

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 6, 1958

IN THE MATTER OF:

CASE 1437

TRANSCRIPT OF PROCEEDINGS

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ALBUQUERQUE, NEW MEXICO
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Application of Continental Oil Company for a non-standard gas proration unit. Applicant, in the above-styled cause, seeks an order establishing a 320-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the N/2 of Section 7, Township 23 South, Range 37 East, Lea County, New Mexico, said unit to be dedicated to the applicant's Stevens B-7 Unit Well No. 1 located 990 feet from the North and West lines of said Section 7.

BEFORE:

MR. DANIEL S. NUTTER

TRANSCRIPT OF PROCEEDINGS

MR. PAYNE: Case 1437, application of Continental Oil Company for a non-standard gas proration unit.

MR. FOX: At this time I would like to move to amend the application. This area is located on range land and it has been ascertained that the accurate acreage is three hundred, fourteen point six-five rather than three hundred twenty acres as stated in the application and I would like to have the application amended to so show.

MR. NUTTER: The application will be amended to show that the unit be comprised of three hundred fourteen point sixty-five acres.

MR. FOX: Correct.

V. T. LYON

a witness, of lawful age, having first been duly sworn, was examined

and testified as follows:

DIRECT EXAMINATION

BY MR. FOX:

Q Are you employed by Continental Oil Company, Mr. Lyon?

A Yes, sir.

Q And what is your position?

A Acting District Engineer.

Q And you have previously testified before the Commission today and other times as an expert petroleum engineer?

A Yes, sir.

MR. FOX: Will the Examiner accept Mr. Lyon's qualifications?

MR. NUTTER: Mr. Lyon is accepted.

Q (By Mr. Fox) You are familiar with the application in this case, Mr. Lyon?

A Yes, sir.

Q Will you describe it briefly?

A This is the application of Continental Oil Company for the enlargement of the gas proration unit assigned to the Stevens B-7 Unit Well Number 1 from the present one hundred sixty acres to a unit of three hundred twenty acres consisting of the north half of Section 7, Township 23, South, Range 37 Ease, Lea County, New Mexico.

Q Is the Continental Oil Company the operator of the Stevens B-7 unit?

A Yes, sir.

Q Now, with reference to Exhibit Number One, Mr. Lyon, what does that represent?

A Exhibit Number One is a location and ownership plat showing the Continental Oil Company Stevens B-7 unit and the immediately surrounding area and the plat does not show the ownership of the tracts involved in the unit. Actually, the New Mexico Federal Unit, of which Continental is the operator, owns the south half of the north half of Section 7 and the north half of the north half of Section 7 is owned by a variety of other interests and this unit was formed several years ago and the well is presently existing on the unit where it was drilled several years ago. It shows circled in yellow the present unit allocated to Well Number One, which is circled in red. The proposed unit, gas proration unit which comprises the entire unit covered by the communitization agreement and is outlined in red and is shown to consist of the north half of Section 7.

Q Now referring to Exhibit 2, what does it show, Mr. Lyon?

A Exhibit Number Two is a plat showing the same area shown on Exhibit Number One and also has the structural contours of the top of the Yates on twenty-five foot contours. It shows the Number One Well circled in red, and the proposed unit outlined in red, Jalmat gas wells in the unit circled in green and the unit to which they are allocated outlined in green.

Q In your opinion, based on the information in Exhibit One and Two, may it be reasonably presumed that all of the acreage which

is proposed to be dedicated to this unit, Well Number One, is productive of gas?

A Yes, sir.

Q Is the proposed unit within the horizontal limits of the pool as defined by the commission?

A Yes sir, it is.

Q Now, in respect to Exhibit Number Three, what does this exhibit show?

A Exhibit Number Three is a copy of the radioactivity log run on this well. It is a rather old log and the present production was not very good. I have made notations in red pencil showing the top of the Yates and the top of the Seven Rivers formations.

Q Are the perforations in the pool shown on this log?

A Actually, there are no perforations. The five and a half inch casing was sealed above the top of the casing and the well is bled open hold.

Q This is not a dual completion well here, is it?

A No sir, it is not.

Q Is the well as presently completed located within the vertical limits of the pool as defined by the Commission?

A Yes sir, it is.

