BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 1471

TRANSCRIPT OF HEARING

JUNE 11, 1958

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

I N D E X

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
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IN THE MATTER OF:

CASE NO.1471 Application of Phillips Petroleum Company 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 Tubb Gas Pool consisting of the NW/4 and the W/2 SW/4 of Section 24, Township 22 South, Range 37 East, Lea County, New Mexico, said unit to be dedicated to the applicant's Sims Well No. 3, located 1980 feet from the North and West lines of said Section 24.

BEFORE:

Daniel S. Nutter, Examiner.

TRANSCRIPT OF PROCEEDINGS

MR. NUTTER: The hearing will come to order, please. The next case on the docket will be Case 1471.

MR. PAYNE: Application of Phillips Petroleum Company for a non-standard gas proration unit.

MR. KELLAHIN: If the Commission please, we will have in addition to the two witnesses who testified in the preceding cases an additional witness, Mr. Meroney.

MR. NUTTER: The record will show, I believe, that the first two witnesses were qualified for testimony in this case. If

the third witness will stand and be sworn.

(Witness sworn)

MR. KELLAHIN: We might call as our first witness Mr. Lawrence.

CARL F. LAWRENCE,

recalled as a witness, having been previously duly sworn on oath, testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Will you state your name, please?

A Carl F. Lawrence.

Q Are you the same Mr. Lawrence who testified in the preceding cases?

A I am.

Q Mr. Lawrence, are you familiar with the application in Case 1471?

A I am.

Q Have you made a study of the history of the subject well, The Sims Well No. 3?

A Yes, sir.

Q Would you briefly give the history of that well and the present status of it?

A The Phillips Petroleum Company No. 3 Sims Well is located 1980 from the North line, 1980 from the West line, Section 24, Township 22 South, Range 37 East. It is drilled to a total depth of 6,903, plugged back to 6,868, completed from the Drinkard through a series of perforations, 6,365 to 6,420; Initial flowing potential of 130.88 barrels of oil per day. This well was completed

7/29/1948. At the present, the latest well information, which was available to me was in the middle of 1957, where the well pumped ten hours, recovering 4.15 barrels of oil, no water, with a GOR of 3,085 from the Drinkard oil zone.

Q Now, in your opinion, is that economically productive of oil from the Drinkard at the present time?

A It's very rapidly and practically at the point of being non-economical to operate, as far as the Phillips Petroleum Company is concerned.

Q Now, what is proposed to be done with the well, Mr. Lawrence?

A We propose to plug back the well and recomplete it out of the Tubb Gas zone.

Q Now, have you prepared an Exhibit showing this proposed re-completion?

A This Exhibit was prepared by our Natural Gas Department.

Q Is that marked as Exhibit No. 1, or would you have it so marked, please? A (Witness complies)

Q Now, referring to what has been marked as Exhibit No. 1, would you state what is proposed to be done as shown by that Exhibit?

A We propose to plug back and perforate opposite the Tubb zone from 6,020 to 6,150. We propose to wash with mud acid and high rate sand frac, and get a completion from the Tubb Gas zone. We propose to produce the gas through tubing perforations 6,144 to 6,150.

Q Now, have you prepared an Exhibit showing the proposed unit and other information pertaining to the formation?

A Yes, sir. That unit would be shown on our structure map.

Q Would you have that marked as Exhibit No. 2, please?

A (Witness complies)

Q Now, referring to what has been marked as Exhibit No. 2, would you state what that shows?

A Exhibit No. 2 is a structure map contoured on top of the Tubb marker as designated by the Conservation Commission. The structure map as contoured on top of the Tubb marker indicates a nosing terrace with small closing closures running east and west from a main north-south anticlinal anomaly to the northwest. The wells in Section 24, 22 South, 37 East, are shown in various colors to show where the wells are currently producing from. This color legend is indicated also on the structural map. The surrounding Tubb Gas Wells are colored in red and are indicated on the structure map. There is no established gas, water, or oil-water contact established in this Tubb area, and therefore, we have not shown it on the map. The green arrow indicates the No. 3 Sims Well which we propose to plug back and complete from the Tubb Gas zone.

Q Now, does the Exhibit show the proposed unit which is the subject of this application?

A It is shown on the cross-section as being the NW/4 of Section 24, in the W/2 of the SW/4 of Section 24, 22 South, 37 East.

Q Is there any well on that acreage dedicated to the produc-

tion of gas from the Tubb formation?

A There is not.

Q On the basis of the information contained in this Exhibit, Mr. Lawrence, is it reasonable to presume that all of the acreage proposed to be dedicated would be productive of gas from the Tubb zone?

A Yes, sir. All of the acreage that we propose dedicating to the No. 3 Sims would be productive of gas.

