

CASE 2443: Application of GULF OIL
CORP. for 80-acre non-standard gas
proration unit.

Handwritten signature and date:
11/11/11
[Signature]

Handwritten signature:
[Signature]

-asa//o.

2443

lication, Transcript,
all Exhibits, Etc.

Case 2443

PEARSON-SIBERT OIL CO. OF TEXAS

201 WEST BUILDING

401 NORTH COLORADO ST.

MIDLAND, TEXAS

PHONE MUTUAL 4-4872

October 20, 1961

Mr. A. L. Porter, Jr., Sec.-Director
Oil Conservation Commission
State of New Mexico
P.O. Box 871
Santa Fe, New Mexico

Dear Mr. Porter:

We are in receipt of a copy of a letter from the Gulf Oil Corporation to the Oil Conservation Commission dated October 3, 1961 in which they request an exception to Rule 5(A) of Order R-1670 to establish an 80-acre gas proration unit in the E/2 of the NE/4 Section 34, T-19-S, R-36-E, Lea County, New Mexico.

The Pearson-Sibert Oil Co. of Texas owns and operates a lease comprising the SW/4 of the SE/4, S/2 of the SW/4, NE/4 of the SW/4 and the SE/4 of the NW/4 of Section 27, T-19-S, R-36-E, Lea County, New Mexico, a part of which is within 1500 feet of the proposed gas producing well. We object to Gulf Oil Corporation's request for the following reasons:

(1) The subject Gulf lease is a structurally high tract and excessive gas production will probably create a differential reservoir pressure, whereby the oil in place will be moved across lease lines.

(2) 80-acre gas units are considered to be too small for this reservoir and if many such units are allowed, the reservoir pressure would be rapidly depleted, causing premature well abandonment.

(3) A secondary oil recovery project by water flood is under study for this area. Under any type of secondary recovery program, the remaining gas in solution will tend to maintain adequate oil viscosity and fluid mobility to permit efficient flooding and prevent waste.

Please advise us what additional steps are necessary to further oppose this request.

Yours very truly,

Robert D. Fitting
Robert D. Fitting

RDF:me
cc: Gulf Oil Corp.
Roswell, New Mexico

OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

Case 3443

October 23, 1961

COPY
Gulf Oil Corporation
Roswell Production District
P. O. Drawer 1938
Roswell, New Mexico

Attention: Mr. W. A. Shellshear,
District Manager

Gentlemen:

Reference is made to your application, dated October 3, 1961, for administrative approval of an 80-acre non-standard gas proration unit in the Eumont Gas Pool, comprising the E/2 NE/4 of Section 34, Township 19 South, Range 36 East, Lea County, New Mexico.

In view of the fact that Pearson-Sibert Oil Company of Texas has objected to your request, the matter is being set for hearing on November 29, 1961, before one of the Commission's Examiners.

Should the date set for hearing be unsatisfactory, please advise.

Very truly yours,

J. E. WHITFIELD
Legal Assistant

JEW/esr

cc: Pearson-Sibert Oil Company of Texas
201 West Building
Midland, Texas

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

Case 2443

October 23, 1961

C
O
P
Y

Gulf Oil Corporation
Roswell Production District
P. O. Drawer 1938
Roswell, New Mexico

Attention: Mr. W. A. Shellshear

Gentlemen:

Reference is made to my letter, dated October 23, 1961, concerning your application for an 80-acre non-standard gas proration unit in the Eumont Gas Pool, comprising the E/2 NE/4 of Section 34, Township 19 South, Range 36 East, Lea County, New Mexico.

The date of the hearing of your application was in error, and I wish to inform you that the matter is being set for hearing on November 29, 1961, before one of the Commission's Examiners.

If I can be of any further assistance in this matter, please advise.

Very truly yours,

J. E. WHITFIELD
Legal Assistant

JEW/esr

cc: Pearson-Sibert Oil Co. of Texas
201 West Building
Midland, Texas

*Rechecked
Mailed
11/16/61
JEW*

Case 2443
NSP 576
30 days
due 11/3

Gulf Oil Corporation

ROSWELL PRODUCTION DISTRICT

W. A. Shellshear
DISTRICT MANAGER
F. O. Mortlock
DISTRICT EXPLORATION
MANAGER
M. I. Taylor
DISTRICT PRODUCTION
MANAGER
H. C. Vivian
DISTRICT SERVICES MANAGER

October 3, 1961

P. O. Drawer 1938
Roswell, New Mexico

Oil Conservation Commission
State of New Mexico
Post Office Box 871
Santa Fe, New Mexico

Re: Application of Gulf Oil Corporation for Approval
of an 80-Acre Non-Standard Gas Proration Unit,
Eumont Gas Pool, Lea County, New Mexico

Gentlemen:

Gulf Oil Corporation respectfully requests exception to Rule 5(A) of Order R-1670 for approval of an 80-acre Non-Standard Eumont Gas Proration Unit covering the E/2 NE/4 Section 34, Township 19 South, Range 36 East, Lea County, New Mexico. This non-standard unit is to be attributed to the J. W. Smith Well No. 2, located 660 feet from the north line and 660 feet from the east line of Section 34.

