

Case No.

758

Application, Transcript,
Small Exhibits, Etc.

CASE 758: J. W. Peery application for
permission to commingle oil produced from
two separate pools on Hardy (Fed.) lease

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW
MEXICO FOR THE PURPOSE OF CON-
SIDERING:

CASE NO. 758
Order No. R-537

THE APPLICATION OF J. W. PEERY
FOR PERMISSION TO PRODUCE OIL
INTO A COMMON TANK BATTERY
FROM TWO WELLS ON HIS HARDY
(FEDERAL) LEASE, S/2 SE/4 SECTION
19, TOWNSHIP 21 SOUTH, RANGE 37
EAST, NMPM, IN EXCEPTION TO
RULE 303.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a. m. on September 16, 1954, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission".

NOW, on this 14 day of October, 1954, the Commission, a quorum being present, having considered the records and testimony adduced, and being fully advised in the premises;

FINDS:

(1) That due notice of the time and place of hearing and the purpose thereof having been given as required by law, the Commission has jurisdiction of this case and the subject matter thereof.

(2) That applicant, J. W. Peery, is the owner of an oil and gas lease in Lea County, New Mexico, consisting of the following described acreage:

Township 21 South, Range 37 East
S/2 SE/4 of Section 19

known as the Hardy (Federal) lease.

(3) That in November, 1937 the Hardy No. 1 well was drilled in the SE/4 of SE/4, of Section 19, Township 21 South, Range 37 East, the well being completed at a total depth of 3778' in the Grayburg Formation of the Penrose-Skelly Pool. Subsequently the well was temporarily abandoned in 1947 because of low productivity. Recently production tests on this well indicate that it is capable of producing approximately 3 BOPD.

(4) That in July 1953 the Hardy No. 2 well was drilled in the SE/4 SE/4 of section 19, the well being completed in the Drinkard Pool. Production from this well has decreased to approximately 14 BOPD.

(5) That there is no division of royalty interest on the above described lease and the United States Geological Survey has offered no objection to the proposed commingling of oil produced from wells No. 1 and No. 2.

(6) That installation of additional tankage and lease equipment to provide separate tankage for the No. 1 well is not economically feasible, and that approval of this application would be in the interests of conservation, would prevent waste, and would result in a greater ultimate recovery of oil produced from the Penrose-Shelly Oil Pool.

IT IS THEREFORE ORDERED:

(1) That the application of J. W. Peery for permission to produce its No. 1 Hardy (Penrose-Shelly Pool) and its No. 2, Hardy (Drinkard Pool) into a common tank battery located in the S/2 SE/4 of Section 19, Township 21 South, Range 37 East, NMPM, be and the same hereby is approved.

(2) That periodic tests shall be made in order to ascertain the production from each well and separate production reports (Form C-118) shall be submitted on each well.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

E. L. Mechem
EDWIN L. MECHEM, Chairman

E. S. Walker
E. S. WALKER, Member

W. B. Macey
W. B. MACEY, Member and Secretary

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

October 25, 1954

**Mr. J. W. Peery
P. O. Box 655
ODESSA, TEXAS**

Dear Sir:

**We enclose Order R-537 issued by the Commission under date of
October 14, 1954, in support of your petition as set forth in
Case 758 heard on September 16, 1954.**

Very truly yours,

**W. B. Macey
Secretary - Director**

WBM:mr

Encl.

**C
O
P
Y**

RESIDENCE TELEPHONE 2-2672

OFFICE TELEPHONE 2-2011

JOHN W. PEERY

P. O. BOX 655

ODESSA, TEXAS

August 17, 1954

OK Legat.
MAIN OFFICE OCC

1954 AUG 19 AM 8:44

Mr. W. M. Macey
Oil Conservation Commission
P.O. Box 871
Santa Fe, New Mexico

Request for Hearing

Dear Mr. Macey:

Application is herewith submitted for a hearing covering the J. W. Peery Hardy Lease, USGS, File 032591 (c) Las Cruces, located in S/2 of SE/4, Sect. 19, T21S, R37E, NMPM, Lea County, New Mexico. An exception is requested to Rule 303 which prohibits the commingling of oil, so that operator may commingle oil produced from the Penrose-Skelly pool by his No. 1 well with oil produced from the Drinkard pool from his No. 2 well.

The No. 1 Hardy was completed in November 1937, at a total depth of 3778 feet, producing from the Grayburg. The well was acidized with 2000 gallons and reacidized with 3000 gallons. It was then deepened to 3821 and the interval 3725-3821 shot with 300 quarts. The well flowed 57 BOPD, but steadily decreased to below the limits of economic operation and in 1947 was temporarily abandoned. We recently tested the well for 3 BOPD and an estimated 40 Mcf gas per day.

We acquired this lease in July 1953, and shortly thereafter drilled our No. 2 well to the Drinkard. Production from this well decreased to about 14 BOPD and 80 Mcf gas per day. We then drilled this well into water and plugged it off. We don't anticipate being able to increase production in any manner.