Q Now, do you have a log of the subject well, the Sims No. 3?

A Yes, sir, I have.

Q Would you have that marked as Exhibit No. 3, please?

A (Witness complies)

Q Now, referring to what has been marked as Exhibit No. 3, would you state what information that shows?

A Exhibit No. 3 is a radio-active log run on the No. 3 Sims Well. On it are shown the various tops that the Phillips Petroleum Company has picked. It shows the producing interval as considered by the Commission as the Tubb Gas zone, and also shows on it the top of the Tubb marker which was used in making the structure map. It also shows the present completion on the No. 3 Sims Well being from the Drinkard zone.

Q Is the proposed new completion also shown on the --

A Not on the radio-active log. It is shown on Exhibit No. 1.

Q Now, based upon your study of this area, as a geologist,

in your opinion, will one well drain 240 acres?

A Yes, sir.

Q On what do you base this conclusion?

A I base that on a geological standpoint, that from the productivity of the wells in the Tubb Gas zone the wells have stood up surprisingly well, which would indicate to me that they are draining a substantial area. The porosities are fairly high for the Tubb zones. The average porosity in the Tubb is approximately 8.5 percent. Permeability valves, I do not have any information as to the permeability of the Tubb because there has not been any coring in the area, and we cannot calculate that from electrical log.

Q Have you made a study of net pay thickness in this area?

A The net pay in the Tubb is approximately 40 feet. As we pick it from the radioactive and electrical logs that we have in the area, the gross pay would be in the neighborhood of 160, to gross pay.

Q Would you repeat again what the net pay would be?

A Approximately 40 feet net.

Q Now, in your opinion, would the drilling of an additional well to the Tubb formation in this area be justified?

A No, sir, we cannot justify drilling an additional well to be completed from the Tubb.

Q Would it be economic, in your opinion?

A It would not be economical physically to do so, no, sir.

Q Mr. Lawrence, as I understand, Exhibit No. 1 was prepared by your Gas Department?

A That's correct.

Q Have you examined that Exhibit to determine whether it is a correct representation of what is proposed to be done?

A Just a moment.

Q That's Exhibit No. 1.

A Yes, sir. Yes, sir, that's a correct representation of what is proposed on that well.

Q Now, Exhibits Nos. 2 and 3 were prepared by you or under your direction and supervision? A Yes, sir.

MR. KELLAHIN: At this time we move the introduction of Exhibits 1, 2 and 3 inclusive.

MR. NUTTER: Is there objection to the introduction of Phillips' Exhibits 1, 2 and 3? If not, they will be admitted.

MR. KELLAHIN: That's all the questions I have.

MR. NUTTER: Anyone have any questions of Mr. Lawrence?

MR. COOLEY: Yes.

CROSS EXAMINATION

BY MR. COOLEY:

Q Mr. Lawrence, you stated, in your opinion, one well will drain 240 acres in this area, the Tubb Gas Pool?

A Yes, sir.

Q And will you repeat again what you base that opinion upon?

A Well, I base that a lot on the productive history of the

wells in the area. The wells have stood up surprisingly well, and that would indicate to me that they are draining a substantial area. As to the actual facts, I think our engineering witness would be better situated to testify to that.

Q Mr. Lawrence, can you calculate how much gas is in place under that 240-acre tract?

MR. KELLAHIN: That will be covered, Mr. Cooley, by the engineering witness.

MR. COOLEY: Mr. Lawrence has testified that in his opinion there is gas in place under that acreage, and I would like to pursue this line of questioning to determine in some more detail why this is so.

Q (By Mr. Cooley) Can you give me an answer to that?

A Would you repeat the question?

Q Is it possible, in the absence of core data which would reflect the porosity in the Tubb zone underlying this 240 acres, to determine how much gas is in place under that acreage?

A Yes, sir, we can estimate it.

Q By what method, sir?

A We have estimated a recoverable gas figure --

Q On this well?

A Just a moment. As I say, the No. 3 Sims Well is not yet completed. We base our analysis on the Gulf Dan Glade, the Gulf No. 2 Max Guttman, and the No. 1 Monstate. The geological analysis section that we have at Midland has analyzed this, and they have arrived

at an average, shall we say gas valve per acre. They multiply this times the net pay thickness, --

Q How would they get the average gas valve per acre?

A Well, that is not my work. It is the work of our analysis section in Midland. They take into consideration all gas wells in the Tubb Field; they get the cumulative production figures on it; the amount of net pay that each well has; they base a lot of that on experience. It will vary from company to company, but that is our method of doing it, and that is how we assign our reserves to it.

Q However, none of the information to which you referred will tell you where that gas is coming from, will it, Mr. Lawrence?

A We know it is coming from the Tubb zone.

