

EXAMINER HEARING
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 6, 1958

IN THE MATTER OF: Case No. 1427

TRANSCRIPT OF PROCEEDINGS

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EXAMINER HEARING
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IN THE MATTER OF:)
)
)
)
 Application of Pan American Petroleum Corporation)
 for approval of a non-standard gas proration)
 unit. Applicant, in the above-styled cause,)
 seeks an order establishing a 480-acre non-) Case 1427
 standard gas proration unit in the Eumont Gas)
 Pool consisting of the N/2 and SE/4 of Section)
 24, Township 20 South, Range 36 East, Lea County,)
 New Mexico, said unit to be dedicated to the)
 applicant's O. J. Gillully "A" No. 4 Well,)
 located 660 feet from the North line and 1980)
 feet from the East line of said Section 24.)
)

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF PROCEEDINGS

MR. NUTTER: We will take Case 1427.

MR. PAYNE: Case 1427: Application of Pan American
Petroleum Corporation for approval of a non-standard gas proration
unit.

MR. BUELL: My name is Guy Buell, with Pan American
Petroleum Corporation. We will have one witness this morning,
Mr. Currens.

(Witness sworn.)

DANIEL R. CURRENS

called as a witness, having been first duly sworn on oath, testi-
fied as follows:

DIRECT EXAMINATION

By MR. BUELL:

Q Can you state your full name, by whom you are employed and in what capacity, and what location, please?

A Daniel R. Currens, employed by Pan American Petroleum Corporation at Roswell, New Mexico, as a reservoir engineer.

Q Mr. Currens, you have testified at previous Commission hearings and your qualifications as a petroleum engineer are a matter of public record, are they not?

A Yes, sir, they are.

(Pan American's Exhibit No. 1
marked for identification.)

Q I hand you now what has been marked as Pan American's Exhibit No. 1. What is that exhibit, please?

A Exhibit No. 1 is a plat of a portion of the Eumont Gas Field. It shows the acreage that we are requesting to be assigned a non-standard proration unit here today as that acreage in the North Half and the Southeast Quarter of Section 24, Township 20 South, Range 36 East, Lea County, that is outlined by heavy blue dashed line, being the proposed unit. It in addition shows the existing completions in this area, it shows the existing Eumont Gas completions, as wells encircled in red; and it shows the immediately offsetting acreage that is assigned to Eumont Gas units.

Q What will be the producing well in this proposed unit, Mr. Currens?

A It will be our O. J. Gillully "A" No. 4.

Q What unit is presently assigned to that well?

A It is presently assigned a 320 non-standard proration unit; it was assigned that unit by administrative order NSP-108 in 1955.

Q What acreage do you propose to add to this existing unit?

A We want to add to the North Half of Section 24 here the Southeast Quarter of Section 24, increasing the size of the unit from 320 to 480.

Q By what method was that Southeast Quarter of Section 24 brought into this proposed unit?

A By unitization agreement between Pan American and other working interest operators by communitization of all the working, royalty interests and overriding royalty interests.

Q Has this agreement been finalized and filed for record?

A Yes, it has.

Q Why is this hearing necessary for the approval of this proposed unit?

A Well, in the first place, a standard gas proration unit in the Eumont Field is a 640-acre unit. We are asking for a smaller unit, 480-acre unit. In addition to that, we do not have the standard well location to go with a 480-acre unit.

Q First with respect to the unit size, would it be possible to bring in presently unassigned acreage, either in Section 24 or in adjacent Sections, and bring this unit up to a 640-acre proration unit?

A As you can see from the plat here, the other quarter-section of Section 24 is presently developed and any other contiguous acreage that we could put in here is also developed.

Q In other words, Mr. Currens, the only acreage in this general area presently unassigned is the Southeast Quarter of Section 24, which we propose to bring into this unit, is that correct?

A Yes, sir, that is correct.

Q Now, with regard to spacing, what is the situation there that necessitates a hearing?

A Well, for a 480-acre unit, the standard location would be a 1980 - 1980 location. In other words, 1980 from either of the closest outside boundaries. Here the Gillully No. 4 is 1980 from the East, but only 660 from the North line.

Q Mr. Currens, do you have any opinion as to whether or not all of the acreage in this proposed unit is productive?

A Yes, sir, I believe it's all productive of Eumont Gas.

