

CASE 3119: Application of GULF
OIL CORP. FOR A WATERFLOOD
PROJECT, LEA COUNTY, N. MEX.

CASE No.
3719

Application,
TRANSCRIPTS,
SMALL Exhibits
ETC.

LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

State of New Mexico

Conservation Commission



P. O. BOX 2088
SANTA FE
87501

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

Mr. Bill Kastler
Gulf Oil Corporation
Post Office Box 1938
Roswell, New Mexico

Gentlemen:

3119 Enclosed herewith is Commission Order No. R- 2794, entered in Case No. ~~2794~~, approving the South Penrose Skelly Unit Water Flood Project.

As to allowable, indicate that
~~According to~~ our calculations, when all of the authorized injection wells have been placed on active injection, the maximum allowable which this project will be eligible to receive under the provisions of Rule 701-E-3 is 1050 barrels per day.

Please report any error in this calculated maximum allowable immediately, both to the Santa Fe office of the Commission and the appropriate District proration office.

In order that the allowable assigned to the project may be kept current, and in order that the operator may fully benefit from the allowable provisions of Rule 701, it behooves him to promptly notify both of the aforementioned Commission offices by letter of any change in the status of wells in the project area, i.e., when active injection commences, when additional injection or producing wells are drilled, when additional wells are acquired through purchase or unitization, when wells have received a response to water injection, etc.

Your cooperation in keeping the Commission so informed as to the status of the project and the wells therein will be appreciated.

Very truly yours,

OCC - Hobbs
cc: Mr. Frank Irby
cc:

A. L. PORTER, Jr.
Secretary-Director

Initial injection is to be through the six authorized injection wells which shall be equipped with internally plastic-coated tubing and tension-type packers set in casing liners.

and assuming that each 90-acre tract in the waterflood project area has a Penrose Skelly producing well on it,

WVK
MIT
HAR



SKELLY OIL COMPANY

TULSA 2, OKLAHOMA

PRODUCTION DEPARTMENT

C. L. BLACKSHER, VICE PRESIDENT

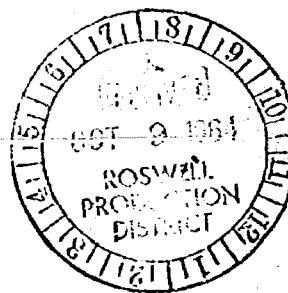
W. P. WHITMORE, MGR. PRODUCTION

W. D. CARSON, MGR. TECHNICAL SERVICES

ROBERT O. HILTZ, MGR. JOINT OPERATIONS

GEORGE W. SELINGER, MGR. CONSERVATION

October 6, 1964



Re: Case No. 3118
Case No. 3119
South Penrose Skelly Unit Area

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

The Commission has scheduled for hearing on Tuesday, October 13, 1964, two cases concerning the South Penrose Skelly Unit Area. Case No. 3118 is for approval of the Unit Agreement, while Case No. 3119 pertains to approval of authority to institute a waterflood project.

This is to advise that Skelly Oil Company, as an interested operator and working interest owner within the unit, concurs and supports the recommendations of Gulf Oil Corporation in these cases.

Very truly yours,

(Signed) GEORGE W. SELINGER

RJJ/va

Gee-Gulf Oil Corporation
Box 1398
Roswell, New Mexico
Attn: Mr. M. I. Taylor

(5) That the subject application should be approved and the project should be governed by the provisions of Rules 701, 702, and 703 of the Commission Rules and Regulations.

IT IS THEREFORE ORDERED:

(1) That the applicant, Gulf Oil Corporation,
is hereby authorized to institute a waterflood project in the
South
in the Penrose Skelly Unit Area
Penrose-Skelly Pool/by the injection of water into the
Grayburg formation through the following-described wells
in Township 22 ~~NXXX~~ Range 37 ~~West~~,
South East
NMPM, Lea County, New Mexico:

~~Zachary~~
Zachary-Downs Well No. 1, located in Unit C
of Section 5;
Gulf-Stebbins (NCT-A) Well No. 2, located in
Unit E of Section 5;
~~Zachary~~
Zachary-Grizzell Well No. 1, located in Unit
G of Section 5;
~~Pan American~~
Pan-Am-Grizzell Well No. 2, located in Unit K
of Section 5;
~~Pan American~~
Pan-Am-Grizzell Well No. 4, located in Unit M
of Section 5; and
~~Continental~~
Cont-Elliott B-6 Well No. 1, located in Unit I
of Section 6.

(2) That the subject waterflood project shall be governed
by the provisions of Rules 701, 702, and 703 of the Commission
Rules and Regulations.

(3) That monthly progress reports of the waterflood project
herein authorized shall be submitted to the Commission in accord-
1119
ance with Rules 704 and ~~1119~~ of the Commission Rules and Regula-
tions.

(4) 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 herein-
above designated.

DRAFT

JMD/esr

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. 3119

Order No. R-2794

APPLICATION OF GULF OIL CORPORATION
FOR A WATERFLOOD PROJECT, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
October 13, 1964, at Santa Fe, New Mexico, before Examiner
Elvis A. Utz.

NOW, on this _____ day of October, 1964, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, 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,
seeks permission to institute a waterflood project in the _____
Penrose-Skelly _____ in the South Penrose Skelly Unit Area
_____ Pool/by the injection of water into the
Grayburg _____ formation through six injection wells in
Sections 5 and 6, Township _____ 22 _____, Range _____
_____ 37 _____, NMPM, Lea County, New Mexico.
_____ East

(3) That the wells in the project area are in an advanced
state of depletion and should properly be classified as "stripper"
wells.

(4) That the proposed waterflood project should result in the
recovery of otherwise unrecoverable oil, thereby preventing waste.

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

October 30, 1964

C

Mr. Bill Kastler
Gulf Oil Corporation
Post Office Box 1938
Roswell, New Mexico

Dear Mr. Kastler:

O

Enclosed herewith is Commission Order No. R-2794, entered in Case 3119, approving the South Penrose Skelly Unit Waterflood Project.

P

Initial injection is to be through the six authorized injection wells which shall be equipped with internally plastic-coated tubing and tension-type packers set in casing liners.

