

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 1134

TRANSCRIPT OF PROCEEDINGS

August 22, 1956

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO
August 22, 1956

IN THE MATTER OF:

CASE NO. 1134: Application of Neville G. Penrose, Inc.
for permission to dually complete its
Hinton No. 10 Well in the Blinebry Oil
Pool and the Tubb Gas Pool, Lea County,
New Mexico, in exception to Rule 112-A
(a) of the New Mexico Oil Conservation
Commission Rules and Regulations.
Applicant, in the above-styled cause,
seeks an order permitting the dual
completion of its Hinton No. 10 Well
located in the NW/4 NW/4 of Section 13,
Township 22 South, Range 37 East, Lea
County, New Mexico. Applicant proposes
to produce oil on top from the Blinebry
Oil Pool, through the casing-tubing annu-
lus and gas on the bottom from the Tubb
Gas Pool through the tubing.

BEFORE:

Daniel S. Nutter, Examiner.

T R A N S C R I P T O F P R O C E E D I N G S

MR. NUTTER: The next case on the docket will be Case
No. 1134.

MR. GURLEY: Application of Neville G. Penrose, Inc.
for permission to dually complete its Hinton No. 10 Well in
the Blinebry Oil Pool and the Tubb Gas Pool, Lea County, New
Mexico, in exception to Rule 112-A (a) of the New Mexico Oil
Conservation Commission Rules and Regulations. Applicant, in
the above-styled cause, seeks an order permitting the dual
completion of its Hinton No. 10 Well located in the NW/4 NW/4
of Section 13, Township 22 South, Range 37 East, Lea County,

New Mexico. Applicant proposes to produce oil on top from the Blinebry Oil Pool, through the casing-tubing annulus and gas on the bottom from the Tubb Gas Pool through the tubing.

MR. CAMPBELL: Jack M. Campbell, Campbell and Russell, Roswell, New Mexico, appearing on behalf of the applicant. I have one witness to be sworn, Mr. McNaughton. (Witness is sworn.)

J O H N M C N A U G H T O N

called as a witness on behalf of the applicant, having been first duly sworn on oath, testified as follows:

DIRECT EXAMINATION

BY MR. CAMPBELL:

Q Will you state your name, please?

A John McNaughton.

Q Where do you live and by whom are you employed?

A Fort Worth, Texas; I am employed by the Neville G. Penrose, Inc.

Q In what capacity? A Vice President.

Q You are acquainted with the application of Neville G. Penrose, Inc., in Case No. 1134 before the Examiner, relating to a proposed dual completion in the Blinebry Oil Pool and the Tubb Gas Pool?

A I am.

Q Mr. McNaughton, what well do you propose to use in connection with the dual completion?

A Our Hinton No. 10.

Q Where is that located?

A In the NW/4 of the NW/4 of Section 13, Township 22 South, Range 37 East, Lea County.

Q And do you propose to complete that as an oil well producing in the Blinebry Oil Pool and the gas well producing in the Tubb Gas Pool?

A That is correct.

MR. CAMPBELL: Will you mark the top one Exhibit 1 and the bottom one Exhibit 2?

(Applicant's Exhibit 1 and Exhibit 2 marked for identification.)

Q (By Mr. Campbell) I show you what has been marked Penrose Exhibit No. 1 and ask you to state what that is.

A That is a plat showing the lease ownership surrounding the Hinton No. 10.

Q And does that plat also show the location of the Hinton No. 10 well?

A It does.

Q Where is that well located with reference to the boundaries of Section 13?

A I believe that is 660 from the north and west lines of Section 13.

Q It appears that it might be 330.

A It does, but I can't verify that. May I correct myself there? It is 660 from the north and 330 from the west lines.

Q I refer you, now, to what has been marked Penrose Exhibit 2 and ask you to state what that is.

A That is a diagrammatic sketch showing the original status or present status of the well conditions and the proposed status after we complete through the Tubb section.

Q Will you state to the Examiner briefly the history of this Hinton No. 10 well dually?

A The Hinton No. 10 was drilled to a full depth of 6,555 feet in November of 1946, at which time $5\frac{1}{2}$ inch casing was set at 6,372 feet, cemented with 250 sacks of cement and an attempt was made to complete this well from Drinkard section and it was given a total of 15,000 gallons of acid in the Drinkard section in the open hole, but commercial production was not established and the well was plugged back, was cemented in $5\frac{1}{2}$ inch casing. It was then perforated, the $5\frac{1}{2}$ inch casing was opposite the Blinebry section and that section was treated in three stages with a total of 10,000 gallons of acid and the well has been producing oil from the Blinebry section since that time.

Q Now, referring to Penrose Exhibit No. 2, will you state to the Examiner and for the record, what you propose to do to dually complete this well in accordance with your application if it is granted?