In support of this application, the following facts are submitted:

- ✓(1) Gulf's J. W. Smith Well No. 2 originally completed as a Eumont oil well has now been reclassified as a Eumont gas well.
- ✓(2) The proposed Non-Standard Gas Proration Unit consists of contiguous quarter-quarter sections and lies wholly within a single governmental section.
- ✓(3) The entire Non-Standard Proration Unit is reasonably presumed to be gas productive in the Eumont Gas Pool.
- ✓(4) The length or width does not exceed 5,280 feet.
- ✓(5) All operators owning interests in the section in which the Non-Standard Gas Proration Unit is located and all operators within 1,500 feet of the unit well have been furnished a copy of this application.

Respectfully submitted,

GULF OIL CORPORATION

W. A. Shellshear
W. A. Shellshear

JHH:bc



Application of Gulf Oil Corporation for Approval
of an 80-Acre Non-Standard Gas Proration Unit,
Eumont Gas Pool, Lea County, New Mexico

Page 2
October 3, 1961

cc: New Mexico Oil Conservation Commission
Post Office Box 2045
Hobbs, New Mexico

Registered Mail

Amerada Petroleum Corporation
Post Office Box 2040
Tulsa, Oklahoma

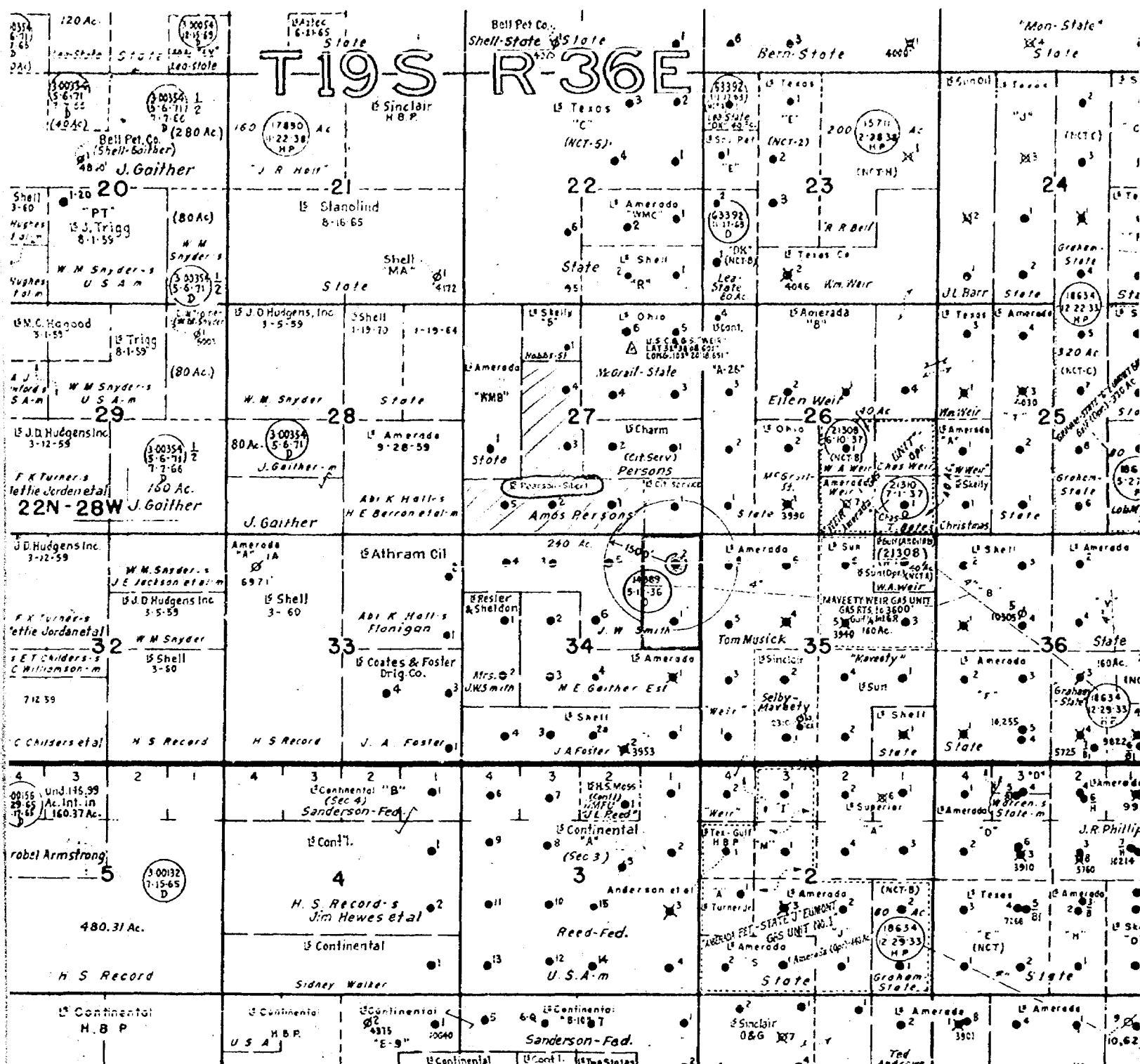
Resler & Sheldon
302 Carper Building
Artesia, New Mexico