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As to allowable, our calculations indicate that when all of the authorized injection wells have been placed on active injection, and assuming that each 40-acre tract in the waterflood project area has a Penrose-Skelly producing well on it, the maximum allowable which this project will be eligible to receive under the provisions of Rule 701-E-3 is 1050 barrels per day.

Please report any error in this calculated maximum allowable immediately, both to the Santa Fe office of the Commission and the appropriate district proration office.

In order that the allowable assigned to the project may be kept current, and in order that the operator may fully benefit from the allowable provisions of Rule 701, it behooves him to promptly notify both of the aforementioned Commission offices by letter of any change in the status of wells in the project area, i.e., when active injection commences, when additional injection or producing wells are drilled,

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

-2-

Mr. Bill Kastler
Gulf Oil Corporation
Roswell, New Mexico

when additional wells are acquired through purchase or unitization,
when wells have received a response to water injection, etc.

Your cooperation in keeping the Commission so informed as to the
status of the project and the wells therein will be appreciated.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/DSN/ir

Enclosure

cc: Mr. Frank Irby
State Engineer Office
Santa Fe, New Mexico

Oil Conservation Commission
Box 1980
Hobbs, New Mexico

C
O
P
Y

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. 3119
Order No. R-2794

APPLICATION OF GULF OIL CORPORATION
FOR A WATERFLOOD PROJECT, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m., on October 13, 1964, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 29th day of October, 1964, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, 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, seeks permission to institute a waterflood project in the Penrose-Skelly Pool in the South Penrose Skelly Unit Area by the injection of water into the Grayburg formation through six injection wells in Sections 5 and 6, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) That the wells in the project area are in an advanced state of depletion and should properly be classified as "stripper" wells.

(4) That the proposed waterflood project should result in the recovery of otherwise unrecoverable oil, thereby preventing waste.

(5) That the subject application should be approved and the project should be governed by the provisions of Rules 701, 702, and 703 of the Commission Rules and Regulations.

IT IS THEREFORE ORDERED:

(1) That the applicant, Gulf Oil Corporation, is hereby authorized to institute a waterflood project in the Penrose-Skelly Pool in the South Penrose Skelly Unit Area by the injection of water into the Grayburg formation through the following-described wells in Township 22 South, Range 37 East, NMPM, Lea County, New Mexico:

Zachary-Downs Well No. 1, located in Unit C of Section 5;

Gulf-Stebbins (NCT-A) Well No. 2, located in Unit E of Section 5;

Zachary-Grizzell Well No. 1, located in Unit G of Section 5;

Pan American-Grizzell Well No. 2, located in Unit K of Section 5;

Pan American-Grizzell Well No. 4, located in Unit M of Section 5; and

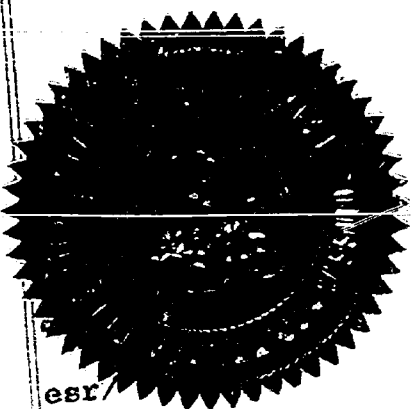
Continental-Elliott B-6 Well No. 1, located in Unit I of Section 6.

(2) That the subject waterflood project shall be governed by the provisions of Rules 701, 702, and 703 of the Commission Rules and Regulations.

(3) That monthly progress reports of the waterflood project herein authorized shall be submitted to the Commission in accordance with Rules 704 and 1119 of the Commission Rules and Regulations.

(4) 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

Jack M. Campbell
JACK M. CAMPBELL, Chairman

E. S. Walker
E. S. WALKER, Member

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

Case 3119

Recd 10-13-64

Rec. 10-19-64

1. Approve Gulf's request for a Pilot Waterflood to be known as the

S. Penrose Shelly waterflood.

2. Approve 6 injection wells as follows:

✓	Zackey - Downs #1	C - S -	22 S - 37 E		
✓	Gulf - Stebbins (NCT-A) #2	E - S -		✓	✓
✓	Cont - Elliott B-6 #1	I - 6		✓	✓
✓	Pan Am - Grizzel #4	N - S		✓	✓
✓	Pan Am - Grizzel #2	K - S		✓	✓
✓	Zackey - Grizzel #1	G - S		✓	✓

Thos A. D. H.



STATE OF NEW MEXICO

STATE ENGINEER OFFICE

SANTA FE

S. E. REYNOLDS
STATE ENGINEER

September 23, 1964

ADDRESS CORRESPONDENCE TO:
STATE CAPITOL
SANTA FE, N. M.

87501

Mr. A. L. Porter, Jr.
Secretary-Director
Oil Conservation Commission
Santa Fe, New Mexico

Dear Mr. Porter:

Reference is made to the application of Gulf Oil Corporation which seeks approval of the South Penrose Skelly Unit Agreement and secondary recovery operations based on a water flood. The six wells proposed for water injection are as follows:

Zachery Downes #1 Unit C, Sec. 5
Gulf Stebbins (NCT-A) #2 Unit E, Sec. 5
Continental Elliott B-6 #1 Unit I, Sec. 6
Pan American Grizzell #4 Unit M, Sec. 5
Pan American Grizzell #2 Unit K, Sec. 5
Zachery Grizzell #1 Unit G, Sec. 5

all in Township 22 S., R. 37 E. The diagrammatic sketches shown on Enclosure B indicate that injection in each well will be down tubing under a packer set in a liner with the packer well below the top of cement surrounding the casing liner. It therefore appears that no threat of contamination to any fresh waters which may exist in the area will occur. Therefore, this office offers no objection to the granting of the application.

Yours truly,

S. E. Reynolds
State Engineer

FEI/ma
cc-F. H. Hennighausen
Gulf Oil Corp.

By: *Frank E. Irby*
Frank E. Irby, Chief
Water Rights Div.

