

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

April 15, 1952

In the Matter of:)
)
C. E. Willingham's application)
for permission to produce the)
T. O. May No. 5 well, 1310') Case No. 354
from N and E lines, 34-22S-37E,)
NMPM, Lea County, New Mexico)
in the Penrose-Skelly Pool.)
)

(Notice of Publication read by Mr. Graham.)

MR. COWAN: Gentlement, I am Ray Cowan of Brandon and Cowan from Hobbs representing Dr. Willingham in this case. A brief history might be in order.

In case No. 297 before this Commission held on August 7, 1951, the Aurora Gasoline Company in a farm out from my client, Dr. Willingham, requested drilling from an unorthodox well located in the northeast quarter of Section 34, Township 22, South Range 37 East in Penrose Skelly field in Lea County, New Mexico. I imagine you are all familiar with that. The purpose of that was to determine the feasibility of carrying on the secondary recovery program for the recovery of oil and gas from

the Queen or Grayburg formation in the Penrose Skelly pool.

The Commission further held in its order dated August 15, 1951, that in the event the secondary recovery program did not prove to be practicable or feasible that applicant shall be permitted to complete said well if same could produce oil or gas in paying quantities subject to further order of the Commission.

The Commission is well informed on this question. I understand Earlougher Engineering Company in their core analysis on this clearly show that such secondary recovery by hydrafracing or water flooding was not feasible and we will present that core analysis as Exhibit No. 1.

Thereafter on March 1, 1952, by letter which we will hand in as Exhibit No. 2, the Aurora Gasoline Company turned back this property to Dr. Willingham stating that the recovery by this method was not feasible and that they understood that the Commission would approve ordinary production of this well.

There are four well on the lease. This lease is known as the T. O. May lease in the northeast quarter of Section 24, Township 22, South, range 37 East, NMPM. There were four producing wells on this property from the Penrose recovery all of which were extremely small producers. After turning this back to Dr. Willingham, his superintendent completed the well by ordinary methods and it is now producing.

We have the superintendent here and with the permission of the Commission we will put him on the stand.

We have plats showing the four wells and the unorthodox formation which is T. O. May Number 5, 1300 feet north and 1300 feet west of the east line.

C. C. Coe,

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. COWAN:

Q You are Mr. C. C. Coe?

A Yes, sir.

Q I believe you are the superintendent in charge of C. E. Willingham's production in the State of New Mexico?

A Yes, sir.

Q You are familiar with the T. O. May lease?

A Yes, sir.

Q In Section 34 of Township 22 South, Range 37 East?

A Yes, sir.

Q How long have you been in the production end of the oil business?

A About 22 years.

Q You are not a graduate engineer?

A No, sir.

Q But you have practical knowledge of it?

A Yes, sir.

Q You are familiar with the well which Aurora Gasoline Company drilled on a farm out to Dr. Willingham known as the T. O. May No. 5?

A Yes, sir.

Q You are familiar with the reason for drilling that well?

A Yes, sir.

Q And that such drilling was permitted by the Commission?

A Yes, sir.

Q What was the reason for the drilling?

A The reason for drilling was for water flooding purposes.

Q Are you familiar with the outcome of the drilling of that well?

A Yes, sir.

Q What was the result?

A Well, the Aurora stated to us that it would not water flood and turned the well back to us and we taken it off with the understanding that it could be made a producer and that was understood, that the Commission already understood that.

Q Do you know why water flooding wasn't successful?

A Well, the core analysis will show that.

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Q I hand you what has been marked as Exhibit No. 1 and ask you to identify it?

A Yes, sir. That is it from Aurora Gasoline Company, that was made by Earlougher Engineering Company, Tulsa.

Q Core analysis of the T. O. May No. 5 before the Commission?

A Yes, sir.

MR. COWAN: We ask that it be admitted.

MR. SPURRIER: Without objection, it will be received.

