

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

January 4, 1962

EXAMINER HEARING

FARMINGTON, N. M.
PHONE 325-1182

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, N. M.
PHONE 243-6691

IN THE MATTER OF:

Application of J. R. Cone for a 40-acre non-standard gas proration unit and for an exception to Order No. R-1670, Lea County, New Mexico. Applicant in the above-styled cause, seeks the establishment of a 40-acre non-standard gas proration unit in the Elinebry Gas Pool comprising the NE/4 SE/4 of Section 21, Township 21 South, Range 37 East, Lea County, New Mexico, said unit to be dedicated to the Anderson Well No. 2, located 1630 feet from the South line and 330 feet from the East line of said Section 21. Applicant further seeks an exception to Rule 34 (A) of the special rules and regulations for the Elinebry Gas Pool as contained in Order No. R-1670, to permit the gas produced from said Anderson Well No. 2 to be produced into a low-pressure separator only.

CASE NO.
2470

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

EXAMINER NUTTER: We will call Case No. 2470.

MR. MORRIS: Application of J. R. Cone for a 40-acre non-standard gas proration unit and for an exception to Order No. R-1670, Lea County, New Mexico.

MR. WHITE: Charles White, Gilbert, White & Gilbert, on behalf of Applicant. We have one witness to be sworn.



(Witness sworn.)

LEWIS O. STORM,

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

DIRECT EXAMINATIONBY MR. WHITE:

Q Will you please state your full name for the record, please?

A Lewis O. Storm.

Q Mr. Storm, by whom are you employed and in what capacity?

A I am employed by J. R. Cone, independent operator of Lubbock, Texas, as a petroleum engineer.

Q Have you previously testified as a petroleum engineer for the Oil Conservation Commission and have your qualifications been accepted?

A I have and my qualifications have been accepted.

MR. WHITE: Does the Examiner recognize him?

EXAMINER NUTTER: Yes. Please proceed.

Q (by Mr. White) Are you familiar with the application in Case No. 2470?

A I am.

Q Will you briefly state what is sought by this application?

A We request a two-fold ruling by the Commission, a grant

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ing of a non-standard 40-acre gas proration unit in the Blinebry Gas Pool. Secondly, permission to take the production from that well through low-pressure separation equipment on the J. R. Cone Anderson Well No. 2 in Unit I, Section 21, Township 21 South, Range 37 East, Lea County, New Mexico.

Q Mr. Storm, will you give the history of the J. R. Cone Anderson Well No. 2?

A No. 2 was first drilled in 1949 as an Ellenburger test. It failed in the Ellenburger and initial completion was affected in the McKee or **Hare** Pool and produced from that pool until May of 1959, at which time the well was re-completed in the Wantz Abo Pool. It failed rapidly and the Commission's approval for re-completion was affected in February, 1961, in the Blinebry Oil Pool.

Q What did the well test on or about October 13, 1961?

A The background for that, Mr. Counselor, on completion in the Blinebry Oil Pool produced with a normal high ratio recognized by the Commission as within the limitation ascribed to the regulation applied to the Blinebry Oil Gas Pool but on the semi-annual test in the fall of 1961, the well produced 18 barrels of oil, 40 degrees API gravity with a GOR of 44,095. That ratio was in excess of the limit as established in the special regulations. The Commission re-classified the well in the Blinebry Gas Pool and instructed the operator to shut the well in until application was made for a non-standard gas proration unit.



Q The well has been shut in since that date?

A Within the limitation, Mr. White. Notice to the Commission reached my hands after we had it on production one day in November and immediately shut it in.

(Applicant's Exhibit No. 1
marked.)

Q (by Mr. White) Referring to Exhibit 1, would you explain that to the Examiner, please?

A This Exhibit merely depicts the lease and wells that surround the J. R. Cone Anderson lease. Not shown are the dedicated units that apply to the Blinebry Gas Pool. For the Commission's information, the acreage immediately surrounding the J. R. Cone Anderson lease are dedicated to Blinebry producers. Specifically, starting up at the righthand corner and working around clockwise, the Northeast 160 acres in Section 22 is dedicated to the Shell Argo A Well No. 5. In the Southwest quarter of Section 22, there is a 120-acre Blinebry gas unit comprising the North half of the Southwest quarter and the Southeast quarter of the Southwest quarter of Section 22 dedicated to Shell's Turner No. 13. The reason for the peculiar shape of that unit exists because Shell's Turner Well No. 16 is a Blinebry oil well. The Southwest quarter of 21 includes a 120-acre Blinebry gas unit dedicated to Continental's Wantz 4 A which is located in the unit in Section 21. That well is a dual completion in the Wantz Abo Pool in the Blinebry oil-gas pool. The Northeast 160 acres



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occupied by Sunray, 80 acres, and 80 acres owned by Hunt dedicated as a 160-acre unit to the Hunt Trinity -- correction, Hunt Weatherly No. 1 E located in Unit H of Section 21.