Q Now, as to Exhibit Number Four, if this application should be approved, in your opinion, is Well Number One of the Stevens B-7 Unit capable of producing the acreage allowable from the pool?

A It would probably have difficulty producing the allowable

during high demand seasons but it should be able to make up this underproduction during low demand seasons and it possibly will be necessary to stimulate the well in order to put it on top producing conditions.

Q And have you made a calculation of the deliverability of the well?

A Yes sir, I have.

Q What does it show as to the well's deliverability?

A It shows the deliverability against six hundred pounds of five hundred fifteen M. C. F. per day and the deliverability against a hundred and fifty pounds of one thousand and five M. C. F. per day and it is calculated on that for a potential of one thousand, two hundred twenty-five M. C. F. per day.

Q Were the exhibits presented in this case prepared by you or under your direct supervision?

A Yes sir, they were.

MR. FOX: I would like to move the introduction of the exhibits presented at this time. I believe that's one through four?

A Yes, sir.

MR. NUTTER: Is there any objection to the introduction of Continental's exhibits one through four?

(No response).

MR. NUTTER: If not, they will be received.

Q (By Mr. Fox) Mr. Lyon, in your opinion, is the approval

of the application in the interests of preventing waste and protection correlative rights?

A Yes sir, I believe it is.

MR. FOX: I think that's all I have at this time.

A May I add a few comments on this? I would like to point out that the unit is contained within a Governmental Section and consists of continuous quarter quarter sections and that it does not exceed five thousand, two hundred and eighty feet in length or width and in my opinion, is reasonably presumed to be productive of gas throughout.

I should also like to point out that Well Number Two is shown in Unit G on Exhibit One and Two. This well has been classified for several years as a Langlie-Mattix gas well and I believe that initially when the gas proration was started that the northeast quarter of Section 7 was allocated to this well but in the very early days it was re-classified to a Langlie-Mattix well.

Q Is the Well Number Two completed for gas production from Langlie-Mattix pool?

A Yes sir, the interval extended the Langlie-Mattix and it has been classified as producing from that pool.

MR. FOX: That's all.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Lyon, what formation is the Number Two Well completed in?

A It is open from the top of the Yates into the Queen.

Q So it is open to the Jalmat system and the Langlie-Mattix

Pool?

A Yes sir, but as the Langlie-Mattix is not a gas pool, it does not have the opportunity to be assigned a Jalmat gas pool allowable. It is given forty acres as an oil well, that is all the rule Langlie-Mattix provides. And it is also in poor condition. It has a bridge or fill material and its productivity is extremely limited.

Q And there is an open hole completion from the top of the Yates down into the Queen?

A Into the Queen, yes sir.

Q Mr. Lyon, who is the purchaser of gas from your Number One Well, your present --

A El Paso Natural Gas.

Q What is the present status of that well as far as under-production or over-production is concerned?

A I am sorry, I don't have that information with me. I can check it in short time.

Q Do you have any idea as to whether the general status would be one of underproduction or overproduction?

A All I could give you is my impression and I am afraid that wouldn't be an accurate idea. I would rather check the production schedule.

MR. NUTTER: Does anyone have any questions of Mr. Lyon?

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Lyon, do you have any idea of how much Jalmat gas is being produced from the Number Two unit?

A No, I don't. I couldn't say where that gas is coming from.

Q You don't have any survey of any kind that would show where the producing zones are in the open hole?

A None to my knowledge.

Q Do you know of any other wells that are completed in the Jalmat gas pool as well as any other pools that are overlying or underlying?

A I believe there are a good many.

Q There are?

A Yes, sir. There is a rather old well that was drilled and completed several years before these pools were set up and the Commission established a policy early in gas proration when these pools were set up that would classify a well according to the lowest pool that was open. That's because of the fact that so many were completed within the vertical limits of more than one pool.

Q Do you know what the average monthly allowable was in Jalmat over the last six months?

Q Yes.

A I am not sure of the last six months. My recollection is that for the past year, it has been in the neighborhood of five hundred seventy-five M. C. F. per day per hundred and sixty acre units.

Q Per hundred and sixty acres?

A Yes, sir.

Q What is the line pressure in this area?

A I am not sure. I believe that it runs in the neighborhood of six hundred pounds.

Q Then your well at six hundred pounds would be hardly making the hundred and sixty acre allowable?