Q Thereafter, did you have any correspondence with any of the Aurora Gasoline Company officials?

A Yes, sir, we wrote them to ask them for a statement of whether that would water flood or not and to give us the definite answer whether we could produce it or not.

Q What did they tell you?

A They wrote us a letter that it could be produced but would not water flood.

Q I hand you what has been marked as Exhibit 2 and ask you if that is the letter in which you received that information from the Aurora Gasoline Company?

A Yes, sir, that is it.

MR. COWAN: I ask that this letter be introduced.

MR. SPURRIER: Without objection it will be received.

MR. COWAN: Permit me to interrupt just a minute. One more word to the Commission. I understand Skelly and perhaps Humble has written and wired the Commission requesting postponement of the case on the ground they wanted to investigate the matter of water flooding more thoroughly. I believe that they have misunderstood the purpose of this hearing since that was disposed of in the former hearing which I have mentioned to the Commission, being Case No. 297, hearing on August 7, 1951, in which this Commission permitted the well to be drilled as an unorthodox location to test the feasibility of water flooding in that Queen and Grayburg formation of the Penrose Skelly Pool.

In this hearing, of course, we are just carrying out the order of the Commission to show that such water flooding was not feasible or practical and that the well was completed and should be considered a regular and ordinary producer.

Q Mr. Coe, can you tell me approximately when the Aurora Gasoline Company completed all they could do on the well?

A Well, sir, I can't tell you exactly, but in October, I believe, we didn't get notice right when they finished.

Q Do you know the approximate amount of money they spent in drilling this well?

A No, sir, I don't, but I think about \$35,000.00.

Q After they furnished it back to you, it was not a producer?

A No, sir.

Q Did you go ahead and complete it to production?

A Yes, sir.

Q At approximately what cost to Dr. Willingham?

A About \$11,000.00.

Q In other words, the total cost of approximately \$45,000.00 for the complete well?

A Yes, sir.

Q What is the production of May No. 5 now?

A It is about 15 barrels.

Q What is the production of the T. O. May No. 1?

A Five barrels.

Q T. O. May No. 2?

A Four barrels.

Q T. O. May No. 3?

A Four barrels.

Q T. O. MAY No. 4?

A Four barrels.

Q In other words, Mr. Coe, the five wells on this 160 acre unit do not produce one unit allowable, is that correct?

A That is the way I would see it, yes, sir.

Q You have been producing the T. O. May No. 5 under a temporary allowable permitted by this Commission?

A Yes, sir.

Q You are now, or Dr. Willingham is now requesting that this Commission permit production under its ordinary allowable?

A Yes, sir.

MR. COWAN: Does the Commission have any questions?

MR. SPURRIER: Does anyone have a question of this witness?

Is that all the testimony? We have a letter in the files from Skelly Oil Company which we should read into the record.

"New Mexico Oil Conservation Commission. We are in receipt of notice of hearing set for 9 o'clock a. m., April 15, in Case 354, application of C. E. Willingham to produce the T. C. May well No. 5, Penrose-Skelly Pool. As offset operator, we are concerned with this application and desire postponement until May Hearing in order to secure data and information necessary for such hearing. We respectfully request such postponement.. Please advise. George W. Sellinger, Skelly Oil Company."

MR. COWAN: If the Commission please, I believe you received a later letter referring to that telegram, did you not? Which, I think should be partly read into the record. If I may say so.

MR. SPURRIER: If you have a copy of the letter, let's read your copy.

MR. COWAN: "This is to confirm your telegram sent

yesterday morning as follows:

"In explanation of such request, we wish to advise that both Humble Oil and Refining Company, although they will speak for themselves, and Skelly Oil Company offset the applicants lease in Section 34, Township 22 South, Range 37 East, Penrose-Skelly Area, Lea County, New Mexico, the matter of feasibility of water flooding is necessarily an important part of the hearing and since Humble and others are already water flooding in the Penrose-Skelly field, it will necessitate sometime to secure this information and data and the lack of sufficient time requires the postponement of the hearing."

