

CASE 4702: Application of PENROC  
FOR A SPECIAL GAS-OIL RATIO  
LIMITATION, LEA COUNTY, N.MEX.

~~Copy~~  
Desmises

Case Number

4702

Application

Transcripts

Small Exhibits

ETC.

dearnley-meier reporting service

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS  
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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
CONFERENCE ROOM, STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO  
May 5, 1972

EXAMINER HEARING

IN THE MATTER OF:

Application of Penroc Oil Corporation  
for a special gas-oil ratio limitation,  
Lea County, New Mexico,

CASE NO. 4702

BEFORE: Elvis A. Utz  
Examiner

TRANSCRIPT OF HEARING

dearnley-meier reporting

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1 MR. UTZ: Case 4702.

2 MR. KELLAHIN: We feel, at this time that Penroc's  
3 Application was premature and we would like it dismissed  
4 with the understanding that we may refile at a later date.

5 MR. UTZ: Withour prejudice?

6 MR. KELLAHIN: Yes, sir.

7 MR. UTZ: We have called for Case 4702 and counsel  
8 for the Applicant has requested a dismissal and the Case  
9 will be dismissed without prejudice.

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SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

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1 STATE OF NEW MEXICO )  
2 ) SS  
3 COUNTY OF BERNALILLO )

4 I, RICHARD E. McCORMICK, a Certified Shorthand Reporter,  
5 in and for the County of Bernalillo, State of New Mexico,  
6 do hereby certify that the foregoing and attached Transcript  
7 of Hearing before the New Mexico Oil Conservation Commission  
8 was reported by me; and that the same is a true and correct  
9 record of the said proceedings to the best of my knowledge,  
10 skill and ability.

11 *Richard E. McCormick*  
12 CERTIFIED SHORTHAND REPORTER

23 I do hereby certify that the foregoing is  
24 a complete record of the proceedings in  
25 the hearing held at Case No. 4762,  
heard by me on May 5, 1972.  
*Richard E. McCormick*, Reporter  
New Mexico Oil Conservation Commission



# OIL CONSERVATION COMMISSION

**STATE OF NEW MEXICO**  
**P. O. BOX 2088 - SANTA FE**  
**87501**

GOVERNOR  
BRUCE KING  
CHAIRMAN

**LAND COMMISSIONER  
ALEX J. ARMIJO  
MEMBER**

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

May 11, 1972

**Mr. Jason Kellahin  
Kellahin & Fox  
Attorneys at Law  
Post Office Box 1769  
Santa Fe, New Mexico**

Re: Case No. 4702  
Order No. R-4299  
Applicant:  
  
Penroc 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.

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC           x            
Artesia OCC                             
Aztec OCC                           

Other \_\_\_\_\_

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. 4702  
Order No. R-4299

APPLICATION OF PENROC OIL  
CORPORATION FOR A SPECIAL  
GAS-OIL RATIO LIMITATION,  
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 5, 1972,  
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 11th day of May, 1972, the Commission, a  
quorum being present, having considered the record and the  
recommendations of the Examiner, and being fully advised in  
the premises,

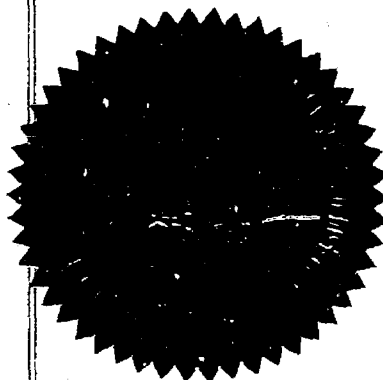
FINDS:

That the applicant's request for dismissal without prejudice  
should be granted.

IT IS THEREFORE ORDERED:

That Case No. 4702 is hereby dismissed without prejudice.

DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.



STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Bruce King*  
BRUCE KING, Chairman

*Alex J. Armijo*  
ALEX J. ARMIJO, Member

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

S E A L

dr/

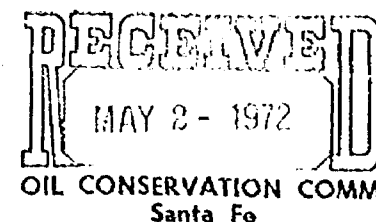


**PHILLIPS PETROLEUM COMPANY**

ODESSA, TEXAS 79760  
PHILLIPS BUILDING, FOURTH & WASHINGTON

EXPLORATION & PRODUCTION DEPARTMENT

April 28, 1972



Re: New Mexico Oil Conservation  
Commission Case No. 4702 -  
Application of Penroc Oil  
Corporation to Increase Gas  
Oil Ratio Limitation in  
Hobbs Drinkard Pool

New Mexico Oil Conservation Commission  
State Land Office Building  
Santa Fe, New Mexico 87501

Attention: Mr. A. L. Porter, Jr., Secretary-Director

Gentlemen:

Phillips Petroleum Company has noted the application of Penroc Oil Corporation for an amendment to the rules and regulations for the Hobbs-Drinkard Pool. The requested amendment would increase the limiting gas-oil ratio to 10,000 cubic feet of gas per barrel of oil. In our opinion this would result in a significant increase in gas available for processing at our Hobbs Gasoline Plant, and because of this, Phillips Petroleum Company wishes to advise you of the capabilities of our facility.

For the past several years Phillips Petroleum Company has continued to add compression facilities at our Hobbs Plant in order to be able to receive and process the increasing volumes of gas that have become available as a result of increases in the basic unit allowable authorized for southeastern New Mexico. We have installed and are now preparing to start-up our latest addition, which is a 1350 HP compressor. When the unit is placed in service, we will have a nominal gas handling capacity of 55.5 MMCFD. Of this amount 38 MMCFD can be processed at Hobbs and 17.5 MMCFD must be compressed and transported to Eunice for processing.

With the 80-barrel basic allowable in effect, our Hobbs facility received an average of 52.241 MMCFD in February and 52.842 MMCFD in March. It is our estimate that an increase in the gas-oil ratio limit as requested by the applicant would result in the production of at least an additional 4.68 MMCFD at the 80-barrel allowable. If this increase had been in effect during March, our average could have been 57.522 MMCFD, a situation that would have exceeded our capability. This would have forced curtailment of production to prevent waste by flaring. Because of unseasonably warm weather our volumes have run higher than anticipated. In examining our requirements at various rates of oil production, we had forecasted the Hobbs Plant intake gas for a 100-barrel allowable



New Mexico Oil Conservation Commission

April 28, 1972

Page 2

rate during the six hot months to average 53.68 MMCFD. With a 100-barrel allowable and the requested 10,000 limiting gas-oil ratio, we would expect the Drinkard wells to contribute an additional 5.85 MMCFD over current rates. Under these projected conditions our load could average 59.53 MMCFD. It should be recognized that average data do not adequately describe our operations because of load changes both during the day and between days of the month.

We have made a determined effort to accomodate the situation at Hobbs, and in doing so have more than doubled the gas handling capacity of this plant. Our forecast now indicates that, unless unpredictable development or stimulation work occurs, 1972 should be our peak year for gas into our Hobbs Plant. With a declining situation forthcoming, we do not consider that it would be prudent for us to install equipment that would not be of general benefit to the majority of producers connected to our plant. If this application had been deferred approximately 18 months, or until the last quarter of 1973, then we believe that we could have indicated to you that our plant could handle, without flaring, all legal volumes of gas that might be produced by present connections.

Yours very truly,

PHILLIPS PETROLEUM COMPANY



F. F. Lovering, Manager  
Southwestern District

WCR:kc

cc: New Mexico Oil Conservation Commission  
P. O. Box 1980  
Hobbs, New Mexico 88240



# Telegram

KA015

1972 MAY 4 AM 9 40

K XKC022(1-005509A125)PD 05/04/72 1021 =TWX HOBBS CONOCO  
=ZCZC 001 HOBBS NEW MEXICO MAY 4, 1972 =

FMS A. L. PORTER, JR.