Case 3119

MAIN OFFICE

SEP 25 PM

Robert M. Smith
10-1-64
ji

DOCKET: EXAMINER HEARING - TUESDAY - OCTOBER 13, 1964

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, Alternate Examiner:

CASE 3108: (Continued from the September 30, 1964 examiner hearing)

Application of Monsanto Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the dual completion (conventional) of its Dagger Draw Well No. 1, located in Unit O of Section 6, Township 20 South, Range 25 East, Eddy County, New Mexico, to produce gas from the Strawn and Morrow formations through the casing-tubing annulus and through tubing, respectively.

CASE 3115: Application of Monsanto Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the dual completion (conventional) of its Lowe-State Well No. 1 located in Unit F of Section 36, Township 21 South, Range 23 East, Eddy County, New Mexico, to produce gas from the Cisco Canyon and Lower Morrow formations through parallel strings of tubing.

CASE 3116: Application of Tex-Star Oil & Gas Corporation for force-pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Pearl-Queen Pool underlying the NW/4 NW/4 of Section 24, Township 19 South, Range 35 East, Lea County, New Mexico.

CASE 3117: Application of Tex-Star Oil & Gas Corporation for force-pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Basin-Dakota Pool underlying the E/2 of Section 26, Township 30 North, Range 14 West, San Juan County, New Mexico.

CASE 3118: Application of Gulf Oil Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the South Penrose Skelly Unit Area comprising 4,400 acres, more or less, of Federal, State and Fee lands in Township 22 South, Range 37 East, Penrose Skelly Pool, Lea County, New Mexico.

October 13, 1964 Examiner Hearing

- CASE 3119: Application of Gulf Oil Corporation for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the Penrose Skelly Pool in its South Penrose Skelly Unit Area by the injection of water into the Grayburg formation through six wells in Sections 5 and 6, Township 22 South, Range 37 East, Lea County, New Mexico.
- CASE 3120: Application of Dr. Sam G. Dunn for a Review of the Commission's Directive of August 27, 1964, concerning salt water disposal, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks a review of the Commission's Directive of August 27, 1964, prohibiting the disposal of produced salt water in unlined pits after November 1, 1964, in the Linda-San Andres Pool and adjacent areas in Townships 6 and 7 South, Range 26 East, Chaves County, New Mexico. Applicant specifically requests an extension of the November 1st deadline and a determination that salt water disposal in unlined pits in Sections 26, 27, and 34, Township 7 South, Range 26 East, among other areas, does not constitute a hazard to fresh waters and should be excepted from the Commission's directive.
- CASE 3121: Application of Dr. Sam G. Dunn for a water injection project, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a water injection project by the injection of water into the San Andres formation through one well located in Section 33, Township 6 South, Range 26 East, Linda-San Andres Pool, and by the injection of water into one well in Section 32 or 33, and one well in Section 27, Township 7 South, Range 26 East, all in Chaves County, New Mexico.
- CASE 3122: Application of Continental Oil Company for an unorthodox location and a non-standard unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to complete its Meyer B-4 Well No. 27 at an unorthodox location 5,610 feet from the South line and 660 feet from the East line of Section 4, Township 21 South, Range 36 East, Oil Center Blinebry Pool, Lea County, New Mexico. Said well would be dedicated to a 53-acre non-standard unit comprising that portion of Lots 1 and 8 of said Section 4 which is productive from the Oil Center Blinebry Pool.
- CASE 3123: Application of Continental Oil Company for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of special pool rules including a provision for 80-acre spacing and a gas-oil ratio of 6000 to 1 for the Monument-Tubb Pool in Township 20 South, Range 37 East, Lea County, New Mexico.

PAGE -3-

October 13, 1964 Examiner Hearing

- CASE 3124: Application of Continental Oil Company to amend Order No. R-2566, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an amendment to Order No. R-2566, which authorized the Continental Baish-Yates Waterflood Project, to also provide authority for the injection into each well of approximately 500 barrels of LPG.
- CASE 3125: Application of Shell Oil Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the dual completion (conventional) of its Antelope Ridge Unit Well No. 4-1 in Unit B of Section 4, Township 24 South, Range 34 East, Lea County, New Mexico, to produce gas from the Antelope Ridge Pennsylvanian and Antelope Ridge Devonian Gas Pools through parallel strings of tubing.
- CASE 3126: Application of Murphy Oil Corporation for a pressure maintenance project, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project in the Many Rocks-Gallup Pool by the injection of water into the Gallup formation through five wells in Sections 17, 18 and 20, Township 32 North, Range 17 West, San Juan County, New Mexico. Applicant further seeks the promulgation of special rules for the operation of said project.
- CASE 2654: (Reopened)
In the matter of Case No. 2654 being reopened pursuant to the provisions of Order No. R-2349, which order established temporary 320-acre gas proration units for the Buffalo Valley-Pennsylvanian Gas Pool, Chaves County, New Mexico, for a period of two years. The Commission will consider indefinite extension of Order No. R-2349 in the absence of evidence to the contrary.
- CASE 3127: Application of Shell Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the China Canyon Unit Area comprising 7611 acres, more or less, of Federal, State and Fee lands in Township 23 South, Ranges 23 and 24 East, Eddy County, New Mexico.
- CASE 3128: Application of Shell Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Grama Ridge Unit Area comprising 3052 acres, more or less, of Federal and State lands in Townships 21 and 22 South, Range 34 East, Lea County, New Mexico.

PAGE -4-

October 13, 1964 Examiner Hearing

CASE 3129: Application of Shell Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the West Wilson Deep Unit Area comprising 3360 acres, more or less, of State and Fee lands in Township 21 South, Range 34 East, Lea County, New Mexico.

ir/

Gulf Oil Corporation

ROSWELL PRODUCTION DISTRICT

W. B. Hopkins
DISTRICT MANAGER
M. I. Taylor
DISTRICT PRODUCTION
MANAGER
F. O. Mortlock
DISTRICT EXPLORATION
MANAGER
H. A. Rankin
DISTRICT SERVICES MANAGER

September 22, 1964

MAIN OFFICE 000

SEP 23 AM 8 00

P.O. Drawer 1938
Roswell, New Mexico 88201

Case 3119

Secretary Director
New Mexico Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Application of Gulf Oil Corporation for Approval of
the South Penrose Skelly Unit Agreement, Providing
for Secondary Recovery Operations in a Portion of
the Penrose Skelly Pool, Lea County, New Mexico

