

Case No.

1412

Application, Transcript,
Small Exhibits, Etc.

OIL CONSERVATION COMMISSION
P. O. BOX 571
SANTA FE, NEW MEXICO

April 28, 1958

C
O
P
Y

Mr. John Kelly
P.O. Box 5671
Roswell, New Mexico

Dear Mr. Kelly:

We enclose two copies of Order R-1156 issued April 22, 1958, by the Oil Conservation Commission in Case 1412, which was heard on April 9th at Santa Fe.

Very truly yours,

A. L. Porter, Jr.
Secretary - Director

bp
Encls.

**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
CONSIDERING:**

**CASE NO. 1412
Order No. R-1156**

**APPLICATION OF JOHN M. KELLY FOR THE
ESTABLISHMENT OF A 240-ACRE NON-STANDARD
GAS PRORATION UNIT IN THE EUMONT GAS POOL,
LEA COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 9, 1958, at Santa Fe, New Mexico, before Elvin A. Utn, Examiner duly appointed by the New Mexico Oil Conservation Commission, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 22nd day of April, 1958, the Commission, a quorum being present, having considered the application, the evidence adduced and the recommendations of the Examiner, Elvin A. Utn, 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 applicant, John M. Kelly, is the owner of the following described acreage: E/2 SW/4, W/2 E/2 of Section 16, Township 19 South, Range 37 East, ~~W&PM~~, Lea County, New Mexico.

(3) That the applicant is the owner and operator of the Humble State Well No. 1, located 1980 feet from the South line and 1980 feet from the West line of said Section 16.

(4) That said well is completed in the vertical and horizontal limits of the Eumont Gas Pool.

(5) That the applicant proposes to dedicate the above-described acreage to the said Humble State Well No. 1.

(6) That the establishment of the proposed non-standard gas proration unit will not cause waste nor impair correlative rights.

(7) That the application should be granted.

IT IS THEREFORE ORDERED:

(1) That the application of John H. Kelly for the establishment of a 240-acre non-standard gas proration unit in the Huesent Gas Pool, consisting of the E/4 SW/4, E/2 E/2 of Section 18, Township 19 South, Range 27 East, NMM, Lea County, New Mexico, be and the same be hereby granted, said unit to be dedicated to the applicant's Huesent State Well No. 1, located 1200 feet from the South line and 1500 feet from the West line of said Section 18.

(2) That the said Huesent State Well No. 1 be designated as the unit well for said unit and that the same be granted as allowable in the proportion that the above-described savings accrue to the standard proration unit for the Huesent Gas Pool, subject to the Special Rules and Regulations for the Huesent Gas Pool as set forth in Order No. R-620.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

E. L. Huesent

EDWIN L. HUESENT, Chairman

Murray E. Morgan

MURRAY E. MORGAN, Member

A. L. Porter, Jr.

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



OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 4-11-58

CASE 1412 Hearing Date 4-9-58

My recommendations for an order in the above numbered cases are as follows:

1. Approve as requested.
2. The Unit will consist of E/2 SW/4, W/2 SE/4, W/2 NE/4 sec. 16 - 19S-37E.
3. The Unit well is the Kelly - Huentele St. #1, 1980 SW lines of section 16 - 19S-37E. This well is completed in the vertical & horizontal limits of the Eucumout Gas Pool.

Walter A. [Signature]
[Signature]