Q The surrounding acreage is dedicated to the Blinebry gas producing wells, is that correct?

A That is correct.

Q In referring to the non-standard acreage, have your efforts to unitize your 40 acres with this 120 proven successful?

A Mr. Cone attempted to develop a unit with Continental, attempted to develop a 120-acre Tubb gas unit. Those efforts were unsuccessful.

Q Referring to your application for a low-pressure separator, why do you seek to use a low-pressure separator as opposed to the two-stage separator system?

A Since the IP of the well, it has been an oil producer. The oil taken from the well was passed through a low-stage separator and then delivered to the Skelly gathering facility. The liquid now produced from the zone are oil. The API ranged from 4 to 41 degrees. My interpretation to this is that it is the intent of the Commission to require high and low-stage separation equipment on gas wells that produce liquids of high gravity, in the 50 to 70 degree range. The J. R. Cone Anderson doesn't produce condensate or distillate to require installation of a high-pressure separator and would necessitate the purchase of what I



consider as being an excess piece of equipment.

Q In other words, a high-pressure separator is used mainly to take care of condensate and distillates?

A Yes.

Q And no such liquids are being produced from this well?

A No.

Q What is the cost of installing a high-pressure separator?

A Hardware, controls, floor lines, so forth, would probably run in excess of \$3,000.

Q In your opinion, would the granting of this application be in the interests of conservation and protection of correlative rights?

A Yes, sir.

Q Was Exhibit 1 prepared by you?

A Prepared by me.

Q Do you have any further statements to make in this case?

A I don't think any are necessary.

MR. WHITE: That's all we have.

EXAMINER NUTTER: Are there any questions of Mr. Storm?

CROSS EXAMINATION

BY MR. MORRIS:

Q Mr. Storm, when you filed this application, you received a copy of the letter sent to the Commission objecting to the formation of the 40-acre non-standard gas proration unit?



A We did.

Q And then at a later date did you receive a copy of another letter addressed to the Commission withdrawing that objection?

A No, sir.

Q The Commission is in receipt of a letter which I will offer into evidence from Mr. G. S. Rowe on behalf of N. B. Hunt reading as follows: "With reference to Case No. 2470, J. R. Cone's application for non-standard unit Blinebry Gas Pool, information available to us now indicates all acreage in the vicinity of subject well has been dedicated and we hereby withdraw our objection to granting Mr. Cone's application." He shows that a copy of the letter was sent to you, Mr. Storm. This letter will be made a part of the record in this case.

EXAMINER NUTTER: What is the date?

MR. MORRIS: It is dated December 28, 1961.

A I have been away from Hobbs. I have tried to verify their agreement.

EXAMINER NUTTER: Would you note the date on which the Commission received that letter?

MR. MORRIS: It is stamped into the main office of the Commission on January 2, 1962.

That's all I have.

CROSS EXAMINATION

BY EXAMINER NUTTER:

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Q Is gas being sold to the Skelly Oil Company into a low-pressure gathering system?

A Yes, sir.

Q If the gas were sold to a high-pressure gas gathering system, would it bring a higher price?

A It probably would.

Q Are there any liquids in the gas being sold now? Are you receiving any credit for liquids?

A I would have to answer yes. You may recall that earlier in 1961, Mr. Cone applied for and received permission to co-mingle certain production on the Anderson lease. We have not to this time co-mingled the Blinebry oil production but with the well prorated as a gas well, we would so operate it. The average Blinebry gas well in 1961 was granted an allowable of 12,000,000 cubic feet a month. In daily terms, that boiled down to a 44,000 producing ratio. I estimate our average production would be between 2 and 3 barrels of liquid with 40 degree gravity oil daily.

Q You presume this well will have an average allowable based on previous average of around 3,000 MCF per month?

A A fourth of the standard 160-acre allowable.

Q Three barrels of oil per day?

A It will probably run between 70 and 90 barrels of liquid per month producing on an authorized allowable.

Q There is no gas from this well being flared?

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A There is none flared from the lease since the installation by Skelly and El Paso.

Q Is it your opinion that it is an efficient operation to separate the gas through a low-pressure separator only?

A It is efficient, I believe, from the standpoint of economics. We may realize a small increase in liquids, a small increase in price to balance against the cost of the additional physical equipment required in the high-stage separator.

Q It was re-classified on the basis of change in ratio and not a change in gravity, is that correct?

A That is correct.

EXAMINER NUTTER: Are there any further questions of the witness?

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Storm, is the low pressure gas from this well being metered separately?

A Yes, sir. Before the liquid is co-mingled, the gases are all metered on the lease.

Q Would it be the understanding that since you're asking for an exception to the two-stage requirement that all low-pressure gas be charged against the well's allowable?

A Yes, sir. That's the way we would intend to operate the well. The liquids would be incidental production.

MR. UTZ: That's all.

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