

CASE NO. 5440: GULF OIL CORP.
FOR TWO UNORTHODOX OIL WELL
LOCATIONS, LEA COUNTY, NEW MEXICO

CASE No.

5440

Application,
Transcripts,
Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
19 March 1975

EXAMINER HEARING

IN THE MATTER OF:

Case 5440. Application of Gulf
Oil Corporation for two unorthodox
oil well locations, Lea County, New
Mexico. Applicant, in the above-
styled cause, seeks approval for the
unorthodox location of its South
Penrose Skelly Wells Nos. 220 and
262 to be located, respectively,
1034 feet from the South line and
2635 feet from the West line of
Section 5 and 1300 feet from the
South line and 1139 feet from the
East line of Section 8, both in
Township 22 South, Range 37 East,
Penrose Skelly Pool, Lea County,
New Mexico.
Applicant further seeks the amend-
ment of Order R-2794 to provide
an administrative procedure for the
approval of additional unorthodox
locations for injection and pro-
ducing wells within the South
Penrose Skelly Unit Area.

CASE # 5440

BEFORE: Daniel S. Nutter, Examiner

I N D E X

Testimony of Charles F. Kalteyer

Direct Examination by Mr. Thomas 3

Cross Examination by Mr. Nutter 10

E X H I B I T S

Exhibit 1 10

Exhibit 2 10

Exhibit 3 10

MR. NUTTER: We'll call Case Number 5440.

MR. CARR: Application of Gulf Oil Corporation for two unorthodox oil well locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its South Penrose Skelly Wells Numbers 220 and 262 to be located, respectively, 1034 feet from the south line and 2635 feet from the West line of Section 5 and 1300 feet from the South line and 1139 feet from the East line of Section 8, both in Township 22 South, Range 37 East, Penrose Skelly Pool, Lea County, New Mexico.

Applicant further seeks the amendment of Order Number R-2794 to provide an administrative procedure for the approval of additional unorthodox locations for injection and producing wells within the South Penrose Skelly Unit Area.

MR. THOMAS: Robert Thomas, representing Gulf Oil Corporation. I have one witness to be sworn.

MR. NUTTER: Mr. Kalteyer is still under oath.

CHARLES F. KALTEYER,
being called as a witness and being duly sworn
upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. THOMAS:

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

Q For the record, please state your name and by whom you're employed and in what capacity.

A My name is Charles F. Kalteyer. I'm employed by Gulf Oil Corporation, Midland, Texas, and I'm employed as District Proration Engineer.

Q Have you previously testified before the Oil Conservation Commission of New Mexico and given your qualifications as a petroleum engineer?

A Yes, sir, I have.

MR. THOMAS: We ask that his qualifications be admitted; be accepted.

MR. NUTTER: Yes.

Q (By Mr. Thomas) What is Gulf seeking in this application, Mr. Kalteyer?

A Gulf as the operator of the South Penrose Skelly Unit in the Penrose Skelly Pool is requesting authority to drill and complete two infill producing wells at unorthodox locations inside the unit. We are also seeking for an amendment to Order R-2794 which authorized the water-flood so as to provide a procedure whereby administrative approval may be obtained from the Commission for future infill producers and injectors.

Q Will you tell us about the location and history

of the South Penrose Skelly Unit Waterflood?

A The South Penrose Skelly Unit is located in southeast Lea County, immediately south of the City of Eunice. The South Penrose Skelly Unit can be seen on Exhibit 1 within the hachured line. The South Penrose Skelly Unit Agreement was approved on October 21, 1964, under Case Number 3118, Order R-2789. On October 29, 1964, under Case Number 3119 and Order R-2794 the Oil Conservation Commission approved Gulf's application for six water injection wells on the South Penrose Skelly Unit. Injection of produced water and San Andres make-up water was initiated June 8, 1967, into the Grayburg formation only. The flood pattern presently consists of two adjacent 80-acre regular five spots.

Q What have been the results to date from this waterflood project?

