

BEFORE THE
OIL CONSERVATION COMMISSION
Hobbs, New Mexico
October 31, 1956

IN THE MATTER OF:

CASE 1170

TRANSCRIPT OF PROCEEDINGS

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IN THE MATTER OF:

The application of Shell Oil Company for the establishment of a 120-acre non-standard gas proration unit in the Blinebry Gas Pool, Lea County, New Mexico, in exception to Rule 5 (a) of the Special Rules and Regulations for said pool as set forth in Order R-610. Applicant, in the above-styled cause, seeks an order establishing a 120-acre non-standard gas proration unit in the Blinebry Gas Pool consisting of Lots 6, 10 and 11 of Section 3, Township 21 South, Range 37 East, Lea County, New Mexico; said unit to be assigned to applicant's Taylor Glenn No. 1 Well, located 3226 feet from the North line and 1980 feet from the West line of said Section 3.

CASE NO. 1170

BEFORE:

Warren W. Mankin, Examiner

TRANSCRIPT OF HEARING

EXAMINER MANKIN: The next case is Case 1170.

GURLEY: Case 1170, application of the Shell Oil Company for establishment of 120-acre non-standard gas proration unit, Blinebry Gas Pool, Lea County, New Mexico in exception to Rule 5 (a) of the Special Rules and Regulations for said pool as set forth in Order R-610.

J. M. MCCAGUE

having first been duly sworn in testified as follows:

EXAMINER MANKIN: Have you previously - - - - -

MCCAGUE: No, sir.

EXAMINER MANKIN: Will you give your education and your professional experience as a Petroleum Engineer?

MCCAGUE: My name is J. M. McCague. I was graduated from the University of Pittsburgh in June of 1953 with a B.S. in Petroleum Engineering. I was employed by Shell at that time as an exploitation engineer. I have worked for approximately the past two years in the Shell Hobbs Division Office as an Exploitation Engineer and I am familiar with Shell's operations in the Blinebry and Terry-Blinebry Pool.

EXAMINER MANKIN: Your qualifications are acceptable, proceed.

MCCAGUE: This application for a 120-acre non-standard unit is to be assigned the Taylor Glenn 1. Taylor Glenn 1 is drilled to a total depth of 8590 feet in granite and subsequently plugged back to 6720. The well was completed through casing perforations from 6625 to 6715 as a Drinkard producer in March 1948. Following authorization by Commission Order DC 293, the well was dually completed as a Drinkard Oil-Blinebry Gas Division. On potential tests the Blinebry zone indicated that absolute open flow of 13.3 million cubic feet per day through perforations from 5816 to 5850. I would like to enter as Exhibit 1 a Welex Radio-Activity Log which was run prior to the dual completion. All of the pertinent formation tops are indicated. In the Blinebry zone, I have the perforations indicated, the zone from 5816 to 5850 was treated with 10,000 gallons jelled lease crude containing a pound per 677 gallons of sand. Also indicated is the absolute open flow. On the left-hand margin of the log, I have indicated the vertical limits of the Blinebry Gas Pool as designated by Order R-610. That would be 75 feet above the Blinebry marker to 300 feet below the marker. In addition, the gas condensate ration on the absolute open flow test was 49,379 cubic feet per barrel which is well above the lower limit assigned to the Blinebry gas well by Order R-610. I believe the lower limiting ratio was 32,000, in the Blinebry Pool. The gravity of the condensate is indicated on the log as well as on the Commission Potential Form that was submitted. The gravity was 57 degrees API which is above the lower limiting gravity assigned by Order R-610, of 51 degrees API. I would like to enter next as Exhibit 2, copies of

the Form C-128, the gas proration plat which was submitted with the application. As Exhibit 3, I would like to submit a plat covering generally the same area as the C-128 but the present Commission outline, Commission designated outline of the Blinebry and Terry-Blinebry Pools are indicated. The plat is outlined in green, the lower lefthand portion of the plat is in the limits of the Blinebry Gas and Blinebry Oil Pool. The upper right hand and eastern portion of the map is in the Terry-Blinebry Oil Pool. Also indicated is the proposed unit. As Exhibit 4, the last Exhibit, I'd like to enter a contour plat, contoured on the Blinebry marker in the vicinity of the Taylor-Glenn Lease and the proposed unit. In carbonate resevoirs made up of beds and varying porosity and permeability, it is difficult to ascertain an exact gas-oil contact. Shell's development experience in the area as well as an investigation in the most of the producing wells, indicates a transition zone between the oil and gas columns at approximately 2250 feet subsea. By transposing this contact on this plat, contoured on the Blinebry marker, the entire unit proposed is indicated to be gas productive, considering that the Blinebry marker itself is 75 feet below the top of the Blinebry gas pool. I'd like to bring up one other aspect of the case, I believe the Commission is in receipt of a letter from Continental, converning their views on our application. To clarify Shell's position, I would like to read a portion of the letter sent from our office to Continental's office, a letter signed by Mr. W. B. Owen, a letter to Mr. R. L. Adams in Roswell, New Mexico. "Dear Mr. Adams: With reference to past correspondence on communitization of interests of Blinebry gas developments in Section 3, 21-37, this is to reaffirm to you that Shell is interested in including your property in Lot 12, Section 3, 21-37, in the acreage to be dedicated to Taylor-Glenn 1, a Drinkard Oil-Blinebry Gas dual. Our present request before the Oil Conservation Commission for a 120-acre non-standard proration unit in the Blinebry Gas Pool embracing only Shell owned property is solely for the purpose of getting the well on production.