Staff Member

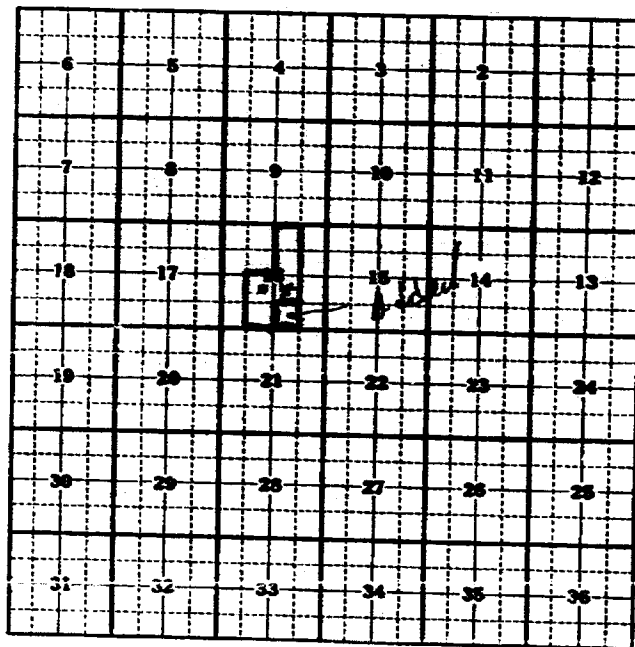
FEDERAL ABSTRACT CO.

Name

Address

Ph.

Remarks:



T R State
or County

JOHN M. KELLY
BOX 5671
ROSWELL, NEW MEXICO

March 4, 1958

Apr 9
Eam Henry
Clack 1412

Re: Examiner Hearing for
240 Non-Standard Gas
Proration Unit, Rumont
Gas Pool, Lea County,
New Mexico.

Mr. A. L. Porter, Jr.
Oil Conservation Commission
Santa Fe, New Mexico

Dear Sir:

John M. Kelly hereby requests that you schedule at your next Examiner Hearing, preferably in Hobbs, our application for a 240 acre Non-Standard gas proration unit dedicated to our Humble State #1. We ask for an exception to Rule 5(a) of the Rumont Gas Pool Rule R-520. The 240 acre unit will comprise of the E/2 SW/4, W/2 SE/4, and W/2 NE/4 of Section 16, T-19-S, R-37-E, Lea County, New Mexico. Unit well is the applicants Humble State #1, located 1980 feet from the South and West lines of Section 16, T-19-S, R-37-E.

Yours very truly,

Kenneth D. McPeters

Kenneth D. McPeters
Production Superintendent

cc: John M. Kelly, Box 5671, Roswell, New Mexico
Shell Oil Company, Production Department, Roswell, New Mex.
Humble Oil Co., Box 1600, Midland, Texas
Aztec Oil & Gas Co., 920 Mercantile Securities Bldg., Dallas,
Texas

DOCKET: EXAMINER HEARING APRIL 9, 1958

OIL CONSERVATION COMMISSION 9 a.m., MABRY HALL, STATE CAPITOL, SANTA FE, NM

The following cases will be heard before Elvis A. Utz, Examiner:

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- CASE 1356: Application of Cities Service Oil Company for an order amending Order No. R-1128. Applicant, in the above-styled cause, seeks an order amending Order No. R-1128 to authorize the transfer of allowable from water injection wells to other wells on the same basic lease, to establish a lease allowable for the applicant's Government "B" Lease, and to authorize administrative approval for additions to, or deletions from the pilot area and/or injection wells.
- CASE 1404: Application of Continental Oil Company for permission to produce more than eight oil wells into a common tank battery. Applicant, in the above-styled cause, seeks an order authorizing the production of a maximum of eleven oil wells in the Jalmat Gas Pool into a common tank battery. Said wells are located on the applicant's Eaves A-19 lease comprising the S/2, S/2 NW/4, and NW/4 NW/4 of Section 19, Township 26 South, Range 37 East, Lea County, New Mexico.
- CASE 1405: Application of Continental Oil Company for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its A. M. Lockhart B-14 "A" No. 1-D Well, located 1980 feet from the North line and 660 feet from the East line of Section 14, Township 21 South, Range 37 East, Lea County, New Mexico, in such a manner as to produce oil from the Terry Blinbry Oil Pool and oil from the Drinkard Oil Pool through parallel strings of tubing.
- CASE 1406: Application of Continental Oil Company for a non-standard gas proration unit. Applicant, in the above-styled cause, seeks an order establishing a 200-acre non-standard gas proration unit in the Eumont Gas Pool consisting of the S/2 S/2 and the NW/4 SW/4 of Section 13, Township 20 South, Range 37 East, Lea County, New Mexico, said unit to be dedicated to the applicant's SEMU Permian Well No. 41 located 660 feet from the South and East lines of said Section 13.
- CASE 1407: Application of Delhi-Taylor Oil Corporation for a non-standard gas proration unit. Applicant, in the above-styled cause, seeks an order establishing a 169.42-acre non-standard gas proration unit in the Aztec-Pictured Cliffs Gas Pool consisting of the SW/4 and S/2 NW/4 of Section 31, Township 29 North, Range 8 West, San Juan County, New Mexico, said unit to be dedicated to the applicant's Prichard Well No. 4-C, located 1450 feet from the South line and 790 feet from the West line of said Section 31.

