

BEFORE THE
OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

Santa Fe, New Mexico
February 17, 1955

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TRANSCRIPT OF PROCEEDINGS

CASE NO. 829

Regular Hearing

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 17, 1955

IN THE MATTER OF:

The application of the Oil Conservation Commission for revision of an administrative order in creation of a non-standard gas proration unit.

Applicant, in the above-styled cause, seeks an order amending Administrative Order NSP-49 and directing Drilling and Exploration Company Inc., to reduce the size of the non-standard gas proration unit permitted therein to conform to provisions of Paragraph 3 of Rule 5(a) of the Special Rules and Regulations for the Eumont Gas Pool, as set forth in Order R-520; the resulting proration unit to consist of SW/4 of Section 19, Township 21 South Range 36 East, Lea County, New Mexico.

Case No. 829

BEFORE:

Honorable John Simms, Jr.
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 829.

(Statement of Policy on the Formation of Non-Standard Gas Proration Units (Presented at February 16 Hearing by W. F. Kitts, Attorney)).

Considerable confusion has developed in recent weeks regarding the formation of non-standard gas proration units in Lea County gas pools, and the following statement is presented in an effort to eliminate this confusion and to clarify the requirements in filing applications for approval of non-standard gas proration units in the Southeast gas pools.

The basic considerations for approval of all applications

will be that the formation of such unit will:

1. Prevent Waste
2. Protect Correlative Rights
3. Serve the Best Interests of Conservation

For an application to receive consideration for administrative approval, the unit for which the exception is requested must in all respects meet the requirements of Rule 5(a) paragraph 3 and Rule 5(b) of the various pool rules contained in Order R-520. Any application which does not meet these requirements for administrative approval must be heard after notice at a hearing of the Commission at which time the merits of the application can be considered.

Further, the Commission Staff feels that Order R-520 clearly implies the radius of influence for one well in the various Southeast gas pools, covered by Order R-520, to be 3735' -- that is, the radius of a circle which will totally enclose a 640-acre section. And that such radius should be applied to all applications for exception to the provisions of Order R-520. Quite naturally, this radius of influence cannot be the only consideration and factors of economics, offset counter-drainage, and good operating practice must be considered. The Commission Staff is aware that each request for approval of a non-standard gas proration unit must stand on its own merits, and be treated individually - and we take note of this fact.

We have briefly outlined our position in an effort to assist the operators in making application for and securing non-standard proration units, and with the hope that the operators can assist the Commission Staff by keeping their units within the limits as set out in this statement, in so far as economics and good operating

practice will permit.

We are certain that we can count on the full support of all of the operators.)

MR. GIRAND: W. D. Girand, representing Drilling and Exploration Company. We are answering in response to a show-cause order now in Case 829. We assumed that, by reason of the Commission Administrative Order, that we had complied with everything other than explaining to the Commission why our well was not an orthodox well.

Unfortunately, we are in a position where we have drilled a well on a range -- correction -- line whereby we are 185 feet short of a full section. It wasn't known until after we had had a survey made at the time of drilling the well.

J E R R Y C. M c C A I N E ,

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. GIRAND:

Q Will you state your name, please?

A Jerry C. McCaine.

Q Have you ever testified before the Commission here?

A No, sir, I haven't.

Q By whom are you employed?

A Drilling and Exploration Company.

Q Will you tell the Commission in what capacity?

A As an engineer.

Q Will you give the Commission a brief background of your education?

A Well, I graduated from the University of Houston in 1952, worked for the Reserve Department Baylord Sales Division until January, 1954, then went to work for Drilling and Exploration Company.

Q You are now so employed?

A Yes, sir.

MR. GIRAND: Is the Commission satisfied with his qualifications?

MR. MACEY: They are.

(Marked Exhibits Nos. 1 and 2, for identification.)

Q Mr. McCaine, I hand you here, Applicant's Exhibit 1 and ask you to explain to the Commission what that represents and purports to show?

A Exhibit 1 is a portion of the Eumont Pool, and it shows the location of the Drilling and Exploration Company's State "F" Lease, and the location of the State "F" No. 3 Well on that lease, in relation to wells around it.

Q Referring to Exhibit 1, can you identify any other gas wells producing from the same horizon of your State "F" No. 3 Well?

A Approximately one mile to the south there is a Continental Lockhart "A" No. 6 producing from the Seven Rivers, Queen.

Q There is a gas well in the southeast of the northeast of Section 19?

A Yes, sir, that is a Standard of Texas No. 1 State.

Q Do you know from what horizon they are producing that well?

A From information available to us, it is a Seven Rivers, Queen.

Q The gas well immediately, being an east offset to your Well Number 3, from where is that well producing?

A That is the Sinclair 176 Number 3, and it is a Queen gas well.

Q Your well is producing from what zone?

A It is a Seven Rivers-Yates gas well.

Q Mr. McCaine, does the Drilling and Exploration Company own all of the acreage outlined in yellow in Exhibit 2?

A Yes, sir, they do.

Q Is that all of the acreage they own in that section?

A Yes, sir, it is.

Q Do they have a common royalty owner under that lease?

A Yes, sir, they do.

Q Now, Mr. McCaine, is that a regular section, or is it a large or small section?

A It is a small section in width, due to the range correction between Range 36 East and 35 East.

Q When was the Well Number 3 completed?

A The Number 3 State "F" was originally completed as an oil well 7-19-54, dually completed as a gas well in the Seven Rivers-Yates 1-11-55.