Dear Sir:

Gulf Oil Corporation, as the proposed Unit Operator, respectfully requests the Commission's approval of the South Penrose Skelly Unit Agreement on the grounds that the proposed Unit plan will, in principle, tend to promote the conservation of oil and gas and the prevention of waste. In support of its application, Gulf states as follows:

(1) That the Unit Area shall be:

T. 22 S., R. 37 E.

Section 3: Lots 3 and 4, SW/4 NW/4 and NW/4 SW/4
Section 4: Lots 1, 2, 3 and 4, S/2 N/2, SW/4 and W/2 SE/4
Section 5: All
Section 6: Lot 1, S/2 NE/4 and SE/4
Section 7: NE/4
Section 8: All
Section 9: All
Section 10: N/2, SW/4 and N/2 SE/4
Section 15: N/2 NW/4
Section 16: N/2, N/2 SW/4, N/2 SE/4 and SE/4 SE/4
Section 17: N/2 NE/4, SE/4 NE/4 and NE/4 SE/4

containing 4,399.65 acres, more or less, more fully
shown on the enclosed plat marked Enclosure A.

(2) That the project area described above includes all producing Penrose Skelly Pool wells situated south of the northern boundary of Township 25 South, except as follows:

(a) Twelve wells situated in Units K and M, Section 3; I and P, Section 4; D and E, Section 11; and E, F, K, L, M and N, Section 15, operated by Ambassador. These wells were not included in the proposed Unit at the request of the Operator.



September 22, 1964

- (b) Three wells situated in Units M, N and O, Section 16, operated by Moore and Russell. These wells were not included in the proposed Unit since production has been from the Queen formation only, whereas the Unit is being formed to waterflood the Grayburg formation.
- (c) One well situated in Unit L, Section 11 was not included at the request of the Operator, R. L. Parker.
- (d) Continental Oil Company's Elliott A-15 Lease, S/2 SE/4 Section 15, was not included in the unitization since the lease is not contiguous to the Unit Area.
- (3) That the average daily production for the wells in the proposed Unit Area has declined to approximately 3 barrels per day per well and all wells have reached an advanced stage of depletion as described in Rule 701 (E)(1).
- (4) That applicant initially proposes to convert 6 wells to water injection wells. The description of these 6 wells, together with each well's casing program, is shown on the enclosed plat marked Enclosure B. A copy of a typical injection well log is enclosed marked Enclosure C.
- (5) That the applicant plans to develop a source of brackish water in the vicinity of the Unit from the San Andres formation. The proposal is to inject approximately 500 barrels of water per day into each injection well.
- (6) That the order of the Commission should become effective upon the first day of the month following the final approval of said Unit Agreement by the Director of the U. S. Geological Survey, and shall terminate ipso facto upon the termination of said Unit Agreement.
- (7) That a copy of this application with enclosures has been sent to the State Engineer's office. Gulf Oil Corporation has previously obtained preliminary approval of the Unit Agreement from the Commissioner of Public Lands of the State of New Mexico and the Director of the U. S. Geological Survey.

It is requested that this matter be set for hearing before an examiner.

Respectfully submitted,

GULF OIL CORPORATION

M. I. Taylor
M. I. Taylor

DOCKET MAILED

Enclosures
VMH:ers

cc: New Mexico Oil Conservation Commission
Post Office Box 1980
Hobbs, New Mexico 88240

State Engineer's Office
Capitol Building
Santa Fe, New Mexico 87501

State Land Office
Post Office Box 1148
Santa Fe, New Mexico 87501
Attn: Mrs. Marion Rhea

MONTHLY OIL, WATER AND GAS PRODUCTION

PROPOSED SOUTH PENROSE SKELLY UNIT

<u>MONTH AND YEAR</u>	<u>OIL BARRELS</u>	<u>MONTH AND YEAR</u>	<u>OIL BARRELS</u>
<u>1955</u>		<u>1954</u>	
Jan.	7,346	Jan.	6,044
Feb.	6,324	Feb.	5,553
Mar.	7,051	Mar.	6,281
Apr.	6,474	Apr.	6,152
May	6,879	May	6,400
June	6,846	June	7,130
July	7,964	July	7,061
Aug.	7,788	Aug.	7,642
Sept.	8,103	Sept.	7,475
Oct.	8,614	Oct.	7,616
Nov.	7,391	Nov.	7,217
Dec.	9,068	Dec.	7,713

EXHIBIT NO. V

MONTHLY OIL, WATER AND GAS PRODUCTION

PROPOSED SOUTH PENROSE SKELLY UNIT

MONTH AND YEAR	OIL BARRELS	WATER BARRELS	GAS MCF
<u>1964</u>			
Jan.	5,795	3,445	107,337
Feb.	5,484	3,120	102,936
Mar.	6,151	4,851	120,185
Apr.	5,687	4,611	111,099
May	5,420	3,092	112,136
June	5,483	3,078	107,700
July			
Aug.			
Sept.			
Oct.			
Nov.			
Dec.			

MONTH AND YEAR	OIL BARRELS	WATER BARRELS	GAS MCF
<u>1963</u>			
Jan.	6,832	5,160	113,466
Feb.	6,530	5,298	107,142
Mar.	6,994	6,645	117,419
Apr.	6,930	6,157	117,472
May	6,444	5,959	117,086
June	6,115	5,787	116,239
July	5,867	3,362	126,990
Aug.	5,737	2,861	119,075
Sept.	5,862	2,315	124,620
Oct.	6,026	3,456	131,495
Nov.	6,049	3,335	124,328
Dec.	6,260	3,515	120,753

MONTH AND YEAR	OIL BARRELS	WATER BARRELS	GAS MCF
<u>1962</u>			
Jan.	5,984	4,645	111,991
Feb.	5,890	6,583	107,578
Mar.	6,401	7,176	98,594
Apr.	5,970	6,127	113,746
May	6,550	6,678	123,263
June	6,271	5,883	106,735
July	6,430	6,893	104,790
Aug.	6,752	5,776	102,925
Sept.	7,043	5,727	98,807
Oct.	7,541	4,347	120,239
Nov.	6,690	4,008	117,680
Dec.	7,460	4,098	125,988

