

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO
June 28, 1955

IN THE MATTER OF:

CASE NO. 915

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
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Q How long have you been in the Lea County area?

A Four and a half years.

MR. DAVIS: Are the qualifications of this witness satisfactory?

MR. MACEY: They are.

Q Mr. Watts, are you familiar with the subject matter of Aztec Oil and Gas Company's Case 915?

A Yes, I am.

MR. DAVIS: I have a plat which I would like to have you identify.

(Marked Aztec Oil and Gas Company's
Exhibit No. 1, for identification.)

Q Would you describe the non-standard proration unit as shown on that map?

A This proposed unit comprises the east half of the northeast quarter of Section 28, Township 19 South, Range 37 East; and the southwest quarter of the northwest quarter of Section 27.

Q Where is the existing well on the proposed unit located?

A 1980 feet from the north and 660 feet from the west line.

Q When was this well completed?

A In November of 1950.

Q Is it connected to a pipeline?

A Yes, presently connected to Permian Basin pipeline.

Q Mr. Watts, does Aztec Oil and Gas Company own all the working interest in this proposed non-standard unit?

A Yes.

Q Who are the royalty owners?

A Mr. S. T. Burk.

Q What is the well name?

A Burk Number 2.

Q The Burk No. 2 well then was completed and producing, and on production prior to the adoption of an order providing for gas proration in the Eumont Pool, is that correct?

A Yes, that is correct.

Q What is the formation from which this well is producing?

A It is producing from the Queen.

Q Is the entire proposed unit within the boundaries of the Eumont Gas Pool, as defined by the Commission?

A Yes, they are.

Q Does the location of the well conform to the spacing requirements and the other rules and regulations of the Commission at the time that the well was originally drilled?

A Yes, that is true.

Q Is it practicable or possible to pool and combine Aztec Oil and Gas Company's leases in this area so as to form a standard unit?

A No, it isn't because of previous non-standard units. When we originally drilled this well we made an attempt to create a 160-acre unit, however, the royalty owner, Mr. Burk, would not agree to it. Since that time, Ohio has formed a non-standard unit embracing the west half of the southeast quarter of Section 28, and the southeast quarter -- I am sorry -- southwest quarter of the northeast quarter of Section 28, that is a 120-acre non-standard unit. Because of that, we can not form a unit with Ohio. We have waivers from Gulf who owns offset acreage to the east and they do not desire to unitize with us.

Q Excuse me just a moment. Where would Gulf -- You say to the east, where is that acreage located?

A It would be the northwest of the northwest of Section 27. Further, we did not receive a reply from Anderson-Pritchard in time for the hearing, as to their desire to form a unit. I might add that Anderson-Pritchard owns acreage to the west in Section 28.

Q Mr. Watts, it is your opinion that the proposed non-standard or unorthodox gas proration unit be reasonably presumed to be productive of gas?

A Yes.

Q Is there any question about the ability of the well to produce 120-acre allowable if assigned by the Commission?

A No, it is capable of producing.

Q Is it also your opinion that if this proposed non-standard proration unit is not granted by the Commission that the applicant in this case will be deprived of an opportunity to recover his just and equitable share of the gas in the reservoir of the Eumont Gas Pool?

A Yes.

Q Is it also your opinion that the creation of the proposed gas proration unit that you have already described, would prevent waste and protect correlative rights?

A Yes.

MR. DAVIS: If the Commission please, in this particular case there are three or four exhibits, perhaps more-- I don't recall -- that were presented in connection with the hearing in November, 1952, particularly as to the attitude of the land owner, Mr. Burk, and his refusal to grant us the right to pool these properties. Of course, we haven't attempted to force him. If it is possible, or there is a need for those exhibits, we will be glad

to produce them, or perhaps the file can be made available for a study in this case, purely for letters from Mr. Burk.

MR. MACEY: I think it would be well within the call of the record for the record in that case to be incorporated in this case.

MR. DAVIS: Thank you.

MR. MACEY: What case number was that, do you remember?

MR. DAVIS: I can look it up.

MR. MACEY: It was in November.

MR. DAVIS: I believe it was 620.

MR. MONTGOMERY: The order was R-524.

MR. MANKIN: Case 620.

MR. MACEY: I have it here. Case 620 is the case number. The record in Case 620 will be incorporated in this case.

MR. DAVIS: I would like to introduce in this case a copy of waiver received from Gulf Oil Corporation, and if the Commission please, I would like to have our plat as an exhibit and present the waiver to the Commission.

MR. MACEY: You want the plat marked 1 and the waiver, 2?

MR. DAVIS: Please.

(Marked Aztec Oil and Gas Company's Exhibit 2, for identification.)

MR. MACEY: The exhibits will be received. Mr. Montgomery?

CROSS EXAMINATION

By MR. MONTGOMERY:

Q You say the well was completed in November, 1950?

A Yes.

Q The well is making some oil at this time?

A Yes.

Q Our records show it started making oil in November of 1954, is that correct?

A Yes, that is correct.

