

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 8, 1961

EXAMINER HEARING

IN THE MATTER OF:

Application of Great Western Drilling Company for an order force-pooling a 40-acre proration unit in the Eumont Gas Pool. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Eumont Gas Pool in the SE/4 NE/4 of Section 32, Township 19 South, Range 37 East, Lea County, New Mexico. Interested parties include Dr. Hans May, B. A. Bowers, Estate of George F. Henneberry, William R. Kershaw, C. B. Neal, Fred Manley, Mae Williams, and W. L. Crutchfield.

BEFORE:

Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: First case will be 2180.

MR. MORRIS: Application of Great Western Drill Company
for an order for a forced pooling.

MR. CHRISTY: Sim Christy, Hervey, Dow and Hinkle, for the applicant. We have two witnesses, Mr. Examiner, Mr. Huckaby and Mr. Crews.

(Witnesses sworn.)

MR. CHRISTY: Mr. Examiner, this is a companion case, in some respects, to our Case 1998, which was an application for forced-pooling of a gas proration unit in the same area. This is an application for oil forced-pooling in one of the 40-acre tracts

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covered by the gas and a portion of this testimony would be the same as the Case 1998, and I will mention it as we go along. The communitization forced-pooling application includes an application for the operating agreement provisions as contemplated by the statute also.

JOHN HUCKABY

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

DIRECT EXAMINATION

BY MR. CHRISTY:

Q Would you please state your name, address and occupation?

A John Huckaby, 2711 Kester Place, Midland, Texas; Land Man, Great Western Drilling Company.

Q Are you familiar with the area involved in this application and the application itself and what it seeks?

A Yes.

Q In connection with the ownership of the various mineral royalty and working interests in the lands involved in the application, have you caused an examination to be made of certain records to determine such ownership?

A Yes, I have.

Q What records have you examined?

A Old abstracts and division orders, and an examination of the abstractors' records in the County, and also the County Clerk's Office.

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Q I understand there are no current abstracts on this 40-acre tract?

A There are not.

Q And I understand they are quite expensive to obtain?

A That's right.

Q In Case 1998 before this Commission I believe you previously testified as to the mineral royalty and working interest ownership in this 40-acre tract?

A Yes.

MR. CHRISTY: That is pages 6 to 9 of the other transcript, Mr. Examiner.

Q Have there been any changes in the ownership of this tract since the prior testimony?

A No changes in mineral. Great Western now has a lease from the H. L. Lowe interests.

Q Outside of that the ownership is the same as previously testified to?

A Yes.

Q I will refer you to what has been marked Applicant's Exhibit 2, and ask you if that is a plat of the 40-acre tract, broken down into tracts as shown on the communitization agreement?

A Yes, it is.

Q I refer to what has been marked as Applicant's Exhibit 1. That is the communitization agreement itself?

A Yes.



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MR. CHRISTY: Mr. Examiner, at this time we would like to offer into evidence the transcript of testimony concerning the mineral interests and working and royalty interests in this 40-acre tract as taken from Case 1998. The witness has testified it is the same.

MR. NUTTER: First of all, Mr. Christy, the acreage described in the previous case was the E/2 of the NE of 32, the E/2 of the NW of 33, and the NW NW of 33; that was a 200-acre non-standard gas unit for the Eumont Gas Pool?

MR. CHRISTY: Yes, sir.

MR. NUTTER: This is a 40-acre in the Eumont Gas Pool covering this 40-acre tract right here, being the SE NE of 32?

MR. CHRISTY: That's correct, sir.

MR. NUTTER: Weren't the mineral interests previously force-pooled?

MR. CHRISTY: They were force-pooled for the production of gas for the Bordages No. 2, NW NW of 33.

MR. NUTTER: What is the production of the wells on this 40 acres?

MR. CHRISTY: This is Queen oil; the other is Seven Rivers gas.

MR. NUTTER: This is oil, now, from the Eumont Gas Pool?

MR. CHRISTY: Yes, sir. It is oil from the Queen; I assume it is the Eumont. I really don't know what field.

MR. NUTTER: Go ahead. You wanted to consolidate the



testimony of the previous case insofar as it relates to ownership and so forth? The record of the previous case will be incorporated by reference in this one.

Q (By Mr. Christy) Now, sir, with respect to people who have and have not executed the communitization agreement, which is applicant's Exhibit 1 in this case, who has and who has not?

