

EXAMINER HEARING
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 10, 1958

IN THE MATTER OF: Case No. 1412

TRANSCRIPT OF PROCEEDINGS

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DIRECT EXAMINATION

By MR. PAYNE:

Q Would you state your name and position, please?

A I am Kenneth D. McPeters, production superintendent for John M. Kelly, located in Hobbs.

Q Mr. McPeters, have you previously testified before this Commission as an expert?

A Yes, I have.

Q You are generally familiar with the matters surrounding this application?

A Yes. John M. Kelly has made application for approval of a 240-acre non-standard proration unit in the Eumont Gas Pool consisting of the East Half of the Southwest Quarter, West Half of the Southeast Quarter, and the West Half of the Northeast Quarter of Section 16, Township 19 South, Range 37 East. This acreage will be dedicated to John M. Kelly's Humble State No. 1, located 1980 feet from the South and West lines of Section 16.

The Humble State at the present time has a 200-acre non-standard proration unit consisting of the East Half of the Southwest, the Northwest of the Southeast, and the West Half of the Northeast of Section 16, which was approved by R-943. I wish to enter this plat as Exhibit No. 1.

This plat shows the Northeast portion of the Eumont Gas Pool, the applicant's' proposed 240-acre unit, and the present gas proration units in the immediate vicinity. You will note by

reference to Exhibit No. 1 that the 40 acres that we propose to add to the present unit, namely, the Southwest Quarter of the Southeast Quarter, is offset to the south and southeast by a 320-acre unit. The unit well, the Humble State No. 1, was completed January 1st, 1955, at total depth of 3850 as a gas well in the Eumont Gas Pool. The top of the Queen is at 3530, a plus 128 sub-sea, and the top of the Penrose is at 3690, a minus 32 sub-sea. The Humble State is producing from the Upper Queen and Penrose.

In the Southwest Quarter of the Southeast Quarter, Section 16, is located the John M. Kelly State "X" No. 1, a Eumont Oil well. This well was completed in November, 1954, as an oil well, with an initial potential of 25 barrels of oil per day, and a gas-oil ratio of 14,400 to 1. On a test conducted March 10th, 1958, the State "X" flowed 14 barrels of oil per day with a gas-oil ratio of 26,900 to 1. The top of the Queen and Penrose in this well are 3560, a plus 83, and 3705, a minus 62, respectively. This well produces oil below the gas-oil contact in the Lower Penrose from 3815 to 30, a minus 172; this is some 255 foot from the top of the Queen, and 110 foot from the top of the Penrose. There are, however, several porous zones above this producing section, above the gas-oil contact, that would produce dry gas if properly stimulated. On drill stem test in the State "X" from 3500 to 3800, this well yielded 690 foot of gas, - cut mud with a flow pressure of 90 to 120, and 20-minute shut in pressure of 500 pounds. This test covered the Upper Queen and Penrose sections.

From the above discussion, I have concluded that all the acreage within the unit is productive of gas within the vertical limits of the Eumont Gas Pool. Now as to the capabilities of this well making the allowable, the unit well, that is, on the most recent test dated September 6, 1957, an open flow of 5,239 mcf per day was indicated. On this test flow, the well delivered into Permian Basin's line a volume of 2,430 mcf per day with a casing pressure of 712 psig. Based on the present allowables in the Eumont Pool, the unit well would produce a 240-acre allowable without difficulty. In my opinion, the Humble State No. 1 would effectively drain 240 acres.

The royalty interest under the entire proposed unit is one basic lease, State land. The unit comprises contiguous quarter-quarter sections, the proposed unit lies wholly within a Governmental section, a single Governmental section. The length or width of the proposed section does not exceed 5,280 feet.

I believe granting this application will permit the operator to recover his just and equitable share of the gas in the Eumont Pool and would not adversely affect the correlative rights of any offset owner, and protect the correlative rights of the applicant, and prevent waste.

I would like Exhibit 1 admitted in this case.

MR. UTZ: Without objection it will be received.

A That's all I have.

CROSS EXAMINATION

By MR. UTZ:

Q Mr. McPeters, what pool is the Kelly State 1 "X" in, did you say?

A It's a Eumont oil well.

Q It's completed in the Queen, then?

A In the Lower Penrose, or Lower Queen. The Penrose is the lower sand in the Queen. It's completed, I think I testified it's completed 110 foot in the Penrose, would be Lower Penrose.