Q Yes, sir. I mean -- but what particular tract or how large a tract it is coming from? This information is of no value whatsoever in determining the area which one well will drain, is it?

A Well, as I say, I am not qualified to say what area a well will drain.

Q Would you like to withdraw your opinion that it will drain 240-acres in this --

A I think I can offer an opinion, and I've told you what I base my opinion on. Our engineering witness will testify as to how much one well will drain.

Q But this opinion which you offer has no basis in determining how much gas is in place in one particular acre or under one

particular tract?

A Well, I think it does have. We base a lot of that, as I say, on experience in the area.

Q Mr. Lawrence, unless you know the porosity in the particular tract, you can't know how much gas is under it, can you?

A We know what the porosity is. You see, we've got five wells that have penetrated the Tubb on that 240-acres. We have run radioactivity and electrical logs on each one of those wells. From those logs we can calculate the porosity.

Q Can you determine the presence of porosity rather than calculate the degree of it?

A We can calculate the degree and also know that there is porosity there from those logs.

Q What degree of porosity do you find in those logs?

A Average of 8.4 percent.

Q Then, would you say that there is a considerable amount of gas in place in this particular tract, based upon the information which you have?

A Yes, there is considerable gas in place there. That's why we would like to get that well completed in the Tubb.

Q Wouldn't you say that the datum you presented would indicate a rather good reservoir?

A No. We are looking at porosity, and again, the permeabilities, of course, are low. The well will have to be sand fracd. Your net pay thickness, again, we estimate at 40 feet. The cost of drilling a

well does not -- well, the cost of drilling a well is so high in comparison to our payout that we cannot -- it is just not economically feasible to drill a well to be completed from the Tubb zone alone.

Q Based on the production history of the three wells, the Ohio Wells, the study which you said your department has made, how long will it take for a well to pay out?

A By that, you mean drilling a new well and completing it from the Tubb?

Q We will take that first yes, please.

A In the neighborhood of approximately five and a half years.

Q Now, are there any wells in the SW/4 to be recompleted in the Tubb?

A Well, there again, we do not have a full hundred and sixty acre unit to put behind a well.

Q The SW/4 is not dedicated to a Tubb Well?

A The SW/4 of 24, we have the west 80, as the Phillips Petroleum Company, we have a twenty-five percent interest in it; would be the E/2 of the SW/4.

Q Is any of that acreage dedicated to a Tubb Gas Well?

A The Ohio Oil & Gas Company No. 1 Muncy is a Tubb Gas Well, having a proration unit of 160-acres. They are proposing to complete or dually complete the No. 3 Muncy Well.

Q In the SW/4 of 24--

A That is correct.

Q -- as a Tubb Gas Well?

A As a Tubb Gas Well.

MR. COOLEY: That's all the questions I have. Thank you, sir.

MR. NUTTER: Any further questions of Mr. Lawrence?

QUESTIONS BY MR. NUTTER:

Q Mr. Lawrence, when was the Sims Well No. 3 completed in the Drinkard?

A In the Drinkard -- No. 3 Sims Well was completed in the Drinkard 7/29/48.

Q And how much oil was produced from that zone, please?

A I have cumulative figures to -- let's see, to the 1st of 1957, 39,032 barrels of oil.

Q And how about your No. 5 Well, when was it completed?

A Phillips Petroleum Company's No. 5 Sims was completed 8/17/48.

Q And how about the cumulative production?

A Cumulative production to 11/57, 14,840 barrels of oil.

Q And what is its current producing capacity?

A Current producing capacity of our No. 5 Sims Well from the Drinkard zone on a well test taken 5/18/57, well flowed fifteen hours, 24/64 choke, recovered 2.77 barrels of oil, no water, with a GOR of 4,758.

Q That was 2.77 barrels in the --

A Barrels of oil.

Q -- test period of fifteen hours?

A Yes, sir, fifteen hours.

Q Do you have a comparative test for the No. 3 Sims at that same time last year?

A Yes. The No. 3 Sims Well test taken 5/21/57, the well pumped ten hours recovering 4.15 barrels of oil, no water, GOR 3038. That's from the Drinkard Oil zone.

Q So this No. 5 Well has reached a stage of depletion where it will probably be advisable to do something with it before long, won't it?

A Yes, sir. Of course, I believe that gas is being sold as casing head gas which gives the well some revenue.

Q Its productive capacity is less than the No. 3, however, isn't it?

A Yes, sir, it is.

Q Do these wells which produce from the Drinkard penetrate the Tubb formation? A Yes, sir.

Q So a well would not have to be deepened but plugged back and perforated? A Yes, sir.

Q What do you estimate it would cost to convert one of these wells from a Drinkard Well to a Tubb Well?