A All the people concerned have executed with the exception of those listed in Paragraph 3 of our application.

Q Now, sir, are the addresses shown in Paragraph 3 of the application the correct addresses for each of those people who have not joined in the communitization agreement?

A With the exception of the address for William R. Kershaw, whose address is now 1303 North Taft, Escondido, California.

Q In that Paragraph 3 I notice you have a M. M. Llewellyn interest, and you marked it sold to C B. Neal. What is C. B. Neal's address?

A First National Bank and Trust Company, Box 220, Tulsa 2, Oklahoma.

Q Also, on the Estate of George F. Henneberry, you have shown address unknown. Since the filing have you determined any known heirs or addresses?

A Yes. The heir, Etha Henneberry Newell, whose address is East Ridge Road, Waccabuc, New York.

Q That leaves us with addresses unknown on B. A. Bowers, Fred Manley and W. L. Crutchfield; is that true at this time?



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A Yes.

Q Have you made a diligent search to determine the addresses of those people?

A We have, but have been unable to come up with an address.

Q Have you checked with the pipelines?

A Those who are involved in production, which has been previously acquired, their interests are being handled.

MR. CHRISTY: At this time I would like to offer into evidence Applicant's Exhibits 3 and 4. They are offered, Mr. Examiner. I have the registered return receipts. With this number of people I thought perhaps an affidavit of mailing might be more handily kept in the file. I do have the receipts if you would like them, all those just testified to.

MR. NUTTER: This is all right.

Q (By Mr. Christy) Turning to the communitization and operating agreement itself, Mr. Huckaby, as I understand you everyone has executed except the people shown in Paragraph 3 of this application?

A That's right.

Q Who is the operator?

A Great Western Drilling Company.

Q In obtaining the signatures from the working interest owners, and particularly with respect to the provisions concerning the operating agreement, did you get any squawks from those working interest owners about the terms and provisions of the operating



agreement portion of Exhibit 1 with respect to costs and expenses?

A Each working interest owner will share equitably in the expenses.

Q What operations are proposed under the agreement?

A The reworking operations.

Q You propose to rework this well?

A Just rework the well.

Q And subsequent to the reworking operations, what is the maximum amount that can be expended by the operator without the consent of other working interest owners?

A \$1,000 without the consent of 75%.

Q What is the effective date of the agreement?

A Effective date of the agreement is the commencement date of the reworking operations.

Q Is there any limitation on when the reworking has to be commenced?

A On or before March 1, 1961.

Q Was Exhibit 2, the map here, prepared by you or under your direction supervision?

A Yes, it was.

MR. CHRISTY: At this point we would like to offer into evidence Exhibit 1, which is the Communitization and Operating Agreement, and Exhibit 2, which is the plat showing the various tracts, and the two affidavits, Exhibits 3 and 4.

MR. NUTTER: At this time your offering, 1, 2, 3, and 4



will be entered in evidence.

MR. CHRISTY: That is all we have from this witness. We do have another witness in connection with the actual mechanics of it and the petroleum engineering aspects of the proposed application.

MR. NUTTER: Are there any questions of Mr. Huckaby?

MR. PAYNE: What kind of engineering aspects, Mr. Christy?

MR. CHRISTY: Exactly what is proposed in the reworking, the cost of it, and the expected results, matters in connection with correlative rights and waste.

BY MR. PAYNE:

Q On this part of your testimony, was this No. 5 well originally a gas well, or what was it?

A The Crutchfield Well?

Q Yes, sir.

A It was originally an oil well, I believe. Yes, that's correct.

Q You are just reworking it as an oil well?

A Yes, sir.

Q Is it perforated in any interval in which the Bordages Well was perforated?

A I am not sure about that. The petroleum engineer may know.

Q As I understand it you presently have a 200-acre non-standard unit for the Bordages Well as a Eumont gas unit?

A Yes, sir.

Q Now, you are proposing a 40-acre Eumont Oil Unit, is that

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right?

A That's right.

BY MR. NUTTER:

Q Mr. Huckaby, as I recall the testimony in the previous record, you testified as to what actual acreage these various people owned and what percentage of the total 200-acre unit that amounted to?

A Yes, sir.

Q In Paragraph 3 of your application here you have stated, for example, Dr. May has 5/64 working interest; Bowers, 4.852 royalty interest, and so forth; is that of the 40-acre unit?

A That is of 31 acres.

