

MR. UTZ: Case Number 3216.

MR. DURRETT: Application of Gulf Oil Corporation for a waterflood expansion, Lea County, New Mexico.

MR. KASTLER: Bill Kastler from Roswell, appearing on behalf of Gulf Oil Corporation. We have one witness, Mr. Don Bilbrey. We have already had these exhibits marked, 1 and 2.

At the outset, I would like to move that the testimony in consolidated Cases Number 3065 and 3066 pertaining to the West Pearl Queen Waterflood Unit be incorporated in the present case, or taken notice of.

MR. UTZ: Is there an objection concerning the motion? The record in those two cases, Number 3065 and 3066, will be made a part of this record.

* * *

D O N G. B I L B R E Y, the witness, having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KASTLER:

Q Mr. Bilbrey, please state your full name and address, and by whom you are employed and your position.

A My full name, Don Gene Bilbrey. I reside at 1201 West McGaffey, Roswell, New Mexico. I work for Gulf Oil Corporation as a petroleum engineer in Roswell.

Q Have you previously appeared before the New Mexico

dearnley-meier

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dearnley-meier

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Oil Conservation Commission and been qualified as an expert witness?

A Yes.

Q --As a production engineer?

A As a petroleum engineer.

Q Are you personally familiar with Gulf's application in this case?

A I am.

Q Will you state what Gulf is seeking in this application.

A Gulf requests approval to expand the West Pearl Queen Waterflood Project area to include the northwest quarter of Section 28, Township 19 South, Range 35 East, Lea County, New Mexico. This is the cross-hatched area shown on the plat marked Exhibit Number 1. The 160-acre four-well tract is part of the West Pearl Queen Unit but it is not now a part of the project area. We also request approval to convert two of the wells to injection service, the 28-4 in Unit D and the 28-6 in Unit F of Section 28. If expansion of the project area is approved we request that the project allowable be increased to reflect inclusion of these four wells in the waterflood.

Q How did it happen that this matter was not taken care of when Gulf obtained its original approval?

A At the time of the hearing on June 10, 1964, Mr. Jake

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L. Hamon was operator of Tract 15. In testimony before the Commission it was brought out that Mr. Hamon did not intend to commit this acreage to the unit. He had agreed, however, to cooperate with our flood as well as Shell's East Pearl Queen flood. Commission Order Number R-2728 approved the entire unit area as outlined in Exhibit 1, including Tract 15. Commission Order Number R-2729 approving the waterflood project excluded Tract 15 and specifically provided that any conversion of wells to injection status on the Hamon tract would be permitted only after notice and hearing.

Q Didn't Mr. Hamon sell his interest in Tract 15 shortly after the hearing?

A Yes. On July 6, 1964, Gulf reached an agreement with Mr. Hamon whereby we purchased all the working interest in the tract effective July 1, 1964 at 7:00 A.M. We then allowed other working interest owners to share in this purchase, and exhibits to the unit instruments were revised to reflect these changes before the instruments were submitted to the State Land Office and the U. S. Geological Survey for final approval.

Q So then it was admitted as a regular fully subscribed unit?

A Yes.

Q Including Tract 15?

A That's correct. Since all these events occurred

prior to the effective date of unitization, we considered Tract 15 to be part of the West Pearl Queen Unit. Even though the tract was in the unit, we overlooked the fact that Order Number R-2729 specifically excluded it from the project area.

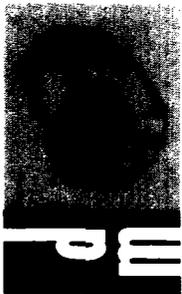
Q After unitization, Gulf erroneously assumed that Tract 15 was part of the waterflood project area?

A Yes, and I think I'm erroneously assuming it now. On August 26, 1964, we transmitted the approved Certificate of Effectiveness, the Unit and Unit Operating Agreements with the revised exhibits and recording information to the Commission, at the same time advising the Commission that 100% approval of both the working interest owners and royalty owners had been obtained. In the transmittal letter, we advised the Oil Conservation Commission that Gulf had purchased the Hamon tract. Still later, on December 7, 1964, we filed a Plan of Operation with the Commission. This outline and plat included the Hamon tract as part of the waterflood project. Along with the plan of operation, we sent a copy of the Line Well Agreement made with Shell, in which we specifically included one Tract 15 well, the 28-6, as one of the injection wells subject to the agreement. On December 16, this Plan of Development was approved. During all these happenings no one had caught our oversight that Tract 15 was still not an approved part of the waterflood project.