A To plug back from the Drinkard zone and complete out of the Tubb zone, our figures, or an estimated figure would be approximately $13,000 plus $2500 surface installation.

Q How about Blinebry Wells? Do you have two Blinebry Wells on this 240-acres? A Yes, sir.

Q Is that No. 4 a dual between the Blinebry and the Drinkard?

A Yes, sir, Blinebry and Drinkard.

Q And your No. 1 Well there on the SW/4 was drilled to the Blinebry as an individual well, is that correct?

A No, sir. The No. 1 Sims was drilled to a total depth of 7,377 in granite, and then plugged back and completed.

Q That's a single producer from the Blinebry?

A Yes, sir.

Q Has any attempt been made between Phillips Petroleum Company and the Ohio Oil Company to communitize the SW/4 of Section 24?

A Well, sir, we have under -- it's in the plans of development. Ohio wants to go ahead and we are waiting on management's approval to dual the No. 3 Sims. However, the Ohio Muncy lease contains 320 acres, and they propose two 160-acre units in that section there having Tubb Gas Wells, then the Ohio No. 1 Muncy and Ohio No. 3 Muncy.

Q Does Phillips own an interest in the entire 320 acres?

A Yes, sir. We have a quarter working interest, I believe.

MR. NUTTER: Any further questions of Mr. Lawrence? If not, you may be excused.

(Witness excused)

MR. KELLAHIN: I would like to call Mr. White as the next witness.

H. T. WHITE,

recalled as a witness, having been previously duly sworn on oath,

testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Will you state your name, please?

A H. T. White.

Q Are you the same Mr. White who testified in the preceding cases and was sworn and qualified for this case?

A Yes, sir, I am.

Q Mr. White, you heard the testimony of Mr. Lawrence as to porosity and other factors in this reservoir, and the net pay thickness. Do you have any information on pressures and open flow potentials of the wells in this area?

A Yes, sir. I investigated those this morning in the Commission's office.

Q On the basis of that information, have you made any calculations as to reserves concerned?

A Yes, sir, I have.

Q Would you give us that information, please?

A On the basis that we can complete a well that is capable of producing approximately a million feet a day in this formation, my figures indicate it will take from ten to fifteen years to drain all the gas out from under that tract.

Q Under what tract?

A Under the 240-acre Sims tract.

Q Now, on the basis of this calculation, is one well, in your

opinion, draining more than 160-acres?

A Yes, sir. My calculations are made upon the basis of 240-acres.

Q What is your justification for making your calculations on that basis?

A On the basis of the length of time it takes to drain the gas as contained under the unit as being a reasonable time to recover the gas. And I believe that ten, fifteen years is reasonable in this case.

Q Now, in your opinion, will one well drain 240 acres?

A Yes, sir, I believe it will.

Q Would the draining of an additional well constitute waste?

A Yes, sir, I believe it would.

Q Is approval of the unit as sought by Phillips Petroleum Company necessary in the interest of prevention of waste and interest of protection of correlative rights?

A I believe it is, yes.

Q Do you foresee any possibility of drainage in this acreage if this application is not approved?

A Unless the full acreage is developed by well, I believe that it will be drained.

MR. KELLAHIN: That's all the questions I have.

MR. NUTTER: Any questions of Mr. White?

CROSS EXAMINATION

BY MR. COOLEY:

Q Mr. White, I am sorry I wasn't here when you testified - before. Did you testify as an engineer --

A Yes, sir.

Q -- reservoir engineer? A Yes, sir.

Q Mr. White, again I missed the basis for your conclusion that one well will drain 240 acres in this pool.

A Using the percentage porosity as quoted by Mr. Lawrence and the net pay thickness, and an average bottom hole pressure of approximately 2,000 pounds, calculating reserves upon that basis, I figured that it would take from ten to fifteen years to drain that at the rate of one million feet per day.

Q Have you been able to calculate a reserve per acre?

A On the basis that I just stated, that he quoted that there were 40 feet of net pay in the area with percentage porosity of 8.4 percent.

Q Do you have any information as to the permeability under this tract?

A Only as to the size of the open flows of the various wells in the field which range from over -- slightly under a million feet up to one hundred ninety-two million feet per day.

Q That's throughout the pool?

A Throughout the pool, yes, sir. That's the test that I had available. I don't know whether there were more taken or not.

Q That indicates considerable range of permeability, does it not?

A Yes, sir, it sure does.

Q What part does permeability play, and of what importance is permeability in determining the area which one well will drain?

A It plays quite an important part. If you have a well with practically no permeability, it takes longer to drain the area. If you have one with large permeability, it doesn't take quite so long. All of us want good permeable wells.

Q The higher the permeability, the less distance and less acreage a well will drain, is that not true?