Q Upon what data do you base that conclusion, Mr. Currens?

A Well, referring again to the plat, we can see the wells encircled in red, which is Eumont gas completions, we have them on all sides of the unit; the acreage being assigned on all sides of the unit.

Q In your opinion, it is conclusively productive of gas from the Eumont Gas Pool?

A I don't think there is any doubt about that.

Q Why was this unit formed as you propose today?

A Well, sir, it's the most direct, economical, simplest, and quickest way to get this undeveloped acreage assigned and completely developed.

Q You want to utilize the existing Eumont Gas well completions, is that correct?

A Yes, sir. We have this existing gas well, which has sufficient capacity to support the additional acreage assignment. It's the most economical means of developing this 160 acres.

Q Was any consideration given to drilling a new well in the Southeast Quarter of Section 24?

A Yes, sir, it was. However, drilling a new well would not recover any increased significant amount of gas, certainly not enough to economically justify the additional well.

Q In other words, a new well in the Southeast Quarter of Section 24 would not significantly recover ultimately any more gas than the existing completion?

A No, sir, it wouldn't.

Q All right. Was any consideration given to dualling one of the presently existing wells in the Southeast Quarter of Section 24?

A Yes, sir, that was also considered; again we couldn't recover any significantly larger amount of gas. There would be no significant increase in ultimate recovery, certainly not enough to justify economically the dually completing of one of these wells, and of

course, on communitized acreage when you dually complete a well, you have other complicating factors.

Q In other words, your communitization agreement would be more complicated if you were communitizing only one zone of a dually completed well; that is not an insurmountable task?

A No, not certainly an insurmountable task. It does complicate things somewhat to have a dually completed well in a communitized area. We have an existing gas well here that is a single completion.

Q Simply as a matter of interest, how long have these negotiations been going on to communitize with the existing well, a single completion in the Eumont Gas Pool?

A I believe something over a year.

Q And certainly a communitization agreement with a dually completed well would be more complex?

A Yes, sir, it would be more complex.

Q Would a dually completed well in the Southeast Quarter of Section 24 recover significantly ultimately more gas than the existing well?

A I don't believe there would be any difference in the ultimate recovery of gas.

Q From the standpoint of pay, is there any advantage accruing to the proposed unit through the utilization of the existing well at its location?

A No, sir, I don't believe so.

Q Upon what data do you base that conclusion?

A Well, let's refer again to the plat, Exhibit 1. You'll see, oh, something like twenty wells here, some figures that have been underlined in red. Now I examined all of the available logs that I could possibly interpret in this area and made net pay picks from those logs to determine the net pay thickness encountered in each of the various wells that I had those logs available on. You can see, well, looking here in this proposed unit in Section 24, I have 45, 46, 46 feet, 44 feet; immediately to the north in Section 13 you see two wells, each of which picked 45 feet; immediately to the east in Section 19 adjacent to this property we have 46, 45, 47; to the south down here in Section 25, you see 45 feet and one that is 50 feet there. So looking at that, there's very small variation in the net pay thickness. I don't think we are gaining any advantage from that, by utilizing the existing well.

Q Earlier you mentioned the production capacity of the existing well. Do you have any recent data with respect to that?

A Yes, sir. Permian Basin Pipe Line Company, this well is connected to Permian, tests in August, on August 20, 1957, the well was tested, flowed 2,137 mcf of gas per day. In August the total production for the well was 39,111 mcf per day. The well was produced 18 days in August, or a daily average on the actual production of 2173 mcf per day. It's a very good check with the test that Permian ran, 2137 and 2173.

Q How would the capacity of this existing well compare with

what you would expect the allowable to be with 480 acres credit for this well?

A Well, I believe the well has sufficient capacity to carry 480 acres.

Q What is the basis for that conclusion?

A Well, I went through the proration schedules for the Eumont Field for 1957, and taking the non-marginal 480 gas units, I found the daily average in 1957 was slightly less, almost equal to 1100 mcf per day daily average. Now our test here last August was almost twice that amount. Now the highest allowable that was assigned in 1957 was in November for 480-acre units; that came out to be 2,141 mcf per day daily basis for non-marginal 480-acre well, which was approximately equivalent to the test that we ran in August.

Q So assuming the Commission approves this 480-acre proposed unit, you wouldn't anticipate any difficulty in the existing well producing its assigned allowable?