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Q When was this oversight finally brought to Gulf's attention?

A Shell has justifiably been anxious for us to start water injection along our east boundary since they have been under near full scale injection in their unit since October, 1964. Our injection system will not be ready until mid-April at the earliest and we made arrangements with Shell whereby they could inject water into three of our line wells until we were ready with our own system.

On February 17, 1965, we asked approval from the Hobbs District Office of the Oil Conservation Commission to convert these three wells to injection status. That office informed us they could not grant permission for conversion of one of the wells, 28-6 on Tract 15, since it was not authorized under Order Number R-2729. When we finally realized our oversight, we made application for this hearing to expand the project area to include Tract 15.

Q At long last?

A At long last.

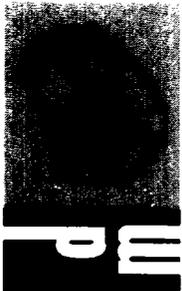
Q Do you now intend to convert Wells 28-4 and 28-6 at the same time?

A No. As originally planned, we will convert 28-6 first so that Shell can inject into it while we are completing our waterflood installation. We will convert 28-4, however, to

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have it ready by the time we start injection through our own system in mid-April.

Q In regard to your proposed method of completion, will these two wells be completed in the same method and under the same plan as the other wells in the West Pearl Queen Project, Area already approved under Order Number R-2729?

A Yes, they will be the same.

Q Has the State Engineer's Office been consulted in regard to your plans to convert these two wells?

A Yes, they have. On February 23, 1965, Gulf wrote a letter to that office, attention Mr. Irby, in which we outlined our plan of injection on Tract 15, which is to be the same as already approved for the project. On that same date we received a copy of a letter from Mr. Irby to Mr. Porter of the New Mexico Oil Conservation Commission offering no objection to the granting of our application as long as the plan of injection is the same as that for the West Pearl Queen Waterflood Project. A photocopy of this letter is marked Exhibit 2.

Q Does Gulf request that the maximum allowable for the waterflood project be increased by the four wells shown in the proposed expansion area on Exhibit Number 1, which consists of the northwest quarter of Section 28, Township 19 South, Range 35 East, containing 160 acres, more or less?

A Yes, we would like to have an additional allowable.

dearnley-meier

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Q Do you have anything further to add?

A No.

Q If this application were granted would it, in your opinion, be in the interest of the prevention of waste?

A Yes, we believe that additional oil will be recovered through secondary operations being extended to these lands.

Q Was the plat showing proposed expansion in the area in the West Pearl Queen Unit prepared under your supervision or at your direction?

A Yes.

Q Is Exhibit Number 2 a true photocopy of the letter received from Mr. Irby of the State Engineer's Office concerning this application?

A Yes.

MR. KASTLER: This concludes my questions. I would like to move that Exhibits Number 1 and 2 be admitted in evidence.

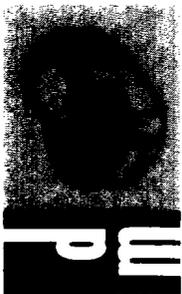
MR. UTZ: Without objection, Exhibits 1 and 2 will be admitted in the record of this case.

CROSS-EXAMINATION

MR. UTZ: Did you submit any sketches as to the casing?

A Today?

Q On the Number 28-4 and the 28-6.



Gulf Oil Corporation

ROSWELL PRODUCTION DISTRICT

W. B. Hopkins
DISTRICT MANAGER
M. I. Taylor
DISTRICT PRODUCTION
MANAGER
F. O. Mortlock
DISTRICT EXPLORATION
MANAGER
H. A. Rankin
DISTRICT SERVICES MANAGER

February 19, 1965

P. O. Drawer 1938
Roswell, New Mexico 88201

100-113-24-111-1-1

Oil Conservation Commission
State of New Mexico
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Application of Gulf Oil Corporation for
Expansion of the West Pearl Queen Waterflood
Project, Lea County, New Mexico

Gentlemen:

Gulf Oil Corporation respectfully requests that an Examiner Hearing be scheduled to consider the expansion of the West Pearl Queen Waterflood Project, Lea County, New Mexico.