A No, sir.

Q I beg your pardon. The higher the permeability, the more acreage it will drain, efficiently? A Yes, sir.

Q -- and conversely the opposite?

A Depends on what you mean by efficiently.

Q Without leaving a substantial amount of gas in the outer periphery of the drainage area?

A You have to consider the time taken. Most wells with nearly any permeability will drain a considerable difference irrespective of their permeability, but they have to have more time. Now, you have to consider that in relation to the other wells which are competing with it.

Q Might that time run in the thousands of years?

A It sure could.

Q And is it feasible to produce wells for that long?

A No, sir; that's right.

Q At the end of the economic life of the well, if you have a low permeability, the pressure at the outer periphery will be higher?

A That's correct.

Q Then, the higher the pressure, the more gas will be left in place?

A That's correct.

Q Now, with the permeability of the well in question being an unknown factor, how can you state that this well will drain 240 acres?

A I stated that on the basis that we get a well that is capable of producing a million feet a day, that is would take ten to fifteen years. We do not know at the present time what kind of well we will get, but we feel that field is capable of producing this kind of well. We may not get anything.

Q Without the permeability information, you cannot make any accurate determination of the area which one well will efficiently and economically drain --

A Until we get the well, we can't tell you, no, sir.

Q -- so at this time it is mere speculation as to how much this well will drain?

A That is correct. However, we feel sure that we will get a well that will drain this in view of the surrounding wells.

Q Now, Mr. White, you said you felt that waste would occur if an additional well were drilled. Would you tell me what kind of waste you are referring to?

A The economic waste, the drilling of an unnecessary well.

Q The expenditure of money of drilling an unnecessary well?

A Yes.

Q It wouldn't be leaving gas in the ground, or anything like that?

A The amount that would be left would be -- the difference between the amounts left would be fairly insignificant.

Q The drilling of an additional well certainly would not leave any gas in the ground? A No, sir.

Q It wouldn't cause any underground wastes to drill an unnecessary well?

A No, sir, it would not.

Q Then, it would result in what you feel would be the unnecessary expenditure of money rather than waste of hydrocarbons?

A We don't say that drilling another well would mean that we would lose any gas.

Q You wouldn't waste any hydrocarbons?

A No, sir.

Q And you say that if this additional 80 acres is not permitted to be dedicated to the well, that it will be drained. I assume you mean by some other operator?

A That is correct.

Q Would you point out on your Exhibit 2 and tell me which wells you feel would cause this drainage?

A Any of the surrounding wells could cause this, having their

full acreage dedicated to their well and not having its full acreage dedicated to its wells, since we feel there is fair communication throughout the reservoir.

Q Having its full acreage dedicated. Is there any well shown on Exhibit 2 that has more than a hundred and sixty acres dedicated to it in the Tubb?

A Yes, sir, there is.

Q Which one is that, sir?

A It is in Section 10, up in the northwest corner, Skelly. The AB Baker.

Q Now, how far is it from the AB Baker well, Skelly well, which you just referred?

A To the W/2 of the SW/4 of Section 24. Looks like two and a half miles.

Q Do you feel that if you ran communication tests between your No. 3 Well and Skelly Well, it will show any results whatsoever within a reasonable period of time?

A I doubt that within a reasonable length of time. You could run that even between offset wells in this gas reservoir.

Q That would indicate to be very unlikely that the Skelly Well would drain that, wouldn't it?

A Not necessarily.

Q Mr. White, is that quite a ways --

A Yes, sir, it is quite a ways across there. I don't mean that the gas from the S/2 of this section will travel over there.

It will only travel slightly off of our place, and Skelly's gas will come from somewhere else. I don't mean to say that they've got a pipeline over to our place.

Q Now, on your No. 3 Well, which you propose to complete, the subject well, will be the closest well to this, will it not?

A That's correct.

Q And if any drainage of this type occurs, it will be more likely to come out of No. 3 than any other well?

A I would say it would get a good share of it.

MR. COOLEY: That's all the questions I have. Thanks.

MR. NUTTER: Any further questions of the witness?

MR. KELLAHIN: I would like to ask one further question.

Q In your conclusion that this would -- failure to include this 80 acres would result in drainage of gas, is that based upon the size of the offsetting units or on the fact that there would be undedicated acreage involved?

A There would be undedicated acreage involved in which we have gas that does not have an allowable to take that gas out as production.

MR. KELLAHIN: That's all I have.

MR. NUTTER: Mr. White, how, in your opinion, does the Blinebry Gas Pool reserves compare with the Tubb Gas Pool's?

A I have not made any study of that.