A Exhibit 2 depicts the production performance of wells in the pilot area. You'll note in the inset are those wells whose production is included in these performance curves. You'll note by 1969 there was a slight increase in oil production in the pilot area. The center producer Number 112, before injection started, was producing approximately 2 barrels of oil a day and 1 barrel

of water per day. After response, the well produced at a maximum rate of 16 barrels of oil per day with 53 barrels of water per day. Center producer Number 128 before water injection started produced at the rate of 2 barrels of oil per day and zero water. After so-called response this well produced at a maximum rate of 6 barrels of oil per day and twelve barrels of water per day. The response to our water injection program has been far from encouraging. Temperature surveys were conducted which verified that water was entering the Grayburg formation from the well bore. We are still in a quandry as to where the water might be migrating; as to why we have not had more favorable response, as this is indicated in virtual failure of our pilot project.

Q What is the present status of the South Penrose Skelly Unit waterflood project?

A During January, 1975, only seven oil wells were operating in the pilot area. The combined production of these wells averaged 24 barrels of oil and 60 barrels of water per day. In March of 1972 the Reda submersible pump which supplied make-up water failed, and due to the low production rate and the poor results experienced, the water supply well pump was not repaired pending a study

of whether to continue the waterflood project or not. Since that time only produced water has been injected in the pilot injection wells.

Exhibit 3 depicts the production performance of the wells in the entire SPSUnit. There are currently 17 active producers and 33 inactive wells. During the month of January these wells produced at the combined rate of only 45 barrels of oil and 63 barrels of water per day.

Q What is the problem that now faces the operators of the South Penrose Skelly Unit waterflood?

A The operators are faced with the problem of deciding to either abandon the project or further investigate why the flood has not been successful.

Q What have the operators decided to do?

A In view of the increased price of crude, we have decided to attempt to determine why the 4.6 million barrels of injected water has not been more effective. The experience in other areas of the Permian Basin have led us to believe that an 80-acre flood pattern may be too wide for a successful flood of the Grayburg and it's very possible that a 40, 20, or even 10 acre pattern would be required to successfully flood this horizon.

Q Specifically what are you proposing at this time?

A The operators of the South Penrose Skelly Unit propose to drill 2 infill wells in unorthodox locations. Both wells are to be cored through the Penrose-Grayburg pay zones and analyzed. Gulf proposes to drill Well Number 220 at an unorthodox location, 1034 feet from the South line and 2635 feet from the West line in Unit N of Section 5, Township 22 South, Range 37 East, as shown on Exhibit 1. This well is adjacent to the pilot injection area. And Gulf and the other partners propose to drill Well Number 262 at an unorthodox location, 1300 feet from the South line and 1139 feet from the East line, Unit P, Section 8, Township 22 South, Range 37 East. This location is considerably south of the pilot injection area and is being drilled to determine if additional oil might be expected by normal development on a 20-acre pattern. It is our desire to locate these wells as near to the center of each quarter section as practical to simulate a uniform 20-acre development pattern with the ultimate thought in mind of possibly flooding in a 40-acre regular 5 spot pattern. Assuming the core analysis result of the drilling of these wells encourages us to go on with the project, high pressure gas transmission

lines, as well as crude oil pipelines and electrical power lines have prevented the location of these two wells as we originally intended, at the center of the four quarter section -- at the quarter sections.

Q What further requests is Gulf making at this time?

A We're requesting that Order R-2794 be amended to establish a procedure for administrative approval of additional infill producing or injection wells to be drilled within the unit at unorthodox locations, provided they are located greater than 10 feet from the quarter/quarter section lines and greater than 330 feet from the outer unit boundary lines.

Q Has Gulf received approval from its partners in the South Penrose Skelly Unit to drill these wells?

A Yes, Gulf has received approximately 79% approval from the working interests owners. They have agreed to this effort with our operating agreement requiring 60% approval.

Q Is this application in the interest of conservation and the prevention of waste?

A Yes, sir, we believe it is.

MR. THOMAS: In closing, Mr. Examiner, I'd like to

offer at this time Exhibits 1, 2, and 3.

MR. NUTTER: Gulf's Exhibits 1, 2, and 3 will be admitted in evidence.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Kalteyer, you say you've injected 4 million barrels of flood, cumulative?

A Yes, sir.

Q With doubtful results?

A Yes, sir. While we do show some response, there is a definite change in the production rate, however, it's not encouraging us to continue under those same conditions.

Q Now you gave the response of the two center wells to the pilot pattern. Did the outside wells show a little response also?

