebry Gas Wells are shown circled in green and from the struc-



tural position of the unit in relation to other Blinebry gas wells, it is reasonable to presume that the entire proposed unit is productive of gas from the Blinebry zone.

Q Have there been any communitization agreements entered into covering the acreage involved in this application?

A Yes.

(Thereupon the document referred to above was marked Applicant's Exhibit 3 for identification.)

Exhibit 3 is an unsigned copy that I had passed to the Examiner of the gas communitization agreement with a Blinebry Gas Pool horizon for these Lots 6, 10, 11, 12 of Section 3.

Q Have all the working interest owners signed this agreement?

A All have signed except M. F. Taylor, who owns 1/4th of the royalty and R. D. Glenn who owns 1/4th.

Q Have all the working interest owners signed?

A Yes, and all the royalty, with the exception of the two names that I just mentioned. I have in my possession a signed and executed copy by all the working interest owners and all the royalty interest owners that, if the Commission so desires, a photostatic copy can be made available. These are legal documents and we desire not to release them.

Q Have you made any effort to contact the Taylors or the Glenns in regards to this?



A No, sir, we, as Continental Oil Company have not, but Shell Oil Company has, however.

(Thereupon the document referred to above was marked Applicant's Exhibit 4 for identification.)

Q Referring to what has been marked as Exhibit No. 4, Mr. Queen, would you discuss that?

A Exhibit No. 4 is a copy of the latest multipoint pressure tests on the Shell Taylor-Glenn No. 1. This, and the fact that the well was over-produced as of January the 1st, 1960, by 2,376 MCF indicates that the well is capable of producing a 160 acre allowable.

Q Would it be nominable for Continental to drill a well on the acreage presently held by them?

A In our opinion it would not be. The estimated cost to drill and equip a gas well and to develop Lots No. 12, which Continental owns, for Blinebry Gas production is estimated at \$90,000. The total revenue after deducting royalty, operating costs, income taxes and taking advantage of the depreciation and depletion allowances is only \$77,000, or a loss of \$13,000.

Q Would you consider the drilling of another well would constitute waste?

A Yes, sir.

Q For what reason?

A As I pointed out, Continental Oil Company would not



receive a return on investment. In fact, they would not even receive their investment. Lot No. 12 can reasonably be presumed to be productive of gas and yet it cannot be economically developed by drilling.

Q To the extent that it is uneconomical to develop this on behalf of Continental, would Continental be delivered of its opportunity to produce its share of the gas underlying the tract, Lot 12?

A We would and so would the royalty owners.

Q Is the royalties under the Continental tract Lot 12 Federal acreage?

A It is.

Q Has that been approved by the Federal Government?

A No, sir. In discussing this matter with the U.S.G.S. it was their contention that they would delay the signing of the agreement until after this hearing with the approval of the State, but we have had no objection from them in this matter.

Q Now, to sum up your testimony, in your opinion, is Lot 12 reasonably to be presumed productive of gas?

A Yes.

Q Is it available for allocation to a gas well on contiguous acreage?

A Yes, sir, it is.

Q Shell Oil Company has operated the well?

A Yes, sir, they have, upon the approval of this



hearing by the Commission.

Q In your opinion, is Lot 12 now suffering drainage as a result of production from adjacent tracts?

A It definitely is.

Q Is it economically feasible to do anything other than dedicate it to a well presently drilled?

A No, sir.

Q Were Exhibits 1 through 4 made under your supervision?

A Yes, sir.

MR. KELLAHIN: I would like to offer the Exhibits at this time.

MR. UTZ: Without objections, they will be received in evidence.

(Thereupon the documents referred to above, Applicant's Exhibits 1, 2, 3 and 4, were received in evidence.)

QUESTIONS BY MR. PAYNE:

Q What's the cross-hatching in brown?

A The cross-hatching in brown, and I see that I must correct myself, is the Shell Taylor-Glenn lease of which Lots 6, 10 and 11 have been assigned to the Taylor-Glenn No. 1 for gas allowable purposes in the Blinebry formation.

Q Is Lot 9 assigned to any Blinebry well?

A No, sir. Lot 9 is not assigned to any Blinebry well.



As I recall, this well is producing sufficient liquids in it for the Blinebry formation to be an oil well.

Q Its not eligible for Blinebry well in the completion?

A That is my opinion.

Q Is that same situation true in regard to Lot 5?

A I am not familiar enough with Shell's operation, did not check enough about this, but I believe when this was originated, as lots of this gas, back to the time that this was originated, is true, and I believe its still to be true to this date. If not, they would have had no reason to assign it when they originally asked for this at the hearing. At the hearing, Continental Oil wrote Shell Oil Company National Commission a letter and said they would have no objection to consent to the unitization. This was over two years ago in an attempt to unitize the royalty owners.

Q What is the yellow?

A The yellow is Continental Oil Company acreage consisting of Hawk B-3 lease of which this 40-acre tract is one part of.

Q Now parts 1, 2, 3, 4, 7 and 8 are dedicated to Blinebry oil wells?

A Yes, sir, and not gas wells.

Q So there's no acres there available for Blinebry gas dedication?

A No, sir. If you will notice, Mr. Payne, on the Exhibit No. 2, the structure dips down to the north.

Q Now, are the green units the Blinebry units?

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A Yes, sir.

Q The Blinebry gas units?

A Yes, sir.

Q What is the situation with regards to the northeast of the northeast unless its another Lot?

A I didn't follow. For clarification they are called the Terry Blinebry wells. I referred to this a minute ago as Terry Blinebry wells to completely clarify what pool they are assigned to.

Q All the oil wells in this unit are Terry Blinebry oil wells?

A That is correct.