RECROSS EXAMINATION

BY MR. COOLEY:

Q Mr. White, in reply to Mr. Kellahin's last question, you said the drainage would occur from the fact that Phillips would have undedicated acreage. Now, in Section 24 alone, aside from this particular 80 acres in the W/2 of the SW/4 of Section 24, how much additional acreage is undedicated, insofar as the Tubb Gas Pool is concerned?

A There will be the N/2 of the NE/4 still undedicated.

Q The entire NE/4 is undedicated at the present time, is it not?

A I believe it is at the present time, yes.

Q And the E/2 of the SW/4 is undedicated at the present time, is it not?

A Yes, sir, it is.

Q Now, moving over to the offsetting section, directly to the south, the entire Section of 25 is undedicated, is it not?

A I believe there is a well --

Q Beg your pardon. Three-quarters of Section 25 is undedicated?

A Yes, sir.

Q Offsetting to the west entire Section 13 is undedicated?

A That is correct.

Q Offsetting to the north half of Section 13 is undedicated?

A That is correct.

Q And offsetting to the E/2 of Section 19 is undedicated?

A That is correct.

Q Now, isn't this just an indication that these operators

have been unwilling to expend their monies to develop their Tubb acreage to that point?

A That is correct. They will be subject to drainage by the wells which are developed.

Q So your situation will certainly not be unusual?

A How do you mean, "unusual?"

Q There will be a lot of undedicated acreage in the immediate area drained, assuming it is never developed by the existing wells?

A That is correct.

MR. COOLEY: That's all. Thank you.

QUESTIONS BY MR. NUTTER:

Q Mr. White, is there presently a gas proration unit dedicated to your Sims No. 4 Well?

A Not in the Tubb.

Q I mean in the -- I beg your pardon -- in the Blinebry.

A I don't know about that. I could look that up.

Q It is a dual completion in the Blinebry Drinkard, isn't it?

A We have a Phillips Sims No. 1 which is on an 80-acres.

Q That has an acreage factor of .5?

A Yes, sir. And No. 4 has an acreage factor of 1.

Q So evidently the No. 4 has 160 acres dedicated to it, and in all probability it is the NW/4 of that Section?

A That's correct.

Q And the No. 1 Blinebry Well has 80, so that undoubtedly would be the W/2 of the SW? A That is correct.

Q Do you know, or is it your opinion, that these have been profitable ventures in the Blinebry?

A I don't know.

Q Do you have an opinion on it?

A No, sir, I don't. Never had occasion to look into it.

MR. NUTTER: Anyone else have any further questions of Mr. White? If not, he may be excused.

(Witness excused)

MR. KELLAHIN: Call Mr. Meroney, please.

JOE D. MERONEY,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name?

A Joe D. Meroney.

Q By whom are you employed and in what position?

A Phillips Petroleum Company as staff attorney.

Q Are you a licensed attorney in the State of Texas?

A I am.

Q Now, Mr. Meroney, would you spell that name for the benefit of the record?

A M-e-r-o-n-e-y.

Q In your position as staff attorney for Phillips Petroleum Company have you had anything to do with the Sims lease which is

involved in this application?

A Yes, sir, I have.

Q Now, what is the status of the lease insofar as your department is concerned at the present time?

A It is now in suit in the case of George W. Sims and Amanda E. Sims versus Phillips Petroleum Company, Case No. 14542, in the District Court of Lea County, New Mexico.

MR. COOLEY: 14542?

A That is correct.

Q (By Mr. Kellahin) Now, does that suit have anything to do with the Tubb formation?

A Yes, sir, it does. The suit involves two counts, one for drainage of the Tubb from the Gulf No. 1 Dan Glade on the north and also for failure to develop the two 40's which are not developed in the Drinkard.

Q Now, --

A And -- excuse me -- for drainage from the Dan Glade also.

Q On the Drinkard?

A On the Tubb.

Q On the Tubb. Now, has any effort been made to communitize the acreage involved in this 240-acres for the formation of two standard units? A Yes, sir.

Q Would you state what those efforts have been?

A Yes. We attempted to communitize the E/2 with the W/2 of the SW/4 of Section 24, and it has been unequivocably rejected

by the Sims who own all of the royalty under the W/2 of the SW/4. They own no royalty under the E/2 at that quarter.

Q Now, has Phillips given any consideration to the formation of a standard unit by means of forced pooling as provided by the New Mexico statutes? A No, sir.

Q And for what reason?

A It would seriously affect the status of the law suit and probably make that impossible.

Q In your opinion, is it necessary, then, to form a non-standard unit such as that sought by Phillips Petroleum Company in this case? A Yes, sir.

MR. KELLAHIN: That's all the questions I have.

MR. NUTTER: Anyone have any questions of Mr. Meroney?