MR. CHRISTY: Tract 1 is 31 acres, Mr. Examiner. It is shown in Exhibit A of the communitization agreement. That is the interest within the tract.

Q (By Mr. Nutter) What about the working interests and royalty interests under Tracts 2, 3, 4, 5 and 6; have they agreed to the communitization, or are they covered farther along in Paragraph 3?

A Yes, sir; that's correct.

Q And the percentage or fraction of ownership, then, is not of the entire area; this is their portion of the tract in which they have an ownership?

A Yes, only.

Q Have you determined what their portion of the entire 40-

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acre unit would be?

A No, I don't have that. I just figured that on the individual tract in which they were concerned. We have a little over 92% of the working interest ownership in the 31-acre tract, as I understand, which will make the fraction differ very slightly as it pertained to the 40-acre tract.

Q These people listed in Paragraph 3 of the application will share in the production from the 40-acre unit, but to some lesser extent than is shown here?

A Yes, sir.

MR. CHRISTY: I might state to the Examiner, the communitization agreement provides to unleased mineral interests -- for example, Fred Manley, in Tract 3 -- I don't say he is working or royalty, he owns some mineral acreage. It is provided that will be considered 7/8 working and 1/8 royalty. His cost would be 1/4 of 7/8 of Tract 3's interest of the whole 40-acre tract.

Q In other words, he is a working interest as well as royalty?

MR. CHRISTY: Mineral fee owner, Tract 3. His cost would be 1/4 of 7/8 of 2.55 over 40 acres.

MR. PAYNE: In other words, you are not asking for anything in addition for cost of supervision and operation?

MR. CHRISTY: No, sir. It does provide 6% interest if you don't pay costs as you go along.

MR. NUTTER: What is the status of the No. 5 Well; has it



ever produced?

MR. CHRISTY: Yes, sir. It has been producing since 1937. The petroleum engineer will testify as to that.

MR. NUTTER: How have the moneys been allocated?

MR. CHRISTY: The well has just been producing below allowable.

MR. NUTTER: This acreage never has been force-pooled?

MR. CHRISTY: No, sir.

MR. NUTTER: Did Great Western list themselves as the only owner when they filed the C-128?

MR. CHRISTY: I don't know, sir.

THE WITNESS: Great Western didn't have it when it was completed. We just recently acquired our interests.

MR. CHRISTY: This was operated many, many years by people in Chicago. Great Western bought it last summer or fall. That is when we started working to get this straightened out.

BY MR. NUTTER:

Q Mr. Huckaby, this communitization and operating agreement requires that any person who doesn't pay his share of the working interests, cost of reworking the well and operating it, would pay at the rate of 6% per annum until his share is paid. That proration is applicable to the persons who sign this agreement, is that correct?

MR. CHRISTY: No.

Q It is a part of the agreement, so it would be applicable to those people?

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A All persons involved in receiving proceeds from production would share in the expenses.

Q Are you aware of any provisions in the rules of the Oil Conservation Commission or statutes that provide that the Conservation Commission could, under an order, require that any working interest pay interest at the rate of 6%?

A No, I am not.

MR. CHRISTY: This is, perhaps, a legal question, Mr. Examiner. I believe the statute does provide that the Commission has the authority to provide, by order, for reasonable terms in provisions of an operating agreement, including the percent to the operator for his costs and expenses, overhead.

MR. PAYNE: Cost of supervision and operation?

MR. CHRISTY: Yes, sir.

MR. NUTTER: This is for interest.

THE WITNESS: Certainly it is less than has been previously passed by the Commission.

MR. CHRISTY: As a practical matter, Mr. Examiner, I am not particularly worried about it. Three of them have been unheard of for twenty years. I think we will wind up the same as anyone else.

BY MR. PAYNE:

Q You are aware as to the unleased lands where the person owns both the working interest and the royalty interest, that as to the royalty, it has to be paid month by month, and you can't with-

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hold on that to pay his proportional share of the cost?

A That's right.

MR. NUTTER: Any further questions of Mr. Huckaby? You may be excused.

MR. CHRISTY: Mr. Crews, please. You have been previously sworn, sir?

MR. CREWS: Yes, sir.

O. H. CREWS

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

DIRECT EXAMINATION

BY MR. CHRISTY:

Q Will you please state your name, address and occupation?

A O. H. Crews, 3117 West Louisiana, Midland, Texas.

