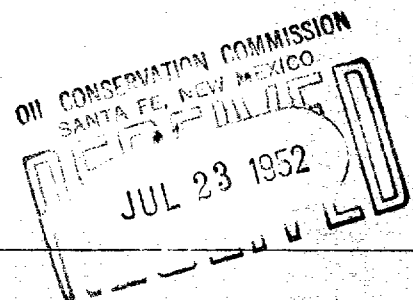


BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

TRANSCRIPT OF PROCEEDINGS

CASE NO. 380

July 15, 1952
Regular Hearing



ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 12, CROMWELL BLDG.
PHONES 7-9645 AND 5-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

JULY 15, 1952

In the Matter of:

This case is heard upon motion of
the Commission itself in the matter
of Aurora Gasoline Company's Davis
No. 1 well, located 990' from S
line and 330' from E line of 29-
18S-39 East, Hobbs-San Andres Pool,
and adjustment of allowable thereof
for first 12 months of production.

Case No. 380

(Notice of Publication read by Mr. Graham.)

MR. SPURRIER: Mr. Simon, are you going to be the
witness in this case?

C. D. SIMON,

having been previously duly sworn, testified as follows:

MR. WHITE: On behalf of the Commission will you give
a report of your studies in regard to this case, please?

A This well, Davis No. 1 was originally intended as a
clear fork test. However, when we passed through the San Andres
section at approximately 4460 feet we were confronted with a
big problem. The well blew out on us and an attempt was made
to shut the well in with the help of blow-out preventers. Prior
to the time, drilling through the San Andres section, the blow-
out preventers were tested with the customary 1500 pounds press-

ure and from all apparent reasons the blow-out preventers seemed to be holding alright. In fact we went through the Queen gas section at approximately 3900 feet. The blow-out preventers were working just fine. It is the custom in that particular area due to the Queen's gas to use as light a mud slurry as possible in view of the fact that the Queen's gas section, although it doesn't contain too much volume does have quite a bit of pressure. Consequently when we hit the San Andres section we didn't have too much mud weight due to the fact that we were trying to let the Queen's gas bubble up through our drilling fluid and before we knew it the well blew out on us and flowed more or less pipeline oil to the pits. We attempted to close out the blow-out preventers, and I don't wish to name the type of blow-out preventers we were using at the time, but we did attempt to close them off and consequently they didn't hold, which is very typical of that particular type of blow-out preventer, I believe, in my experience and we could see very readily that we had somewhat of a wild well on our hands.

The fact that this was also a wildcat discovery for this particular area we were trying as rapidly as possible to evaluate the section. Consequently we had to mix mud in the neighborhood of 17 to 18 pound mud which is somewhat abnormal for depths in the west Texas, New Mexico area, comparable to 44 to 45 hundred feet. Eventually the well was killed with 17 pound to 18 pound mud. That was perhaps my first personal contact with a well of this nature and in checking around with the District Commission's

Office I learned that the Stanolind Oil & Gas Company had a very similar case to our particular well. Their well being located in the Wilson Pool and the attempt to get that particular well under control was very similar to ours. However, as soon as the well was killed, - - it was killed with quite a heavy mud also -- as soon as the well was killed it was shut in. When an attempt was made to open the well at sometime later, that time being controlled by the amount of oil that had been produced during the time that the well was out of control, when the well was reopened it was found dead and I believe the logical conclusions were that the mud had not been removed sufficiently from the formation, that particular mud that was used to kill the well. After we had managed to get our well under control we were very anxious to again have it opened up in order to have it clean itself of all the heavy material which was necessary to get it under control and that was the basis for the request to run the oil. The oil that had been produced during the attempt to get the well under control was produced into earthen pits and we did manage to get a few steel vessels on the location. However, after the well was brought under control and the christmas tree equipment installed the well was cleaned up into a normal tank battery.

MR. SPURRIER: Are there any questions of this witness?

MR. MACEY: In that Stanolind case you mentioned, do you know how they handled the allowable in that matter?

MR. WHITE: Mr. Macey, I do not. With your permission

I talked the matter over with Mr. Blymm and Mr. Porter. I was not personally confronted with the Stanolind case. However, I think Mr. Blymm knows much more about it than I do. If he wouldn't have any objections I would like for him personally to answer that for you.

MR. SPURRIER: Mr. Blymm, would you care to clear the record on the Stanolind allowable on that?