CROSS EXAMINATION

BY MR. COOLEY:

Q Mr. Meroney, by your statement that it would make settlement of your existing suit in Case No. 14542 impossible if you moved to force communitizing this acreage, you mean it might aggravate the Sims or as it stands, they just won't talk to you?

A Not only that. They put us in bad procedure; were we to fully develop the acreage in the Tubb, since the suit was filed prior to the time the Dan Glade Well began to produce an appreciable amount of gas from the Tubb.

Q I didn't understand that last remark.

A I say since the suit was filed prior to the time an appreci-

able amount of gas was produced from the No. 1 Dan Glade to the north.

Q Does the suit involve in any way the SW/4 of 24 or the W/2 thereof?

A The SW/4? Well, yes, it involves the E/2, the original lease, which Phillips Petroleum Company holds from the Sims, covers all of Section 24, except the N/2 of the NE/4, being a full interest lease in the NW/4 and the W/2 of the SW/4 and a quarter interest lease on the remainder of the acreage.

Q By my question, Mr. Meroney, I meant do the Sims allege any drainage of the W/2 of the SW/4?

A No, they allege failure to develop the entire acreage in the Tubb with drainage on the NW/4.

Q Drainage on the NW/4, --

A Well, that's --

Q -- and you can meet your offset obligations by completing a well on a standard unit on the NW/4, could you not?

A That is correct.

Q And you would still be faced with the question of how to develop the SW/4 of 24?

A The W/2 of --

Q The W/2?

A That is correct.

Q What would happen if you failed to develop the W/2 of the SW/4 of 24?

A Well, we would be immediately subject, then, to suit for drainage from the wells on the E/2, or proposed well on the E/2 of the two standard units by Ohio, the remainder of the lease.

Q I mean under existing circumstances, assume that you don't develop, wouldn't the result be that that portion of the lease would be cancelled?

A That would result in what?

Q Cancellation of that portion?

A That remains to be seen. There is that possibility.

Q There is at least a possibility?

A Yes, for non-development, assuming the situation remains the same, if there were no direct offset.

Q I still don't see the disadvantage you would suffer with regard to forced pooling in Section 24.

A Has to do with notice.

Q Would you elaborate, please?

A Yes. There could be no cancellation unless we had prior notice that they considered the covenants breached under the lease, and if it is completely developed, it would be impossible for them to give us notice. The way the suit is developed, we are in that position now, having already had one hearing on the motion to dismiss sustained.

Q Then, in effect, what Phillips is here asking is for us to make our declaration that the W/2 of the SW/4 of 24 is -- would be developed by a well on the NW/4 and put your chestnuts out of the

fire, so to speak?

A No, that is not true. It affects the suit, that's true, and that's what I am testifying to, but insofar as asking you for the purpose of settling the law suit, that is not our intention.

MR. COOLEY: That is all.

MR. PAYNE: Let me pursue this a little further here.

QUESTIONS BY MR. PAYNE:

Q I fail to see how this could compromise the law suit if you developed the NW/4 here on 160-acre spacing. You entered into negotiations with Ohio to also form a standard unit in the SW/4, did you not?

A Assuming we could get a communitization agreement from the royalty owners, which we have attempted to do and they have refused.

Q But that one reason, you say, is because this law suit is pending?

A No, they just refuse to communitize the W/2. I don't know the relation of the law suit to their attitude in communitization.

Q You don't want to attempt to force pooling --

A That is correct.

Q -- because this law suit was pending?

A That is correct.

Q But forming a standard unit in the NW/4 would not compromise a law suit, the law suit could proceed to conclusion, and then you could ask for forced pooling from the SW/4?

A Except that the W/2 of the SW is already involved in the

law suit.

MR. NUTTER: This law suit involves development in the Drinkard zones, does it not?

A That is correct.

MR. COOLEY: W/2 of SW/4 is not involved, as far as the Tubb zones is concerned?

A Yes, it is. Yes, sir.

Q It is not being drained.

A It is not developed either.

Q Is this a suit to develop both the Tubb and the Drinkard?

A Yes.

Q And drainage of the NW/4?

A That's correct.

MR. COOLEY: That's all the questions I have.

MR. NUTTER: Any further questions of Mr. Meroney?

MR. KELLAHIN: I would like to ask one further question, please.

REDIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Meroney, I believe your testimony was that in the event a standard unit were formed in the NW/4, and the W/2 of the SW/4 remained undedicated to a well, there would be no direct offsets to that acreage. Would you consider the fact that the standard spacing in this pool being 160 acres, would you not then have two direct offsets to that acreage?

A Assuming we recompleted the three?

Q Yes, sir.

A Yes. They are all on the same lease.

Q And the Ohio Muncy lease -- A Yes.

Q -- would be a direct offset to the acreage which would include the W/2 of the SW/4?