MONTH AND YEAR	OIL BARRELS	MONTH AND YEAR	OIL BARRELS
<u>1961</u>		<u>1960</u>	
Jan.	6,893	Jan.	8,169
Feb.	6,431	Feb.	7,413
Mar.	7,504	Mar.	8,250
Apr.	7,176	Apr.	7,775
May	7,870	May	8,589
June	7,462	June	7,876
July	6,874	July	7,719
Aug.	6,867	Aug.	7,334
Sept.	6,569	Sept.	7,443
Oct.	6,563	Oct.	7,371
Nov.	6,572	Nov.	7,416
Dec.	6,940	Dec.	7,903

MONTH AND YEAR	OIL BARRELS	MONTH AND YEAR	OIL BARRELS
<u>1959</u>		<u>1958</u>	
Jan.	8,370	Jan.	7,509
Feb.	7,726	Feb.	7,512
Mar.	8,788	Mar.	7,287
Apr.	8,831	Apr.	7,409
May	9,682	May	7,902
June	8,531	June	7,088
July	9,174	July	7,308
Aug.	8,766	Aug.	8,549
Sept.	7,808	Sept.	8,935
Oct.	8,306	Oct.	9,026
Nov.	8,097	Nov.	8,555
Dec.	8,538	Dec.	10,165

MONTH AND YEAR	OIL BARRELS	MONTH AND YEAR	OIL BARRELS
<u>1957</u>		<u>1956</u>	
Jan.	9,652	Jan.	8,792
Feb.	9,385	Feb.	7,782
Mar.	9,498	Mar.	8,101
Apr.	9,122	Apr.	8,370
May	9,113	May	8,702
June	7,956	June	8,930
July	8,770	July	10,339
Aug.	8,188	Aug.	10,334
Sept.	7,901	Sept.	9,801
Oct.	7,677	Oct.	10,328
Nov.	7,562	Nov.	9,600
Dec.	7,604	Dec.	10,666

EXHIBIT NO. III

LOGS OF ALL AVAILABLE
PROPOSED INJECTION WELLS

SOUTH PENROSE SKELLY UNIT

See Back Envelope

INCLUDED (✓) EXCLUDED ()

DATA FOR
PROPOSED SOUTH PENROSE SKELLY UNIT
OIL CONSERVATION COMMISSION HEARING
CASE NUMBER 3119

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
<u>A's</u>	EXHIBIT NO. <u>1-6</u>
CASE NO. <u>3118-19</u>	

Operator Gulf Oil Corporation Date October 13, 1964
Project South Penrose Skelly Unit Waterflood
Pool Penrose Skelly County Lea
Reservoir Grayburg

I. RESERVOIR CHARACTERISTICS

A. Information on Reservoir

1. Name of Reservoir Grayburg (See Exhibit No. I)
2. Composition Light gray fine crystalline dolomite and white crystalline dolomite with occasional thin beds of fine grained dolomitic sand.
3. Structure A northwest-southeast trending anticline. Dip on the north, west, and south flanks approaches 70 feet per mile while to the east the dip is approximately 50 feet per mile as shown on Exhibit No. II.

B. Information on Proposed Project Area

1. Number of Productive Acres in Project Area to be Flooded Unitized area is 4,400 acres as shown on Exhibit No. I.
2. Average Depth to Top of Pay 3,650 feet (See Exhibit No. III.)
3. Estimated Average Gross Thickness 100 feet
4. Estimated Average Effective Thickness 35 feet
5. Estimated Average Effective Porosity 5%

II. PRIMARY PRODUCTION HISTORY AND PRESENT STATUS OF PROJECT AREA

- A. Date First Well Completed 1936
- B. Oil and Water Production History by Months See Performance Curves on Exhibit No. IV and Production Data on Exhibit No. V.
- C. Type of Depletion Solution gas drive
- D. Original Reservoir Pressure 1,420 psig
- E. Oil Gravity 36° API

- F. Stage of Depletion of Project Area Late
- G. Number of Wells in Project Area Penrose Skelly: 56 Producing,
14 Shut In, 32 Recompleted. Eumont Oil: 3; Eumont Gas: 5
- H. Average Daily Oil Production Per Well at Present Time 3.3 barrels
- I. Cumulative Oil Production as of July 1, 1964 from Area to be Flooded 6,351,332 barrels
- J. Remaining Primary Reserves from July 1, 1964 199,175 barrels

III. INJECTION INFORMATION

- A. Source of Injected Water Gulf's W. M. Rinewalt No. 2 situated in
Unit E of Section 4, T-22-S, R-37-E, will be recompleted as a
San Andres water supply well.
- B. Type of Water Brackish - Injection system will be corrosion-resistant.
- C. Treatment of Injected Water None is anticipated; however, if water
analysis after development indicates treatment is needed, appropriate
action will be taken.
- D. Pattern and Spacing 80-acre 5-spot pattern as shown on Exhibit No. VI.
- E. Initial Injection Pressure to be Used Maximum pressure expected will
be in the range of 1,500 to 2,000 psig, after increasing from 500 psig.
- F. Estimated Initial Per Well Rate of Injection 500 barrels per day.
- G. Additional Injection and Producing Wells to be Drilled None,
initially, but possibly 4 when pilot is expanded to full scale.
- H. Injection Well Geometry Water will be injected through internally
plastic coated tubing below a tension packer situated in casing liner
as shown on Exhibit No. VI.

IV. RESULTS EXPECTED

It is believed that the proposed waterflood will provide recovery of additional oil in the magnitude of 65% of the reservoir's ultimate primary

recovery. In terms of barrels, the increased recovery due to waterflooding should be about 4,250,000 barrels of oil.

V. REASONS AND RECOMMENDATIONS

The Penrose Skelly Pool produces by a solution gas drive mechanism and, as a result, a considerable quantity of oil will remain unrecovered at the end of primary depletion unless some type of fluid injection project is inaugurated to increase the ultimate oil recovery.