MR. BLYMM: I don't think I can trust my memory on that. As I remember the Stanolind case it was just as Mr. Simmon presented, that is when Stanolind killed the well with mud. They had some 40,000 barrels in earthen storage that was picked up and recovered and marketed at the time and then it was necessary to charge that amount against their allowable and the well was shut in for a period of nearly two years, as I remember, maybe more than two years. Then when they attempted to put it back on production then it never was good after that. I don't know ^{that} they ever did get any oil out of it. I know they pumped mud for a long period of time there and then plugged and abandoned that well. I don't know that they ever did get anymore oil out of it after they had put the mud in it.

Is that what you wanted me to say, Jerry?

A Yes.

MR. SPURRIER: Thank you, Bob. Is there anyone that disagrees with Mr. Blymm's statement? Anyone that can add to it? Is there any further question of this witness?

MR. SELLINGER: I would like to inquire just one thing

for my own benefit. I understand your well is over produced and you want the Commission to charge that over production off, is that what the problem is?

A No, sir. To the best of my knowledge, in letters of request, we had written to the Commission, at the particular time we just requested permission be granted to run the oil that was in the earthen pits to avoid a lot of waste. At that particular time I don't know whether any particular rules and regulations had been set up for cases like that.

MR. SELLINGER: Do you have an allowable established for your well?

A No, I said it was a wildcat well and blew out.

MR. SHIER: The Commission allowed a set fixed allowable of 10,000 barrels, or so.

Mr. MACEY: I think I can answer your question, Mr. Sellinger. The Commission authorized 10,000 barrels more or less under their emergency powers because of the fact that the oil was laying out in the pits. It was dangerous and also the fact that we were aware of what happened in the Stanolind case that the minute the well was shut in it never did come back on its own. According to the figures that I have the well is over produced approximately a little short of 6,000 barrels, about 5,800 barrels. It was the intention of this hearing which was called on the Commission's motion to put the facts into the record so that an order could be written authorizing the production that they have already produced. In other words we

want to actually legalize that oil.

MR. SELLINGER: What is the accounting procedure going to be? Is the well to be charged with overage?

MR. MACEY: Yes, we intend to present the figures in the case and adjust the allowable downward so at the end of a certain period of time the total amount of oil that the well produces would not be greater than it would be if it were produced in a normal manner and completed on a certain day.

MR. SELLINGER: That is all I want to get.

MR. MACEY: I don't know whether Aurora has any objections to that plan or what their thoughts are on that matter. Do you understand what we propose to do?

MR. GRAHAM: It will be produced under a strictly reduced - -

MR. MACEY: (Interrupting) Until the time it gets on its own feet. In other words it gets back to even status. Incidentally, the well was originally drilled on Lot 4 in that 40 acre section and subsequently the allowable was raised to 40 barrels and by Commission's order Aurora applied for increase in allowable and granted a 40 acre allowable and it is felt that the 40 acre allowable should apply from the day the well was completed, which we figure is the 13th of October which was the day the oil was first run into the tank. The allowable will be adjusted over probably a total of 18 months period from the start of their production so that at the end of the 18th month period the total production will be exactly the same as it would

be if it had been produced in a normal manner.

A I think that is very fair.

MR. McPHERON: I think we are the only operator in the pool and we would like to concur with the Commission's stand in this matter and we think the adjustment should be made. We think the way they propose to make it is a very vague thing.

MR. SPURRIER: Anyone else? The figures are available in case anyone should care to have them but the Commission can take cognizance of its own record in the interest of time.

Any further comment in the case? If not, the case will be taken under advisement.

(Recess)

MR. SPURRIER: We understand that Aurora has a request to make in Case 380 before we go onto 381, Mr. Simon.

MR. SIMON: We would like to propose a motion concerning the method in which this excess allowable is supposed to be consumed to the extent that subject well be penalized five barrels per day less than the top normal 40 acre unit allowable until sufficient time as the well will have consumed the excess allowable.

MR. SPURRIER: Is there an objection to Mr. Simon's motion?

A VOICE: The question is whether the well will produce at the top allowable for three years.

MR. SPURRIER: That is an eventual thing that Aurora will have to expect, will it not?

MR. SIMON: Actually, it would be only one man's personal opinion as to how long the well will produce with respect to the amount of pay that we have in other San Andres reservoirs. Wells similar to that usually have a life span I would say of at least ten years for San Andres as production, even those that come in on the pump have a life span of that long.