- CASE 1408: Application of Delhi-Taylor Oil Corporation for a non-standard gas proration unit. Applicant, in the above-styled cause, seeks an order establishing a 170.58-acre non-standard gas proration unit in the Aztec-Pictured Cliffs Gas Pool consisting of the SW/4 of Section 30 and the N/2 NW/4 of Section 31, all in Township 29 North, Range 8 West, San Juan County, New Mexico, said unit to be dedicated to the applicant's Jones Well No. 3, located 1750 feet from the South line and 1090 feet from the West line of said Section 30.
- CASE 1409: Application of Gulf Oil Corporation for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Lea State "CL" Well No. 1, located 2651 feet from the North line and 1650 feet from the East line of Section 2, Township 16 South, Range 32 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Wolfcamp formation adjacent to the Anderson Ranch-Wolfcamp Pool and oil from the Anderson Ranch-Devonian Pool through parallel strings of tubing.
- CASE 1410: Application of Gulf Oil Corporation for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Lea State "R" Well No. 1, located 990 feet from the North line and 660 feet from the East line of Section 2, Township 16 South, Range 32 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Wolfcamp formation adjacent to the Anderson Ranch-Wolfcamp Pool and oil from the Anderson Ranch-Devonian Pool through parallel strings of tubing.
- CASE 1411: Application of Gulf Oil Corporation for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its J. F. Janda "F" Well No. 3, located 1980 feet from the North and West lines of Section 4, Township 22 South, Range 36 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Jalmat Gas Pool and oil from the South Eunice (Oil) Pool through parallel strings of tubing.
- CASE 1412: Application of John M. Kelly for a non-standard gas proration unit. Applicant, in the above-styled cause, seeks an order establishing a 240-acre non-standard gas proration unit in the Eumont Gas Pool consisting of the E/2 SW/4, W/2 SE/4, and W/2 NE/4 of Section 16, Township 19 South, Range 37 East, Lea County, New Mexico, said unit to be dedicated to the applicant's Humble State No. 1 Well located 1980 feet from the South and West lines of said Section 16.
- CASE 1413: Application of Austral Oil Exploration Company for an exception to Rule 309 of the Commission Rules and Regulations. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the production from all wells completed in the Townsend-Wolfcamp Pool, Lea County, New Mexico, on the following described leases:

CASE 1413

Continued:

W. M. Snyder "B" Lease - Township 16 South, Range 36 East
Section 6: Lots 9, 10, 15, & 16
and SE/4

W. M. Snyder "C" Lease - Township 16 South, Range 36 East
Section 5: Lot 5
Section 6: Lots 1, 7, & 8

CASE 1414:

Application of The Texas Company for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its C. H. Weir "B" Well No. 1, located in the SE/4 NE/4 of Section 11, Township 20 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Skaggs-Drinkard Pool and oil from an undesignated Glorieta oil pool through parallel strings of tubing.