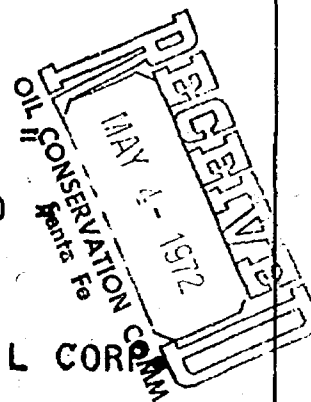
= NEW MEXICO OIL CONSERVATION COMMISSION

: LAND OFFICE BLDG. = SANTA FE, NEW MEXICO

= BT =

=REGARDING CASE 4702, APPLICATION OF PENROC OIL CORP.  
FOR INCREASING =GOR LIMIT IN HOBBS DRINKARD POOL,  
CONTINENTAL OIL COMPANY IS THE =OPERATOR OF ONLY ONE WELL  
IN THE HOBBS DRINKARD POOL. APPROVAL OF =PENROC'S  
APPLICATION WOULD PROBABLY BE FAVORABLE TO OUR ONE WELL  
IN =THIS RESERVOIR. WE ARE CONCERNED, HOWEVER ABOUT

WU 1201 (R 5-69)



# Telegram

OTHER WELLS AND =POOLS IN THE IMMEDIATE AREA. THE  
COMMISSION HAS LONG BEEN CONCERNED =WITH THE VOLUMES OF  
GAS WHICH WERE FLARED FROM PHILLIPS = HOBBS =  
GASOLINE PLANT. IT APPEARS THAT RECENT ADDITIONS TO  
PHILLIPS PLANT =WILL HANDLE PRODUCED GAS UNDER PRESENT  
RULES. WE ARE DOUBTFUL THAT =THE PLANT WILL HANDLE THE  
ADDITIONAL GAS WHICH WOULD BE AUTHORIZED =BY GRANTING  
PENROC'S APPLICATION. =:

= AT THE APRIL 19 MARKET DEMAND HEARING IN HOBBS,  
THE COMMISSION READ =A STATEMENT IN REGARD TO A  
PROPOSED REVIEW OF THEIR PRORATION SYSTEM =AND  
REITERATED THAT IT WOULD ACT FORCEFULLY TO PREVENT THE

WU 1201 (R 5-69)



**Telegram**

FLARING =OF CASINGHEAD GAS. UNTIL THE COMMISSION HAS  
ANNOUNCED A DECISION =ON THIS MATTER, WE ARE UNCERTAIN  
AS TO THE EFFECT THAT APPROVAL OF =PENROC'S  
APPLICATION WOULD HAVE ON OTHER PRODUCTION IN THIS AREA.

= CONTINENTAL OIL COMPANY, RESPECTFULLY URGES  
THAT THE COMMISSION NOT =ACT FAVORABLY ON PENROC'S  
APPLICATION AT THIS PARTICULAR TIME AND =WITHHOLD ANY  
RELAXATION IN THE GOR LIMIT UNTIL SUCH TIME AS THE  
=GASOLINE PLANT CAPACITY IS CLEARLY SUFFICIENT TO HANDLE  
ALL PRODUCED =GAS. ==

: L. P. THOMPSON =DIVISION MANAGER OF PRODUCTION  
=CONTINENTAL OIL COMPANY =HOBBS, NEW MEXICO =:

WU 1201 (R 5-59)

= =NNNN =1027 EST =

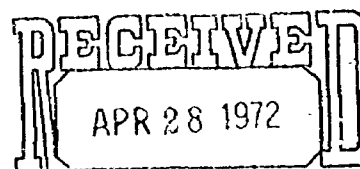
MARCUM DRILLING COMPANY

P. O. BOX 5094

MIDLAND, TEXAS 79701

AC 915 083-1885

April 25, 1972



OIL CONSERVATION COMM.  
Santa Fe

Mr. A. L. Porter  
New Mexico Oil Conservation Commission  
P.O. Box 2088  
Santa Fe, New Mexico 87501

