

MAIN OFFICE 600

9 JAN 1956 PM 12:53

BEFORE THE

Oil Conservation Commission

SANTA FE, NEW MEXICO

January 19, 1956

IN THE MATTER OF:

CASE NO. 991

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES

COURT REPORTERS

605 SIMMS BUILDING

TELEPHONE 3-6691

ALBUQUERQUE, NEW MEXICO

recompleted in the Jalmat Gas Pool. It is not presently completed in that zone.

R. G. HILTZ

having first been duly sworn, testified as follows;

BY: MR. SMITH:

Q Will you state your name, please? A R. G. Hiltz.

Q By whom are you employed?

A The Stanolind Oil and Gas Company.

Q In what capacity?

A I am a petroleum engineer.

Q How long have you been employed by Stanolind?

A Seven and a half years.

Q You have testified before the Commission on other occasions, have you not?

A Yes, I have.

MR. SMITH: I would like to ask if the Commission will accept Mr. Hiltz's qualifications as an expert?

MR. MACEY: They are acceptable.

Q You are familiar with the application of Stanolind Oil and Gas Company for a non-standard gas proration unit in the Jalmat Gas Pool, the subject of your present testimony?

A Yes, I am.

Q You have prepared or had prepared for you certain exhibits incident to the testimony you are about to give?

A Yes, I have.

(Marked Stanolind's Exhibits
No. 1 through 6, inclusive.)

Q I hand you what has been marked for identification as Stanolind's Exhibit No. 1 and ask you what Exhibit No. 1 purports to display?

A Exhibit 1 is a map of a portion of the Jalmat Gas Pool showing the area of the proposed proration unit. Shown on this map are all gas wells currently producing from this portion of the Jalmat Gas Pool, certain oil wells underlying and producing from the acreage of the Langlie-Mattix Oil Pool and other wells in the Fowler Field. The map also shows the proposed gas proration unit with which this case is concerned. The area involved is outlined in a dotted red line and is further described as being the East Half of the East Half of Section 16, Township 24 South, Range 37 East, and the Northwest quarter of the Northeast quarter in the same section.

Q Is there a well presently located on the proposed unit?

A They are no wells located on the proposed unit which are currently producing from the Jalmat Gas Pool. There are two producing wells within the boundaries of the proposed unit. However, one of those is Humble's Ellenburger Well, their State "AB" Well Number 1 shown in the Southeast quarter of the Southeast quarter. There are two other wells in the -- correction -- Humble's well is located in the Southeast quarter of the Northeast quarter. Stanolind's well to which we propose to attribute the acreage is located in the Southeast quarter of the Southeast quarter and is shown as State "D" Tract 14, Well No. 1.

Q In what zone is that well completed?

A That well is currently completed as an oil well in the Langlie-Mattix Oil Field. However, it has an extremely high oil ratio and is shown on the gas proration schedule as a gas well. There is a dry hole immediately to

the east, and is known as a dry Ellenburger well drilled by Stanolind.

Q Does Stanolind propose to recomplate the Langlie-Mattix Oil Well as a gas well in the Yates and Seven River sands?

A Yes, we will if the unit is approved, recomplate the State "D" Tract 14 No. 1 well as a Jalmat Gas Well.

Q What is the situation with respect to whether or not other acreage in the same section constitutes an orthodox unit.

A As to the remaining acreage in the section, the Northwest quarter is a 160 acre gas proration unit currently attributed to Skelly's State Gas Well No. 1. The remaining acreage in the section, which in this case is also outlined by a dotted red line, in a gas proration unit which has now been approved by the Commission as a 280 acre gas proration unit to be assigned to Gulf's Holt No. 2, which is located in the Southeast quarter of the Southwest quarter. Thus all of the acreage in the section would be accounted for by the acreage being attributed now to existing gas wells or proposed to be attributed to the recompletion of our State "D" Tract No. 1.

Q All of the other proration units in the section are non-standard at present, as I understand your testimony, is that right?