There is no horizontal division of the lease and both wells are located on the same 40 acre tract, so that inaccuracies of measurement would not result in unfair royalty or override payments.

We cannot justify installing a separate tank battery, separator and flow line for the shallow well; however, if we can commingle oil from these and recover additional quantities of oil and gas that otherwise would never be recovered.

In event this permission is granted, we will make periodic tests to ascertain production from each well and divide said production for proration purposes.

Very truly yours,

J. W. Peery
J. W. Peery

OFH/h

cc- Mr. H. A. Dupont, District Engineer
U.S. Department of the Interior
P.O. Box 1838, Hobbs, New Mexico



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
P. O. Box 1838
Hobbs, New Mexico

Case 758

IN REPLY REFER TO:

September 7, 1954

Mr. J. W. Peery
P. O. Box 655
Odessa, Texas

Re: Lease Las Cruces 032591(c)

Dear Mr. Peery:

Reference is made to your application of August 17, 1954, to the Oil Conservation Commission of the State of New Mexico, copy of which was furnished this office, requesting permission to comingle oil produced from the Penrose-Skelly Pool by your well No. 1 Hardy with oil produced from the Drinkard Pool by your well No. 2 Hardy. Both wells are on the subject Federal leasehold in the SE¹₄SE¹₄ section 19, T. 21 S., R. 37 E., N.M.P.M., Lea County, New Mexico. It is noted that your application has been designated as Case 758 on the Oil Conservation Commission docket scheduled to be heard at the September 16, 1954 regular hearing.

The proposed comingling of oil described above was discussed with your representatives a few months ago. This letter will confirm our oral statement to the effect that we offer no objection to such comingling of oil, provided, however, that approval of such operations for proration purposes is obtained from the Oil Conservation Commission of the State of New Mexico.

In view of the marginal status of the two wells, your proposed procedure may economically afford opportunity at the present time for additional recovery of oil and gas from the Penrose-Skelly Pool and in the future for possible additional recovery from the Drinkard Pool.

Very truly yours,

H. A. DuPont

H. A. DuPont
District Engineer

Copy to: Mr. J. W. Peery

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO
September 16, 1954

IN THE MATTER OF:
Regular Hearing
CASE NO. 758

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
ROOMS 105, 106, 107 EL CORTEZ BUILDING
TELEPHONE 7-9546
ALBUQUERQUE, NEW MEXICO

IN THE MATTER OF:

Case No. 758

Honorable Edwin L. Mechem
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

MR. MACEY: The next case on the docket is Case 758.
Is there anyone here representing J. W. Peery?

MR. MACEY: Step forward, please.

MR. MACEY: Do you have any witness or will you put the testimony on yourself?

O. F. HEDRICK, JR.,
having been first duly sworn, testified as follows:

MR. MACEY: Will you state your name to the Commission?

A O. F. Hedrick, Jr.

MR. MACEY: Do you have a statement you wish to make and testimony that you wish to offer?

A Yes, sir.

MR. MACEY: Proceed.

A I would like to give a history of this lease so the Commission will be more familiar with our situation. The Number 1 Hardy well was completed in November, 1937 at a total depth of 3,778 feet, producing from the Grayburg. The well was acidized with 2,000 gallons and re-acidized with 3,000 gallons. It was then deepened to 3,821, and ^{the} interval, 3,725 to 3,821, shot with 300 quarts. The well flowed 57 barrels of oil per day, but steadily decreased to the limits of economic operation and in 1947 was temporarily abandoned.

We recently tested the well for three barrels of oil per day and an estimated 40,000 cubic feet of gas per day. We acquired this lease in July, 1953 and shortly thereafter drilled our Number 2 well to the Drinkard. Production from this well has decreased to about 14 barrels of oil per day and 80,000 cubic feet of gas per day. We later drilled this well into the water and plugged it off and now we don't anticipate being able to increase production in any manner. There is no horizontal division of the lease. Both wells are located on the same 40-acre tract so that any inaccuracies of measurement will not result in unfair royalty payment or unfair over-riding payment. We cannot justify installing a

a separate tank battery, separator and flow line for the shallow well; however, if we can comingle oil from these two wells we will recover additional quantities of oil and gas that otherwise would never be recovered.

In the event this permission is granted we will make periodic tests to ascertain production in each well and divide said production for proration purposes.

I have, also, a letter from Mr. H. A. DuPont, District Engineer with the United States Department of the Interior, which I would like to read to you.

"Dear Mr. Peery, Reference is made to your application of August 17, 1954, to the Oil Conservation Commission of the State of New Mexico, copy of which was furnished this office, requesting permission to comingle oil produced from the Penrose-Skelly Pool by your well No. 1 Hardy with the oil produced from the Drinkard Pool by your well No. 2 Hardy. Both wells are on the subject Federal leasehold in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 19, T. 21 S., R. 37 E., NMPM, Lea County, New Mexico. It is also noted that your application has been designated as Case 758 on the Oil Conservation Commission docket scheduled to be heard at the September 16, 1954 regular hearing.