*Case 4702  
May 5<sup>th</sup>  
Hearing*

Re: Penroc Oil Corporation Hearing  
Hobbs-Drinkard Pool  
Gas-Oil Ratio  
Lea County, New Mexico

*Amey  
file in Case*

Dear Mr. Porter:

In the matter of the application of Penroc Oil Corporation for a special Gas-Oil Ratio for the Hobbs-Drinkard Pool, Marcum Drilling Company, being an operator in the Hobbs-Drinkard Pool, fully supports the Penroc Oil Corporation's application. Our records reflect that the pool can be efficiently and economically produced and operated with a limiting gas-oil ratio of 10,000 to 1 with no waste, and correlative rights will be protected.

It is hoped the Commission will amend Order No. R-3811 to allow this reasonable request.

Sincerely yours,

*Gordon Marcum*  
Gordon Marcum,  
President

GM/jp

cc: Mr. Jason W. Kellahin  
Mr. Sterling J. Talley  
Mr. J. D. Ramey

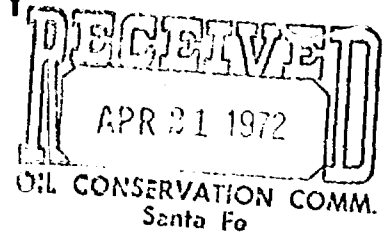
DOCKET MAILED

Date *4/28/72*



# SHELL OIL COMPANY

PETROLEUM BUILDING  
P.O. BOX 1509  
MIDLAND, TEXAS 79701



April 19, 1972

Subject: Amendment to Special Pool Rules  
Limiting Gas-Oil Ratio  
Hobbs Drinkard Pool  
Lea County, New Mexico

*JMA*

Oil Conservation Commission of New Mexico  
Box 2088  
Santa Fe, NM 87501

Attention Mr. E. A. Utz

*Case 4702  
Set for May 5th  
JMA*

Gentlemen:

Shell Oil Company, as an operator in the Hobbs Drinkard Pool, hereby supports the application of Penroc Oil Corporation to ammend the Special Pool Rules for the Hobbs-Drinkard Pool to provide for a limiting gas-oil ratio of 10,000 cubic feet of gas per barrel of oil. Shell concurs with Penroc Oil that the limiting gas-oil ratio, of 10,000 to 1, will protect correlative rights and not result in reservoir waste.

Yours very truly,

*W. J. Cuyt*  
for Jack L. Mahaffey  
Production Manager  
Mid-Continent Division

RRS:RH

cc - Penroc Oil Corporation  
Attention Mr. Sterling J. Talley  
Drawer 831  
Midland, TX 79701

- CASE 4700: Application of Penasco Corporation for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the Penasco Shugart Queen Sand Unit Area, Shugart Pool, by the injection of water into the Queen formation through four wells located in Sections 8, 9, 16, and 17, Township 18 South, Range 31 East, Eddy County, New Mexico. Applicant further seeks a procedure whereby additional injection wells within the unit area may be approved administratively.
- CASE 4701: Application of Wynn Oil Company for an unorthodox location and a dual completion, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of the dual completion of its Largo Federal Well No. 2 to produce gas from the Blanco-Mesaverde and Basin-Dakota Pools at an unorthodox location for the Blanco-Mesaverde Pool 1500 feet from the South line and 1100 feet from the East line of Section 13, Township 27 North, Range 8 West, San Juan County, New Mexico.
- CASE 4702: Application of Penroc Oil Corporation for a special gas-oil ratio limitation, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an amendment of the special rules and regulations for the Hobbs-Drinkard Pool, Lea County, New Mexico, to provide for a limiting gas-oil ratio of 10,000 cubic feet of gas per barrel of oil for said pool.
- CASE 4703: Application of Continental Oil Company for special pool rules, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the West Lindrith Gallup-Dakota Oil Pool, Rio Arriba County, New Mexico, including provisions defining a gas well in the pool as one producing with a gas-liquid ratio of 30,000 cubic feet of gas per barrel of oil or one which produces oil with a gravity of 60° API or greater, a gas-oil ratio limitation for oil wells of 10,000 cubic feet of gas per barrel of oil, and 160-acre spacing units for both oil and gas wells.
- CASE 4709: Application of Continental Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Eumont Gas Pool and the Penrose Skelly Oil Pool in the wellbore of its Lockhart A-17 Well No. 1 located in Unit L of Section 17, Township 21 South, Range 37 East, Lea County, New Mexico.
- CASE 4710: Application of Hanson Oil Corporation for an exception to Order No. R-3221, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, to dispose into unlined surface pits water produced by 22 wells located