Shell Oil Company
Post Office Box 1858
Roswell, New Mexico

Continental Oil Company
825 Petroleum Building
Roswell, New Mexico

Pearson-Sibert Oil Company of Texas
201 West Building
Midland, Texas

Cities Service Oil Company
Post Office Box 97
Hobbs, New Mexico



LEASE PLAT

J. W. SMITH LEASE
EUMONT GAS POOL
Lea County, New Mexico

- LEGEND -

Proposed Non-Standard Unit

Pertinent Well

Gulf Oil Corporation

Case 2443

PEARSON-SIBERT OIL CO. OF TEXAS

201 WEST BUILDING
MIDLAND, TEXAS

PHONE MUTUAL 4-4872

401 NORTH COLORADO ST.

December 1, 1961

Oil Conservation Commission
P.O. Box 871
Santa Fe, New Mexico

Attention: Mr. Daniel S. Nutter

Gentlemen:

7/11
Re: Case #2443

A review has been made of the facts presented by the Gulf Oil Corporation in Case #2443 concerning an 80-acre non-standard gas proration unit. The Pearson-Sibert Oil Co. of Texas withdraws its objection to the establishment of an 80-acre gas unit surrounding the Gulf Oil Corporation J. W. Smith #2, a gas well located 660' from the North and East Lines of Section 34, T-19-S, R-36-E, Lea County, New Mexico.

It is sincerely hoped that the mutual plans of the Operators can be so promoted that a secondary oil recovery project can shortly be commenced, whereby the oil producing portions of this reservoir can be protected from undue fluid migration.

Sincerely yours,

Robert D. Fitting

Robert D. Fitting

RDF:me

cc: Gulf Oil Corporation
Attn: Mr. W. A. Shellshear
Drawer 1938
Roswell, New Mexico

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 12/7/61

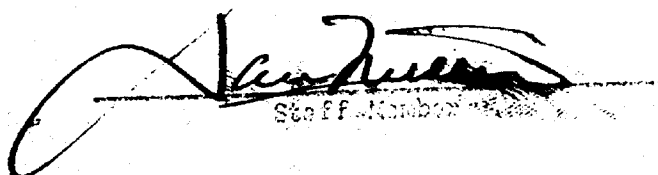
CASE 2443

Hearing Date 9am 11/29/61
DSN @ SF

My recommendations for an order in the above numbered cases are as follows:

Enter an order approving the non-
std 80-acre unit sought by
Kulf in the subj. case.

Include, if appropriate, the finding
that Pearson - Sibert Oil Co, who
had objected, have withdrawn their
objection. Otherwise add nonstd
unit orders.


Staff Engineer

DOCKET: EXAMINER HEARING - WEDNESDAY - NOVEMBER 29, 1961

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or
Elvis A. Utz, as alternate examiner:

Cases listed on this docket after Case 2444 will not be heard before 1 P.M.

- CASE 2434: Application of Amerada Petroleum Corporation for a dual completion and a 160-acre non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its State DA Well No. 1 located in Unit L, Section 16, Township 21 South, Range 37 East, Lea County, New Mexico, as a dual completion (conventional) in the Eumont Gas Pool and the Drinkard Pool, with the production of oil from the Drinkard zone to be through a string of 2 3/8-inch tubing and the production of gas from the Eumont zone to be through the tubing-casing annulus. Applicant further seeks the establishment of a 160-acre non-standard gas proration unit in the Eumont Gas Pool, comprising the N/2 S/2 of said Section 16, said unit to be dedicated to said State DA Well No. 1.
- CASE 2435: Application of Cities Service Oil Company for a triple completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its Hodges "B" Well No. 3, located in Unit L of Section 1, Township 25 South, Range 37 East, Lea County, New Mexico, as a triple completion (conventional) in undesignated Blinebry and Drinkard pools and in the Fusselman formation adjacent to the North Justis-Fusselman pool, with the production of oil from the Blinebry and Drinkard zones to be through parallel strings of 2 1/16-inch tubing and the production of oil from the Fusselman zone to be through a parallel string of 2 3/8-inch tubing.
- CASE 2436: Application of Hudson & Hudson for two unorthodox oil well locations, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of two unorthodox oil well locations in the Maljamar Pool, one well to be located within 100 feet and not less than 25 feet of the Southeast corner of Unit J, Section 24, Township 17 South, Range 31 East, Eddy County, New Mexico, and one well to be located within 100 feet and not less than 25 feet of the Northwest corner of Unit O in said Section 24.

