

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 19, 1961

EXAMINER HEARING

IN THE MATTER OF:)

Application of Continental Oil Company)
for an unorthodox gas well location.)
Applicant, in the above-styled cause,)
seeks approval of an unorthodox gas well)
location in the Eumont Gas Pool for its)
State F-1 Well No. 1, located 660 feet)
from the South and West lines of Section)
1, Township 21 South, Range 36 East, Lea)
County, New Mexico, said well to serve as)
the unit well for a gas proration unit)
comprising all of said Section 1.)

Case 2260

BEFORE: Mr. A. L. "Pete" Porter,
Secretary-Director, Alternate Examiner.

TRANSCRIPT OF HEARING

MR. PORTER: Call the next case, 2260.

MR. MORRIS: "Application of Continental Oil Company
for an unorthodox gas well location."

MR. KELLAHIN: We have one witness for applicant.

(Witness sworn.)

MR. PORTER: Let the record show the witness has been
previously qualified.

MR. KELLAHIN: At the outset, I would like to point out
that this is a rather unusual situation, and it's our feeling

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it's a matter for administrative approval. However, Continental Oil Company sought administrative approval of their proposed unit and dedication to the subject well which was denied and the matter set for hearing. The notice of hearing shows the well as being in an unorthodox location, which I believe our testimony will show, is not the case under the applicable rules.

The notice is also in error in saying that the well is to serve as the unit well for gas proration units comprising all Section 1. Section 1 involved in this case, is along the section containing 960 acres. Continental Oil is proposing to dedicate 640 acres consisting of governmental lots to the well.

VICTOR T. LYON

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A Victor T. Lyon.

Q By whom are you employed and in what position?

A By Continental Oil Company as District engineer.

Q Have you previously testified before the Oil Conservation Commission and had your qualifications made a matter of record?

A Yes.



MR. KELLAHIN: Are the witness' qualifications acceptable?

MR. PORTER: Yes.

Q (By Mr. Kellahin) Are you familiar with the application of Continental Oil Company in Case 2260?

A Yes, sir.

Q Would you describe briefly what is proposed in this application?

A This is an application of Continental Oil Company for the enlargement of a presently approved non-standard gas proration unit of 320-acre size to a standard proration unit of 640 acres for its State F-1 well No. 1, located 660 feet from the south and west lines of Section 1, TWP 21 South, Range 36 East.

Q Referring to what has been marked Exhibit 1, would you discuss the information shown on that exhibit?

A It shows colored in yellow the State -- excuse me -- it shows as a location and ownership plat showing the State F-1 lease and the immediately surrounding area. The State F-1 lease is shown colored in yellow and consists of lots 1, 2, 7, 8, 9, 10, 11, 12, 13, 14, 15 and 16 in the south half of Section 1, TWP 21 South, Range 36 East.

It shows the proposed unit outlined in red and it consists of lots 9 through 16, both inclusive, in the south half of Section 1. The unit, well No. 1, is shown circled in red and is

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located 660 feet from the south line, 660 feet from the west line of Section 1.

Q Do you propose to dedicate that area of 640 acres?

A Yes.

Q Is that a standard proration unit?

A No, the Eumont pool -- that is a standard.

Q Give us the history of this well.

A Yes, sir. This well was originally drilled and completed on May 2, 1938 in the Grayburg formation at a total depth of 3935 feet. After extension of the open hole, the well was shut in. In 1954, the well was plugged back to 3595 feet and recompleted in the Queen and Seven Rivers formation, in the intervals from 3225 to 3556, and then after treatment, the well was completed as a gas well and subsequently classified as producing from the Eumont gas pool.

Q Does that complete your story, Mr. Lyon?

A Yes, sir.

MR. KELLAHIN: If the Commission please, under the rules, I think the problem we have here is that in the adoption of Order No. 1670 there was a hiatus resulted which leaves a question in regard to this particular situation. Under the general rules and regulations for prorated gas pools of southeastern New Mexico, under Rule 2, it sets out that "after the effective date of this order, each well drilled or recompleted



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on a standard gas proration unit within a gas pool regulated by this order shall be located --" and then it sets out below the footage boundary. Now 1640 under that would be 1980 feet, so our well location, of course, would comply, but that is after the effective date of this order. The well was completed in the Eumont pool prior to the effective date of this order.

Now, if you go back to Order R-520, we are entitled to exception under the provisions of that order as well; regardless of which order is applied, the well was definitely entitled to relocation, which it was in that sense, and it was not an unorthodox location. Under the provisions of Rule 3, we don't feel that that rule applies against us because the well was already there. The provisions for obtaining an exception -- under Rule 5, we come to the question of acreage dedication and again we have a peculiar situation here for the reason that this is a section which contains, I would say, approximately 960 acres. We may be willing to dedicate 960 acres and dedicate the whole section; however, what we are applying for here is dedication of 640 acres, which we submit under the circumstances here is a standard unit. That is covered by the provisions of Rule 5-A of our 1670. It says "for the purpose of allocation in the gas pool by this order a standard proration unit -----".

