

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO
July 14, 1955

IN THE MATTER OF:

CASE NO. 933

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
605 SIMMS BUILDING
TELEPHONE 3-6691
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
July 14, 1955

IN THE MATTER OF:)

Application of John M. Kelly for approval of)
a 400-acre non-standard gas proration unit in)
the Eumont Gas Pool, Lea County, New Mexico,)
to consist of the S/2 of Section 12, Township)
19 South, Range 36 East, and the N/2 SW/4)
of Section 7, Township 19 South, Range 37 East,)
and to be dedicated to applicant's Phillips)
State Well No. 1, located in the SE/4 SE/4)
of Section 12.)

Case 933

BEFORE:

Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 933.

K E N N E T H D. M c P E T E R S

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

DIRECT EXAMINATION

By MR. KELLY:

Q Please state your name.

A Kenneth D. McPeters.

Q By whom are you employed and in what position?

A Production superintendent for John M. Kelly.

Q Have you previously testified before this Commission?

A No.

Q Will you give a short summary of your professional qualifications?

A I graduated with a Bachelor of Science Degree from the New Mexico School of Mines in 1951. Since that time I have worked actively in the oil industry.

MR. KELLY: Are the witness's qualifications satisfactory?

MR. MACEY: They are.

Q Mr. McPeters, are you familiar with Case 933 as filed by John M. Kelly?

A Yes.

Q Please state to the Commission the purpose of this application.

A This application was for approval of a 400-acre non-standard proration unit in the Eumont Gas Pool, to consist of the south half of Section 12, Township 19 South, Range 36 East, and the north half of the southwest quarter of Section 7, Township 19 South, Range 37 East, to be dedicated to our well the Phillips State No. 1, located 660 from the south and east lines of Section 12, Township 19 South, Range 36 East.

Q Have you prepared an exhibit which shows the contours on top of the Yates Formation?

A Yes, sir.

(John M. Kelly's Exhibit No. 1
marked for identification.)

MR. KELLY: I would like to enter this exhibit as Exhibit No. 1.

Q Will you explain your interpretation of this map?

A This plat indicates the structural position of the proposed non-standard proration unit and superimposed on the same plat is the existing proration units in the surrounding immediate vicinity. My interpretation of this map is that the entire 400-acres can be

presumed to be reasonably productive of gas from the Queen Formation. To substantiate this conclusion, I will give a brief outline of the history in this area.

The subject well of Phillips, John M. Kelly Phillips State No. 1 was drilled in September, 1953, total depth of 4170 in the Grayburg. It was plugged back with a permanent plug from 3848 to 3828. The Queen interval, 3650 to 3828, was tested and produced gas after dolo-frac at a rate of 3,125 MCF per day with no oil. Since that time this well has continued to produce dry gas. To the south, the Cactus State "A" No. 1, located in the northwest quarter of the northwest quarter of Section 13, Township 19, South, Range 36 East, was originally drilled by Skelly Oil Company in 1942. Skelly reported no shows of oil. Cactus re-entered the well in 1953 and on two drillstem tests in the Queen Formation recovered no oil.

Q They did, however, recover some shows of gas, didn't they? Didn't the drillstem show some gas?

A Gas cut mud was recovered.

Q What about the Gulf State "D" No. 1, north?

A The Gulf State "D" No. 1 was completed as a well in August, 1954, with a potential of 3,460 MCF per day at 600 pounds. Shortly after completion, the well started making oil and was reclassified as an oil well. Its productive capacity has dropped rapidly with an associated increase in gas-oil ratio.

Q Have you a recent test on this well?

A According to our information available to us, a test dated March 29, 1955, the well produced four barrels of oil per day and 294,000 cubic feet of gas.

Q Based on this latest test, is it economical to drill such a

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well as an oil well?

A No, it is not.

Q In your opinion, then, the west portion of the proposed Kelly unit should be predominantly productive of gas?

A Yes.

Q Any attempt at a completion of an oil well would probably result in an oil well with a high gas-oil ratio?

A Yes.

Q In other words, you feel that the gas-oil contact will be on the extreme western edge of the proposed unit or be west of the proposed unit?

A Yes, that is correct.

Q How about the north half of the southwest quarter of Section 7?

A The Great Western Well, located in the northeast quarter of the southwest quarter of Section 7, was drilled in 1938 and log shows the gas in the Queen Formation. In fact, I believe it blew out in the Queen.

Q When it was drilling?

A When it was drilling.

Q Is this 80 acres offset by gas wells?

A Yes.

Q Would it be practical to dedicate the 80-acre tract to any other unit in Section 7?

A No. You will notice that Gulf has a long 160-acre unit to the south and Shell a 160-acre to the north. Previous to the formation of Gulf's unit, we contacted Gulf with a communitization proposal. Gulf refused to unitize even on a dual, or on the unitization of any

part of their acreage to a well drilled on the Kelly acreage, because they had a 160-acre gas unit without unitizing with any other acreage.

Q I notice Continental Oil Company has an 80-acre directly to the east of the Kelly 80.

A Continental was also approached and Continental felt that from an administrative and economic standpoint that it would be more favorable to dual complete their State "A" 7 No. 1, and take an 80-acre gas allowable, rather than to unitize their acreage with the Kelly. With Gulf and Continental both refusing to unitize, this left the north half of the southwest quarter of Section 7 open to drainage by wells to the north and the southeast.

Q In other words, at the present time it is impossible to assign this 80-acre in the north half, southwest quarter of Section 7 to any other unit in the same Section?

A Yes.