Q At the time of your dual completion, did you have a hearing on that matter?

A Yes, we did.

Q Did the Commission grant you the authority to go ahead and dually complete the well?

A Yes, sir.

Q Thereafter, did you submit an application for the establish-

ing of a proration unit comprised of 185 acres, being the southwest quarter of Section 19 and the southwest quarter of the northwest quarter of Section 19?

A Yes, sir.

Q Was that allowed?

A Yes, sir, it was.

Q Have you had occasion to check the well logs on the surrounding wells offsetting the acreage?

A Yes.

Q Do you find that the same zone penetrated by the Number 3 are penetrated by those wells?

A Yes, sir.

Q In your opinion, as an engineer, do you believe that all of the acreage is capable of producing gas?

A Yes, sir, it is.

Q Do you feel that one well will protect your rights if the Commission allows the unit to stand as granted?

A Yes, it will.

MR. GIRAND: If the Commission please, at this time we would like to introduce Exhibits 1 and 2.

MR. MACEY: Is there objection to the introduction of the Exhibits 1 and 2? If not they will be received.

MR. GIRAND: We would also like to introduce the well record file and also the record in Case Number 148, being our dual completion record, and also the record in Case Number NSP-49.

MR. MACEY: You want to introduce the completion file on the well introduced in evidence?

MR. GIRAND: That is right.

MR. MACEY: What was the case number in the dual completion, 148, and also the record in NSP-49? Is there objection to introduction of these in evidence? If not, they will be received. Any questions of the witness? Mr. Rhodes?

CROSS EXAMINATION

By MR. RHODES:

Q This is in the Eumont Gas Pool, is it not?

A Yes, sir.

Q Those oil wells are Queen Wells?

MR. MACEY: Which oil wells are you talking about?

Q The oil wells within the boundaries of the proposed proration unit?

A The wells surrounding there are either Queen or Penrose, to our knowledge.

Q Queen or Penrose?

A Well, I think some people differentiate the Penrose as Lower Queen, some people call it Queen.

Q They are definitely not Grayburg or San Andres?

A The wells on our lease are not.

Q Your gas well is a Yates Gas Well, Yates and Upper Seven Rivers?

A Yes, it is.

Q The vertical limits of the Eumont Gas Pool consist of the Yates, Seven Rivers and Queen formation, is that not correct?

A Yes, sir.

Q Therefore, if we were to allow you a 185-acre gas allowable or 160 gas allowable, or any gas allowable for a well producing from the Yates on the same land on which are located oil wells

producing from the Queen, would we not be allowing Drilling and Exploration Company to extract a considerably greater volumetric allowable than perhaps it offsets?

MR. GIRAND: I believe the question is a little argumentative. He answered it himself in his question.

MR. MACEY: You want to restate it?

Q I will put it this way. It looks to me like you are getting two allowables on the same acreage.

A Well, it is somewhat of a common belief, like you say, you are in the same vertical limits, but there seems to be also vertical limits to your gas, in that you can produce it without effecting the oil as far as pressures. I mean, you have your impermeable zones between, so I don't believe the Yates -- Are you saying that our production of the Yates is going to effect the Queen oil, or is it --

Q (Interrupting) I am saying, Mr. McCaine, that you have a gas well and one, two, three, four oil wells all completed within the vertical limits of the Eumont Gas Pool, as presently defined by the Commission, and that, therefore, you would be getting a gas allowable and oil allowable on the same acreage.

A That is not a common practice?

Q We try to keep it down.

A It is just that the gas is there, and it is not going to be drained, it is going to be waste if it is not to somebody's benefit to drain it. We think we are adequately situated to do so.

Q Perhaps we have a case here for the redefinition of the vertical limits of the Eumont Gas Pool in this area?

A That may be possible, too.

MR. MACEY: For the purpose of the record, the Commission Staff has been looking at the Eumont situation for quite sometime, and we intend to have some hearings, possibly in April, involving the very thing which came up just at this time. There are a number of wells which are producing exactly in the same circumstances that Drilling and Exploration Company has, in fact, we have dual completions within the vertical limits of the Eumont Gas Pool. I am making the statement so that you can start thinking about it, because it is inevitable that something is going to have to be done within another two or three months. Do you have any further questions?

MR. RHODES: That is all.

RE-DIRECT EXAMINATION

By MR. GIRAND:

Q Your gas production, do you produce any oil with that gas?

A No, sir.

Q That is a dry gas?

A Yes, sir.

Q Do you have any production reports on it, its potential?

A On the gas zone of this?

Q Yes.

A Yes, sir, we have the initial test on it, which gave a deliverability at 905 PSI. The absolute open-flow was 72,000 MCF per day.

Q Do you feel that the well is capable of producing the allowable allotted to 185 acres on the present proration schedule?

A Yes, I do.

MR. MACEY: Anyone else? If not the witness may be excused

and we will take the case under advisement.

(Witness excused.)

MR. GIRAND: I would like to make this comment. If the Commission please, your show-cause order said that you might cut off our allowable on March the 1st. I guess we can assume that the allowable will be continued until the Commission acts on these hearings?

MR. MACEY: I think we will act on them before March the 1st.

MR. GIRAND: Thank you.

STATE OF NEW MEXICO)
 : ss.
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 23rd day of February, 1955.


Notary Public, Court Reporter

My Commission Expires:
June 19, 1955