The proposed comingling of oil described above was discussed with your representatives a few months ago. This letter will confirm our oral statement to the effect that we offer no objection to such comingling of oil, provided, however, that approval of such operations for proration purposes is obtained from the Oil Conservation Commission of the State of New Mexico.

In view of the marginal status of the two wells, your pro-

posed procedure may economically afford opportunity at the present time for additional recovery of oil and gas from the Penrose-Skelly Pool and in the future for possible recovery from the Drinkard Pool. Signed H. A. DuPont, District Engineer."

MR. MACEY: Do you have anything further?

A No, sir, I don't.

MR. MACEY: Any questions?

MR. KELLAHIN: Jason Kellahin, representing Continental Oil Company. What provision do you intend to make for meeting the oil from the two horizons?

A We can periodically test each well, say, once every three months or six months, or any interval which the Commission would so recommend, and in that manner keep the production accurate, I feel, to within three percent or at the most five percent.

MR. KELLAHIN: Is that the only provision you plan to make?

A Yes, sir.

MR. KELLAHIN: Do you have any objection to using an orifice meter or other system?

A It is doubtful either well will flow continually. At present our Drinkard is on an intermitter and I don't believe it would have good results with orifice meters on intermitent flow.

MR. KELLAHIN: I would like to state the position of the Continental. We realize this is in the nature of a hardship case and we certainly have no objection to co-mingling. We would like some assurance on the order that neither well would exceed the top allowable in any case, and there should be some provision in the

order to assure the Commission to constantly know, such as a periodic test. That is our objection we have to the application.

A I pointed out what the production of each well was. The Drinkard Well is 14 barrels per day and the top allowables for the field is 70 to 80 barrels and the Penrose-Skelly Well will make three barrels per day, and I believe the top unit allowable there is around 38 barrels.

MR. MACEY: You don't think there is much chance of making the top allowable then?

A I sure wish there were.

MR. MACEY: Mr. Hedrick, do you have any idea how much the installation of additional tankage, assuming you need, say, two, two fifty tanks and separator, do you have any idea what the cost figure of that wouldbbe, approximately?

A We wouldn't set the two two fifty, we could set two twenty, hundred barrel tanks are and the cost there would be \$2,800.00 to \$3,000.00 additional.

MR. MACEY: That is for the tankage, what about the separator and flow lines from the separator to the tank? A considerable lengthy pay-out if you ever get a pay-out.

A Just running tubing into the well, we estimate it would pay-out in two to two and a half years. If we are forced to set, or if we set a separator and flow lines the pay-out would be increased to six to eight years, depending on the rate of decline of the well. Now, I would like also to add that in the event we have to put this well to pumping we never would get a pay-out in either case.

MR. MACEY: Any further questions of the witness? If not the witness may be excused.

(Witness excused.)

MR. MACEY: The case will be taken under advisement.

MR. WALKER: Don Walker, Gulf Oil. In the opinion of Gulf Oil Company, Rule 303 is practical and should be kept in force. We realize in some cases a strict enforcement of this ruling can result in undue hardship, and only in such cases do we feel an exception to the rule should be granted.

MR. MANFIELD: Warren Manfield, Texas Company. The Texas Company as an offset operator, opposes this application in principle, for, if granted, it will establish a precedent. Undoubtedly, if this application is granted it will be followed by many more similar requests for exception under Rule 303, some of which would likely result in gross error and maintenance of production records from single sources of supply thus giving erroneous data for study of reservoir performance, Texas Company urges this application be denied.

MR. MACEY: Any further statements? If not we will take the case under advisement.

STATE OF NEW MEXICO)
: SS.
COUNTY OF BERNALILLO)

I, MARIANNA MEIER, Court 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.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 23rd day of September, 1954.

My Commission Expires:

April 8, 1956

Marianna Meier
ADA DEARNLEY & ASSOCIATES Court Reporter
COURT REPORTERS
ROOM 105-106, EL CORTEZ BLDG.
PHONES 7-9645 AND 5-9545
ALBUQUERQUE, NEW MEXICO

Legal Notice OCC Hearing

Publication:

Date: Sept 16 1954

CASE

758

In the matter of the application of J. W. Peery for permission to commingle oil produced from two separate pools.

Produced from a common pool
Applicant in the above-styled cause seeks an order ^(authorizing) ~~commingling~~ the oil from two wells on the J. W. Peery Hardy ~~Lease~~ (Federal), located in S/2 SE/4 Section 19, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, in exception to Rule 303 of the Commission's Rules and Regulations; these being applicant's Hardy No. 1 Well, producing oil from the Grayburg formation of the Penrose-Skelly Oil Pool, and his Hardy No. 2 Well, producing oil from the Drinkard zone of the Drinkard Oil Pool, both on the same 40-acre tract.