- CASE 2437: Application of J. C. Williamson for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its Westates-Federal Well No. 6, located in Unit D of Section 1, Township 25 South, Range 37 East, Lea County, New Mexico, as a dual completion (conventional) in the McKee and Ellenburger formations with the production of oil from both zones to be through parallel strings of 2 3/8-inch tubing.
- CASE 2438: Application of Texaco Inc. for a triple completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its V. M. Henderson Well No. 6, located in Unit C of Section 30, Township 21 South, Range 37 East, Lea County, New Mexico, as a triple completion in the Paddock, Blinebry Gas, and Drinkard Pools with the production of oil from the Drinkard formation to be through a tapered string of tubing of 2 1/16-inch and 1 1/4-inch diameter and from the Paddock formation to be through a parallel string of 2 1/16-inch tubing and the production of gas from the Blinebry formation to be through the tubing-casing annulus.
- CASE 2421: (Cont.)
Application of Texaco Inc. for approval of a unit agreement and for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Northeast Caprock (Queen) Unit Agreement, covering 1360 acres, more or less, in Township 12 South, Range 32 East, Caprock Queen Pool, Lea County, New Mexico. Applicant further seeks authority to institute a unit-wide waterflood by the injection of water into the Queen formation through 19 wells located within said unit.
- CASE 2439: Application of Sunray Mid-Continent Oil Company for a 67.04-acre non-standard oil proration unit and an unorthodox well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of 67.04-acre non-standard oil proration unit in the Totah-Gallup Oil Pool, comprising Lots 2, 3 and 4 of Section 14, Township 29 North, Range 14 West, San Juan County, New Mexico, said unit to be dedicated to a well to be located at an unorthodox location 330 feet from the North line and 2510 feet from the West line of said Section 14.

CASE 2440: Application of Socony Mobil Oil Company for permission to transfer allowables, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks permission to shut-in the Boulder-Apache Well No. 12-14, located in Section 14, Township 28 North, Range 1 West, Boulder-Mancos Oil Pool, Rio Arriba County, New Mexico, and transfer its allowable to the Boulder-Apache Well No. 23-14 located in said Section 14 for the purpose of conducting interference tests.

CASE 2441: Application of Water Flood Associated, Inc., for a waterflood project in the Maljamar and Robinson Pools, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to institute a waterflood project in the Maljamar and Robinson Pools in portions of Sections 5, 6 and 7, all in Township 17 South, Range 32 East, Lea County, New Mexico.

CASE 2442: Application of El Paso Natural Gas Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its Mescalero Ridge Unit Well No. 1, located in Unit D of Section 21, Township 19 South, Range 34 East, Lea County, New Mexico, as a dual completion (conventional) in the Bone Springs and Morrow formations, with the production of oil from the Bone Springs zone to be through a string of 2 3/8-inch tubing and the production of gas from the Morrow zone to be through a parallel string of 2 1/16-inch tubing.

CASE 2443: Application of Gulf Oil Corporation for an 80-acre non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of an 80-acre non-standard gas proration unit in the Eumont Gas Pool, comprising the E/2 NE/4 of Section 34, Township 19 South, Range 36 East, Lea County, New Mexico, said unit to be dedicated to the J. W. Smith Well No. 2, located 660 feet from the North and East lines of said Section 34.

The following cases will not be heard before 1 P.M.

CASE 2444: Application of Aztec Oil & Gas Company for an exception to Rule 309-A, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 309-A to permit the Totah-Gallup oil production from three wells on

applicant's Bagood Federal Lease, located in Section 19, Township 29 North, Range 13 West, San Juan County, New Mexico, to be transported prior to measurement on said lease to applicant's Smith "C" Lease, located in Section 18, Township 29 North, Range 13 West.

CASE 2445:

Application of Southwest Production Company for an order extending the Flora Vista-Mesaverde Pool, San Juan County, New Mexico, and establishing special rules and regulations in said pool. Applicant, in the above-styled cause, seeks an order extending the Flora Vista-Mesaverde Pool to include Sections 22, 23, 26 and 27, all in Township 30 North, Range 12 West, San Juan County, New Mexico, and establishing special rules and regulations including a provision for 320-acre spacing units in said pool.

CASE 2446:

Application of Southwest Production Company for an order pooling all mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 22, Township 30 North, Range 12 West, San Juan County, New Mexico. Interested parties include Roy Rector and O. G. Shelby, both of Flora Vista, New Mexico, and Myron T. Dale, address unknown.

CASE 2416:

(Cont.)