Q Then, the Terry Blinebry oil pool overlaps the Blinebry gas pool?

A There is no overlapping as far as I can see here. There is no dual dedication, if this is what you mean.

Q Well, the horizontal limits, Mr. Queen of the Blinebry gas pool are the same as the Blinebry oil pool, are they not, the horizontal and the vertical?

A That's correct, I believe, sir.

Q Then I don't see how this can be Terry Blinebry oil wells?

A I don't believe there are any Terry Blinebry oil wells on the same 40-acre unit as dedicated to the Blinebry gas well.

Q You see the No. 6 well which is an oil well, Section



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3?

A Yes, sir, I see the well.

Q Now, that particular 40-acre tract is not dedicated to Blinebry gas either is it?

A No, sir, the No. 3 Taylor-Glenn well is also not dedicated to the gas unit.

Q So, Continental's 40-acre tract here in Lot 12 is the only acreage in the area which is not dedicated to Blinebry gas wells or an oil well?

A That is correct and it is offset by the south, east, and west by gas production, and I do not believe there is any dual dedication in this particular case.

MR. KELLAHIN: To clarify the matter, the unit dedicated was approved by order 920. I don't know whether you got that in his testimony or not.

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

MR. QUEEN: May I ask the Examiner if he would desire a signed copy of the royalty owners and such in a photostatic copy?

MR. UTZ: You mean the working interest owners?

MR. QUEEN: Yes, it is not on either one that I passed out.

MR. UTZ: The attorney advises me that we should have.

MR. QUEEN: Would they so desire those having the royalty owners too?



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MR. PAYNE: You have all royalty owners committed with the exception of Taylor and Glenn?

MR. QUEEN: Yes, sir.

MR. PAYNE: That won't be necessary.

(Witness excused)

MR. KELLAHIN: I'd like to call Mr. Lawrence.

O. V. LAWRENCE

a witness, called by and on behalf of the Applicant, having been duly sworn, testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KELLAHIN:

Q By whom are you employed and in what position?

A Shell Oil Company, Roswell, Division Land Manager.

Q In connection with your duties as Division Land Manager, do you have anything to do with the area involved in the application in Case No. 1875?

A Yes, I have. I contacted the royalty owners under this particular acreage, Shell's acreage.

Q How long have you been Division Land Manager?

A I have been Division Land Manager for 6 years.

Q Have you previously testified before this Commission?

A I have.

MR. KELLAHIN: Are the witnesses qualifications acceptable?



MR. UTZ: Yes, sir.

QUESTIONS BY MR. KELLAHIN:

Q Mr. Lawrence, are you familiar with the application before the Commission at the present time?

A I am.

Q In connection with your duties, have you ever contacted Mr. M. F. Taylor or Mr. R. D. Glenn, or both of them?

A Yes, I have.

Q Would you describe briefly to the Commission what actions you have taken in connection with attempting to secure their signature to the communitization agreement?

A On January 27, 1958, I wrote a letter to all of the royalty owners under Shell Oil Company's Oil and Gas Lease covering Lots 6, 10 and 11 of Section 3, Township 27 South, Lea County. In this letter, I told them what we proposed to do, expand our present gas unit to include this lot 12 that belonged to Continental. With the letter, I also enclosed a gas communitization and pooling agreement for their consideration and asked them to sign it and return it to us. This pooling agreement covered the Blinebry gas pool horizon. In a short time I had all of the agreements returned and executed with the exception of these two gentlemen. On February the 25th, 1958, I wrote another letter to these two gentlemen requesting that they consider the instruments I sent to them and return it to us as soon as possible. I had no answer to this letter and so on April 4, 1958, I went to Amarillo to discuss the problem with these people

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and I did spend several hours with them. Again, on August 1, 1958, I wrote a letter to these two gentlemen, Messrs. Taylor and Glenn, but I did not receive an answer. During the period, I'd say from January 27, 1958 to October 1, 1958, I made at least 4 telephone calls to Mr. M. F. Taylor asking that he execute the instrument and also contact Mr. Glenn who lived in the same town and see if they wouldn't execute the instrument and return it. To-date, all effort to obtain joinder by these two gentlemen have failed.

Q In your opinion, is it possible to obtain their agreement through the communitization?

A No, sir.

Q Are you familiar with the terms?

A Yes, sir.

Q In your opinion, is it fair to all parties in this area, including royalty owners?

A It certainly is.

MR. KELLAHIN: I have no further questions.

MR. UTZ: Any questions?

QUESTIONS BY MR. PAYNE:

Q Mr. Lawrence, since this is a forced-pooling application, after the well is drilled, are the interests in Lot 12 going to pay for a part of the cost of the unit well which has already been drilled?

A Yes, sir, they are going to pay a percentage of the cost, which was agreed upon by both Continental and their partners



and Shell.

Q Now, in view of the fact that the well be assigned a 160-acre allowable now, rather than a 120-allowable, there's no way that the present royalty owners in the 120-acre tract could be injured, is there?

A There is not one possible way for them to be injured.

Q And the well is capable of making a 160-acre allowable?

A Yes, sir, it is.

MR. PAYNE: Thank you, that's all.

MR. UTZ: Any other questions? If not, the witness may be excused.

(Witness excused.)

The case is to be taken under advisement.

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STATE OF NEW MEXICO)
)
 COUNTY OF BERNALILLO) ss

I, LAURA MORENO, Court Reporter, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in Stenotype and reduced to typewritten transcript under my personal supervision and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my hand this 6 day of February, 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Laura Moreno
 Laura Moreno, Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2875, heard by me on Jan. 27, 1960.

Edith H. [Signature], Examiner
 New Mexico Oil Conservation Commission

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