CASE 1415:

Application of Phillips Petroleum Company for authority to effect an oil-oil dual completion and to commingle the production from two separate pools. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Santa Fe Well No. 18, located in the NW/4 NE/4 of Section 34, Township 17 South, Range 35 East, Lea County, New Mexico, in such a manner as to produce oil from the Yates formation adjacent to the Vacuum-Yates Pool and from the Vacuum (San Andres) Pool through parallel strings of tubing. Applicant further seeks authority to commingle the oil produced from the separate reservoirs in common storage after measuring the Yates oil through dump-type meters.

CASE 1416:

Application of Aztec Oil and Gas Company for a non-standard location. Applicant, in the above-styled cause, seeks an order authorizing a non-standard gas well location for its Culpepper-Martin Well No. 9, to be located 1850 feet from the North line and 1950 feet from the West line of Section 30, Township 32 North, Range 12 West, Blanco Mesaverde Pool, San Juan County, New Mexico.

CASE 1417:

Application of Sinclair Oil and Gas Company for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its A. M. York "B" Well No. 2, located in the NE/4 NE/4 Section 20, Township 21 South, Range 37 East, Lea County, New Mexico, to produce oil from the Tubb Gas Pool and from the Drinkard Oil Pool through parallel strings of tubing.

CASE 1418:

Application of Shell Oil Company for an exception to Rule 309 of the Commission Rules and Regulations. Applicant, in the above-styled cause, seeks an order authorizing the transportation, prior to measurement, of oil produced on its E. W. Mudge No. 4 Lease, comprising All of Sections 21, 28, 33, and 34, to its L. M. Phillips No. 2 Lease, comprising the S/2, NE/4, and Lots 1 and 2 of Section 4, N/2 Section 9, SW/4 and E/2 Section 10, All Section 15, N/2 and SE/4 Section 22, and W/2 Section 27,

-4-

Docket No. 10-58

Examiner Hearing April 9, 1958

CASE 1418

Continued:

all in Township 25 North, Range 12 West, San Juan County, New Mexico. Applicant further seeks authority to commingle the production from each of said leases after separately measuring said production by means of positive displacement meters.

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

IN THE MATTER OF: Case No. 1412

TRANSCRIPT OF PROCEEDINGS

DEARNLEY - MEIER & ASSOCIATES
INCORPORATED
GENERAL LAW REPORTERS
ALBUQUERQUE, NEW MEXICO
3-6691 5-9546

COPIES 17
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EXAMINER HEARING
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 10, 1958

IN THE MATTER OF:

Application of John M. Kelly for a non-standard gas proration unit. Applicant, in the above-styled cause, seeks an order establishing a 240-acre non-standard gas proration unit in the Eumont Gas Pool consisting of the E/2 SW/4, W/2 SE/4, and W/2 NE/4 of Section 16, Township 19 South, Range 37 East, Lea County, New Mexico, said unit to be dedicated to the applicant's Humble State No. 1 Well located 1980 feet from the South and West lines of said Section 16.

Case 1412

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF PROCEEDINGS

MORNING SESSION

MR. UTZ: The hearing will come to order, please. The first case on the docket will be Case 1412.

MR. PAYNE: Case 1412: Application of John M. Kelly for a non-standard gas proration unit.

MR. MCPETERS: I'll be the only witness.

(Witness sworn.)

KENNETH D. MCPETERS

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

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

that possibly that acreage or other acreage might be included in another unit, if the well was capable, with some further testing if this gas well was capable of doing it. We do not object; in fact, we concur in this particular proposal.

MR. UTZ: Any further statements? The case will be taken under advisement.

* * * * *

C E R T I F I C A T E

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in stenotype and reduced to typewritten transcript under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this *3rd* day of May, 1958, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Ada Dearnley
NOTARY PUBLIC

My commission expires:

June 19, 1959.

I do hereby certify that the foregoing is
a true and correct copy of the original
the *14.2*
heard on *April 9*, 1958.

William H. Hines, Examiner
New Mexico Oil Conservation Commission