In view of these considerations, Gulf, in association with Amerada, Continental, Humble, Mobil, Pan American, Shell, Texaco and others has concluded that the best course of action is the unitization of the wells in the portion of the Penrose Skelly Pool shown on Exhibit No. I so that a jointly owned waterflood project can be undertaken. Therefore, Gulf Oil Corporation, as the South Penrose Skelly Unit Operator-elect, respectfully requests the Oil Conservation Commission approve the installation of the proposed waterflood facilities and grant a Unit oil allowable equal to the sum of the current allowables for the Unit wells not offset by water injection wells plus the allowable earned by the wells situated in the pilot waterflood area as provided in Rule 701 (E) Subparagraph 3 of the Commission Rules and Regulations.

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PAGE 1

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
October 13, 1964

EXAMINER HEARING

IN THE MATTER OF: Application of Gulf Oil
Corporation for a unit agreement, Lea
County, New Mexico.

and
Application of Gulf Oil Corporation for a
waterflood project, Lea County, New Mexico.

Case No. 3118 &
3119

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

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MR. UTZ: The Hearing will come to order.

Application of Gulf Oil Corporation for a unit agreement, Lea County, New Mexico.

MR. KASTLER: If the Examiner please, I am Bill Kastler from Roswell, New Mexico, appearing on behalf of Gulf. We would like for Cases 3118 and 3119 be consolidated for the purposes of the Hearing; and our two witnesses are Mr. V. M. Hendricks as petroleum engineer and Mr. Bates Boles as a landman.

MR. UTZ: Case 3119 is a waterflood for the Unit in 3118; is that correct?

The Cases will be consolidated for the purposes of testimony, and separate orders written on the new cases.

MR. KASTLER: He has prepared data in the form of a brochure, and there are three copies. They are all marked for identification in the interest of speed.

MR. UTZ: The witness will stand and be sworn, please.

(Witness sworn.)

VANCE M. HENDRICKS,

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

DIRECT EXAMINATION

BY MR. KASTLER:

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Q Please state your name, position and employer.

A Vance M. Hendricks, Petroleum Engineer for the Gulf Oil Corporation, Roswell, New Mexico.

Q Have you previously testified before the New Mexico Oil Conversation Commission?

A Yes, sir, I have.

Q Are you familiar with the technical aspects of Cases 3118 and 3119, consolidated?

A Yes, sir.

Q In which Gulf seeks approval of the South Penrose Skelly Unit?

A I am.

MR. KASTLER: Are the qualifications of this expert witness satisfactory to the Commission?

MR. UTZ: Yes, sir, he has previously qualified before the Commission.

Q (By Mr. Kastler) Will you please state why the leases shown within the proposed South Penrose Skelly Unit should be unitized?

A The proposed unit is being formed so that the southern portion of the Penrose Skelly Pool can be waterflooded to permit greater ultimate oil recovery.

Q Do you have a plat showing the South Penrose Skelly Unit?

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A Yes, sir, it is Exhibit Number One in this brochure.

Q Mr. Hendricks, will you refer to Exhibit Number One and state what is shown thereon.

A Exhibit Number One is a map of central Lea County near the vicinity of Eunice, New Mexico. Outlined in yellow is the proposed Unit. As can be seen the Unit will encompass 4,400 acres which 102 wells have been drilled and produced.

Q Do you have a structure map showing a portion of the Penrose Skelly Pool which is to be included in the proposed Unit?

A Exhibit Number Two is a sub-surface structure map of the Grayburg reservoir from which the Penrose Skelly production goes. The Penrose Skelly Pool produces from a northwest southeast trending anticline, having a dip on the north, west, and south flanks of approximately 70 feet per mile while to the east it is approximately 50 feet per mile. This map was contoured on the top of the Grayburg formation and has a contour interval of 10 feet.

Q What are the geological characteristics of the reservoir to be waterflooded?

A The Grayburg formation is a light gray fine crystalline dolomite and white crystalline dolomite having occasional thin beds of fine grained dolomitic sand.

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Q Do you have well logs for the proposed injection locations?

A Yes, sir. They are marked as Exhibit Number 3-A through 3-D. Although injection is planned in six wells, only two of these have been logged. The logs of deeper twin wells on the same 40 acre location as the injection wells, have been included so that we have logs for four of the six injection locations.

Q That is, you have logs on the 40 acre unit of four of the six locations; is that correct?

A That's correct.

Q And two of them are the wells that are the injection wells themselves?

A That is correct.

Q And two others are logs of twin wells on that same 40 acres where there is an injection well to be located?

A That's correct.

Q And the injection wells are all dug; is that not correct?

A They are existing wells.

Q Selecting one of these logs, describe what it shows.

A In the back of the booklet in the pocket is an Exhibit marked 3-A. This is a radioactivity log for Zachry's A. L. Downes Number Two situated in Unit C of Section 5, Township

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22 South, Range 37 East. The top of the Queen, Grayburg, and San Andres formations are shown. The portion of the Grayburg shaded in orange is the reservoir that is to be waterflooded.

MR. UTZ: Which log are we looking at?

A It is marked "3-A".

MR. UTZ: All right.

Q (By Mr. Kastler) Yes, sir.

A The unitized interval will be from the top of the Queen formation to the top of the San Andres formation as shown on this log.

Q Have you prepared an Exhibit showing the production history and present status of the wells in the proposed South Penrose Skelly Unit?

A Yes, sir, it is marked Exhibit Number Four.

Q Please explain Exhibit Number Four.

A The Exhibit shows the production performance of the 56 Penrose Skelly wells that are now producing. The center curve checked in the red is the oil production history. As can be seen the average oil production per well within the Unit during June was 3.3 barrels per day. The curve below is a water production history curve. It shows that the average daily water production is 3.4 barrels per day per well during the same month. The upper most curve is that of the producing gas-oil

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ratio. In June the producing gas-oil ratios for these 56 wells was 19,643 --

Q MCF?

A 19,643 to One.

Q Is Exhibit Number Five a tabulation of the monthly oil, water and gas production from which Exhibit Number Four was prepared?

A Yes, sir, that's correct.

Q Mr. Hendricks, what does Exhibit Number Six show?

A Exhibit Number Six is a combination map and diagrammatic sketch of the proposed injection wells. The shaded area in the upper left portion of the map is the proposed double 5-spot pilot waterflood. Six wells will be converted to water injectors. Every well on the map within the unit area has been colored in either red, green or yellow.