Q Is the acreage in the proposed unit all one basic royalty interest?

A Yes, all State land.

Q In your opinion, is the Phillips State No. 1 capable of producing a 400-acre allowable?

A Yes.

Q Would the Phillips State No. 1 effectively drain the entire 400 acres?

A In my opinion, it would.

Q Would the granting of this application permit John M. Kelly to recover his just and equitable share of the gas?

A Yes.

Q Would the granting of this application adversely affect the

rights of the royalty interest owner?

A No.

Q Would it protect the correlative rights of this applicant and prevent waste?

A Yes.

MR. KELLY: That is all. I offer John M. Kelly's Exhibit No. 1 in evidence.

MR. MACEY: Without objection it will be received. Any questions?

CROSS EXAMINATION

By MR. MACEY:

Q Do you have the top of the Grayburg on this well?

A Yes, I do. The top of the Grayburg at 3845.

Q 3845. I believe our Commission records showed that the plugged back depth was something other than 3828 feet, which I believe you stated earlier, is that correct?

A 3848 which was reported to the Commission was the position of the castiron bridging plug; on top of that plug there is 20 foot of calcium.

Q In other words, the well is actually plugged back further than stated in the forms?

A Yes, that is correct.

Q Would you be willing to submit a form correcting that?

A I am sure we would, yes.

Q In other words, Grayburg is open in this well?

A Yes.

Q Another thing, why was it that you arched your contours out in a westerly direction there? What information did you use to do

that?

A Well, it is based on that Skelly well to the south, the State No. 5. You have to bring the contour in there to 1057 approximately. The John M. Kelly Phillips State No. 1 has a top of the Yates at 1049, which means you have to swing it around. I just continued the same characteristics of the contours on out.

Q Possibly with future drilling, a little less control, it is possible these contours might straighten out?

A If so, well, contours have been known to be changed.

Q The point I am making, Mr. McPeters, is that possibly with more control, more wells drilled in the area, later it might be that actually considerably more acreage than what you have stated could be productive of oil in the Queen, is that possible?

A That is possible and if that time comes we would certainly be willing to drill an oil well because an oil well has a much more attractive economic situation than a gas well at the present time.

Q In other words, if the Commission did see fit to grant all of these exemptions you are asking for and you did decide a part of your acreage was productive, would you be willing to withdraw that free proration unit?

A Yes, I am sure we would.

Q The exemptions you are asking for are that it crosses the Section line, it is greater than 5,028, and the well is located in an improper location for that amount of acreage?

A That is correct.

Q Did you agree with Mr. Walker's testimony that in Case 918, where he stated that they didn't feel that acreage was productive of oil should be dedicated to a gas well, do you agree with that?

A I certainly do. You talking about simultaneous dedication of acreage?

Q Yes.

A In the same field?

Q Yes.

A Yes, I agree with that.

Q Would it be possible for the 80 acres of Section 7 to be possibly dedicated to Shell proration unit or possibly to the Continental or Gulf?

A I think my testimony indicated that we had approached Continental and Gulf. To my knowledge Shell hasn't been approached.

Q Would it be satisfactory with your company if the Commission say, forced communitization to keep from granting such an odd ball-shaped proration unit?

MR. KELLY: If it please the Commission, we are not asking the Commission to intercede in compulsory unitization in this case.

That is all.

MR. MACEY: Anyone else have a question? Mr. Kitts.

By MR. KITTS:

Q If granted, this would be much the largest unit in the area, wouldn't it?

A In this immediate area, yes.

Q Which would pretty certainly drain Skelly to the south and Gulf to the east with a 480-acre allowable?

A We are only asking for 400.

Q Well, 400.

A Well, that compensating drainage comes in there again. You are going to have a little of that, no matter what the size of

your units are.

Q But the others are 160, most of them?

A In this immediate vicinity, yes. I would like to point out, though, that if the application isn't granted, our 80 acres in Section 7 is being drained.

MR. WALKER: Do you feel that Skelly and Gulf, if they were being drained, they would be here complaining about it?

A I certainly do.

MR. KELLY: Gulf was approached and we requested Gulf to join us and they refused.

MR. MACEY: Does anyone else have a question? Mr. Nutter.

MR. NUTTER: To get away from the east end of that proposed proration unit back over to the west side, I think some people have a suspicion in their minds there may be a little oil production out there on the west end. Would your company be willing to, say, take off the southwest quarter of Section 12 until such time as that acreage has been proven to be productive of oil or gas?

A No, we would have to amend the application. I couldn't amend the application right here and I don't believe we would be willing to because we feel it is productive of gas.

MR. NUTTER: It could be amended in the order, however?

MR. KELLY: If it please the Commission, if and when we are offset by a commercial oil well to the west, then we will certainly give consideration to the drilling of an oil well on our acreage, but until that time, we feel that the Cactus Well immediately south of the 80 that you are talking about showed only gas on drillstem test and not oil; therefore, we feel that the western part of our acreage is gas productive.

MR. MACEY: Anyone else? If no further questions, the witness may be excused.

(Witness excused.)

MR. MACEY: Do you have anything further?

MR. KELLY: Nothing further.

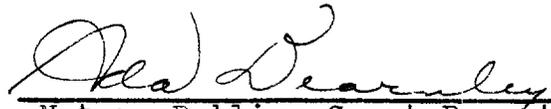
MR. MACEY: Anyone have anything further? If not, we will take the case under advisement.

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

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the 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 26th day of July, 1955.



Notary Public, Court Reporter

My Commission Expires:

June 19, 1959.