A No, sir, it should have no difficulty whatsoever.

(Pan American's Exhibit No. 2
marked for identification.)

Q I hand you what has been marked as Pan American's Exhibit No. 2. It's more or less self-explanatory, but you might state what it is and briefly bring out any pertinent point that you would like to.

A Exhibit No. 2 is a production history for the C. J.

Gillully No. 4, the gas well that we're talking about here today that we would like to assign the 480 acres to. It is a history from the time the 320-acre non-standard unit was assigned in 1955 up through the latest production records that I have, which were February, '58, simply a production history. Going here, looking in September, 1957, you can see that the well produced over 60,000 mcf that month, it was making up some underproduction, 30 days in September, so again that confirms the capacity in excess of 2,000 mcf per day.

Q Early in your testimony, Mr. Currens, when you were referring to the average allowable for a 480-acre unit in this Pool, I wonder if you noticed whether there were many or a few such 480-acre units?

A There are several 480-acre units in the Field.

Q Do you know whether any of the 480-acre units currently existing in the Field are similarly shaped and have a similar well location to our proposed unit?

A One I could cite would be the Texas Company's State H-2 No. 26, which is located in Section 20, Township 20 South, Range 37 East. This is a 480-acre unit of a similar shape with a similar well location as the application here today would cover. This was granted by the Commission after hearing in 1955, by Order R-599.

Q All right, Mr. Currens, by way of summary, let me ask you, in your opinion if the Commission approves this proposed unit, will it prevent waste and protect the correlative rights of the interested parties?

A Yes, sir, I believe it will. It will prevent waste in that it would make unnecessary the drilling of an additional well or the dual completion of an existing well, neither of which can be justified economically on the basis of any increased ultimate recovery of gas from this 480-acre tract. Certainly it will protect correlative rights, in that it will afford the working interest and royalty interest and overriding royalty interest owners an opportunity to recover their proportionate share of the recoverable gas in place under the tract.

Q Also will the approval of this unit eliminate any unassigned acreage in this general area of the Pool?

A Yes, sir, it will.

MR. BUELL: That's all we have at this time, Mr. Examiner. May I offer Pan American's Exhibits 1 and 2?

MR. NUTTER: Without objection Pan American's Exhibits 1 and 2 will be admitted.

Does anyone have any questions of Mr. Currens?

CROSS EXAMINATION

By MR. PORTER:

Q Did you give the producing potential of the unit well, I believe it's the No. 4?

A I gave the test. Would you like to know what it was potentialized on recompletion?

Q Yes.

A In 1953 the well was recompleted from the Monument, as I

recall, and tested 7200 mcf per day at 500 pounds, with a calculated absolute open flow of 8800 mcf per day.

Q The well now has 320-acre unit assigned?

A Yes, sir, the North Half of the section.

Q Has it been making the allowable consistently?

A Yes, sir. The production history will show that it has been over and under produced at various times in something over the last three years. November, 1957, the status of the well was overproduced, the well was overproduced by 6,287 mcf.

MR. PORTER: Thank you.

By MR. NUTTER:

Q What was the NSP number again which authorized the 320-acre unit?

A 108.

Q You did state, did you not, that all interests, working, royalty, and overriding interests had been communitized?

A Yes, sir, they have, and those have been filed.

Q Are there any other wells in this 480-acre unit which are now or have been completed in the Eumont Gas Pool?

A Not to my knowledge. There are none that are now completed in the Eumont Gas Pool, I don't know of any that has been at any time, other than this one.

Q Particularly in the Southeast Quarter of Section 4, there never have been any Eumont gas wells, down there?

A Not to my knowledge, no, sir.

Q There never has been a unit assigned to the Southeast Quarter of 24?

A No, sir, not that I know of.

MR. NUTTER: Are there any further questions of Mr. Currens? If not, he may be excused.

(Witness excused.)

MR. NUTTER: Anything further, Mr. Buell?

MR. BUELL: That's all we have.

MR. NUTTER: Does anyone have anything further they wish to offer in this case? If not, we will take the case under advisement.

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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 *12th* 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 complete record of the proceedings in the Examined hearing of case No. *1427* heard by me on *5-16*, 1958.
[Signature], Examiner
New Mexico Oil Conservation Commission