

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 1141

TRANSCRIPT OF PROCEEDINGS

September 6, 1956

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

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO
September 6, 1956

IN THE MATTER OF:

CASE NO. 1141: Application of Tom Boyd and Jack Plemons
for an order granting permission to
commingle oil in exception to Rule 303 of
the New Mexico Oil Conservation
Commission Rules and Regulations.
Applicant, in the above-styled cause,
seeks an order granting permission to
commingle oil from the Grayburg-Jackson
and the Grayburg-Keeley Pools; said oil
to be produced from applicant's
Continental State 27 Well No. 4 located
in the NW/4 NW/4 of Section 27, Township
17 South, Range 29 East, Grayburg-Keeley
Pool, Eddy County, New Mexico, with oil
production from applicant's Wells No. 1,
2 and 3 in the Grayburg-Jackson Pool.

BEFORE:

Warren W. Mankin, Examiner.

T R A N S C R I P T O F P R O C E E D I N G S

MR. MANKIN: The next case is Case No. 1141.

MR. GURLEY: Application of Tom Boyd and Jack Plemons
for an order granting permission to commingle oil in exception
to Rule 303 of the New Mexico Oil Conservation Commission Rules
and Regulations.

MR. WATSON: Neil B. Watson, Artesia, New Mexico,
attorney for Tom Boyd and Jack Plemons.

MR. GURLEY: Two witnesses or one?

MR. WATSON: Just one.

(Witness is sworn.)

T O M B O Y D

called as a witness on behalf of the applicant, having been first duly sworn on oath, testified as follows:

DIRECT EXAMINATION

BY MR. WATSON:

If the Examiner please, at the outset I would like to introduce, with permission to withdraw the same, and withdraw the same, an abstract, 3849, being an abstract of the record in the State Lands Office of the State of New Mexico, with reference to mineral interest for the purpose of showing, on page 8, that lands involved here, the NW/4 NW/4 of Section 27, Township 17 South, Range 29 East, belongs to the State of New Mexico, are common school land and that both forty acre tracts are under the same institutional fund. I would like to introduce that as Exhibit A for that purpose, with permission to withdraw the abstract.

MR. MANKIN: That will be adequate. It won't be necessary to retain that as an exhibit.

MR. WATSON: All right, sir.

Q State your name and address, please.

A Tom Boyd, 1202 West Main, Artesia, New Mexico.

Q You are the Tom Boyd that, with Jack Plemons, owns an interest in the State oil and gas lease covering the west half quarter, west quarter of Section 27, Township 17 South, Range 29 East?

A Yes, sir.

Q What interest do you and Mr. Plemons have in the State oil and gas lease?

A Well, we own, we have the lease. It is a farm out from the Continental Oil Company.

Q To what depth, do you remember?

A 3500 feet.

Q And Continental Oil Company owns the legal title to the lease and you own interest under the farm out agreement?

A Yes, sir.

Q What wells do you have on that lease that have heretofore been drilled and that heretofore produced oil?

A No. 1, 2, 3 and 4 -- no. 4 is now complete well, wells no. 1, 2 and 3.

Q Where are those wells located?

A No. 1 is located in the center of the SW of the NW/4, No. 2 is in the center of the NW of the NW.

Q And where is the No. 3 well? Not the exact location.

A Well, it is located in the south 40 or SW of NW.

Q In the same 40 acres with the No. 1 well?

A Yes.

Q Now, for that 40 acres described as the SW/4 of the NW/4 of Section 27, you have one top allowable for that 40?

A We have a top allowable for the south 40 acres.

Q For the two wells? A Yes, sir.

Q For those wells, 1, 2 and 3, how many tank batteries do you have there on that lease?

A One tank battery.

Q And where is that located with reference to these wells?

A It is right on our property line, just about the center.

Q Just about the center of the 80 acres?

A Yes, east and west and north and south.

Q Well No. 2 which you testified is located in the NW/4, NW/4 of Section 27. What is the average daily production of that well at this time?