A They are still on the same lease.

MR. KELLAHIN: That's all.

MR. NUTTER: Any further questions? If not, the witness may be excused.

(Witness excused)

MR. KELLAHIN: At this time I would like to offer Exhibits 1, 2 and 3 inclusive.

MR. NUTTER: Without objection, Phillips Exhibits 1, 2 and 3 inclusive will be admitted in this case. Do you have anything further?

MR. KELLAHIN: I would like to make a statement if there are no other statements to be made first.

MR. NUTTER: Are there any other statements to be made in this case?

MR. BOYNTON: Stephen Boynton for Continental Oil Company. Continental Oil Company is opposed to the formation of any unit in excess of 160 acres in the Tubb Gas Pool because the Commission in setting up the Tubb Gas Pool Rules has not found enough evidence to justify a change in the size of the standard gas well unit from 160

acres, and until some operator presents conclusive proof that the average Tubb Well will drain more than 160 acres, there is no reason for granting a larger sized unit. The New Mexico Oil Conservation Commission has an excellent record for consistency in maintaining spacing in the Tubb Gas Pool on a 160 acre basis. It is our recommendation that this record be maintained and that the 240 acre non-standard gas proration unit sought in this case be denied.

MR. KELLAHIN: I would like to point out, in connection with the statement that has been made by Continental, as shown by the Exhibits offered in this case, Continental owns no acreage in the vicinity of the subject well. Now, in connection with the consistency of the spacing in the Tubb Gas Pool, which was commented upon, I would like to make this observation: that this case is an unusual case, admittedly, but it is certainly not unique. The Commission established a proration unit of 160 acres for production of gas from the Tubb Gas Pool, that is true. They made a finding that one well would economically and efficiently drain and develop 160 acres subsequent to the adoption of that Rule. However, the Commission, in three cases, has gone beyond the 160-acre spacing in the Tubb Gas Pool, and at least by implication and of necessity, in order to support such an order, made a finding that one well would efficiently and economically drain in two cases, 240 acres, and I refer in particular to Order No. R-519 which approved a 240-acre unit for the Trinity Production Company, consisting of the NW/4, the W/2 of the NE/4 of Section 21, in 21 South, 37 East. This Order

was based upon a finding that the well was completed prior to January the 1st, 1954, which was the effective date of the Order R-373-A; that it was impractical to pool the acreage; that the offset owners had not objected; that unless approved, the operator will be deprived of the right to produce his just and equitable share of gas in the pool, and that such a unit would prevent waste and protect correlative rights. Certainly we have covered every single one of those points in the testimony which has been presented here in this case today. In Order No. R-590-A the Commission approved a 240-acre unit for the Skelly Oil Company, which was referred to in the testimony of Mr. White, which consisted of the SW/4 and the SE/4 of Section 10. Again, the Commission in that case made a finding not found in the preceding case; that the entire area was productive of gas; that it was impracticable to pool; that offset owners had not objected, and unless approved, the operator would be deprived of the opportunity to produce his just and equitable share of gas. Again, the testimony in this case is covered each and every one of those points. Now, in Order No. R-796, the Commission approved a 320-acre unit for the Ohio Oil Company in the Tubb Gas Pool consisting of the N/2 of Section 11, 22 South, 37 East. In that case, there are in fact, two wells located on the unit. However, because of their location, the Commission approved a 320-acre unit assigning the allowable to the Ohio's Lue Worth Ann Well No. 11, and that more than 50 percent of the allowable could be produced from either well. That was based upon a fidning that it was impractical to

create two standard units and that it would prevent waste and protect correlative rights to approve a 320-acre unit. Now, while there are two wells on that unit, because of their location on the unit, certainly the Commission had to make a finding that one well will drain, whether it appears on the order or not, would drain in excess of 160 acres, otherwise there would be no justification for such an Order on the part of the Commission on the other two cases of the 240 acres. The same acreage we are asking for was dedicated to that one well, and on that basis we feel to the extent that it can be shown by competent tests that one well will drain in excess of 240 acres. The Commission has made a finding that one well will drain 240 acres, or certainly in excess of 160 acres in the Tubb Gas Pool. That's all we have, and I thank you.

MR.NUTTER: Are there any further statements in Case 1471? If not, we will take the case under advisement and take Case 1472.

C E R T I F I C A T E

STATE OF NEW MEXICO)
: ss
COUNTY OF BERNALILLO)

I, J. A. TRUJILLO, 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 by me and/or 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, the 14th day of July, 1958, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Joseph A. Trujillo
Notary Public

My Commission Expires:

October 5, 1960.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1471, heard by me on 6-11, 1958.

....., Examiner
New Mexico Oil Conservation Commission