That is the reason I mentioned to the Commission that I think Skelly is confused on the issues in this particular hearing. Since the water flooding question is now moot. There is no water flooding connected herein now. It is an ordinary small producer in a shallow field.

MR. WHITE: Were these offset operators given notice of this hearing?

MR. COWAN: I presume they have been. I have given them none. They were given notice by publication. I cannot see why they should object to the producing of this well since the entire five wells do not produce a unit allowable.

MR. GRAHAM: When you completed this well did you note

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any interference with the other four wells on that?

A No, sir, they make just the same.

MR. GRAHAM: The same as they always did?

A It hasn't affected any of the four whatever, no less, no more.

MR. SPURRIER: Do you object to a continuance of the case to the May hearing as Skelly has requested?

MR. COWAN: Of course, that is entirely up to the Commission. I object insofar as this is rather a small matter and rather expensive for us to come up. But I know of no further testimony which I could put on in support of the application.

MR. GRAHAM: Aurora was completely satisfied that water flooding was out, is that right?

MR. COWAN: Yes, sir.

MR. GRAHAM: That is no longer a question?

MR. COWAN: They have abandoned and turned it back and completed as an ordinary producer.

MR. GRAHAM: What did you say it would make?

MR. COWAN: 15 barrels, from 12 to 15.

MR. SPURRIER: Well, I have no discretion, but the case will be taken under advisement and you will be properly notified either of continuance or whatever action the Commission takes.

Is there any further comment in the case?

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

MAY 20, 1952

In the Matter of:

C. E. Willingham's application for
permission to produce the T. O.
May No. 5 well, 1310' from N and E
lines, 34-22S-37E, NMPM, Lea
County, New Mexico, in the Penrose-
Skelly Pool.

Case No. 354

(Notice of Publication read by Mr. Graham.)

MR. SPURRIER: Mr. Selinger, you may proceed.

MR. SELINGER: My name is George W. Selinger. I represent Skelly Oil Company. We are not the applicants in this case. We, unfortunately, are present today because of certain past history connected to this case, which is Case 354 and Case 297. At no time since this matter has been filed have the parties or operators on both sides ever appeared simultaneously at a hearing. The first time this case was brought up in August, 1951, for the purpose of securing a permit for an unorthodox well for an experimental water input purpose, the Skelly Oil Company at that time wrote a letter to the Commission advising they had no objection for such construction of an experimental input program.

MR. SPURRIER: Who made that application?

MR. SELINGER: The Aurora Gasoline Company of Tulsa and

Chicago made that application. Then on March 7 Elder and Willingham made an application covering this same well for the purpose of securing what now appears to be an allowable for the well but which the notice did not reflect. That was the purpose. That hearing was set on April 15. The first notice we had of that second application was on April 8, which we immediately wired the Commission and asked for a postponement to the May 20 hearing for the purpose of securing data on other water input projects in the field to be able to present to the Commission.

We followed that April 8 telegram up with a letter from Skelly Oil Company to the Commission stating the reasons why this matter should be postponed to the May 20 hearing in view of the fact that we only had seven days' notice of the April 15 hearing. We followed that up on April 11 with a telephone call to Commission's personnel and we were given the assurance that the matter would be postponed. Neither the Humble Oil and Refining Company, who is an offset operator in the interested application, nor Skelly Oil Company appeared at the April 15 hearing.

We first received word on May 12, much to our surprise and chagrin, that the Commission had permitted the applicant to present their testimony in which we had no opportunity for cross examination. While we are prepared today to present our side of it, unfortunately the other side would have no opportunity of cross examine our witnesses.