The red wells are those that are currently producing in the Penrose Skelly Pool and there are 56 of these wells.

The fourteen colored in green are wells that are temporarily abandoned or standing in the unit area.

The remaining 32 wells are colored yellow and these wells are former Penrose Skelly Pool wells that have been recompleted into another producing horizon or have been permanently abandoned.

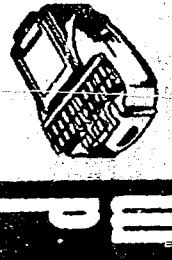
Q Are there any 40-acre locations which have never been

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PAGE

drilled?

A Yes, sir. There are four that have never been drilled and there are four others, although having a well tholeon, have never produced from the Penrose Skelly Pool.

Q Is it the proposal to utilize these wells?

A On the locations which has a well on it. When the pilot responds and expansion occurs, then a well will be needed on every 40 acres.

Q And there can either be dualled or singled, as the occasion demands; is that correct?

A That's correct.

Q Do the diagrams on Exhibit Number Six show how the injection wells will be equipped in the waterflood?

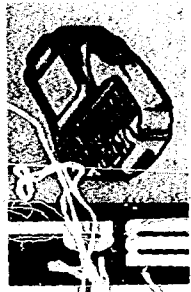
A Yes, sir, the casing program and downhole equipment to be used is shown. Using Zachry Downes Number One as an example, which is checked in green on the left side of the Exhibit. It can be seen that the 7 inch casing is cemented at 3,522 feet. A casing liner will be cemented in place from within the 7 inch casing to a point within the Grayburg above the porosity development. Water will be injected through internally plastic coated tubing below a tension packer to be set in the liner and into the open hole and then into the Grayburg formation.

Q The injection will be through the plastic coated liner

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or tubing, but into the exposed open hole in the Grayburg Section?

A That's correct.

Q What will be the source of the injection water, type of water to be used, and other related matters regarding injection?

A Brackish water will be obtained from the San Andres formation. The water will be produced from Gulf's W. M. Rinewalt Number Two. This well is checked in green on Exhibit Number Six and it is situated in Unit E of Section Four, Township 22 South, Range 37 East inside the unit area. The well was originally completed in the Brunson Ellenburger Pool but is now recompleted in the Penrose Skelly Pool.

Q It is plugged back; is that right?

A Yes, it is a plugged back well based on the estimated daily injection volume of 500 barrels per injection well. It is anticipated the water needs will be about 3,000 barrels per day. All surface equipment will be corrosion resistant. The initial injection pressure is estimated, although, will be less than 500 pounds but will increase upward to 2,000 pounds as flood progresses.

Q Won't this injection well be needed as this water well will be needed as a producing well in your unitized formation?

A When the pilot is expanded it will be on a location in



which injection will be needed. There are other wells on that 40-acre location that could be used if this one is continued as a water supplied well.

Q What other results are expected from the project?

A It is believed that the proposed waterflood project will recover additional oil in the magnitude of 65 percent of the reservoir ultimate primary recovery. In terms of barrels we should receive some four million additional barrels of water.

Q What are the reasons for the project and what recommendations does Gulf, as a Unit Operator, have to the Commission?

A Since the Pool produces by a solution gas drive mechanism, a considerable quantity of oil will remain unrecovered at the end of primary depletion unless a secondary recovery project is inaugurated to increase ultimate oil recovery. In view of these circumstances, Gulf, in association with Amerada, Continental, Humble, Mobil, Pan American, Shell, Texaco and others has concluded that the best course of action is the unitization of the wells in the portion of the Penrose Skelly Pool shown on Exhibit Number One so that a jointly owned waterflood can be undertaken.

Therefore, Gulf Oil Corporation, as the South Penrose Skelly Unit Operator-elect, respectfully requests the Oil Con-

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servation Commission approve the installation of the proposed waterflood facilities and grant a Unit oil allowable equal to the sum of the current allowables for the unit wells not offset by water injection plus the allowable earned by the wells situated in the pilot waterflood area as provided in Rule 701 (E), Subparagraph Three of the Commission Rules and Regulations.

Q Are all of these wells, these Penrose Skelly wells at the stripper stage at present?

A Yes, the wells for a total average for all of the fifty-six is 3.3 barrels per day. Specifically in the pilot project area they are currently producing at 1.6 barrels per day, average.

Q In your opinion, would the granting of this Application be in the interest of prevention of waste and protection of correlative rights?

A Yes, sir, it would.

Q Were Exhibits Number One, Two, Three, Four and Five, as well as the narrative data, prepared by you, or at your direction or under your supervision?

A It was; yes, sir.

Q Gulf has received a copy of a letter dated September 23, 1964 from the State Engineer of New Mexico, to the Oil Conservation Commission, which concerns the feasibility of the

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of the South Penrose Skelly Unit insofar as the protection of water is involved?

A Yes, sir, we have.

Q And does the State Engineer's Office concur in this Application?

A They do.

Q And they conclude that the wells, the injection wells, are wells cased and protected?

A Yes; that is correct.

Q And that the use of the Brackish water involved within the Unit area would not jeopardize any fresh water supplies?

A That specific point was not covered in this letter; but that is a fact.

Q It is implied.

MR. KASTLER: This concludes the direct technical testimony, Mr. Utz.

MR. UTZ: Is this your land man?

MR. KASTLER: This is our production engineer.

Q (By Mr. Utz) It is my understanding that all water will be injected through plastic coated tubing under a packer into openhole formation?

A Yes, sir.

Q (By Mr. Utz) And at this time you are asking for six injection wells?

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A Yes, sir.

Q (By Mr. Utz) Now, anywhere on your Exhibits, are those six injection wells listed by location, exact location?

A Yes, sir. On Exhibit Number Six they are; the six wells shown for injection, in the diagrammatic sketch.

MR. UTZ: Are there any other question of the witness?

(No response.)

MR. UTZ: The witness may be excused.

(Witness excused.)

MR. KASTLER: I now ask Mr. Bates Boles to take the stand.

In Mr. Boles' testimony, he will use three copies of the proposed Unit Agreement and three copies of the proposed Unit Operating Agreement which should be marked Exhibit's Seven and Eight.