Application of Southwest Production Company for an order pooling all mineral interests in an undesignated Mesaverde gas pool in the E/2 of Section 22, Township 30 North, Range 12 West, San Juan County, New Mexico.

CASE 2447:

Application of Humble Oil & Refining Company for approval of a pressure maintenance project in the Cha Cha-Gallup Oil Pool, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to institute a pressure maintenance project in the Cha Cha-Gallup Oil Pool by the injection of water into certain wells located on the Navajo Indian Reservation in Sections 13 through 29 and 33 through 36, Township 29 North, Range 14 West, San Juan County, New Mexico. Applicant further seeks the promulgation of special rules and regulations governing said project.

CASE 2448:

Application of Pan American Petroleum Corporation for a pressure maintenance project, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to institute a pressure maintenance project on its C. J. Holder,

State Holder Oil Unit, State "CA", State Oil Unit and Gallegos Canyon Unit Leases, San Juan County, New Mexico, in the Cha Cha-Gallup Oil Pool with water injection initially to be through five wells located in Sections 8 and 16, Township 28 North, Range 13 West, and Section 23, Township 28 North, Range 12 West, and requests adoption of special rules to govern the operation of said project.

CASE 2449:

Application of Pan American Petroleum Corporation for a pressure maintenance project, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to institute a pressure maintenance project on its Navajo Tribal "H" and Gallegos Canyon Unit Leases, San Juan County, New Mexico, in the Totah-Gallup Oil Pool with water injection initially to be through five wells located in Section 35, Township 29 North, Range 13 West, Section 12, Township 28 North, Range 13 West, and Sections 13 and 24, Township 29 North, Range 14 West, and requests adoption of special rules to govern the operation of said project.

Gulf Oil Corporation

ROSWELL PRODUCTION DISTRICT

November 30, 1961

P. O. Drawer 1938
Roswell, New Mexico

W. A. Shellshear
DISTRICT MANAGER
F. O. Mortlock
DISTRICT OPERATIONS
MANAGER
M. I. Taylor
DISTRICT PRODUCTION
MANAGER
H. C. Vivian
DISTRICT SERVICES MANAGER

Oil Conservation Commission
State of New Mexico
Post Office Box 871
Santa Fe, New Mexico

Attention: Mr. A. L. Porter, Jr.

Re: Case No. 2443
Examiner Hearing
November 29, 1961

Gentlemen:

In compliance with Mr. Nutter's request in the subject case, the following tabulation shows the results of annual gas-oil ratio tests conducted on Gulf Oil Corporation's J. W. Smith Well No. 2, NE/4 NE/4 Section 34, Township 19 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico.

<u>Test Date</u>	<u>GOR</u>
May, 1957	16,500
May, 1958	29,000
June, 1959	94,000
May, 1960	45,000
May, 1961	113,000

Should you desire additional information, please advise.

Yours very truly,



W. A. Shellshear

JHH:ers



GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

P. O. BOX 871
SANTA FE

December 21, 1961

Mr. M. I. Taylor
Gulf Oil Corporation
Box 669
Roswell, New Mexico

Re: Case No. 2443
Order No. R-2147
Applicant:
Gulf Oil Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC X

Artesia OCC

Aztec OCC

OTHER

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 2443
Order No. R-2147

APPLICATION OF GULF OIL CORPORATION
FOR AN 80-ACRE NON-STANDARD GAS PRO-
RATION UNIT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on November 29, 1961, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 21st day of December, 1961, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Gulf Oil Corporation, is the owner and operator of the E/2 NE/4 of Section 34, Township 19 South, Range 36 East, NMPM, Lea County, New Mexico.

(3) That the applicant seeks the establishment of an 80-acre non-standard gas proration unit in the Eumont Gas Pool consisting of the E/2 NE/4 of said Section 34; said unit is to be dedicated to the J. W. Smith Well No. 2, located 660 feet from the North line and 660 feet from the East line of said Section 34.

(4) That approval of the subject application will neither cause waste nor impair correlative rights.

IT IS THEREFORE ORDERED:

(1) That an 80-acre non-standard gas proration unit in the Eumont Gas Pool is hereby established comprising the E/2 NE/4 of Section 34, Township 19 South, Range 36 East, NMPM, Lea County, New Mexico, said unit to be dedicated to the J. W. Smith Well

-2-

CASE No. 2443
Order No. R-2147

No. 2, located 660 feet from the North line and 660 feet from the East line of said Section 34.

(2) That the allowable to be assigned to the subject well shall be 80/640 of the allowable assigned to a standard, 640-acre proration unit in the Eumont Gas Pool.