A We propose to perforate the $5\frac{1}{2}$ inch casing opposite the Tubb section at the zones 6,036 to 6,077 and 6,090 to 6,108. A Baker Model D, Production Packer will be set just below the Blinebry perforations and a Tubb string will be run with dual control valves on it. We will allow it to produce from the Blinebry oil through the tubing casing annulus and Tubb gas through the tubing.

Q Why is it, Mr. McNaughton, that you do not propose to use two strings of tubing in this well?

A You will notice that I mentioned that we had $5\frac{1}{2}$ inch casing in the well and it would be very difficult to run two strings of tubing in there without getting special equipment.

Q In your opinion, if you dually complete this well as you propose and as shown on your Exhibit No. 2, you believe that you can produce the well so that there will be no co-mingling of the gas and oil from the two different zones and there will be no waste of oil or gas?

A Yes, sir.

Q In the event the Commission should approve this application, you are, of course, willing to comply with any test that the Commission may from time to time require in connection with the dual completion or any of the production practices in this well?

A Yes, sir.

MR. CAMPBELL: That is all.

MR. NUTTER: Has anyone any more questions?

MR. REIDER: Would you care to comment on the lift efficiency of Blinebry oil to the tubing case annulus?

A I am not just sure what you mean, Mr. Reider, by lift efficiency.

Q Well, sir, isn't it true that as we try to lift oil through the casing tubing it would take a considerable volume of gas -- the greater the area requiring greater energy?

A I think it would be correct -- to take more gas to lift the oil through the annulus.

Q Has any consideration been given to the probable use of two packers with the Baker crossover?

A Yes, we had considered that, but we would like to eliminate that type of hookup if at all possible. First is the economics. We feel that this is a small well; it presently is producing 6 barrels of oil. We plan to treat the Blinebry section

and we hope that we can increase the production from the Blinebry section to possibly ten to fifteen, maybe even twenty barrels of oil a day, but in the event we are unable to do so, we feel that the added expense by having run this extra packer would not be consistent with the amount of revenue that we would obtain. Secondly, we feel that it would be much simpler operating if we can get by with producing oil through the tube casing annulus. By getting by I don't mean anything that is ordered by the Commission but I think it would be easier to operate the well, that is all.

Q Mr. McNaughton, in regard to the event that the production of this well in the manner that you propose results in an increased gas-oil ratio to the point where it might exceed the ratio from that Blinebry pool, I assume then that you would have to make a decision as to whether to abandon that Blinebry oil zone or go into some other type of dual completion which would reduce the amount of gas required to produce the oil, is that correct?

A Well, I would like to elaborate just a little bit there. Actually, the gas-oil ratio is in excess of that allowed by the Commission, but the allowable oil is such that it does not make as much gas as would be allowed for the Blinebry section.

Q Is it correct that the present rule in that pool permits you to produce the equivalent amount of gas as the gas-oil ratio times the top allowable for that particular well?

A That is my understanding, yes, sir.

Q And this well is now producing considerably less than that amount of gas, is it not?

A Yes, sir.

Q And when I refer to the gas-oil ratio I was referring to

that end figure of the total amount of gas permitted under the pool rule in that area.

A That is correct, certainly, if we find that we are producing gas which would cause waste by producing more than, according to my figure, 312,000 cubic foot of gas, we would have to take such steps as are necessary to run a crossover packer or shut in the Blinebry section.

MR. GURLEY: Did your company notify all of the offset operators in your property here, sir?

A It is my understanding that we did not because of the fact that the case was to be advertized prior to the hearing. Is that correct, Russ or Mr. Campbell?

MR. CAMPBELL: That is correct. The requirement with reference to notifying the offset operators is, as I understand it, in connection with the administrative approval of the dual completions under conditions that now are not present here inasmuch as the hearing is required, the notice -- that the public notice that is given, I have always considered was equivalent of the actual notice required under the administrative approval of dual completions.

MR. GURLEY: My reason for asking that is whether or not there has been any objection received by them, by the companies?

A I have talked to the Gulf Oil Corporation in Fort Worth, who hold the lease on the west, and they told me they had no objection. They are the only ones I did contact.

MR. NUTTER: And who owns the quarter section southwest of the northwest quarter?

A That is owned by Roan Oil Company.

MR. NUTTER: You have not contacted --

A I should have said that I have contacted them because we had an interest in the gas that is being produced from that well but not any oil and I have contacted Roan and they have no objection.

MR. NUTTER: Anyone else have any further questions of the witness? Mr. McNaughton, what is the depth of the top of that plug?

