BEFORE EXAMINER
OIL CONSERVATION DIVISION

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CASE NO. 4678

Jerry Conroy
HNG Denver
325-6434

718 17th St. Ste. 2300
Denver, Colorado 80202
May 2, 1985

Machell Kinnear
HNG

R.L. Stamets
Director New Mexico Oil
Conservation Division
Box 2088
Santa Fe, New Mexico 87501

Case 8595

Dear Mr. Stamets,

We the undersigned are overriding royalty interest owners and as former employees of Florida Exploration Company were directly involved with the development operations of the northeast Caudill-Wolfcamp Field located in Sections 1 & 2, T15S-R36E, Lea County, New Mexico. We believe we have pertinent information applicable to the request for field spacing rules to be considered before the Board at the May 8, 1985 hearing. We respectfully request this information be submitted before that hearing. We believe this information to be a true and accurate representation of fact.

The Enstar (now UTP) Scott #1, the discovery well, started flowing in November 1983 from perforations between 10821-10880' in the lower Wolfcamp. Production was water free until July 1984; since then water production has increased and a pump had to be installed to continue operations. It is believed no attempts have been made to locate or squeeze off the water entry.

The Florida Exploration (now Apache) Gilliam #1 was drilled in August 1984 and subsequently completed as a naturally flowing oil well from perforations between 10810-10876'. Production began declining within a month, but additional perforations between 10746-10752' followed by an acid stimulation increased production to over 500 BOPD water free. Although perforations in the Gilliam #1 are structurally lower than those of the Scott #1, no water was being produced from the Gilliam #1.

In November 1984, a pressure test and temperature survey were run on the Gilliam #1. Interpretation of the temperature survey indicated 75% of production coming from perforations between 10746-10752'. A correlation of the attached neutron-density logs of the two wells indicates that this clean carbonate zone is not present in the Scott #1, but instead correlates to a shaley zone in that well.

In early December 1984, Gilliam #1 production began a slight decline, at which time Florida made a routine paraffin cutting run with resulting production going from 225 BOPD to well over 500 BOPD with no water. The well was choked back to remain within the field allowable, where it continued to flow until late January 1985. Paraffin was again cut and production increased from 220-225 BOPD to 440 BOPD. Production was again choked back and was continuing at a 240-260 BOPD rate when they began to have difficulties with the pumper and oil purchaser, resulting in some shut-in days, thereby lowering the reported February 1985 production.

The well was purchased by and turned over to Apache Corporation on March 1, 1985, and has since continued to decline with an increase in water production. In all likelihood the water is coming from the lower sets of perforations. Also, this is probably the case in the Scott #1 well now operated by Union Texas Petroleum, but not confirmed by them.

Because the FEC Gilliam #1 was completed water - free from perforations structurally lower than those of the Enstar Scott #1, which was already producing water and because the majority of production from the Gilliam #1 is coming from a zone that cannot be correlated to an equivalent zone in the Scott #1, it is believed these wells, despite their proximity, are not in direct communication. Therefore, it is very questionable whether these wells are capable of draining more than 40 acres. Since there has not been any recent bottom hole pressure survey work, discounting the possibility of mechanical problems (ie., paraffin or unnecessary water entry) seems to be very premature to a decision to change from the present 40 acre spacing to an 80 acre spacing.

In summary, we do not feel that 80 acre spacing will adequately drain the reservoir and that some downhole work and investigation should first be done on both the Gilliam #1 well & Scott #1 well before any decision is made. At this time, it should be evident that only additional drilling on 40 acres spacing will adequately drain the reservoir and protect the rights of the interest owners as well as the State of New Mexico.

Sincerely,

Jerry Gentry
Michele Kennard
Dwight Smith
Bruce Johnson
Dick Leuenberger