(Whereupon, Applicant's Exhibit's Seven and Eight marked for identification.)

MR. UTZ: The witness will stand and be sworn in.

B A T E S B O L E S, called as a witness herein, having been first duly sworn on oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KASTLER:

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Q Please state your name, your title and employer.

A Bates Boles, District Clerical Supervisor, Gulf Oil Corporation, Roswell, New Mexico.

Q Have you previously been qualified as a witness to testify before the New Mexico Oil Conversation Commission with conjecture with Unit proposals?

A Yes, sir.

Q And in your duties have you become familiar with the unitization of the South Penrose Skelly Unit?

A Yes.

MR. KASTLER: Are the witness' qualifications satisfactory?

MR. UTZ: Yes, sir.

Q (By Mr. Kastler) Would you please give the status of the Working Interest Owners' sign-up or execution, at this time?

A Based on secondary phase participation, approximately 66 percent of the Working Interest Owners have signed. We have an additional 23 percent who have indicated that they were in the process of signing, but we have not received their signed ratifications.

Q For a total 88 percent?

A That would be a total of 89 percent, either promised or signed.

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Q At this time?

A Yes.

Q Have any Working Interest Owner stated he would not sign?

A Yes.

Q Approximately 1 percent?

A Approximately 1 percent.

Q And are the tracts involving that Unit Operator situated near or at the edge of the Unit Area?

A They are situated on the edge of the area. One is on the northeast edge and the other is on the south edge.

Q Would you please give the status of the Royalty Owners' sign-up?

A Based on secondary phase participation, approximately 73 percent of the Unit Area is fee lands, 15 percent Federal lands and 12 percent State land. We have approximately 60 percent of the royalty ownership on fee lands has signed. If we consider the State and Federal royalty as being signed, approximately 85 percent of the royalty ownership has ratified the Unit Agreement.

Q Has the South Penrose Skelly Unit Agreement been drafted after various preliminary drafts and approvals of lessees involved?

A Yes. The Working Interest Owners formed a Committee

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and held a meeting and wrote the instruments to the satisfaction of all Working Interest Owners.

Q Have the instruments been submitted to the unitization of the State Land Office for preliminary approval?

A Yes, sir.

Q And has such approval been granted in form and content?

A Yes.

Q Has the Unit Agreement been examined and approved by the U.S. Geological Survey, both in Roswell and in Washington D.C.?

A Yes, and the Acting Director of the U.S.G.S. gave this Unit Area preliminary approval by letter dated April 28, 1964.

Q Does the Unit Agreement provide for the expansion of the Unit Area?

A Yes, subject to the approvals of the Director, the Commissioner and the Commission.

Q Does the Unit Agreement provide for selection of a successor Unit Operator in the event of the resignation or removal so as to insure continuous responsible operations?

A Yes. The successor operator shall be selected by three or more Working Interest Owners having 60 percent or more of the voting interest subject to the approval of the director and the

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Commissioner.

Q The Commissioner or the Land Commissioner?

A The Land Commissioner.

Q What is the basis of allocation of both primary and secondary oil?

A The Unit Agreement provides for a split formula which resulted from negotiations in the Operators' Committee and which have been approved by the Commissioner and Director. Specifically, the allocation of the remaining primary oil to both Working Interest Owners and Royalty Owners is based upon the ratio of the total income inclusive of gas production from each such tract to the total income inclusive of gas production from each such tract to the total income inclusive of gas production from all such tracts during the period from July 1, 1961 to January 1, 1962. Secondary participation shall be equal to 100 percent of the ratio of the cumulative oil production from each such tract to the cumulative oil production from all such tracts both as of January 1, 1962; provided, however, that certain quarter-quarter sections within the Unit, which have never produced from the formation to be unitized or have only recently been developed, have been assigned a cumulative oil figure which is comparable to the average cumulative oil recovery of the adjacent quarter-quarter sections.

Q In other words, if a tract -- do you understand?

MR. UTZ: Every word of it.

MR. KASTLER: Withdraw the next question.

Q (By Mr. Kastler) What does the Unit Agreement provide in regard to non-joinder and subsequent joinder?

A For joinders after the effective date, a Working Interest Owner must obtain the approval of the other Working Interest Owners and the Director or Commissioner. The subsequent commitment by a Royalty Owner is subject to the consent of the Working Interest Owner who is the lessee of the tract involved.

Q In your opinion does the Unit Agreement provide for the prevention of waste and the protection of correlative rights?

A Yes, sir.

MR. KASTLER: This concludes the direct testimony of this witness, Mr. Utz.

MR. UTZ: Are there any questions of the witness?

(No response.)

MR. UTZ: The witness may be excused.

(Witness excused.)

MR. UTZ: Are there any other statements to be made in this Case?

MR. KASTLER: Mr. Utz, we have received a letter from Skelly which we have had Zeroxed, and they ask for the

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concurrence with the Application and I would like to submit these for the Commissioner's use.

MR. UTZ: I don't believe you entered your Exhibits.

MR. KASTLER: At this time I would like to move to the entrance of Exhibit's One through Eight.

MR. UTZ: Without objection the Exhibit's One through Eight will be made a part of the record in this Case.

(Whereupon, Applicant's Exhibit's One through Eight were entered into evidence.)

MR. UTZ: If there are no further statements, the Case will be taken under advisement.

We will have a ten minute break.

(Whereupon, the taking of the Hearing was concluded.)

* * *

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CONVENTIONS

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STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss.

I, CHARLES FLOYD WALKER, 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 23rd day of October, 1964.

Charles Floyd Walker
NOTARY PUBLIC

My Commission Expires:
March 25, 1968.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 3118 & 3119 heard by me on Oct. 13, 1964.
[Signature] Examiner
New Mexico Oil Conservation Commission

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I N D E X

<u>WITNESS</u>	<u>PAGE</u>
VANCE M. HENDRICKS	
Direct Examination by Mr. Kastler	2
BATES BOLES	
Direct Examination by Mr. Kastler	13

E X H I B I T S

<u>NUMBER</u>	<u>MARKED FOR IDENTIFICATION</u>	<u>OFFERED</u>	<u>ADMITTED</u>
Exhibit's One through Eight	3	19	19