A We took a ten day test on it, and it made just about $4\frac{1}{2}$ barrels.

Q Wells No. 1, 2 and 3, do you know the formation from which they are producing, Mr. Boyd?

A It is known as the Grayburg-Jackson.

Q As a matter of fact, did you drill those wells or part of the wells?

A Continental drilled No. 1 and we drilled 2 and 3.

Q Now, your No. 4 well, when was that completed?

A I believe drilling operations were completed as of the 10th of August. We were shutdown several days waiting on pipe, however.

Q That is the 10th of August of this year?

A Yes, sir.

Q And at what depth was that well completed?

A 3,225.

Q And from what formation is that well producing?

A It is known as the Grayburg-Keeley.

Q Is your application here on behalf of you and Mr. Plemons to commingle the oil from No. 4 well, Grayburg-Keeley Pool, by placing the oil in the same tank battery that now exists on this lease, is that correct?

A Yes, sir.

Q Now, is the ownership of the oil that is being produced from that lease, is that the same throughout as to those two formations?

A Yes, sir.

Q Do you own the rights down to 3,500?

A Yes, sir.

Q And Continental Oil Company has an overriding royalty or some interest down to that depth?

A Yes, sir.

Q Is the interest that it has, that Continental Oil Company retains under the farm out, is it the same from the surface all the way down to the 3,500 foot depth that you have?

A No.

Q What I mean, there is no depth given, their interest is the same?

A It is the same.

Q Now, are you asking an additional allowable for this No. 4 well, or do you expect to ask for one allowable for the 40 acres described as the NW/4 NW/4 of Section 27 to be made up from the No. 2 and No. 4 wells?

A We are only asking for the allowable for the wells No. 2 and 4, the allowables for the 40 acres.

MR. WATSON: Does the Commission have any questions?

MR. MANKIN: Yes.

BY MR. MANKIN:

Q Mr. Boyd, I noticed from the plat that was included with the original application that you indicated the producing formation, that you said the San Raying, you mean the San Andres?

A Yes, sir.

Q But is not the production in the Grayburg-Jackson and the Grayburg-Keeley Pool from the Grayburg rather than from the San Andres?

A No, sir.

Q That the Grayburg has nothing to do with the formation?

A It is commonly known as the Grayburg section and then the San Andres; however, the Grayburg is in the San Andres formation, isn't it?

Q No, they are separate and distinct formations. The reason I asked the question is because I believe the Grayburg-Jackson pool is below the Queen, the Grayburg and the San Andres, and you indicated that your wells were in the San Andres -- whether it is the Grayburg-Keeley or the San Andres only. So I was wondering if your three wells that were recently completed, are they completed entirely within the San Andres or are they in the Grayburg and the San Andres?

A I will tell you, there is a difference of opinion of that thing.

MR. WATSON: At what depth approximately -- let's see that statement. I didn't prepare that.

MR. MANKIN: My question is this. You are asking for a commingling of the Grayburg-Jackson and the Keeley. My question is this. Are the wells 1, 2 and 3 producing from different horizons than No. 4 will produce?

A Yes.

Q In all cases is it the San Andres or is it only the No. 4 in the San Andres?

A 1, 2 and 3 is in the Grayburg and No. 4 is in the San Andres.

MR. MANKIN: I wanted to bring that out because actually the Grayburg-Jackson is made up of three main locations.

MR. WATSON: With the Commission's permission, I would like to have Mr. Boyd refer to the log.

MR. MANKIN: I think the answer is sufficient that the first three wells are producing from the Grayburg, the 1, 2 and 3, and the No. 4 is producing from the San Andres, which is proper, according to the Pool designations, but I wanted to be sure since your plat said San Andres, for the two different pools.

A Yes. I tell you that in my application there the attorney was supposed to have handled this for me was on vacation, and I wanted to get this hearing -- I found some pipe and wanted to complete the well and that is mine. I fixed that up myself.

MR. GURLEY: There is an error on the application.

MR. MANKIN: Not in the application, just the plat.