A That's included, of course, yes, sir, in the total picture there, but we are -- we are still producing in the area of the pilot. Wells Number - if you'll refer to Exhibit Number 2 - Well Number 105 is still on production; immediately south of it Number 126 is on, and over to the west Number 130; to the southeast of that is 134; Number 151 and 152 are still on production in the pilot area, which of course have been commercial enough.

for us to continue to produce those wells. I can give you those rates if you --

Q That's really not necessary, but the response has been less dramatic than in those two center wells?

A Yes, sir.

Q And it hasn't been very dramatic?

A No, sir.

MR. NUTTER: Are there any further questions of Mr. Kalteyer? He may be excused. Do you have anything further, Mr. Thomas?

MR. THOMAS: Nothing.

MR. NUTTER: We'll take the case under advisement and a fifteen minute recess.

(Hearing concluded.)

STATE OF NEW MEXICO)
)
COUNTY OF SANTA FE)
REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, Notary Public and General Court Reporter, Santa Fe, New Mexico, DO HEREBY CERTIFY that the facts stated in the caption hereto are true and correct; that I reported the captioned proceedings and that the foregoing 12 pages of typewritten matter constitute a full, true and correct transcript of said proceedings.

WITNESS my hand and seal, this 11th day of April, 1975, at Santa Fe, New Mexico.

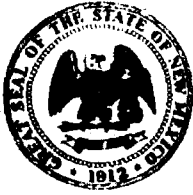
Sally Walton Boyd
Sally Walton Boyd
Notary Public and General Court Reporter

My Commission expires:
10 September 1975

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5440, heard by me on 2/19, 1975.

[Signature], Examiner
New Mexico Oil Conservation Commission

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

I. R. TRUJILLO
CHAIRMAN

**LAND COMMISSIONER
PHIL R. LUCERO
MEMBER**

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

March 25, 1975

Mr. Bob Thomas
Gulf Oil Corporation
Post Office Drawer 1150
Midland, Texas 79701

Re: CASE NO. 5440
ORDER NO. R-4989

Applicant:

Gulf Oil Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, JR.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x
 Artesia OCC
 Aztec OCC

Other _____

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5440
Order No. R-4989

APPLICATION OF GULF OIL CORPORATION
FOR TWO UNORTHODOX OIL WELL LOCATIONS,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 19, 1975,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 25th day of March, 1975, the Commission,
a quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being
fully advised in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Commission has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Gulf Oil Corporation, seeks approval
of the unorthodox location of its South Penrose Skelly Wells
Nos. 220 and 262 to be located, respectively, 1034 feet from the
South line and 2635 feet from the West line of Section 5 and
1300 feet from the South line and 1139 feet from the East line
of Section 8, both in Township 22 South, Range 37 East, Penrose
Skelly Pool, Lea County, New Mexico.

(3) That the SE/4 SW/4 of said Section 5 and the SE/4 SE/4
of said Section 8, respectively, are to be dedicated to the wells.

(4) That no offset operator objected to the proposed un-
orthodox location.

(5) That the applicant further seeks the amendment of
Order No. R-2794 to provide an administrative procedure for the
approval of additional unorthodox locations for injection and
producing wells within the South Penrose Skelly Unit Area.

(6) That approval of the subject application will afford
the applicant the opportunity to produce its just and equitable
share of the oil in the subject pool, will prevent the economic
loss caused by the drilling of unnecessary wells, avoid the

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Case No. 5440
Order No. R-4989

Augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That unorthodox oil well locations are hereby approved for the South Penrose Skelly Wells Nos. 220 and 262 to be located, respectively, 1034 feet from the South line and 2635 feet from the West line of Section 5 and 1300 feet from the South line and 1139 feet from the East line of Section 8, both in Township 22 South, Range 37 East, Penrose Skelly Pool, Lea County, New Mexico.

(2) That the SE/4 SW/4 of said Section 5 and the SE/4 SE/4 of said Section 8 shall be dedicated to the above-described wells.