A I am sorry, I can't give that to you, sir. I endeavored to find that out. This well was worked on some eight years ago, and our records don't show that information. It is my intention to go into the well and find that plug before we plug back and, if necessary, an additional plug will be set in the bottom of the well. I have no reason to think that the plug is in unsatisfactory condition, but it hasn't been bothered for eight years and as a matter of good procedure it will be necessary to find that plug. That will be reported, of course, in our reports.

MR. NUTTER: Now, on Exhibit No. 2 in the sketch illustration, the present status of the well you show the intervals the Blinebry is presently perforated, is that right?

A Yes, sir.

Q On the proposed status you indicated where the Blinebry will be perforated, but the actual figures are not there. Will the perforations be the same?

A They will be the same. I laid a rule across there and I didn't think it was necessary -- probably I should have.

Q Now, these Tubb perforations, are they pretty firm?

A Yes, sir.

Q How did you establish those, from the electric log?

A From the electric log and re-examination of the samples by our geologist and that recommendation has come to us in a letter.

Q And the principle reason that you haven't considered -- well, you did consider, but you haven't proposed to use two packers with this crossover on there?

A That, and the fact that I feel the less equipment we put in the well the better off we will be, if it works, without incurring waste, I feel that it will be much easier to take care of it.

Q What is the present GO recovery on that Blinbry zone?

A I have a recent test here which I believe was turned in in May or June to the Commission -- produced 36 barrels of oil, 101,300 cubic feet of gas, gas over oil ratio of 16,883. It also produced one barrel of water on that test.

Q You lost me on those figures.

A Thirty-six barrels of oil, one barrel of water, 101,300 cubic feet of gas and a gas over oil ratio of 16,883.

MR. NUTTER: Anyone have any questions of the witness?

MR. REIDER: Mr. McNaughton, do I understand it correctly if by production of this well through the casing tubing annulus the ratio raises, say, about double and the oil production falls off, will you then, immediately, if it classifies the gas well, would you then consider abandonment of that section?

A Yes, I would say that we would consider abandoning it. There is no other way that we could produce it efficiently. Before we would shut in a six barrel oil well, I would probably try and put a crossover packer in there.

Q Well, that was part of the reason of my question. In other words, if by the possibility of the less efficient lift this well might be plugged and abandoned, then I think it might be given some consideration in the hearing. However, if some effort would be made to keep the well on production such as possibly the use of packers, I think that ought to also be brought out.

A Well, I believe I mentioned awhile ago that we would resort to crossover packers if we thought that it was either that or plug the well, assuming that the well continued to indicate that it would produce oil at a reasonable rate. I checked up this morning, I believe the well had produced only a total of 20,000 barrels of oil in its life. I am also aware that the oil section in this Roan Oil Company well in the southwest of northwest of 13 south is making somewhere around sixteen barrels of oil a day.

Q Averaging 18.

A With a gas-oil ratio of about 10,000 to one.

Q Twelve thousand to one.

A Well, I don't know as I could even make a fair estimate as to how much the gas-oil ratio will increase, producing into the tubing casing annulus as compared to production through the tubing, but even if the gas ratio doubles and we could end up with a well as good as theirs, I say it would be economical and no waste.

Q Could you tell me this, is any of your acreage presently dedicated to the Elliott B 13 for gas?

A It is all presently dedicated.

MR. NUTTER: Was that Elliott well completed as a dual completion?

A It is a dual completion from the Blinebry oil section to Blinebry gas section. That dual completion was approved about two years ago, I believe, before the owners were written for the Blinebry gas pool.

MR. NUTTER: How is it producing?

A It is producing much in the same mechanical manner as indicated on the proposed status. They have a Baker production packer set between the Blinebry gas section and the Blinebry oil section and the Blinebry oil section is producing through the tubing, itself, the lower section, and the Blinebry gas section is producing through the tubing casing annulus and there is apparently an allowable for both the gas and oil.

MR. REIDER: Mr. McNaughton, has your company and the Elliott, the Roan, made any discussions as to the removal of your acreage from the Elliott well for the Roan-Elliott B 13?

A You mean to cut us off?

Q No, if this well in the northwest of the northwest is completed as a Blinebry oil well, the current rules of the orders require that you cannot have dual dedication and would require the removal of that quarter section from the dedication to the Elliott B 13.

A I believe maybe you misunderstood what I intended,

Mr. Reider, our 120 acres is dedicated to the gas section of the Roan-Elliott B 13 No. 1. We have no interest in their oil that is being produced in the oil section. They have an allowable for oil which they alone are the recipients of and we have the allowable for oil from our Hinton 10. It states in rather a round about way that exactly what exists on the Roan-Elliott B 13, cannot be.

Q I am aware of that. In other words, it says that you can have a dual completion between the Blinebry oil and Blinebry gas, which prompted my question to the effect that by the same token you could not dedicate simultaneously this acreage.