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



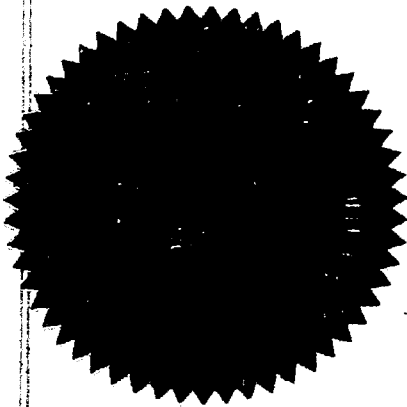
EDWIN L. MECHEM, Chairman



E. S. WALKER, Member



A. L. PORTER, Jr., Member & Secretary



ear/

Handwritten: *Chas. J. Ramey* *CH*
File

GOVERNOR
EDWIN L. MCGUIRE
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER



STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

P. O. BOX 2840
MORGAN
August 24, 1961

Gulf Oil Corp.
Box 2167
Hobbs, New Mexico

Gentlemen:

Effective September 1, 1961 the following wells are reclassified as gas wells in the Eumont Gas Pool:

Lea State DA (Lea State Oil Co.)	No. 1-H	Sec. 14, T-19-S, R-36-E
Orcutt C (TA)	No. 8-B	Sec. 6, T-21-S, R-36-E
Arnott Ramsay D (Lea State Oil Co.)	No. 5-G	Sec. 22, T-21-S, R-36-E
Bell Ramsay D (Lea State Oil Co.)	No. 1-G	Sec. 35, T-20-S, R-37-E
J. W. Smith (Lea State Oil Co.)	No. 2-A	Sec. 34, T-19-S, R-36-E

This reclassification was necessitated by your recent gas-oil ratio tests which indicated the wells to be producing with ratios in excess of 100,000.

These wells will be shut in effective September 1st and will remain shut in until you have complied with the provisions of Commission Order No. R-1670 pertaining to the Eumont Gas Pool.

Yours very truly,

OIL CONSERVATION COMMISSION

Handwritten signature: Joe D. Ramey
Joe D. Ramey
Proration Manager

JDR/ac

Case No. 2443
Exhibit No. 1

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

November 29, 1961

EXAMINER HEARING

IN THE MATTER OF:

Application of Gulf Oil Corporation for an 80-acre non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of an 80-acre non-standard gas proration unit in the Eumont Gas Pool, comprising the E/2 NE/4 of Section 34, Township 19 South, Range 36 East, Lea County, New Mexico, said unit to be dedicated to the J. W. Smith Well No. 2, located 660 feet from the North and East lines of said Section 34.

CASE NO.
2443

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

EXAMINER NUTTER: We will call Case No. 2443.

MR. WHITFIELD: Application of Gulf Oil Corporation for an 80-acre non-standard gas proration unit, Lea County, New Mexico.

MR. KASTLER: W. V. Kastler from Roswell, appearing on behalf of Gulf Oil Corporation. We have one witness, Mr. J. H. Hoover.

(Witness sworn.)

J. H. HOOVER,

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

ALBUQUERQUE, N. M.
PHONE 243-6691



called as a witness, having been first duly sworn on oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KASTLER:

Q Mr. Hoover, will you please state your position, where you reside, and where you are employed?

A I am a senior petroleum engineer with Gulf Oil Corporation in Roswell, New Mexico.

Q Have you previously qualified as an expert petroleum engineer and testified before this Commission?

A Yes, sir, I have.

MR. KASTLER: Are the witness's qualifications satisfactory?

EXAMINER NUTTER: Yes, sir; please proceed.

Q (by Mr. Kastler) Are you familiar with the application in Case No. 2443?

A Yes, sir.

Q Would you please explain what Gulf Oil is seeking in this case?

A We are requesting approval of the 80-acre non-standard Eumont gas proration unit covering the East half of the Northwest quarter and the East half of the Northeast quarter of Section 34, Township 19 South, Range 36 East, Lea County, New Mexico, that being a portion of our J. W. Smith lease and to be attributed to our J. W. Smith Well No. 2.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

ALBUQUERQUE, N. M.
PHONE 243-6691



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

ALBUQUERQUE, N. M.
PHONE 243-6691

Q That's the East half of the Northeast quarter?

A The East half of the Northeast quarter.

Q Isn't it normal procedure to obtain administrative approval for applications of this nature?

A Yes, sir, it is, and we made such application for administrative approval and there was an objection from an offset operator. That is the reason it was set for hearing.

Q In what form were these objections made or stated?

A In a letter to the Oil Conservation Commission office.

MR. MORRIS: That is part of the file in this case.

Q (by Mr. Kastler) Would you refer to that letter or a copy that Gulf has received and state what the objections were that were made by this offset operator?