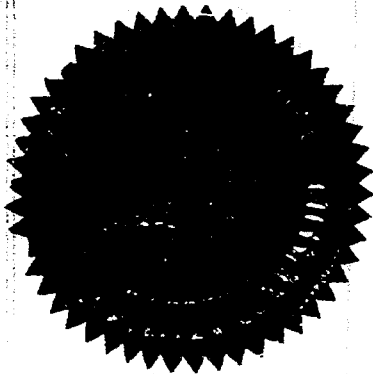
(3) That Order Paragraph No. (3) of Order No. R-2794 is hereby amended to read in its entirety as follows:

"(3) That monthly progress reports of the waterflood project herein authorized shall be submitted to the Commission in accordance with Rules 704 and 1120 of the Commission Rules and Regulations.

PROVIDED FURTHER, that the Secretary-Director of the Commission may approve expansion of the above-described waterflood project to include such additional injection and producing wells at orthodox and unorthodox locations in said project as may be necessary to complete an efficient injection and production pattern, provided however, no such unorthodox location shall be closer than 330 feet to the outer boundary of the unit area."

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



S E A L

jr/

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

R. T. Cillo
R. T. CILLO, Chairman

Phil R. Lucero
PHIL R. LUCERO, Member

A. L. Porter, Jr.
A. L. PORTER, Jr., Member & Secretary

Dockets Nos. 8-75 and 9-75 are tentatively set for hearing on April 2, and April 16, 1975. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 19, 1975

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas from seventeen prorated pools in Lea, Eddy, Roosevelt, and Chaves Counties, New Mexico, for April, 1975;
- (2) Consideration of the allowable production of gas from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for April, 1975.

CASE 5415: (Continued from the February 19, 1975, Examiner Hearing)

Application of Burk Royalty Co., for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Double L Queen Unit Area, comprising 2670 acres, more or less, of Federal, State, and fee lands in Townships 14 and 15 South, Ranges 29 and 30 East, Chaves County, New Mexico.

CASE 5409: (Continued & Readvertised)

Application of Atlantic Richfield Company for a non-standard gas proration unit, an unorthodox gas well location, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the SE/4 of Section 12 and the NE/4 of Section 13, both in Township 24 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its George W. Toby WN Wells Nos. 4, 1, and 1-A, located, respectively, in Units I and P of said Section 12 and in Unit A of said Section 13.

CASE 5438: Application of Exxon Corporation for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of temporary special rules for the Fairview Mills-Wolfcamp Gas Pool, Township 25 South, Range 34 East, Lea County, New Mexico, including a provision for 640-acre spacing units.

CASE 5439: Application of Gulf Oil Corporation for the amendment of Order No. R-4079, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-4079, which order, as amended, authorized the commingling, prior to measurement, of Hobbs Grayburg-San Andres, Hobbs-Blinbry, and Bowers-Seven Rivers production from its W. D. Grimes "A" and "B" Leases in Sections 32 and 33, Township 18 South, Range 38 East, Lea County, New Mexico, to include in said commingling authority Hobbs-Drinkard production.

- CASE 5440: Application of Gulf Oil Corporation for two unorthodox oil well locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its South Penrose Skelly Wells Nos. 220 and 262 to be located, respectively, 1034 feet from the South line and 2635 feet from the West line of Section 5 and 1300 feet from the South line and 1139 feet from the East line of Section 8, both in Township 22 South, Range 37 East, Penrose Skelly Pool, Lea County, New Mexico. Applicant further seeks the amendment of Order No. R-2794 to provide an administrative procedure for the approval of additional unorthodox locations for injection and producing wells within the South Penrose Skelly Unit Area.
- CASE 5441: Application of J. Gregory Merrion and Robert L. Bayless for down-hole commingling, Rio Arriba County, New Mexico. Applicants, in the above-styled cause, seek authority to commingle undesignated Gallup and Basin-Dakota production in the wellbore of the El Paso Canyon Largo NP Well No. 1, located in Unit K of Section 3, Township 24 North, Range 6 West, Rio Arriba County, New Mexico.
- CASE 5442: Application of David Fasken for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of his Feil Federal Well No. 1, to be drilled 660 feet from the North and West lines of Section 28, Township 20 South, Range 25 East, Cemetery-Morrow Gas Pool, Eddy County, New Mexico, the N/2 of said Section 28 to be dedicated to the well.
- CASE 5443: Application of Sun Oil Company for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Bone Spring production for its Jennings-Federal Well No. 1, located in Unit F of Section 15, Township 19 South, Range 32 East, Lea County, New Mexico, and the promulgation of special pool rules therefor, including a provision for 160-acre proration units.
- CASE 5444: Application of C & K Petroleum, Inc., for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a new gas pool for production from the Wolfcamp formation for its Harold Olive Com No. 1 Well, located in Unit O of Section 14, Township 22 South, Range 26 East, Eddy County, New Mexico, and the promulgation of temporary special rules therefor, including a provision for 320-acre spacing units.
- CASE 5445: Application of C & K Petroleum, Inc., for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp formation underlying the S/2 or, in the alternative, the SE/4 of Section 14, Township 22 South, Range 26 East, Eddy County, New Mexico, to be dedicated to its Harold Olive Com Well No. 1, located at an orthodox location in the SE/4 of said Section 14. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of the applicant as operator of the well and a charge for the risk involved in drilling said well.