Q Also, we show the gas-oil ratio as 19,000 to 1?

A Yes, that is correct.

Q Does that indicate to you that possibly oil is migrating up structure?

A Well, possibly. If you will notice also that the well is produced relatively few days in each month. For example, in February and March, it only produced four days in March. The gas-oil ratio was, I believe -- What was your figure?

Q 19,000.

A 19,000 something -- it had you might say, unloaded a pretty good load of oil when they first opened the well and that is one reason for the low gas-oil ratio. If you would investigate a little further back, on back to November or December and January, I think you will find that the gas-oil ratio has varied from as much as 114,000 on down to the 19,000.

Q Do you have the figures there in front of you from, say, January to March or April or May?

A Here is what I was referring to, for example, in July of '54 the gas-oil ratio was, it was 109,000; in August 130,000, based on a monthly basis. It dropped down in September, there was no production because of proration; October the ratio was probably 30,000, climbing in November to 64,000 and climbing again in February to 114,000, dropping again to 19,000 because of the number of days produced, and in May the ratio was coming up a little bit

to 58,000. Again in May it only produced seven days. Right now the well is over produced.

Q Back to the question about the four years that the well did not produce any oil, only produced dry gas. Now, for almost a year it has been producing oil?

A That was a result of a workover and fracture treatment.

Q It does not necessarily indicate that maybe oil is moving up structure?

A Not necessarily because of the fracture treatment.

MR. MONTGOMERY: That is all I have.

MR. MACEY: Anyone else have a question of the witness?

MR. HINKLE: Clarence Hinkle, representing Humble Oil and Refining. I would like to ask a few questions.

By MR. HINKLE:

Q Mr. Watts, the gas well you referred to I assume is the one that is located in the southeast quarter of the northeast quarter of Section 28?

A Yes.

Q That well is producing from the Queen formation?

A Yes.

Q In view of your testimony which you have just given, do you think that well should be classified as a gas well or oil well?

A Well, based on our tests, it would be, our production on an average, it would be below the 100,000 to 1 ratio. However, with increased gas production, it is quite possible that our gas-oil ratio will climb. Now I can add to that, we recently ran a 4^{point} test, and it was after unloading the well of oil, and the gas-oil ratio in that test varied considerably; on the highest rate of

flow our gas-oil ratio was 150,000, and the lowest rate of flow, which was approximately 107,000. Our gas oil ratio was over 100,000, 107,000. So, if we could keep the well unloaded and with constant production, I believe our gas-oil ratio would approach 100,000.

Q It is your belief that it should be classified as a gas well, and if you produce it constantly it would likely make more than 100,000?

A Yes.

Q What is the potential or capacity of the well?

A Three million absolute open flow.

Q I believe that you testified that it could be reasonably presumed that this 120 acres, which you propose to put in this non-standard unit is productive of gas?

A Yes.

The Humble Oil and Refining Company has an isolated 40-acres consisting of the southeast quarter of the northwest quarter of Section 27.

A Yes.

Q Have you made any effort to negotiate with the Humble toward getting the Humble to go in with you on this unit?

A Only toward getting a waiver for the unit.

Q Did the Humble give a waiver?

A No, they did not.

Q They were approached and refused to give a waiver?

A Yes.

Q But there have been no negotiations where you have sought to have the Humble join the unit?

A No, sir, they made no approach at the time they did not grant our waiver.

Q If the Humble is willing to negotiate with you to join the unit, are you willing that they join?

A Well, at the time, I think that would necessitate a little further study and possibly approach Gulf, because they would be nearer the well, and I would rather not answer that at this time. I believe it would require further study.

Q In view of your information and test, and also in view of the fact that there is another gas well located in the northeast quarter of the southwest quarter of Section 27, would you say that the Humble acreage is reasonably presumed to be productive of gas?

A Would you restate that question?

Q In view of the fact that there is another gas well located in the northeast quarter of the southwest quarter of Section 27, which is involved in your Case No. 916, which is an offset to the Humble 40 acres, would you say that the Humble acreage is also reasonably presumed to be productive of gas?

A Yes.

Q Isn't it a fact that the Humble 40 would logically be subject to one or the other of these units?

A Yes, and in that respect, I believe it would be more logical for it to be with the latter well that you mentioned.

Q That is involved in Case 916?

A Yes.

Q This is in connection with 916, but I will ask you now, have you made any effort to negotiate with the Humble to unitize

that 40 in connection with the other well?

A Not toward a unit, only in requesting a waiver for our 120 acre unit.

Q The east half of the northeast quarter of Section 28 is fee land, is it not?

A Yes.

Q I think all the lands in Section 27 are State lands, are they not?

A Yes, that is correct.

Q You propose, then, to communitize an 80 acres of fee land and the 40 acres of State land?

A No, I don't believe so.

MR. MACEY: Mr. Watts, you didn't answer his question correctly. He asked you if all the acreage in Section 27 was State land. You said yes. Part of it is fee land.

A No, I understood him to say the east -- I misunderstood him. I am thinking about the --

MR. HINKLE: He is talking about this.