Q The Penrose as you designate it is part of the Penrose Pool?

A Yes, it's within the vertical limits. The Penrose is merely a sand stringer in the Lower Queen. The Aztec No. 1, it's producing also from the Lower Penrose, approximately 100 foot into the pay. I have got that exactly, if you would like to have it. In the Aztec "E" 16 No. 1, which is located in the Southeast of the Southeast of Section 16, it is completed from 3874 to 3940; according to these records here, the top of the Penrose is 3754, so it would be 120 foot into the Penrose.

Q Are the wells on your Gulf State "B", the 1, 2, and 3, what is their completion?

A They are completed in the same zone, approximately 100 to 110 foot into the Penrose. Of course, the reasoning behind that is we were perforating behind the gas-oil contact in all cases.

Q Do you anticipate that the Kelly State 1 would ever go to gas?

A No, apparently -- to begin with, we thought it might, but it was completed in '55, that's three years, and the gas-oil ratio hasn't gone up very much, so apparently it is right on the gas-oil contact. We'll probably continue to produce it as a rather high gas-oil ratio Eumont oil well.

Q You mentioned a 320-acre unit to the southeast of this unit?

A That is the south and east, that is the Gulf Ship unit located in the North Half.

Q Of Section 15?

A It's down here, in Section 21, I suppose.

Q Is there any gas wells in Section 15?

A No, there has none been completed east of us there.

Q The overriding royalties on this unit, do you know what they are?

A Yes, Mr. Kelly has a full lease on the State "X" lease which was the Southwest of the Southeast, and also the Southeast of the Southwest. Humble has the overriding royalty on the Northeast of the Southwest. Shell has the overriding royalty on the Northwest of the Southeast and the Southwest of the Northeast; Aztec has the overriding royalty on the Northwest of the Northeast.

Q Have these royalty interests been notified about the forming of this unit?

A They have been notified. I'm sure they will concur. We haven't heard anything from them, to the best of my knowledge we haven't. Mr. Kelly might have obtained verbal agreement from them.

but I haven't seen any written material on it.

Q At any rate, they wouldn't be hurt as long as the well will produce its 240-acre allowable?

A True, yes.

MR. UTZ: Any other questions? Mr. Nutter.

By MR. NUTTER:

Q Mr. McPeters, what reason do you have to believe that the Southwest Quarter of the Southeast Quarter is productive of gas?

A That's the State "X" lease?

Q Yes.

A On a drill stem test on that well taken from 3500 to 3800, which would include the Queen and the Upper Penrose above the section we're producing from right now, the well yielded 690 foot of gas-cut mud, flow pressure of 90 to 120, and shut in pressure of 500 pounds, which is a good test in the Queen.

Q You believe that if it were open in a higher section than it is open at the present time, it would be a gas well?

A Yes, we could stimulate some porous zones up above the present producing zone and make a gas well out of it, I'm sure.

MR. NUTTER: I believe that's all.

MR. UTZ: This is another instance of dual dedication, is it not?

A Yes. I would like to make this statement, then, on that. The above request is consistent with the present proration procedures now in effect in the Eumont Gas Pool and granted other operators

under similar circumstances. In my opinion the granting of this non-standard unit is required to preserve correlative rights in the pool.

MR. UTZ: Any other questions? If not, the witness may be excused.

(Witness excused.)

MR. UTZ: Any statements?

MR. MANKIN: Yes. Warren Mankin, representing Aztec Oil and Gas Company. As was indicated in Mr. McPeters' testimony, Aztec has an overriding royalty interest and has joined the previous 280-acre unit as set up by Order R-943, which that particular acreage is the Northwest Quarter of the Northeast Quarter of Section 16. At the present time, Aztec is participating in that unit and will continue to participate in that unit, if approved. At this time, we wish to point out that Aztec, when they drilled their State E-16 Well No. 1, which immediately adjoins this proposed unit in the Southeast Quarter of the Southeast Quarter of Section 16, purposely perforated below the gas-oil contact to make an oil well, and we did find, as did John Kelly on his State "B" lease and his State "X" lease, that there was gas production above that could be perforated to make a gas well. We don't desire to go to that expense of perforating these higher intervals to make a gas well, because it would be rather costly, some 10,000 additional dollars that possibly at some future date-- We are negotiating at the present time with John Kelly, we thought