CASE 5446: Application of C & K Petroleum, Inc., for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a new oil pool for Strawn production for its Shipp "27" Well No. 1, located in Unit 0 of Section 27, Township 16 South, Range 37 East, Lea County, New Mexico, and the promulgation of temporary special rules therefor, including a provision for 80-acre proration units.

CASE 5447: Application of C & K Petroleum, Inc., for amendment of Order No. R-4857, Lea County, New Mexico. Applicant, in the above-styled cause, seeks amendment of Order No. R-4857, which order pooled all mineral interests in the Pennsylvanian formation underlying the SW/4 SE/4 of Section 27, Township 16 South, Range 37 East, Lea County, New Mexico, to pool all such mineral interests underlying the S/2 SE/4 of said Section 27.

CASE 5428: (Continued from the February 19, 1975, Examiner Hearing)
Application of Amax Chemical Corporation for the extension of the Potash-Oil Area, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the extension of the Potash-Oil Area in Eddy County, New Mexico, as defined by Order No. R-111-A, as amended, by the addition of the following described lands:

TOWNSHIP 19 SOUTH, RANGE 29 EAST

Section 13: S/2 SE/4
Section 14: W/2 SW/4
Section 23: N/2 NW/4, SE/4 NW/4, S/2 NE/4
Section 24: NW/4, W/2 NE/4, NE/4 NE/4

TOWNSHIP 19 SOUTH, RANGE 30 EAST

Section 14: W/2 NE/4
Section 18: SW/4

MORANDUM

JS 10120-C

DATE

2-21-75

TO

Don Gutter

ROOM

- ☐ PER OUR CONVERSATION
- ☐ PER YOUR REQUEST
- ☐ FOR YOUR INFORMATION
- ☐ FOR YOUR FILE
- ☐ FOR YOUR APPROVAL
- ☐ FOR YOUR SIGNATURE
- ☐ FOR FOLLOW UP RECORD

BLDG.

- ☐ FOR DISCUSSION
- ☐ PLEASE COMMENT
- ☐ PLEASE DISTRIBUTE
- ☐ PLEASE PHONE
- ☐ PLEASE PROCESS
- ☐ PLEASE SEE ME
- ☐ PLEASE SEND ME FILE

☐ PLEASE RETURN TO:

REMARKS:

In the event that
this is set for hearing can
we have the notice include
a request for consideration
of an administrative procedure
for future unorthodox locations?

Chuck Kallender

SIGNATURE

Case 5440

Gulf Oil Company - U.S.

PRODUCTION DEPARTMENT
MIDLAND DISTRICT

W. B. Thompson
DISTRICT PRODUCTION MANAGER
J. L. Pike
DISTRICT OPERATIONS MANAGER
M. B. Mosley
DISTRICT SERVICES MANAGER
A. J. Evans, Jr.
DISTRICT ENVIRONMENTAL & SAFETY MANAGER
J. C. Howard
DISTRICT EMPLOYEE RELATIONS MANAGER

21 February, 1975

P. O. Drawer 1150
Midland, Texas 79701

*Ref. to
Hearing
du*

Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: A. L. Porter, Jr.