In support of this application, the following facts are submitted:

- (1) The West Pearl Queen Waterflood Project was approved by the Commission by Order R-2729 in Case No. 3066 dated June 18, 1964.
- (2) Applicant requests approval to expand this project to include the NW/4 of Section 28, Township 19 South, Range 35 East, Lea County, New Mexico, as outlined in red on the attached plat.
- (3) Applicant requests approval to inject water into two wells as shown on the attached plat colored in red and described as follows:
 - (a) Well 28-4, Unit D, Section 28.
 - (b) Well 28-6, Unit F, Section 28.
- (4) Applicant proposes to use the same plan for equipping these injection wells as previously approved for the West Pearl Queen Waterflood Project.
- (5) The West Pearl Queen Unit, including the NW/4 of Section 28, has previously been approved by the Oil Conservation Commission, Land Commissioner, and the United States Geological Survey.

Respectfully submitted,
GULF OIL CORPORATION

Enclosure
JHH:bc

M. I. Taylor

cc: Commissioner of Public Lands
State of New Mexico,
Post Office Box 1148
Santa Fe, New Mexico 87501

State Engineer's Office
State of New Mexico
Capitol Building
Santa Fe, New Mexico 87501

United States Geological Survey
Post Office Box 1857
Roswell, New Mexico 88201

New Mexico Oil Conservation Commission
Post Office Box 1980
Hobbs, New Mexico 88240



Gulf Oil Corporation

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DISTRICT MANAGER
M. I. Taylor
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Post Office Box 185
Roswell, New Mexico 88201

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Post Office Box 1980
Hobbs, New Mexico 88240



Gulf Oil Corporation

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M. I. Taylor
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Enclosure
JHH:bc

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Santa Fe, New Mexico 87501

United States Geological Survey
Post Office Box 185
Roswell, New Mexico 88201

New Mexico Oil Conservation Commission
Post Office Box 1980
Tobbs, New Mexico 88240

DOCKET MAILED



Date 2-26-65

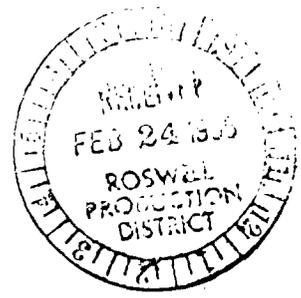
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February 23, 1965



Mr. A. L. Porter, Jr.
Secretary-Director
Oil Conservation Commission
Santa Fe, New Mexico

Dear Mr. Porter:

Reference is made to the application of Gulf Oil Corporation for expansion of their West Pearl Queen Waterflood Project submitted February 19, 1965. Mr. R. Fulker of Roswell called me concerning this application and I have discussed it with your Chief Engineer, Mr. Nutter.

This office offers no objection to the granting of the application so long as the conditions of approval contained in Order R-2729 and in your letter of transmittal dated June 19, 1964 are contained in the approval of this expansion.

Yours truly,

S. E. Reynolds
State Engineer

By:
Frank E. Irby
Chief
Water Rights Div.

FEI/ma
cc-Gulf Oil Corp.
F. H. Hennighausen

CASE NO. 3216
EXHIBIT NO. 2

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO

April 5, 1965

C
O
P
Y

Mr. Bill Kastler
Gulf Oil Corporation
Post Office Box 1938
Roswell, New Mexico

Dear Sir:

Reference is made to Commission Order No. R-2886, recently entered in Case No. 3216, approving the expansion of Gulf's West Pearl Queen Unit Waterflood Project.

Injection into the two additional wells is to be through plastic coated tubing and packers.

According to our calculations, when all of the authorized injection wells have been placed on active injection, the maximum allowable which this project will be eligible to receive under the provisions of Rule 701-E-3 is 2478 barrels per day.

Please report any error in this calculated maximum allowable immediately, both to the Santa Fe office of the commission and the appropriate district proration office.

In order that the allowable assigned to the project may be kept current, and in order that the operator may fully benefit from the allowable provisions of Rule 701, it behooves him to promptly notify both of the aforementioned Commission offices by letter of any change in the status of wells in the project area, i.e., when active injection commences, when additional injection or producing wells are drilled, when additional wells are acquired through purchase or unitization, when wells have received a response to water

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO

Page -2-

Mr. Bill Kastler
Gulf Oil Corporation
Post Office Box 1938
Roswell, New Mexico

injection, etc.