A Yes, sir. This is a carbon copy of the letter which was furnished to us addressed to the Oil Conservation Commission office in Santa Fe dated October 20, 1961. I would like to quote in part the objections. "We object to Gulf Oil Corporation's request for the following reasons: 1. The subject Gulf lease is a structurally high tract. An excess of gas production will probably create a differential reservoir pressure whereby the oil in place will be moved across lease lines. 2. The 80-acre units are considered to be too small for this reservoir and in my opinion if such units are allowed, the reservoir pressure would be rapidly depleted, causing premature well abandonment. 3. A secondary oil recovery project by waterflood is



under study for this area. Under any type of secondary recovery program, the remaining oil in solution will tend to maintain adequate oil viscosity and fluid mobility to permit such flooding and prevent waste."

Q Would you please review the facts leading up to this hearing or the history of this well?

A Yes. Gulf's J. W. Smith No. 2 was originally completed in the Monument Oil Pool in 1937. In 1956 it was plugged back to the Eumont Oil Pool and completed as a high GOR Eumont oil well.

EXAMINER NUTTER: What do you mean by high GOR?

THE WITNESS: That's what I was trying to find in my notes, Mr. Nutter. The well was completed flowing 15 barrels of oil, 449 MCF of gas with a GOR of 29,940, that being a high GOR because the limiting GOR is 10,000 in the Eumont Pool. It has a penalized allowable of 31 barrels based on top pool allowable of 38 barrels. The Commission set the annual GOR for this pool for GOR tests and as a result of the 1961 annual tests the J. W. Smith Well No. 2 was re-classified as a Eumont gas well because it produced in excess of 100,000 to 1.

(Applicant's Exhibit No. 1
marked.)

A (continuing) I would like to present Exhibit 1 at this time, which is a letter from the Commission division office in Hobbs advising us that they were re-classifying this well as



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a result of the GOR test. There is one point I would like to bring out, in the last paragraph of that letter, it referred to these wells, other wells. The J. W. Smith well is the one in question. These wells will be shut in effective September 1st and will remain shut in until they have complied with the provisions of Commission Order R-1670 pertaining to the Eumont gas pool. That order states that a gas well is one that produces in excess of 100,000 to 1. It states further that if the well is not classified as a gas well, it is classified as an oil well. It further sets out the limiting GOR; and to comply with the Order R-1670 to get an allowable or to be allowed to produce a well, you have to have a proration unit. And the reason for our request is to allow this well to produce by requesting an 80-acre non-standard unit.

Q (by Kastler) Do you have additional exhibits to offer in this case? What does Exhibit 2, for example, show? Would you identify it?

(Applicant's Exhibit No. 2 marked.)

A Exhibit 2 is a structure plat contoured on top of the Penrose pay. The Penrose pay is part of the Queen formation and is in the vertical limits of the Eumont gas pool. All we have showing on this plat is that the structure is dipping very sharply to the west and that the east side of our Smith lease is structurally high; and we feel that the reason this well has



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become a gas well is the fact that it is structurally high, and one of the objections was that the well was structurally high, and we agree that it is.

Q On Exhibit 2, I notice you have outlined in red an area that appears to be your lease area. Is that the Smith lease?

A Yes, being the Northeast quarter and the North half of the Northwest quarter of Section 34.

Q The well in question is located in the Northeast of Section 34, is that correct?

A Yes, sir.

Q Has it been designated on Exhibit 2?

A It is only circled on Exhibit 2. It is designated on Exhibit 3.

(Applicant's Exhibit No.3 marked.)

Q Calling your attention to Exhibit 3, would you please identify it and explain where is shown information there pertinent to this case?

A What we did on Exhibit 3 -- we have outlined in red our proposed 80-acre non-standard unit, being the East half, the Northeast quarter of Section 34, and we have circled in red the unit well. We have also shown the offsetting gas units by other operators. They are outlined in green and the unit well producing is outlined, circled in green. What we are show-



ing there is that our non-standard unit is offset to the north-east and south. It is offset to the northeast and south by other existing Eumont gas units.

Q Is it your opinion, Mr. Hoover, that this area at present is being drained by these other existing gas units?

A Yes, sir, it is.

Q You stated that one of the objections was that an excess of gas production would probably create a differential reservoir pressure whereby oil in place will be moved across lease lines. What is your answer to this objection?

A It would not, under the term "excess of gas production" because based on the first eleven months of 1961, that's January through November -- we don't have the December proration schedule, so therefore, the first eleven months average allowable for an 80-acre unit in the Eumont gas pool is only 95 MCF per day. Those are actual figures taken from the gas proration schedule. An oil well in this pool can produce 10 times a top allowable of 34; therefore, an oil well on 40 acres can produce 340 MCF a day according to the rules and regulations. Therefore, we don't see how this well producing on 80 acres, producing less gas than an oil well can on 40 acres, can cause oil to migrate across the lease line.

Q What comment do you have concerning the objection that 80 acres are considered too small and that in such a unit the reservoir would be rapidly depleted?

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A The only reason we would consider them too small is strictly economics. Due to the very low allowables you could not spend very much money on the development of 80 acres. However, the allowables are based on acreage alone. An 80-acre unit can withdraw its proportionate amount and there is no reason why an operator could not develop on any side that he feels economical.