Briefly, in a nutshell, this application is, our purpose

for the hearing today is this. An operator comes in before this Commission and says he wants to conduct a water experimental project, secures a permit for an unorthodox location. Then he does not follow that purpose at all. He intentionally completes the well for producing purposes only. He makes no attempt to diligently carry on such a project. Makes no attempt to even start such a project. And it appears to us now, although I am very reluctant to make the charge in the absence of anyone representing the other side, it appears to us now that the well was intentionally secured as a result of a permit for the purpose of securing an allowable and nothing else. This well is in a lease in the Penrose Skelly field. There are 293 wells in the field, each and every one on a 40-acre unit. This is the first instance of a deviation of such a wide spread over a long period of time program.

We think that the order that has heretofore been secured, granting a permit for an unorthodox location for water input purposes should be rescinded and that the operator or whoever it might be, we understand now that the well first was under the supervision of the Aurora Gasoline Company, then under the supervision of Mr. Willingham, now we understand that it has been sold and under the supervision of the Gulf Coast Western Oil Company of Oklahoma City, all in the space of three months, that that operator, whoever it might be, be obliged to conform to the terms of the Commission's order in actually conducting a water input

project, which he has not as yet done. Either he be permitted to carry out such a program or that the Commission's order be rescinded. That is the purpose of our appearance this morning, to make that request to the Commission, and we are ready to present testimony.

MR. SPURRIER: Very well. Would you be willing to appear next month with the applicant?

MR. SELINGER: Yes, we would be perfectly willing to do that, but in the meantime this well is enjoying an allowable since March 3, which we think is wrong, and we understand that the allowable is of a temporary nature, but it, nevertheless, is producing five wells on 160 acres to the detriment of the offset, particularly Humble and Skelly. If this matter is continued, we want that well allowable held up pending a complete hearing. Now, Mr. Cowan represented Mr. Willingham. I doubt whether he represents the now so-called owner of the well. I don't know. So it is very difficult to determine who actually represents who on the other side. We do know that Mr. Cowan had received a copy of the letter that the Commission had directed to us and apparently he does not represent the present owner of the well.

MR. GRAHAM: Mr. Selinger, you notified Mr. Ray Cowan that the matter was coming up today?

MR. SELINGER: As regards the Gulf Western Oil Company, I doubt if they have been notified. We have no objection of this matter going over to the next month's hearing, but we want the

allowable of this well withdrawn, and this matter has been pending now since March, and this well has been receiving an extraordinary allowable, which we don't think they are entitled to.

MR. SPURRIER: What is their allowable?

MR. SELINGER: It has been given 15 barrels a day for the five wells on 160 acres.

MR. GRAHAM: The other wells are doing but little, four or five.

MR. SELINGER: The average of all wells in the Penrose Skelly is about four and a half barrels. It is a matter of requiring a drilling of additional wells. It is for the purpose of drilling unnecessary wells. The basis of securing the permit for the drilling of this fifth well was for the purpose of carrying on an experimental water program. That has apparently not been done. From the intention of the operator it was never intended to be done, because the well was completed as a producer and has been given an allowable back to March, even prior to the April 15 hearing.

MR. SPURRIER: The Commission will continue the case to the June hearing, which is June 19. We will notify this present owner and see that they are here.

MR. SELINGER: We have no objection, Mr. Spurrier, provided the well is not permitted to produce, otherwise we are prepared now to present our testimony.

MR. MACEY: Do you have objections, Mr. Selinger, to

the Willingham well having an allowable if subsequently their production is cut back, if the order is refused?

MR. SELINGER: We think the Commission should not depart from the practice of allowing one well to 40 acres per unit in this field, which has been done in this field from its inception. If they wish to shut down one of the other wells to permit them four producing wells to their 160 -- but this well was placed on production, we believe, under an avowed purpose for conservation and it now appears it was for the express purpose of securing an additional production allowable. That is what we object to.

MR. SPURRIER: Do you wish to present testimony at this time or do you want to present it when they can cross examine and you can cross examine?

MR. SELINGER: If the Commission will shut down the T. O. May No. 5, we are willing to forego any testimony and have the matter heard in finality next month.