A This is all fee land. All the acreage in our proposed unit in Case 915 is fee land. All the acreage in our proposed unit in Case 916 is State land.

Q Do you know of any reason why you would be prevented from communitizing partly fee and partly State land?

A No, unless based on Mr. Burk's actions in the past, if he would have to agree to it, as a royalty owner, I believe there would be some objection.

Q Is Mr. Burk interested in the southwest quarter of the north-

west quarter of 27?

A The southwest of the northwest of 27 -- Yes.

MR. DAVIS: I believe Mr. Watts testified that Mr. Burk was the owner of the entire land in the proposed unit.

Q I believe that you have testified that in your opinion this unit would protect correlative rights. You think it would also protect the correlative rights of the Humble there in connection with their 40?

A I will answer it this way. Conceivably, if Humble could communitize in the other unit, that is our Maxwell State, which will be covered by 916, they would be protected and probably not hurt by the 120-acre unit that we proposed in Burk No. 2.

Q What is the status of the well which is located in the northeast quarter of the southwest quarter of 27, is it essentially a gas well?

MR. DAVIS: We haven't put a case on about this well yet. I am going to object to it. We will be glad to have him ask the questions after we get it on.

MR. MACEY: You withdraw the question, Mr. Hinkle?

MR. HINKLE: I withdraw it.

MR. MACEY: Do you have anything further?

MR. HINKLE: That is all.

MR. MACEY: Anyone else have a question of the witness?

Mr. Rieder?

By MR. RIEDER:

Q What is the volume of the fluid produced by the No. 2 Burk, per month?

A Approximately 200 barrels, just to read it off, say, since October of last year, 240 barrels; 148; 348 barrels; 335; 39; 156; 219 in April, and 161 in May.

Q What is the gravity of that production?

A Approximately 39 degrees.

Q About 39?

A Yes.

Q The color?

A It is dark.

Q Dark?

A Yes.

Q Not much relationship to condensity?

A No.

Q It is pretty much true oil?

A Yes.

MR. MACEY: Anyone else have a question of the witness?

RE-DIRECT EXAMINATION

By MR. DAVIS:

Q I have a question to clear up a point here. Mr. Watts, in connection with Mr. Hinkle's cross examination, is it not true that if Humble desired to drill a well up there, there is plenty of undedicated lands in Section 27 that would be available for any size unit they desired?

A Yes, that is true, there is at least 160, and possibly more if they unitize with Gulf.

Q What part of the north half of Section 27 has, or is proposed to be dedicated to a well?

A In Section 27, only 40 acres is proposed in the north half of

Section 27, only 40 acres has been proposed in a unit, and that would leave 280 acres remaining for a unit.

Q Going back to 1953, at which time Aztec made its initial application for a proposed non-standard unit, as requested in this case, do you have knowledge of the fact that a letter was written to Humble, advising them of our intention, and if there was any desire to communitize we would be glad to hear from them?

A Yes.

Q Did we have a reply to that letter?

A Not to the effect of unitizing.

Q What was the nature of their reply to our letter in November, 1953?

A They were unwilling to grant the waivers and said nothing about a unit.

Q To your knowledge, have we ever been approached on it, with the fact that these cases have had one hearing, and now this has been advertised for a month and a half, has it come to your attention of a desire on their part to communitize?

A No, we have received no correspondence from them.

MR. DAVIS: That is all I have in this case.

MR. MACEY: Does anyone have anything further in this case? Any questions of the witness?

MR. DAVIS: I would like to make a statement.

MR. MACEY: The witness may be excused in Case 915.

(Witness excused.)

MR. DAVIS: In Case 915, it seems to me that if there is any or has been a desire to communitize, to participate in that well,

the Burk No. 2, every opportunity has been given to the Humble Company, and we haven't heard anything from them, and we feel like it is just a little late at this time to come in and start discussing the possibility of communitization. That is a matter, particularly where you have an existing well, that requires considerable negotiations as to the cost and preparing the necessary communitization papers, which takes more than a week's time.

We did hear from Gulf, who would be the logical company to participate in this well, by the contribution of their northwest of the northwest quarter to form a square of 160 acres. As we have brought out in the testimony, it is impossible to form a standard or orthodox unit of the northeast quarter of 28. Therefore, we feel that the granting of the 120 acre allowable will certainly not jeopardize anybody's right to further drilling in the area.

We believe that their correlative rights are just as protected now and will be after the approval of the unit as they have been over the past few years. We urge the Commission to grant us this allowable so we will not be deprived of our opportunity to recover what we think is our just and equitable share of the gas in this reservoir.

MR. MACEY: Anyone else have anything further in this case? If there is nothing else we will take the case under advisement.

MR. HINKLE: I would like for you to open Case 915, and for the record to show that the Humble has made a formal request that it be permitted to join the unit which is proposed in that Case 915.

MR. MACEY: Let the record so show.

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 1st day of July, 1954.

Ada Dearnley
 Notary Public, Court Reporter

My Commission Expires:

June 12, 1952