Re: Application of Gulf Oil Corporation
for Two Unorthodox Well Locations
South Penrose Skelly Unit, Penrose
Skelly Pool, Lea County, New Mexico

Gentlemen:

It is respectfully requested that Gulf Oil Corporation be granted administrative approval or in the alternative that a hearing be scheduled on your March 19th docket for the purpose of considering our application for two unorthodox well locations on its South Penrose Skelly Unit, Penrose Skelly Pool. The proposed locations are as follows:

Well No. 220: 1034' FSL and 2635' FWL, Unit N,
Section 5, T-22S, R-37E

Well No. 262: 1300' FSL and 1139' FEL, Unit P,
Section 8, T-22S, R-37E

Under Case No. 3118, Order No. R-2789, the Commission approved on October 21, 1964, the South Penrose Skelly Unit Agreement. Under Case No. 3119, Order R-2794, the Commission on October 29, 1964, approved Gulf Oil Corporation's application for 6 injection wells on the South Penrose Skelly Unit located in the Penrose Skelly Pool. This waterflood project has been in operation since June 8, 1967, but with very limited response. Gulf proposes to drill these wells to further evaluate the effects of the 6 injection well program as well as to evaluate the prospects for expanding the project.

Yours very truly,

J. L. PIKE

CFK:jm
Attachment



A DIVISION OF GULF OIL CORPORATION

DOCKET MAILED

Date 3/6/75

DRAFT

dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF GULF OIL CORPORATION
FOR TWO UNORTHODOX OIL WELL LOCATIONS,
LEA COUNTY, NEW MEXICO.

CASE NO. 5440

Order No. R-4989

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 19, 1935
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this day of March, 1935, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Gulf Oil Corporation, seeks
approval of the unorthodox location of its South Penrose Skelly
Wells Nos. 220 and 262 to be located, respectively, 1034 feet
from the South line and 2635 feet from the West line of Section 5
and 1300 feet from the South line and 1139 feet from the East
line of Section 8, both in Township 22 South, Range 37 East,
Penrose Skelly Pool, Lea County, New Mexico.

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Case No. 5440

Order No. R-

1 (3) That the SE/4 SW/4 of said Section 5 and the
2 SE/4 SE/4 of said Section 8 ^{respectively} ~~are~~ to be dedicated to the
3 wells.

4 (4) That the applicant further seeks the amendment of
5 Order No. R-2794 to provide an administrative procedure for the
6 approval of additional unorthodox locations for injection and
7 producing wells within the South Penrose Skelly Unit Area.

8 (4) That no offset operator objected to the proposed
9 unorthodox location.

10 (6) That approval of the subject application will afford
11 the applicant the opportunity to produce its just and equitable
12 share of the oil in the subject pool, will prevent the economic
13 loss caused by the drilling of unnecessary wells, avoid the
14 augmentation of risk arising from the drilling of an excessive
15 number of wells, and will otherwise prevent waste and protect
16 correlative rights.

17 IT IS THEREFORE ORDERED:

18 (1) That ~~the~~ unorthodox oil well locations are hereby
19 approved for the South Penrose Skelly Wells Nos. 220 and 262 to
20 be located, respectively, 1034 feet from the South line and 2635
21 feet from the West line of Section 5 and 1300 feet from the South
22 line and 1139 feet from the East line of Section 8, both in
23 Township 22 South, Range 37 East, Penrose Skelly Pool, Lea County,
24 New Mexico.

25 (2) That the SE/4 SW/4 of said Section 5 and the
26 SE/4 SE/4 of said Section 8 shall be dedicated to the above-
27 described wells.

28 (3) That ^{Order Paragraph No (3) of} ~~the amendment of~~ Order No. R-2794 ~~to provide an~~
29 ~~administrative procedure for the approval of additional unorthodox~~
30 ~~locations for injection and producing wells within the South~~
31 ~~Penrose Skelly Unit Area is hereby approved.~~ *is hereby amended to read in its entirety as follows:*

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

"(3) That monthly progress reports
of the waterflood project herein author-
ized shall be submitted to the Commission
in accordance with Rules 704 and
1120 of the Commission Rules and Regulations

PROVIDED FURTHER that the Secretary-
Director of the Commission may approve
expansion of the ^{above-described} waterflood project to include
such additional injection and producing wells
at orthodox and unorthodox locations in said
project as may be necessary to complete an
efficient injection and production pattern,
provided however no such unorthodox
location shall be closer than 330 feet
to the outer boundary of the unit area."

(4) That jurisdiction of this cause is retained for the
entry of such further orders as the Commission may deem necessary.