Q What is your occupation?

A Administrative Coordinator of Production.

Q For who?

A Great Western Drilling Company.

Q Have you previously testified before this Commission as a petroleum engineer and had your qualifications accepted?

A Yes, sir.

Q Are you familiar with the application in Case 2180, the area involved, the well in question, and the production history of it?

A I am.

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Q I refer you to the well itself, and at this point I will refer you to Exhibit 5 and ask you what that is, please, sir?

A Exhibit 5 is a map containing the Crutchfield Well in question, and it has the four sections immediately in the area. It contains the wells producing from this formation, their current allowable marked directly under each well. It has the diagonal offset wells, and also the gas wells of the Eumont Field, which are propoerly designated as gas wells.

Q With respect to this Crutchfield well, what is the location by subdivision?

A This Crutchfield Well is in the SE of the NE of Section 32. It is 2310 from the North line and 990 feet from the East line.

Q In Township 19 South, Range 37 East, Lea County?

A Correct.

Q With respect to the history of the well, when was it drilled and completed, what year?

A September 14th, 1937.

Q Was it completed as an oil or gas well?

A As an oil well.

Q Has it continually produced since that time?

A It has.

Q Who is purchasing the oil out there?

A Shell Pipeline Company.

Q What is the production history on the well, say for the year 1960?



A Well, to start in, January, 1960, for the month it produced 108 barrels. That has consistently come down until in December, 1960, it produced 1 barrel a day, approximately, or 30 barrels a month.

Q Do you have an opinion as to whether or not some remedial work should be done on the well in conformity with good oil field procedure in the area?

A Several wells in the area have been reacidized and have responded well. This well was acidized in 1937. There is a good chance some of the pay has not been acidized.

Q What is the pay area in the well, sir, what depth?

A It is from 3850 to 3909.

Q Is this the same pay interval as the Bordages Well in NW NW of 33?

A No, several hundred feet deeper. This is the Queen, a limey sand, no water.

Q Now, a moment ago you mentioned remedial work had been done on other wells in the area. My question is: Do you feel remedial work should be done on this well?

A Yes, I do.

Q What rework?

A This is currently a flowing well, just barely flows, but does kick out all the oil it produces. We feel that going in this well and using a packer and selectively acidizing the portion of the pay that hasn't been acidized, that we can make a commercial



producer out of it.

Q What is the mechanics of what you would actually do?

A Go in and run a caliper survey on the open hole and find proper seats for an expanding packer. We could acidize, selectively, the zones that haven't been acidized. The survey will show us where the well has been acidized.

Q What do you feel the probable results of such reworking would be?

A Judging by the offset wells that have been reworked we figure somewhere between 15 and 25 barrels will be the recovery per day from this well.

Q That would be as adverse to the one barrel per day in December, 1960?

A Yes.

Q Have you made a cost estimate on the remedial work?

A Yes, we have.

Q I refer you to Applicant's Exhibit 6 and ask you if that is the cost estimate?

A Of the Crutchfield No. 1, correct.

Q And it shows in recapitulation about \$5,800 for well equipment, \$1,200 for electrical equipment, and \$2,500 for intangibles, giving a total of about \$9,600. Are those costs in line with prevailing market prices in this area?

A Yes, they are.

Q In the absence of some unforeseen contingency, do you feel

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the total there shown will adequately cover the remedial work?

A Yes.

A That will be good, proper remedial work?

A Yes, sir. That is our money we are spending.

Q If the well now makes 1 barrel a day, and will make 15 to 25 barrels a day following the remedial work, about how long will it pay out, about, on the cost of the remedial work?

A The maximum amount required, under the minimum production, would be two years. Of course, if it gives us the maximum amount of production it would pay out in a year, year and a half.

Q Following the remedial work that you have just mentioned, will this Crutchfield well effectively and efficiently drain the 40-acre tract in question of oil in this Queen formation?

A Yes, sir.

Q With respect to these people sought to be force-pooled, do you see where the granting of the application might violate their correlative rights with the knowledge that a portion of them are unleased mineral interests here?

A No, it wouldn't.

Q Will the remedial work suggested result in the prevention of waste?

A Yes, because we will recover oil that otherwise wouldn't be recovered.

Q Were Exhibits 5 and 6 prepared by you or under your direct supervision?



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A Yes, sir.

MR. CHRISTY: At this point we would like to offer in evidence Applicant's Exhibits 5 and 6.