A I believe that Exhibit 1 will reflect the fact that the other existing gas proration units are outlined by solid red lines and they obviously vary in size and shape. They are, for the most part, they are non-standard units, and they are not uniform either as to size or shape.

Q What is the situation with respect to whether or not the proposed unit lies within the present horizontal field limits of the Yates?

A As far as this section is concerned, only the west half of Section 16 is currently within the horizontal limits of the Jalmat Gas Pool. However, since the Commission has now approved the Gulf Unit, to which I have previously referred, it is my understanding that the February Docket of the Commission will include a nomenclature to consider enlargement of the field limits as necessary, to bring the additional units which may be approved by the Commission.

Q Does Stanolind Oil and Gas Company have a working interest in the entire 200 acres proposed in the unit?

A At the present they do not. Stanolind has a working interest only in the Southeast quarter of the Southeast quarter and the Northwest quarter of the Northeast quarter. The remaining 120 acres is held by Humble Oil and Refining Company. However, at the present time, Stanolind is negotiating with Humble to acquire their working interest in this 120 acres under a farmout contract. When that is consummated, Stanolind will then have all of the working interest in the entire 200 acres and the acreage will be pooled to form the unit as proposed.

Q Stanolind will be the operator of the unit?

A Yes, they will.

Q Now, are these leases that are to be pooled all State of New Mexico leases?

A Yes, it is all state acreage.

Q It will be the same royalty ownership? A Yes, sir.

Q You have already testified, I believe, with respect to the location of the well to be recompleted?

A Yes, I have.

Q Now, in your opinion, is all of that acreage to be attributed to this well reasonably proven to be productive of gas?

A In my opinion it is.

Q You have on Exhibit 1 certain blue lines, what do they purport to be?

A Exhibit 1 has been contoured on top of the Yates, which formation is in the vertical limits of the Jalmat Gas Pool. The contour interval shown is fifty feet. It is readily apparent that there is a local high in the Yates in this immediate area as reflected by the contours --

Q (Interrupting) Now -- excuse me, go ahead.

A (Continuing) -- and from a study of the structure, as indicated, there is no evidence of any structural anomalies which would indicate that all of this might not be producing from a common reservoir. In my opinion, based on structural information, all of the wells in this area are producing from a common source of supply.

Q I hand you what has been marked for identification as Stanolind's Exhibit No. 2 and Exhibit No. 3, and ask you to tell the Commission what the cross sections appearing thereon represent?

A Exhibits 2 and 3 are cross sections, the trace of which is shown in each case on our Exhibit No. 1. Each includes three wells in the immediate vicinity of the proposed unit. The objective in developing these cross sections is to show that the Yates Formation or the entire Jalmat Gas pay wherever indicated, is continuous throughout the area indicated by the cross sections. There is no evidence of any impermeable barrier which would indicate that

there would be a barrier to communication while the quality of the sand member seems to vary a little bit from well to well. In my opinion it does show that the Jalmat Gas pay can be correlated throughout the entire area and in my opinion all the wells are producing from a common source of supply and --

Q (Interrupting) Excuse me, go ahead.

A (Continuing) -- that all the acreage involved is thought to be reasonably proven productive.

Q Directing your attention to Stanolind's Exhibit 4, 5 and 6, will you please tell the Commission what those Exhibit show?

A Exhibit 4 is simply a tabulation of pertinent well completion data on all Jalmat Gas wells as reflected on Exhibit 1. Exhibit 5 is a tabulation of the latest deliverability test data on those same wells, and Exhibit 6 is a tabulation of production data for all months available for the year 1955 on the same group of wells.

Q What is your conclusion from examination of Exhibits 4, 5, 6?

A Based on the structural information and examination of the cross sections, and the productivity of wells producing from the Jalmat in the immediate area, I believe that all the acreage is reasonably proven productive and that all of the acreage can be assigned to that well for proration purposes.

Q In your opinion, are there other wells in the vicinity which may or probably are draining gas out from under the 200 acres involved in the proposed unit?