A Not at six hundred pounds, no sir. However, our contract for the El Paso Natural Gas requires that if the well is not capable of delivering the allowable, they are required to immediately lower the line pressure. They have been unjuly lax about doing this.

Q Do you know whether or not this well is a marginal well at the present time?

A I don't believe that it is.

Q Is it a marginal well with three hundred and twenty-acres?

A It is a very likely. However, if the unit is enlarged, I feel certain that the well will be stimulated in the near future.

Q Can you state whether or not whether or not all the log entries on the entire three twenty was common or not?

A It is not common. I don't believe--I am not certain as to the royalty ownership in the north half of the north half but the unit has been in operation for about nine years; at least.

Q Is there verification of the ownership of the northeast quarter of Section 7?

A No, sir.

Q And the northwest quarter of Section 7?

A No, the diversity lies along the east and west line. The north half of the north half is one less and the south half of

the north half is another less.

Q So it would average out to be about the same whether it was a marginal well or not?

A Yes sir, the ownership within the enlarged unit would be exactly the same as the present unit.

Q So it wouldn't really matter as far as the income of the royalty interest is concerned whether or not the unit well was producing the full allowable or not?

A That's true.

MR. UTZ: That's all I have.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Lyon, could you tell me what this Number Two Well which is completed in the Jalmat pool is a Langlie-Mattix oil field producer?

A It produces gas.

Q It doesn't produce any substantial amount of liquids?

A Not to my knowledge.

Q So it is presently producing the normal unit allowable times the ten thousand to one ration which is --

A I don't think it produces that much.

Q It is not producing the allowable of gas?

A No sir, I am quite sure of that. I am not positive but I feel quite sure because it is a well that we have been giving considerable attention to because of the low productivity and just what it has been producing, I am not sure. I could furnish you with a list of this production by months if you would like.

Q Well, if this Number Two Well is open throughout the entire interval with the exception of the Townsend formation, and the well won't make the Langlie-Mattix gas allowable, is it reasonable to presume that this acreage is productive of gas?

A I think it is.

Q From the Jalmat pool?

A I think it is because most of Number Two's difficulty is mechanical. We ran a bottomhole pressure in it several months ago and encountered fill material or bridges which considerably impede the flow of gas.

Q Were they encountered above the Jalmat formation?

A Encountered in the casing which is set above the Yates. There is a portion of the Townsend open in the well.

Q The well doesn't have any tubing on it?

A I don't believe so. Very few of our gas wells do.

MR. NUFFER: Are there any further questions of Mr. Lyon?

(No response).

MR. NUFFER: If not, he may be excused.

(Witness excused).

MR. NUFFER: Does anyone have anything further with reference to Case 1437?

MR. COOLEY: We have a letter from the Aztec Oil & Gas Company and one from Albert Gackle.

reads as follows:

"Gentlemen:

It is our understanding that the above case has been set for hearing on May 6, 1958. We will be unable to attend this hearing.

It has been called to our attention that the proposed unit, ie, North half, Section 7, Township 23 South, Range 37 East contains only approximately 314.65 acres instead of 320 acres.

We concur with the operator in the above case and agree that the unit be based on the actual number of acres in the North half of section.

Very truly yours,

Paul S. Johnston.

The Aztec Oil and Gas Company letter reads as follows:

Gentlemen:

We have been notified of the application of Continental Oil Company for the approval of the non-standard gas proration unit in the Jalmat Gas Pool to be heard as Case No. 1437 before Daniel S. Nutter, as examiner, on May 6, 1958. Aztec Oil & Gas Company has unitized its interest in the North half of Section 7, Township 23 South, Range 37 East, Jalmat Gas Pool, Lea County, New Mexico in the Continental Oil Company's Stevens B-7 Unit well No.1 Aztec Oil & Gas Company has one quarter interest in this unit and desires to request that the New Mexico Oil Conservation Committee approves the increase in acreage from the North West quarter to the North half of said Section 7 to be heard under Case No. 1437. Please consider this letter our appearance in Case No. 1437.

Very truly yours,

Aztec Oil & Gas Company

Warren W. Mankin, Chief Engineer.

MR. NUTTER: If there is nothing further in Case 1437, we will take the case under advisement.