MR. MACEY: What if they shut down the No. 2 instead of the No. 5? What about that?

MR. SELINGER: It would be all right with us.

MR. MACEY: It is on the same 40-acre unit?

MR. SELINGER: Yes.

MR. SPURRIER: Well, the case will be continued to June 19 and we will shut the production down until that time, until after that hearing.

MR. SELINGER: I will say this to the Commission, that

we will take diligent steps to contact the Gulf Coast Western Oil Company and see if we can't, at least, for the first time, present to the Commission a complete hearing at the next state-wide hearing. In addition to what your notice will do, we will make another effort to get them here.

MR. GRAHAM: They appear to be new operators?

MR. SELINGER: They are entirely new operators in New Mexico. They may not be familiar with the procedure of New Mexico.

MR. SPURRIER: The next case on the Docket is Case No. 363.

STATE OF NEW MEXICO)
 :
COUNTY OF BERNALILLO)

I HEREBY CERTIFY that the foregoing and attached transcript of hearing in Case No. 354 before the Oil Conservation Commission, State of New Mexico, at Santa Fe, on May 20, 1952, is a true and correct record of the same to the best of my knowledge, skill and ability.

DATED at Albuquerque, New Mexico, this _____ day of May, 1952.

REPORTER

ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 12, CROMWELL BLDG.
PHONES 7-9648 AND 8-9846
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

JULY 15, 1952

In the matter of:

This is concerned with request for
permission to produce the T. O.
May No. 5 well, 1310' from N and E
lines, 34-22S-37E, Penrose-Skelly
Pool; the well was formerly operated
by C. E. Willingham, now by Gulf
Coast Western Oil Company.

CASE NO. 354

TRANSCRIPT OF PROCEEDINGS

CASE 354.

MR. SELLINGER: Representing Skelly Oil Company I am very happy to announce that preliminary meeting was held by the interested parties, namely the Gulf Coast Western Oil Co., Humble Oil and Refining Co., and Skelly Oil Co. and it was agreed that the purposes indicated in the original order No. R-103 in Case No. 297 would now be carried out to the extent that an experimental water flood will be embarked by cooperation of the three companies. As a result the interested parties have agreed that Case No. 354 may be continued to the October 15th hearing and in deference to the signers of the Gulf Company's Western Oil Co. in complying with an experimental water flood. We have likewise agreed to permit the T.O. May No. 5 well to be given an allowable effective today until the October 15th hearing, subject, of course, to the approval of the Commission or until further order of the Commission as a result of the additional hearing. Since the Gulf Coast Western Oil Co. will utilize two wells for input purposes. Therefore, we feel out of fairness to them they should be given an allowable for their No. 5 well pending the experiment water flood purposes.

MR. SPURRIER: Is Humble Oil Company present?

MR. DOW: We're present. We concur.

MR. SPURRIER: You concur in Mr. Sellinger's statement?

MR. DOW: Yes.

MR. SPURRIER: Very well, how about Gulf Coast Western?

MR. SELLINGER: They are not present here but they have

written two letters to the Commission, one of them dated July 10th and the other July 11th which they agreed to the postponement of the matter to the October 15th hearing or for approximately 90 days and that allowable for their No. 5 well may be permitted effective today.

MR. SPURRIER: Is there an objection to Mr. Sellinger's notion? Then I will recommend to the Commission that the case be continued to the regular October 15th hearing and an order to permit the producing of the well be issued.

The next case on the Docket is Case No. 380.

STATE OF NEW MEXICO)
 : SS
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached Transcript of Proceedings in Case No. 354, before the Oil Conservation Commission, State of New Mexico at Santa Fe, is a true and correct record to the best of my knowledge, skill and ability.

DATED at Albuquerque, New Mexico, this _____ day of July 1952.

REPORTER

ADA DEARNLEY & ASSOCIATES
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ALBUQUERQUE, NEW MEXICO