A VOICE: Do they stay on top allowable that long, though? Do you have recollection how many feet of net pay you have there?

A Yes, I think it is in the neighborhood of 20 feet. I think we topped the pay at 4,400, 4,500 feet. Before we could put the brake on we were down to 6,500.

MR. WHITE: Does the well meet the allowable now?

A Yes, the well, the last time that we did take a short periodic test on it it was capable of making 30 barrels an hour.

MR. SPURRIER: Mr. McPheron?

MR. MCPHERON: It appears to me that Aurora has been treated awful nice, allowed 6,000 barrels of production to sell immediately, to pay out their well immediately you might say and I think that the record should be adjusted within 12 to 18 months to reduce the allowable enough to crack the thing within 12 months. I believe the well will produce top allowable that long. I doubt seriously that it will produce top allowable three years. That would depend on what the top allowable is. If it happened to be 60 barrels, three years. Now it couldn't make it.

MR. SIMON: I would like to ask Mr. McPheron why he thinks it is so unfair.

MR. McPHERON: You have been allowed the production?

MR. SIMON: Yes.

MR. McPHERON: It is time to correct it over a reasonable length of time and 12 to 18 months certainly isn't unreasonable.

MR. SIMON: That is correct but I still don't know what basis you are basing the fact it is going to be unreasonable. Is it research that you're interested in?

A VOICE: I think his idea is that the well would suffer an affinity if it gets to top allowable.

MR. SIMON: Suppose we state it five barrels less than the capability of the well should the well not be able to make it.

MR. McPHERON: We have no record of that. You have already established drainage from our lease in all probability. We haven't had any objection to it knowing that it was going to be corrected sooner or later.. The Commission has elected to correct it now and apparently are ready to establish some reasonable length of time to make the correction. Gulf is of the opinion that 12 to 18 months is a long enough time.

MR. SPURRIER: Any further comment?

MR. LAMB: What was the case of Stanolind when the well blew out and salvaged the oil? How long was their well shut in and how long did they have it, did they have an adjustment period?

MR. SIMON: To the best of my knowledge the well was shu in immediately and thereafter when the well was reopened it was just not commercial.

MR. McPHERON: Well, following the precedent it should be shu in.

MR. SIMON: I beg your pardon? We're dealing here with conservation. That is the basis behind the hearing.

MR. McPHERON: The precedent was established and the Stanolind line was shu in until enough time elapsed to consume the allowable. The precedent has been established.

MR. SIMON: You had a man testify here that the Stanolind well was hurt severely and they attributed it to the fact it had been shut in so long.

MR. SPURRIER: Is that correct?

MR. SHIER: Insofar as Gulf's recommendations are concerned. Do you have any idea what your estimated recoveries per acre are?

MR. McPHERON: I don't have them here. I am sure we have them.

MR. WALKER: Gulf will estimate a recovery there far beyond a ten year period, based on the top allowable which would eliminate any question of getting that oil back within any period. I think your engineering records would show that.

MR. McPHERON: What would be your estimate of the barrels per acre?

MR. SHIER: I would say a minimum of 5,000 barrels per

acre.

MR. WALKER: What recovery? You mean in barrels so far?

MR. SHIER: Barrels per acre.

MR. WALKER: You have a good well there that is flowing its allowable with ease. I think that the figure of 5,000 barrels per acre is very low.

MR. SHIER: Not for that pay.

MR. WALKER: All we can go on is our engineering data and we can make it with ease.

MR. SPURRIER: Any other comment?

MR. SIMON: As far as our case is concerned we will leave it to the Commission.

MR. SHIER: We don't feel that we are asking for anything in excess of what we should get. As Mr. McPheron says the Commission has been very nice to us and everyone has been nice to us. I don't think we have abused it in any particular way. I don't think we have treated this thing in any other way except from the Stanolind point of conservation. At all times we were in touch with people who were giving us very good advice.

MR. SPURRIER: Any other comments? If not, the case will be taken under advisement and we will move onto Case No. 381.

STATE OF NEW MEXICO)
 :
COUNTY OF BERNALILLO)

I HEREBY CERTIFY that the foregoing and attached transcript of hearing in Case No. 380 before the Oil Conservation Commission, State of New Mexico, at Santa Fe, on July 15, 1952, is a true and correct record of the same to the best of my knowledge, skill and ability.

DATED at Albuquerque, New Mexico, this _____ day of July, 1952.

REPORTER