MR. CAMPBELL: Mr. Examiner, I don't think that follows. There has been a great deal of discussion about dual dedication of acreage, and there is no rule which prevents it at this station whether or not the orders on the other cases involving the other well, having been entered prior to the time of the entry of these new orders. The effect of that is something else, but as it stands there is a valid order permitting the production of the Roan well in the manner in which it is being produced and as long as that order is in existence I can't see that there is any question involved into this well; that is two different things. They are producing gas from the Blinebry gas zone and this acreage is dedicated to it. Penrose proposes to produce a Blinebry oil well on the 160 acre tract and I know of nothing in the Blinebry oil rules that prohibits that at this stage of the development. I know it has been discussed a number of times, but it has never been issued by the Commission to my knowledge. If it has I sure

missed something that I have been watching for. I would like to state that the Elliott B 13 is not under consideration here at this time, only in so far as the NW/4 of the NW/4 is presently dedicated to this acreage.

MR. REIDER: Of course, if there is no question then but that the entire 160 acre tract allowables will be taken from two wells instead of one, you wouldn't get any additional gas allowable if this did become a gas well by virtue of the gas being freed from the zone, but I don't think at this time the question of the other well there seems to me is removed because the order is in existence in the Commission, and, of course, has control over that phase of it. Should that be brought up or changed, why, it could indirectly affect this well. I would like to submit that I feel that possibly some interpretation should be given to the orders inasmuch as the wording, as a matter of opinion, but I feel that the wording might possibly deny the dual dedication of this acreage.

MR. NUTTER: Mr. Reider, is it your idea that the 160 acres is already dedicated to a gas producing well?

MR. REIDER: Yes, sir.

MR. NUTTER: It is your feeling that it can't be -- you can't re-dedicate that to a gas producing well in a Tubb?

MR. REIDER: No, no, the acreage can be dedicated to the Tubb gas well without any question, but the Blinebry oil well that they will complete or that this whole dealing, is dealing with, which they have presently in production -- but the Blinebry oil well possibly might be in conflict with the orders to an

extent. At the time the order states that there will not be a Blinebry oil and a Blinebry dual completion, and that is my opinion that it is the intent of the order; that you cannot simultaneously remove a gas well from the same section, quarter section, or tract of land.

MR. NUTTER: Well, the fact still remains, does it, Mr. Reider, that we presently have 160 acres dedicated to this Roan-Elliott B 13 gas, producing gas from the Blinebry gas pool, and this Penrose Hinton No. 10 is presently completed into the Blinebry?

MR. REIDER: That is correct. But if I may, Mr. Examiner, if both wells were granted their allowables and assigned their allowables prior to the effective date of the order No. R-610 and the validity of the allowables assigned to them is controlled by the orders that were in existence or were not in existence prior to 610, we are presently considering the case with 610 in full force and effect. It is my opinion, at the present time, in the consideration of this case, that 610 does have a bearing, and is in effect and can most certainly be applied at this time to this well.

MR. CAMPBELL: Mr. Examiner, just one thought on that. The point is apparent, but I would like to say that it seems to me quite obvious that Penrose should not be penalized in his application because a well was completed properly and under proper and valid orders of the Commission prior to the time these rules were put into effect. The second thing is if that is the construction that is to be placed upon this and other orders in other gas pools in Lea County, the Commission had better stand by

for a lot of hearings, for there are a number of cases which are, if not identical, certainly parallel with this, with the exception of the fact that in most instances you don't have a well completed prior to the time that these rules were adopted but it doesn't seem to me to be fair to penalize Penrose because of some action of another party prior to the time that these orders went into effect, but, of course, the Commission will have to consider all of those aspects in connection with this application.

MR. NUTTER: Well, the well came into the hearings with an allowable and the hearing is for the purpose of considering a dual completion to get an allowable for the Tubb pool.

MR. CAMPBELL: Well, now he has an oil allowable, that is correct.

MR. NUTTER: Are there any further questions of the witness? Does anyone have any statement they wish to make? Mr. Campbell, do you want to offer those exhibits?

MR. CAMPBELL: Does the record show that I offered Penrose Exhibit 1 and 2 in evidence?

MR. NUTTER: Is there any objection to the introduction of Penrose Exhibit 1 and 2? If not, they will be received. The witness may be excused and we will take the case under advisement.

(Witness excused.)

REPORTER'S CERTIFICATE

I, LOUIS R. GUEVARA, do hereby certify that the foregoing and attached Transcript of Proceedings, pages numbered 2 through 16, were reported by me in Stenograph at the time and place aforesaid; that the same was reduced to typewritten transcript by me and contains a true and correct record of said proceedings to the best of my knowledge, skill and ability.

DATED this 29th day of August, 1956, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Louis R. Guevara
LOUIS R. GUEVARA, Court Reporter