MR. NUTTER: Exhibits 5 and 6 will be entered in evidence.

MR. CHRISTY: That is all we have of this witness.

BY MR. PAYNE:

Q In the remedial work to be performed on this well, do you intend to perforate any additional sections, or just acidize?

A Just acidize the open section.

BY MR. PORTER:

Q You will use an expanding packer?

A Yes, sir.

Q Is this the method used on the other wells you mentioned?

A Yes, sir.

Q Do you recall what the cumulative production of this Crutchfield well is?

A It seems to me that it is in the neighborhood of 160,000 barrels. Of course, we anticipate pumping this well, too, putting pumping equipment on it as you will notice on the cost evidence.

BY MR. NUTTER:

Q You stated that the producing interval is 3850 to 3909?

A Yes, sir.

Q Open hole or perforated?

A Open hole.

Q You will just reacidize selectively in this same open hole



interval?

A Yes, sir.

Q What is the producing interval in the Bordages well?

A By footage, you mean?

Q Yes.

A From about in the neighborhood of 3200 feet. It is the gas zone, some hundreds of feet above this zone.

Q It is producing from the Yates sand, is it, upper Queen?

A They sometimes call it the Yates, sometimes Seven Rivers. I think it is the Yates.

MR. CHRISTY: The transcript shows 3530, 3580 on the Bordages, Page 30.

THE WITNESS: Some 200 feet above.

Q (By Mr. Nutter) And this well is producing from the Queen formation?

A Yes.

Q What pay in the Queen?

A It is a sandy lime. Actually, it is a lime underneath the sand.

Q And that is the interval that this well has been producing from since 1937?

A Correct. It is the same interval that these other wells marked here are producing from.

BY MR. PAYNE:

Q Does this well make any water, Mr. Crews?

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A No, sir, it doesn't. If it did it certainly wouldn't flow now.

BY MR. NUTTER:

Q What would you anticipate doing if, on rework, this well became classified as a gas well?

A We already have this area under gas from the Eumont Pool. It would be abandoned if it was not a producer of oil.

MR. NUTTER: Any further questions?

REDIRECT EXAMINATION

BY MR. CHRISTY:

Q What would be the effect of not granting the application, with respect to reworking and allowing the reworking to be done?

A We would probably abandon it.

BY MR. PORTER:

Q Does the record show whether or not this well was acidized when it was first completed?

A Yes, sir. It was acidized in 1937, first with 2,000 gallons, then with 4,000 gallons.

Q Does that record show whether or not the well was reworked or attempted to be reworked?

A We have no record of any attempted remedial work since then. It has been consistently a flowing well. Nobody paid any attention to it.

MR. NUTTER: Any other questions of the witness? He may be excused.

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MR. CHRISTY: That will be all for the applicant. I will mention we will appreciate consideration of the case. We do have to commence the reworking by March 1st if we are to be successful under the communitization agreement. It terminates by itself, ipso facto, if we do not start March 1st.

MR. NUTTER: Does anyone have anything further they wish to offer in Case 2180? Take the case under advisement.

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, JUNE PAIGE, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 16th day of February, 1961.

June Paige
Notary Public - Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2180 heard by me on 2/8, 1961.

[Signature]
Examiner
New Mexico Oil Conservation Commission



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PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

I N D E X

<u>WITNESS</u>	<u>PAGE</u>
JOHN HUCKABY	
Direct Examination by Mr. Christy	2
QUESTIONS by Mr. Payne	8
QUESTIONS by Mr. Nutter	9
QUESTIONS by Mr. Payne	12
O. H. CREWS	
Direct Examination by Mr. Christy	13
QUESTIONS by Mr. Payne	18
QUESTIONS by Mr. Porter	18
QUESTIONS by Mr. Nutter	18
QUESTIONS by Mr. Payne	19
QUESTIONS by Mr. Nutter	20

E X H I B I T S

<u>NUMBER</u>	<u>EXHIBIT</u>	<u>IDENTIFIED</u>	<u>OFFERED</u>	<u>ADMITTED</u>
Ex.#1	Communitization Agreement	3	8	8
Ex.#2	Plat	3	8	8
Ex.#3	Affidavit	5	6-8	8
Ex.#4	Affidavit	5	6-8	8
Ex.#5	Map	14	18	18
Ex.#6	Cost Estimate	16	18	18