MR. GURLEY: You would like to move the application be amended as to conform with the testimony included in the plat?

MR. WATSON: All right. The applicants will move, then, that the letter of application of August 4, 1956, as signed by Tom Boyd on behalf of Tom Boyd and Jack Plemons, Operators, and with a plat attached, be amended on the plat to correctly describe the producing formation in accordance with the testimony of this witness.

MR. MANKIN: Is there any objection to correcting the application to conform with the testimony? If not, it will be so corrected. Mr. Boyd, then Wells No. 1, 2 and 3, have you been producing from the Grayburg-Jackson pools for some time?

A Yes, sir.

Q You have recently completed your Well No. 4 from the San Andres?

A Yes, sir.

Q What capacity is that well?

A Well, sir, since about the only test we have had a chance to make -- average test, is a treating tank we had set there and we ran tubing as of about the second or third, We closed the well in. And about the only test that we have had a chance to make is in this treating tank. We got a test on it through the casing after we got our treating oil back and our flush oil. It made -- well, it was between -- $64\frac{1}{2}$ barrels. If you want to get --

MR. MANKIN: So the well would be a top allowable well?

A Yes, sir.

Q Is it not true that all wells surrounding your lease that have been drilled on the San Andres in the Grayburg-Keeley Pool are likewise top allowable wells?

A No, sir.

Q It is not true of the St. Clair's and the other offset wells to the northeast and west; that they are not top allowable wells?

A Some are not, no, sir. If you would like -- the St. Clair No. 27 is the old, the original Keeley well. And it isn't a top allowable well. Some of the other wells have been drilled recently into the Keeley zone. Some of them are making the allowable.

MR. MANKIN: Do you anticipate that you will drill another

well in the same Unit, that well No. 3 is in at the present time on the San Andres, on the Grayburg-Keeley Pool?

A Let me state this; we drilled the No. 3 well to 3,263 feet, I believe. But we didn't -- we tried to complete this well in 1954 with a formation packer and we couldn't get a packer to hold. It is drilled to the Keeley zone, but it isn't producing. Maybe it will.

MR. MANKIN: The well is carried as a Grayburg zone well?

A Yes, sir.

Q No. 1, 2 and 3?

A And No. 4 will be a Keeley. Does that answer your question?

Q Drilled there before and have not been able to make a commercial well in the three wells so you don't anticipate another well in your lease on the Grayburg-Keeley?

A If pipe ever gets available, it is possible that we might go back and run pipe in the No. 3 well and try to complete it, maybe in the Keeley zone; it depends on what we want to get, a test on this well.

Q The reason I am asking the question is that it is my impression that the wells surrounding your well were either top allowables or approaching top allowable wells and for your request to commingle the oil from a well which would be a top allowable from another well, from another pay, might not be in the interest of proper conservation, particularly if another well were drilled. And I was wondering, really, why it was necessary that it be commingled. Did you anticipate it could be a top allowable well?

A I don't think it would be a top allowable well within thirty days. And that is my observation. It is making three to four percent water and I don't think it would be profitable, I don't think it would be an allowable well within thirty days.

Q You feel that it is a question of economics. Your request here today is that even though the wells may be top allowables now for the Grayburg-Keeley, they don't stand up very long and therefore you could not develop the lease without having this permission?

A Yes, sir.

MR. WATSON: With reference to the No. 1 and No. 3 wells, Mr. Boyd, those wells are the south 40, the SW/4 of the NW/4?

A No, 1 and 3, yes.

Q Are those two wells, are they capable of making top allowable for the forty acre proration unit?

A Yes, sir.

Q But the No. 2 well has not had a top allowable in the past and is not capable of making it?

A No, sir.

Q So in order to make the top allowable there on the north 40 acres you cannot make it unless you do produce this No. 4 well?

A Yes, sir.

MR. MANKIN: On that same question, Mr. Boyd, you do understand, do you not, that well No. 2 will not be carried together with well No. 4? They will be separate and distinct pools. Is that your understanding?

A Yes, sir, it is a separate and distinct pool.