Q What is your comment concerning a secondary oil recovery project?

A Well, we are certainly aware of the possibilities of a secondary recovery project and have been for some time. In fact, at our initiative, a meeting has been held with the operators to discuss a secondary project and we do not feel in any way that the granting of our request for an 80-acre non-standard unit will affect the project in any way.

Q Do you have anything further to add?

A I have just one other thing: That the granting of our application will afford us an opportunity to protect correlative rights in view of the setting of the Eumont gas unit shown on Exhibit 3.

Q Would the denial of your application result in permanent shutting in of Well No. 2 and abandoning any hope of recovering gas in place there?

A Yes, sir.

Q Mr. Hoover, were Exhibits 2 and 3 prepared by you or



at your direction and under your supervision?

A Yes, sir, they were.

MR. KASTNER: That concludes our direct testimony at this time.

EXAMINER NUTTER: Does anyone have any questions of Mr. Hoover?

CROSS EXAMINATION

BY EXAMINER NUTTER:

Q Mr. Hoover, this well was completed in 1956 with a GOR of 29,940. You mentioned that annual tests are taken. Could you give us the annual GORs that this well has experienced since being recompleted as a gas well?

A No, sir. I don't have the other tests. I have only the recent one.

Q Is this the first time it's gone over 100,000?

A Yes. The regular test that was conducted in May of this year, our test on May 9, 1961, the well produced one barrel of oil, 113 MCF of gas giving a GOR of 113,000. The result of that test was that the well was reclassified. We retested the well in September to see if we agreed that it should be a gas well and we could not get a test anything under 100,000. In fact, our test on September 11 showed that the well produced no oil, 183 MCF. On September 13, no oil, 200 MCF.

Q Just a minute. I want to jot those down. That's a high ratio.



A Yes, sir.

Q These tests were after the well had been shut in for a period since September 1st?

A Yes, sir. They were shut in September 1st at the direction of the Commission.

Q Now, what formation or what pay is the No. 1 Smith well completed in?

A Oh, I overlooked the No. 1. It is completed in the Monument Oil Pool and ---

Q And the Nos. 2 and 3?

A All the rest are in the Eumont oil wells. So, on the proposed 80-acre non-standard unit, we would not have any Eumont oil dedicated there.

Q Have there been any trimmed as far as GORs are concerned in the No. 5 and 6 which are up-structure?

A I don't have the trends. However, the most recent GOR test which was the one conducted in 1961, the No. 5 had a GOR of 39,917. No. 6 has a GOR of 12,045.

Q That was taken in April of 1961?

A April or May. I believe it was May. I don't have the date on those but it was probably the same month, at the same time.

Q That was the same test period that No. 2 came up with the 113,000?

A The regularly scheduled GOR test. No. 3 has a GOR of



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3323, and the No. 4 has a GOR of 1800.

Q These wells are down-structure?

A Yes, sir. The gas-oil contact that we show on Exhibit 2 is approximate.

Q You stated that the average allowable for an 80-acre unit for the last year, but not counting December, has been 95 MCF per day.

A Yes, sir.

Q And that the top allowable oil well in the Eumont would have a GOR limit of 340 MCF per day.

A Yes, sir, if it was producing right at the top limit and capable of producing top allowable.

EXAMINER NUTTER: Are there any further questions of the witness?

He may be excused.

(Witness excused.)

MR. KASTLER: I wish to offer these exhibits into evidence, one, two and three.

EXAMINER NUTTER: Applicant's Exhibits 1 through 3 will be admitted in evidence.

MR. FITTING: Robert D. Fitting with Pearson Gilbert Oil Company.

The objection still stands. We don't believe they have answered the fact that their well is a gas well. The offset well to the north is producing at a ratio less than 26,000 and it's our opinion, since that well and the well to the south,



that some re-working may be necessary, not re-classification, and we wonder whether or not this isn't a little bit propitious, if the operator intends to form a unit for waterflood purposes. We also notice that there was a meeting called November 10, subsequent to our objections.

EXAMINER NUTTER: Is there anything else anyone wishes to offer in this case?

We will take the case under advisement.

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STATE OF NEW MEXICO)
COUNTY OF SAN JUAN) ss.

I, THOMAS F. HORNE, NOTARY PUBLIC in and for the County of San Juan, State of New Mexico, do hereby certify that the foregoing and attached transcript of hearing was reported by me in stenotype and that the same was reduced to typewritten transcript under my personal supervision and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

Thomas F. Horne
NOTARY PUBLIC

My Commission Expires:

October 2, 1965

I do hereby certify that the foregoing is a complete and true transcript of the proceedings in the last hearing of Case No. 2443 heard by me on 11-29, 1961.

Domini, Examiner
New Mexico Oil Conservation Commission