A Yes, I believe there are other producing Jalmat wells that are currently

draining gas from the proposed gas unit.

Q The well, after recompletion, in your opinion, will efficiently drain the gas from under the proposed unit either by compensation elsewhere in the unit or directly in the well?

A Yes, I believe the Commission has already found that one well in this field will efficiently drain 640 acres. I think we have shown that in this case the wells are producing from the same common source of supply in the Jalmat Gas Pool, for that reason I believe that one well will efficiently drain the acreage we desire to attribute to that well.

Q Are there any other wells in the proposed unit to which the acreage can be assigned in the Jalmat Pool?

A There are none at this time.

Q In your opinion, if the Commission should see fit grant our application, will it avoid the drilling of unnecessary wells?

A In my opinion it would.

Q In your opinion, would such action by the Commission prevent waste and protect correlative rights?

A Yes, it would.

MR. SMITH: That is all we have at this time.

MR. MACEY: Any questions of the witness?

CROSS EXAMINATION

BY MR. NUTTER:

Q I would like to ask Mr. Hiltz one question. Mr. Hiltz, what is Stanolind's C Meyers Number 5 in the Northeast quarter of the Southwest

quarter of Section 9?

A That well is currently carried, I believe on the Langlie-Mattix proration schedule as a gas well. I beg your pardon, as a high gas oil ratio oil well. It has an allowable of one barrel per day with a gas oil ratio of three hundred and fourteen thousand. An attempt was made to complete that well in the Jalmat Gas pay and there was gas production from the well. When an attempt was made to complete it there, however, we did not at that time consider it to be sufficient to complete a commercial gas well, so it was then completed as an oil well in the Langlie-Mattix Oil Pool.

Q So at least for the present time there isn't any gas unit in the Jalmat Pool in that Section 9, is there in Township 10?

A No, there is not.

MR. NUTTER: That is all.

BY MR. GURLEY:

Q Mr. Hiltz, how long has Stanolind been negotiating with Humble about going into a farmout agreement in the upper portion of the unit?

A I am not aware of the exact date it started, but I can say that the agreement is now in our office for review by our attorneys.

Q Then it is in the final stages, is that correct?

A Yes, I believe our attorneys are examining it with the idea of preparing a re-draft or final draft to submit to Humble for their final approval.

Q Do you know of your own knowledge whether there is a possibility it will not be consummated?

A I know of nothing at this time that will prevent it's being consummated?

MR. GURLEY: That is all.

BY MR. KITTS:

Q Mr. Hiltz, on that same line of questions, could you give any estimate in the event of the approval of the unit when you expect the communitization to be completed?

A Oh, I would say probably within sixty days at the most.

MR. KITTS: I see. That is all.

MR. MACEY: Anyone else have a question of the witness? If no further questions, the witness may be excused.

(Witness excused)

MR. SMITH: That is all we have. I would like to offer in evidence Stanolind's Exhibits 1 through 6 inclusive.

MR. MACEY: Is there objection to the introduction of Stanolind's Exhibits 1 through 6?

MR. HINKLE: If the Commission please, Clarence Hinkle, representing Humble Oil and Refining Company. With respect to Case 991, it has been brought out in the testimony of Mr. Hiltz that Humble is interested in the area to the extent of 120 acres; that they are negotiating with Stanolind in connection with a communitization agreement. I am authorized to state for the record that this agreement has been agreed upon in principle, and is in the process of being executed and the details worked out and the Humble would like to go on record as being in favor of this application.

MR. MACEY: Anyone else have a statement or any more testimony? Our attorneys would like to make a request of Stanolind pertaining to the farmout agreement.

MR. GURLEY: We would like to make a formal request to have a certified copy of the farmout agreement for our records as soon as the deal is consumated.

MR. SMITH: As soon as it is consumated we will get it to you.

MR. MACEY: If there is nothing further we will take the case under advisement.

C E R T I F I C A T E

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 Oil Conservation Commission for the State of New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

WITNESS MY HAND, this, the 20th day of January, A.D., 1956.


Court Reporter.