Your cooperation in keeping the commission so informed as to the status of the project and the wells therein will be appreciated.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/DSN/ir

cc: Mr. Frank Irby
State Engineer Office
Santa Fe, New Mexico

Oil Conservation Commission
Hobbs, New Mexico

C

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P

Y

GOVERNOR
JACK M. CAMPBELL
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
GUYTON B. HAYS
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

P. O. BOX 2088
SANTA FE

March 25, 1965

**Mr. Bill Kastler
Gulf Oil Corporation
Post Office Box 1938
Roswell, New Mexico**

Re: Case No. 3216
R-2886
Order No. _____
Applicant:

GULF Oil Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,


A. L. PORTER, Jr.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC

Aztec OCC

OTHER _____

June 11, 1964

MAIL ROOM
65 FEB 24 AM 2

Oil Conservation Commission
Post Office Box 2800
Santa Fe, New Mexico 87501

Attention: Mr. Dan S. Rutter,
Chief Engineer

Re: Case No. 3066
West Pearl Queen Unit Waterflood

Gentlemen:

In testimony before the Oil Conservation Commission at the June 10, 1964 Examiner Hearing pertaining to Case No. 3066, Gulf offered two plans for dually injecting water into the Queen reservoir underlying the West Pearl Queen Unit. These two plans were described in Exhibits 8-11, which were entered in evidence, and outlined proposals for dually injecting through either two strings of coated tubing or simultaneously through one string of tubing and the tubing-casing annulus. Gulf indicated that neither plan had definitely been decided on since there were pros and cons for each which would have to be weighed and analyzed by our field personnel prior to a final decision. A decision has now been reached; Gulf plans to dually inject water into the Queen reservoir through injection wells equipped with dual strings of tubing as illustrated in Exhibit No. 8 and detailed in tabular form in Exhibit No. 9.

Mine very truly,

ORIGINAL SIGNED

BY

M. I. TAYLOR
M. I. Taylor

DGB:ez

cc: Mr. Frank E. Inty
Chief, Water Rights Division
State Engineer's Office
Capitol Building
Santa Fe, New Mexico 87501

Mrs. Marian M. Rice
Supervisor, Unit Division
State Land Office
Post Office Box 1140
Santa Fe, New Mexico 87501

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CASE No. 3066
Order No. R-2729

Queen formation through 28 wells located within that portion of the unit area which has been or will be committed to the unit agreement.

(5) That the wells in the project area are in an advanced state of depletion and should properly be classified as "stripper" wells.

(6) That the proposed waterflood project is in the interest of conservation and should result in recovery of otherwise unrecoverable oil, thereby preventing waste.

(7) That the subject application should be approved and the project should be governed by the provisions of Rule 701 of the Commission Rules and Regulations.

(8) That Jake L. Hamon, owner of the NW/4 of Section 28, Township 19 South, Range 35 East, NMPM, should be permitted to convert any wells on said acreage only after notice and hearing.

IT IS THEREFORE ORDERED:

(1) That the applicant, Gulf Oil Corporation, is hereby authorized to institute a waterflood project in the Pearl-Queen Pool in the West Pearl Queen Unit Area by the injection of water into the Queen formation through the following-described 28 wells in Township 19 South, Range 35 East, NMPM, Lea County, New Mexico:

<u>WELL</u>	<u>UNIT</u>
<u>Section 28</u>	
Cabot Carbon State "G" Well No. 5	J
Cabot Carbon State "G" Well No. 1	L
Cabot Carbon State "G" Well No. 4	N
Cabot Carbon State "G" Well No. 7	P
<u>Section 29</u>	
Curtis R. Inman Superior Federal Well No. 2	B
Shell State "PK" Well No. 2	D
Cactus Parks Well No. 1	F
Skelly Hobbs-State "J" Well No. 1	H
Gulf Lea-State "IH" Well No. 1	J

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 3066
Order No. R-2729

APPLICATION OF GULF OIL CORPORATION
FOR A WATERFLOOD PROJECT, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on June 10, 1964, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 18th day of June, 1964, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the West Pearl Queen Unit Agreement has been approved by the Commission by Order No. R-2728; that the West Pearl Queen Unit Area comprises 2520 acres, more or less, of State, Fee, and Federal lands in Township 19 South, Range 35 East, NMPM, Lea County, New Mexico, as more fully described in said order.

(3) That of said 2520 acres, 160 acres being the NW/4 of Section 28, Township 19 South, Range 35 East, NMPM, has not been and evidently will not be committed to said unit agreement.