Q And it will not be reported together. They will be reported

separately. Is that your interpretation?

A If that is the requirement of the Commission, and I take it that it is.

Q One separate and distinct pool, regardless of whether this application is granted or not?

A Yes, sir.

Q I just wanted to be sure that those are not put together with wells 1 and 3 because they are in the same pools where 2 and 4 would be separate and distinct pools and the top allowables would have no significance. They would be each on their own. Is that your understanding?

A Yes, sir. Let me ask you a question right there. If we commingle this oil, the only way that, so far as we getting down specifically stating to you that we are on it there is to take a test on the wells every thirty days or ten days or whatever the Commission requires?

MR. MANKIN: That is true if this application is granted, they, of course, would be run together in the same tankage but they would be reported separately on an estimate basis and with tests appropriately taken according to what the wells' capacities were.

A Yes, sir.

MR. MANKIN: Are there any further questions of the witness in this case?

BY MR. REIDER:

Q I was concerned, Mr. Boyd, what provisions are going to be made in the battery of this testing that will be performed

monthly? In other words, how many separators?

A Well, just have a set -- a test tank.

Q In other words, you will have a test tank?

A Yes, that we can test the wells separately.

Q You will have provisions then that the battery can be split and at any time any single well will be able to be tested through this test tank?

A Yes, sir.

MR. MANKIN: Any further questions of the witness? If not, the witness may be excused and we will take the case under advisement.

(Witness is excused.)

REPORTER'S CERTIFICATE

I, LOUIS R. GUEVARA, do hereby certify that the foregoing and attached Transcript of Proceedings, pages numbered 2 through 13, were reported by me in Stenograph at the time and place aforesaid; that the same was reduced to typewritten transcript by me and contains a true and correct record of said proceedings to the best of my knowledge, skill and ability.

DATED this 17th day of September, 1956, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Louis R. Guevara
LOUIS R. GUEVARA, COURT REPORTER

NEW MEXICO OIL CONSERVATION COMMISSION

1000 West Broadway

Hobbs, NEW MEXICO

REGISTER

HEARING DATE Sept. 6, 1956 TIME: 10:00 a.m.

NAME:	REPRESENTING:	LOCATION:
<i>R. Murphy</i>	<i>Amorada</i>	<i>Roswell</i>
<i>W. H. Heston</i>	<i>"</i>	<i>"</i>
<i>J. P. Hannifin</i>	<i>✓</i>	<i>✓</i>
<i>J. M. McCague</i>	<i>Shell Oil Co.</i>	<i>Hobbs.</i>
<i>JACK L. WARD</i>	<i>SHELL OIL CO.</i>	<i>HOBBS</i>
<i>C. L. Kelley</i>	<i>Standard Oil & Gas</i>	<i>Roswell</i>
<i>Frank Newman</i>	<i>Atwood & Malone - for Standard</i>	<i>Roswell</i>
<i>J. W. Mack</i>	<i>STANDARD OIL & GAS CO.</i>	<i>ROSWELL N.M.</i>
<i>Tom Boyd</i>	<i>Tom Boyd & Jack Plemons</i>	<i>Artesia N.M.</i>
<i>Neil B. Watson</i>	<i>attorney for Tom Boyd & Jack Plemons</i>	<i>Artesia, N.M.</i>
<i>W. G. Abbott</i>	<i>Amorada</i>	<i>Monument</i>
<i>G. S. Blackwood</i>	<i>✓</i>	<i>Midland</i>
<i>R. S. Christie</i>	<i>✓</i>	<i>Tulsa, OKla</i>
<i>R. J. Montgomery</i>	<i>OCC</i>	<i>Hobbs</i>
<i>Mrs. C. D. Biggs</i>	<i>-</i>	<i>Hobbs</i>
<i>Geo. Hirschfeld</i>	<i>N. Mex. Oil & Gas Engrs. Comm</i>	<i>✓</i>
<i>R. C. Heald</i>	<i>Humble</i>	<i>Hobbs. -</i>