We presently are working up the necessary papers to secure our management's approval, and we plan to make a statement at our hearing for Taylor-Glenn 1 that we are working toward inclusion of the Continental operated acreage in the eventual gas unit for the well." As to the progress of the units, I can't testify to that in that those agreements are made up in our Land Office in Roswell, but they are in progress.

GURLEY: What is your royalty ownership of the gas tract?

A. Shell has all the working interests and on the Taylor-Glenn Estate.

Q. The Taylor-Glenn Estate owns the entire - - - - -

A. I believe there is some diversity of ownership on separate tracts, in that - - - - - yesterday in fact, we received a letter from our Crude Oil Department stating that we should inform them immediately upon action by the Commission on our application so that they can split up the royalty as the diversified interests indicate.

Q. Well, now, was the lease obtained from one individual or was it obtained from the various royalty owners at that time?

A. I believe it was obtained just as the estate, but I can't testify to this matter.

Q. It was all obtained under one lease though, wasn't it?

A. Yes, it is one common lease number.

Q. Okay, thats fine. Now, assuming that Continental joins you in this unit, it would still be a non-standard unit?

A. Thats right. It is non-standard in that the Elinebry Pool Rules state that a standard unit must lie wholly within a governmental quarter-section, and of course we - - - - -, first off, its a long section, and secondly it - - -, portions of the unit are in the eastern and western half of the section so it could not in any case be a standard unit.

Q. My purpose of that question was so that you understand that should you join with Continental you will be required to come in for another hearing, to establish what will still be a non-standard unit.

A. Will the - - - - - , in other words, then the other hearing would mean only the establishing of their 40 acres as gas productive?

GURLEY: And that it now has been dedicated to your well.

MCCAGUE: Yes, - - - - - our application will, of course, necessitate a change in the present pool boundaries and I believe from reading the paper last night that it is set up for nomenclature hearing next month? Is that correct?

EXAMINER MANKIN: That is correct. Let the record show that these particular deletions from the Terry-Blinebry Oil Pool and inclusion in the Blinebry Gas Pool will be covered in Case No. 1175 to be heard on November 13th before the full Commission.

MCCAGUE: Lot 12 is also included, is that correct? That being Continental's 40 acres.

EXAMINER MANKIN: That is correct.

GURLEY: One other question, these Exhibits were prepared by you or under your direction?

A. They were prepared by me.

Q. You wish to submit them at this time?

A. Yes.

EXAMINER MANKIN: Is there objection to entering these 4 Exhibits? If not, they will be so entered. Do you have anything else Mr. McCague?

A. No, I don't.

GURLEY: If it please the Examiner, I would like to read the Continental letter into the record at this time.

EXAMINER MANKIN: Well, is there a Continental representative here at this time? If not, proceed with the reading of the letter.

GURLEY: Addressed to the New Mexico Oil Conservation Commission, Attention, Mr. A. L. Porter, Jr., "Gentlemen: We have received a copy of Shell Oil Company's application for approval of 120-acre non-standard gas proration unit to be assigned to their Taylor-Glenn Well No. 1, located 3226

feet from the North line and 1980 feet from the West line, Section 3, Township 21 South, Range 37 East, Blinebry Gas Pool, Lea County, New Mexico. We understand that the proposed unit consists of Lots 6, 10 and 11 in said Section 3. For your information, negotiations are in progress between our Company and Shell Oil Company for the communitization of Lot 12 in that Section with said Lot 12 as a part of our Hawk "B" 3 Lease with the acreage now proposed for a non-standard unit. This communitization has not yet been consummated, but we are continuing to work toward that end. You are respectfully advised that Continental Oil Company has no objection to the formation of a non-standard gas proration unit with the understanding and upon the condition that an enlargement may be obtained to include the aforesaid Lot 12 in the unit assigned to Shell's aforesaid Taylor-Glenn Well No. 1 at such time as the pending communitization is actually consummated. Yours very truly, signed H. C. Johnson, Continental Oil Company."