Our 640 acres is a standard proration unit well. That's our situation; it's a 640 acre standard proration unit and shall



be a legal subdivision of public land surveys. These are all legal surveys of public lands. There is in the rule, however, a matter in parenthesis which sets a quarter section or half section as applicable. In this instance, of course, that isn't applicable. We submit we have a standard 640-acre unit with a well which was drilled prior to the adoption of the rule and we are entitled to dedicate that acreage to the subject well.

MR. MORRIS: I'd like to point out to the Examiner that at the time Order R-1670 was adopted, there were also special rules adopted in the Eumont pool which superseded the general portions of Rule 1670 and as pertaining to the Eumont, I'd like to call attention to Rules 5-A and B. Standard gas proration units in the Eumont Gas Pool shall be 640 acres. Rule 5-B then provides that any well drilled to and producing from the Eumont Gas Pool as defined herein prior to August 12, 1954 at a location conforming with the specific requirements affecting Rule 5 at the time said well was drilled, shall be granted a tolerance not exceeding 330 feet with respect to the required distance from the boundary line. I submit from that reading that first of all, this well was not drilled to and producing from the Eumont Gas Pool prior to August 12, 1954 and therefore should be granted no tolerance, and then, if it were granted tolerance it would only be granted a tolerance of 330 feet at the most which would still not bring

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it within the 1980 feet required for an orthodox location.

MR. KELLAHIN: The well was completed in January, 1954.

MR. MORRIS: Producing from Eumont at that time?

MR. KELLAHIN: Yes.

MR. MORRIS: Granting that, the maximum tolerance that could be granted under this rule was 330 feet which would mean 1980 minus 330 would be 1650 feet which would be the closest distance it would be to a unit log.

MR. KELLAHIN: 1990 feet.

MR. MORRIS: I stand corrected. It would be 1990 feet which would be conforming to the requirements of 1980 feet.

MR. PORTER: Your position is that a hearing is required?

MR. MORRIS: Yes. It's rather moot since we are all here, anyway.

MR. PORTER: Mr. Kellahin, do you have any rebuttal to that?

THE WITNESS: May I ask if there's a special rule for Eumont, Rule 5-B supersedes Rule 5-B for the general rules?

MR. MORRIS: It does.

THE WITNESS: Rule 5-B refers to a non-standard pool.

MR. MORRIS: Special rules always supersede general rules, and 5-B in this instance is under the general heading "Well Location and Acreage Required."

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MR. KELLAHIN: But it refers to a non-standard location which this is not. The only question we have here is the question of location of the well.

THE WITNESS: Could I say something off the record?

MR. PORTER: Off the record.

(Whereupon, a discussion was held off the record.)

MR. PORTER: Back on the record. Has anybody anything else?

MR. KELLAHIN: Mr. Lyon, was Exhibit 1 prepared by you or under your supervision?

THE WITNESS: Yes, sir.

MR. KELLAHIN: I'd like to offer in evidence Exhibit 1.

MR. PORTER: Continental Oil Company's Exhibit No. 1 will be admitted to the record.

MR. KELLAHIN: That's all.

MR. PORTER: If there's nothing else to be offered --

MR. NUTTER: I have some cross examination.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Lyon, what is the number three well in the north-west portion of the proposed unit completed in?

A It's completed in the Eumont oil well producing from the Lower Queen and Penrose formations.

Q That's from the same interval that this gas well



is producing from?

A We don't have an electric log in No. 3, but as best we can correlate from sample logs, there is one small interval in the Queen which is open in both wells. No. 5 produces from this interval that is common to both additional zones in the Queen and in zones from Seven Rivers.

No. 3 produces from the common zone and the remainder of the Queen below that zone and the Penrose formation.

Q Is the No. 1 gas well productive of gas in that portion of the proposed unit, or is the zone that No. 1 well is completed in productive of gas in the unit?

A That would be difficult to say. It's my opinion that by far the majority of the production from No. 3 is coming from zones below that, but I have no way of knowing. I have no information.

Q What do you know of the ratio that No. 3 produces?

A Nearly all the wells in this are -- this is an old Hardy pool area and in an advanced stage of depletion and all of them to the best of my knowledge are high gas-oil ratio wells.

Q Do you know the ratio of No. 3 well?

A I don't have that with me, no.

Q What is the No. 5 well?

A A shut-in gas well.

Q What formation was it prorated in?

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A In the Yates, Seven Rivers and Queen.

Q This is the Eumont pool, is that correct?

A Yes, sir.

MR. NUTTER: I believe that's all.

MR. PORTER: Any further questions of the witness?

He may be excused.

(Witness excused.)

MR. PORTER: If there is nothing further to be offered, we'll take the case under advisement. Hearing is adjourned.

STATE OF NEW MEXICO)
) SS
COUNTY OF BERNALILLO)

I, TOM HORNE, 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.

T. Horne
Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2260, heard by me on April 19, 1961.
A. L. Porter, Jr., Examiner
New Mexico Oil Conservation Commission