RECEIVED

APR 1 1972

KELLAHIN AND FOX  
ATTORNEYS AT LAW  
54 1/2 EAST SAN FRANCISCO STREET  
POST OFFICE BOX 1769  
SANTA FE, NEW MEXICO 87501

JASON W. KELLAHIN  
ROBERT E. FOX

TELEPHONE 982-4315  
AREA CODE 505

March 28, 1972

*Case 4702*

Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: PENROC OIL CORPORATION

Gentlemen:

Enclosed in original and two copies is  
application of Penroc Oil Corporation for  
a special gas-oil ratio for the Hobbs-  
Drinkard Pool, Lea County, New Mexico.

We understand this case will be heard on  
May 5, 1972.

Yours very truly,

*Jason W. Kellahin* /abs  
Jason W. Kellahin

JWK:abs

Enclosures: as stated

DOCKET MARKED

Date 4-21-72

BEFORE THE  
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION  
OF PENROC OIL CORPORATION FOR A  
SPECIAL GAS-OIL RATIO FOR THE  
HOBBS-DRINKARD POOL, LEA COUNTY,  
NEW MEXICO

*Case 4702*

A P P L I C A T I O N

Comes now Penroc Oil Corporation and applies to the Oil Conservation Commission of New Mexico for an amendment to the Special Pool Rules for the Hobbs-Drinkard Pool, Lea County, New Mexico, being Order No. R-3811, as amended, to provide for a limiting gas-oil ratio of 10,000 cubic feet of gas per barrel of oil, and in support thereof would show the Commission:

1. Under the provisions of Order No. R-3811, as amended by Order No. R-3811-B, the Hobbs-Drinkard Pool is operating under a limiting gas-oil ratio of 3,000 to 1.

2. The pool can be efficiently and economically produced and operated with a limiting gas-oil ratio of 10,000 to 1, and waste will not occur, and correlative rights will be protected under such a producing ratio.

3. Gas produced with oil from the Hobbs-Drinkard Pool is presently being marketed, and there is a market available in the event gas production from this pool is increased as a result of the amendment of the Commission orders regarding the gas-oil ratio for the pool.

4. The adoption of such a limiting ratio will result in the ultimate recovery of oil that would not otherwise be recovered, and waste will not occur.



5. Order No. R-3811, as amended, should be further amended to provide for a limiting gas-oil ratio of 10,000 to 1, and in all other respects should remain as the present rules.

WHEREFORE applicant prays that this matter be set for hearing before the Commission or the Commission's duly appointed examiner, and that after notice and hearing as required by law the Commission enter its order amending the pool rules for the Hobbs-Drinkard Pool, to include a provision for a limiting gas-oil ratio of 10,000 to 1, and for such other and further orders as may be proper in the premises.

Respectfully submitted,

PENROC OIL CORPORATION

By Jason W. Kellahin  
KELLAHIN & FOX  
P. O. Box 1769  
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

DRAFT

GMH/dr

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. 4702

• Order No. R-4299

APPLICATION OF PENROC OIL  
CORPORATION FOR A SPECIAL  
GAS-OIL RATIO LIMITATION,  
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 5, 1972,  
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this        day of May, 1972, the Commission,  
a quorum being present, having considered the record and the recom-  
mendations of the Examiner, and being fully advised in the premises,

FINDS:

That the applicant's request for dismissal, should be  
granted. *without prejudice*

IT IS THEREFORE ORDERED:

That Case No. 4702 is hereby dismissed *without prejudice.*

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