(4) That the applicant, Gulf Oil Corporation, seeks permission to institute a waterflood project in the Pearl-Queen Pool in the West Pearl Queen Unit Area by the injection of water into the

Gulf Lea-State "IH" Well No. 4	L
Cactus Gulf-State "A" Well No. 4	N
Cactus Gulf-State "A" Well No. 2	P

Section 30

Gulf Lea-State "AP" Well No. 3	H
Gulf Lea-State "AP" Well No. 1	P

Section 31

Cactus Aztec-State Well No. 2	B
Cactus Actec-State Well No. 6	F
Cactus Aztec-State Well No. 4	H
Cactus Aztec-State Well No. 7	J

Section 32

Gulf Lea-State "AQ" Well No. 2	B
Gulf Lea-State "AQ" Well No. 4	D
Cactus Lea-State "AQ" Well No. 5	F
Cactus Lea-State "AQ" Well No. 7	H
Phillips New Mex "C" Well No. 1	J

Section 33

Gulf Lea-State "BG" Well No. 3	B
Gulf Lea-State "BG" Well No. 1	D
Gulf Lea-State "BG" Well No. 6	F
Gulf Lea-State "BG" Well No. 8	H
Gulf Lea-State "AR" Well No. 4	J

(2) That the subject waterflood project shall be governed by the provisions of Rule 701 of the Commission Rules and Regulations, including the allowable provisions thereof, and including the provisions with respect to expansion of the waterflood project.

(3) That monthly progress reports of the waterflood project herein authorized shall be submitted to the Commission in accordance with Rules 704 and 1119 of the Commission Rules and Regulations.

-4-

CASE No. 3066

Order No. R-2729

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

E. S. WALKER, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

esr/



STATE OF NEW MEXICO
STATE ENGINEER OFFICE
SANTA FE

1965 FEB 24 11:15

S. E. REYNOLDS
STATE ENGINEER

February 23, 1965

ADDRESS CORRESPONDENCE TO:
STATE CAPITOL
SANTA FE, N. M.

Case 3216

Mr. A. L. Porter, Jr.
Secretary-Director
Oil Conservation Commission
Santa Fe, New Mexico

Dear Mr. Porter:

Reference is made to the application of Gulf Oil Corporation for expansion of their West Pearl Queen Waterflood Project submitted February 19, 1965. Mr. R. Fulker of Roswell called me concerning this application and I have discussed it with your Chief Engineer, Mr. Nutter.

This office offers no objection to the granting of the application so long as the conditions of approval contained in Order R-2729 and in your letter of transmittal dated June 19, 1964 are contained in the approval of this expansion.

Yours truly,

S. E. Reynolds
State Engineer

By: *Frank E. Irby*
Frank E. Irby
Chief
Water Rights Div.

FEI/ma
cc-Gulf Oil Corp.
F. H. Hennighausen

Gulf Oil Corporation

ROSWELL PRODUCTION DISTRICT

W. B. Hopkins
District Manager
M. J. Taylor
District Engineer
F. O. Mortlock
District Engineer
H. A. Rankin
District Engineer

February 23, 1965

P. O. Drawer 1938
Roswell, New Mexico

State Engineer's Office
Capitol Building
Santa Fe, New Mexico 87501

Attention: Mr. Frank E. Irby
Chief, Water Rights Division

Gentlemen:

Attached is a copy of Gulf's application for expansion of the West Pearl Queen Waterflood Project, Lea County, New Mexico. The 160-acre expansion area was originally intended to be in the project area and the exhibits and testimony for the hearing reflect this. Item No. 4 of this application states our intention to equip and inject water into Wells 28-4 and 28-6 in the manner previously approved for the West Pearl Queen Waterflood Project, Order R-2729, Case No. 3066.

In further support of this application, we are enclosing the following data which were pertinent to Case No. 3066 and also have a bearing on the current application:

- (1) Diagrammatic sketch of a typical dual injection well, West Pearl Queen Unit.
- (2) Injection well detail, West Pearl Queen Unit, including the Hamon wells. (Two sections)
- (3) Letter dated June 11, 1964, to the Oil Conservation Commission stating Gulf's intent to dually inject through two strings of tubing.

We understand that our hearing before the Oil Conservation Commission on the expansion of the West Pearl Queen Waterflood Project has been scheduled for March 10. The information included in this letter will be included in testimony for the record at that time.

GULF

February 23, 1965

Since you have previously approved this program for the West Pearl Queen Waterflood Project, we hope it is also acceptable for the four-well expansion area. Should you have any objections, please notify us as soon as possible.

Yours very truly,

GULF OIL CORPORATION

M. I. Taylor

Attachments

DGB:ers

cc: Oil Conservation Commission
State of New Mexico
Post Office Box 2088
Santa Fe, New Mexico 87501

New Mexico Oil Conservation Commission
Post Office Box 1980
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United States Geological Survey
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Commissioner of Public Lands
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Santa Fe, New Mexico 87501