EXAMINER MANKIN: Would you - - - - - on your Exhibit 4, you indicate a well location for Well No. 8 on the Taylor-Glenn Lease.

MCCAGUE: Yes, that is a Shell Taylor-Glenn No. 8 now drilling at a depth of approximately 4800 feet, it is a proposed Terry-Blinebry Oil completion. There is a location north of the proposed acreage indicated as Continental Hawk "B" No. 3. It is now drilling well, I am not sure of the actual depth, it is projected to the Tubb, I believe. Tubb formation.

EXAMINER MANKIN: Referring again to the Shell's Taylor-Glenn No. 8, it would appear that it would be very close to the gas-oil contact, is that correct?

A. It is correct.

Q. But with the section that would be open, do you have any opinion as to whether it would be gas productive or oil productive?

A. The Blinebry formation has at least three distinct porous intervals, it is my understanding that its planned to complete Taylor-Glenn 8 in the lower porous interval which will be presumably below the gas-oil contact. There will,

of course be, in the higher portions, it most probably would be gas bearing but we're at the portion of the field here where its getting difficult to delineate until further development pins down the actual portion of being gas bearing and those portions being oil bearing.

Q. Alright, would you - - - - Shell has completed their No. 7 Well in Lot 8, Section 4, that well is presently carried as a Blinebry Oil Well, do you have any feelings as to whether that should be a Terry-Blinebry Oil Well?

A. Yes, its - - - - as far as the accumulation, I can't see any difference in the oil or the actual resevoir as to whether its Blinebry or Terry-Blinebry in this particular area, its all the same resevoir, but it just happens that the boundary line is such - - - - - runs between Section 3 and 4 in this area - - - - - it could be switched either way.

Q. Would you suggest possibly at some future hearing, the Commission should consider that that perticular well should be changed to the Terry-Blinebry and that area taken out of the Blinebry Oil Pool and put into the Terry-Blinebry Oil Pool?

A. That would be taking Well No. 7 from the Blinebry and putting it into the Terry-Blinebry, is that correct?

Q. Yes, by a process of nomenclature, would you think that that would be a proper nomenclature consideration?

A. Yes, it would be proper. In fact, as soon as Taylor-Glenn 8 is completed, something will have to be done there, in that I believe it is common tankage, and we would ask for an exception to commingle the oil and ask that both wells be put in the same unit. Of course, thats a separate matter.

Q. This is a very intricate area that has been - - - - nomenclature has been given to the Blinebry Gas Pool and the Terry-Blinebry Oil Pool and the Blinebry Oil Pool and its been rather sketchy information in the past, is that correct?

A. I would not say that, although in this particular area when the Blinebry Rules were set up, there was not any way near the development that is there now. Its quite a bit easier to delineate in this area than it was when the Pool Rules were set up.

Q. Would Shell be agreeable to furnishing some representative to appear at the Nomenclature Hearing on November 13th to substantiate essentially what has been given here today for purposes of the Nomenclature?

A. Well, I really can't testify as to that - - - - -

Q. Would that be passed on to Shell's management? Whereby they might help the Commission in that respect?

A. Well, as I say, I can't testify to just what Shell would do but I - - - - -

Q. The Commission would desire that.

A. We'll do whatever the Commission desires.

Q. Then, from your Exhibit 4, it would appear that all the acreage appears to be gas-productive considering the gas-oil contact which you have picked at 2250?

A. By all the acreage, you mean all the acreage proposed in this particular unit?

Q. In this particular unit, 120 acres.

A. Right.

Q. It would appear than that a well in Section 7 of Lot 3 might well be - - - - -

ABBOTT: Pardon me?

Q. A well in Lot 7 of Section 3 which is Continental's acreage adjoining this might well be either gas productive or oil productive, depending upon the interval at which it was attempted?

A. Yes, thats correct. It could be either one.

EXAMINER MANKIN: Is there further question of the witness? You have already entered all four Exhibits.

MCCAGUE: I believe, if not I move that they be entered.

EXAMINER MANKIN: Without objection, they will be so entered. Do you have anything further?

A. No.

EXAMINER MANKIN: If there is nothing further, the witness will be excused, and we will take the case under advisement.

STATE OF NEW MEXICO)
 : ss
COUNTY OF SANTA FE)

I, Doris Arnold, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Comission Examiner at Hobbs, New Mexico, is a true and correct record, to the best of my knowledge, skill and ability.

Dated at Santa Fe, New Mexico this 8th day of January, 1957.

Doris Arnold