

BEFORE THE
OIL CONSERVATION COMMISSION
Hobbs, New Mexico
May 28, 1957

IN THE MATTER OF:

CASE 1260

TRANSCRIPT OF PROCEEDINGS

BEFORE THE
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IN THE MATTER OF:)

The application of Cities Service Oil Company for a
320-acre non-standard gas proration unit in the Jalmat
Gas Pool in exception to Rule 5 (a) of the Special
Rules and Regulations for said pool. Applicant, in
the above-styled cause, seeks an order authorizing a
320-acre non-standard gas proration unit in the Jalmat
Gas Pool consisting of the W/2 of Section 20, Township
22 South, Range 36 East, Lea County, New Mexico, said
unit to be dedicated jointly to the applicant's Closson
"B" No. 3 Well located 660 feet from the Northline and
330 feet from the West line of said Section 20 and to
the Closson "B" No. 6 Well located 1980 feet from the
North line and 660 feet from the West line of said
Section 20.)

CASE NO. 1260

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BEFORE:

Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

EXAMINER NUTTER: The next case will be 1260.

MR. COOLEY: Case 1260. Application of Cities Service Oil Company
for a 320-acre non-standard gas proration unit in the Jalmat Gas Pool in
exception to Rule 5 (a) of the special Rules and Regulations of said pool.

MR. WILLIAMS: I have one witness.

MR. COOLEY: Will you identify yourself directly?

MR. WILLIAMS: Emmett Williams, Cities Service Oil.

THE WITNESS HAVING FIRST BEEN DULY SWORN IN TESTIFIED AS FOLLOWS:

MR. WILLIAMS: Will you state your name please?

MR. MOTTER: Gene Motter.

MR. WILLIAMS: By whom are you employed and in what capacity?

MR. MOTTER: I am employed by the Cities Service Oil Company and in the capacity of District Petroleum Engineer.

MR. WILLIAMS: Where are you located?

A. Hobbs, New Mexico

Q. Have you had the privilege to testify before the Examiner?

A. No sir.

Q. Will you state your educational background and the experience you have had since your graduation?

A. I graduated from Kansas State College in 1950 with a degree in Mechanical Engineering, since that time I've worked as Petroleum Engineer for Cities Service in Oklahoma, Kansas, Texas, Mississippi and Louisiana. I have served as District Petroleum Engineer in Louisiana and have been in that capacity in Hobbs for one year.

Q. Are his qualifications satisfactory?

MR. NUTTER: They are.

MR. WILLIAMS: In your present position Mr. Motter, is the property which is the subject of the application under your supervision?

A. Yes sir.

Q. Are you familiar with the application filed in this matter?

A. Yes I prepared the application.

Q. Can you explain to the Examiner the nature of the application and the necessity for filing?

A. This application is for the purpose of assigning a 320 acre non-standard gas proration unit to our Closson "B" No. 3 and Closson "B" No. 6 Well jointly. The hearing is necessary because the Closson "B" No. 3 is not located in accordance with the spacing regulations in the Jalmat Pool as defined in Order R-520.

Q. Do the two wells conform in all other respects to Order R-520?

A. Yes sir.

Q. Are the facts stated and alleged in the application true and correct to the best of your knowledge?

A. Yes sir.

Q. Is Section 20, Township 22 South, Range 36 East, located within the limits of Jalmat Gas Pool and delineated by the Oil Conservation Commission?

A. Yes sir.

Q. Mr. Motter, I hand you five exhibits, will you please explain these to the Examiner?

A. Exhibit A is a copy of the plat accompanying the original application. Exhibit B is a radioactive log from the Closson "B" No. 6, formation tops, present production perforations and vertical limits of the Jalmat Pool in March. Exhibit "C" is radioactive log that the Closson "B" No. 3 has formation tops, present producing perforations and the vertical limits of the Jalmat Pool in March. Exhibit D is a plat giving the status of wells in the vicinity indicating whether they are oil or gas wells. This plat also indicates the present gas units in the vicinity of the Jalmat Pool. Exhibit E is a plat of the vicinity contoured on top of the Yates formation.

Q. Were these exhibits prepared by you or under your supervision?

A. Yes, Exhibits A, B, C and D were, Exhibit E was prepared by our Geological Department.

Q. We ask that these exhibits be offered as evidence in this case.

MR. NUTTER: Is there objections to entry of Cities Service Exhibits A through E in Case 1260? If not they will be so entered.

MR. WILLIAMS: Referring to Exhibits B and C, are the vertical limits shown within the provisions of the Oil Conservation Commission Order R-520?

MR. MOTTER: Yes they are, sir.

Q. Referring to Exhibit E, what is the importance of this exhibit?

A. This indicates the structure of the Yates formation from the best geological information we have available.

Q. Does this exhibit show that the area attributed to this application is productive of gas?

A. It indicates that to me, sir.

Q. Who was the owner of minerals under the proposed application?

A. The federal government.

Q. Who is the lease owner?

A. Cities Service Oil Company.

Q. Have all operators within 1980 feet--the wells which are subject matter of this application, been notified of this application?

A. They have, sir.

Q. Have any objections been returned to you or do you know of any objections?

A. Not to my knowledge.

Q. Will you please explain to the Examiner the reason for having the 320 acre unit allowable assigned to these two wells?

A. Yes. Closson "B" No. 6 has been producing from the Jalmat Pool for several years and this well is now not capable of producing a 160 acre allowable. Closson "B" No. 3 was formerly an oil well producing from the South Eunice Pool and was recently recompleted within the limits of the

Jalmat Gas Pool. From recent tests they indicate the well has a capacity to produce a full 320 acre allowable. This well is located in the same quarter section as Closson "B" No. 6, and if a gas section or gas unit of 160 acres were assigned to the Closson "B" No. 3, it would mean premature abandonment of Closson "B" No. 6, which we feel still has considerable gas ⁱⁿ and the formation to be produced. It has been contemplated for sometime that when the Closson "B" No. 3 was completed in the oil zone, recompletion for a possible gas well would be attempted. Because of this the earlier development of the SW/4 of Section 20 would have meant the drilling of an unnecessary well, since the SW/4 of Section 20 has gas units all around it we believe that to protect correlative rights and prevent waste and that it would be better to assign the 320 acre unit to both the Closson "B" No. 3 and Closson "B" No. 6. The Closson "B" No. 6 would be produced to its limit capacity and the remainder of the allowable would be produced from the Closson "B" No. 3. A short time ago, I might remind the Examiner, The Ohio Oil Company was allowed in this same gas pool to produce gas from two wells since both are unorthodox locations for the desired unit.

MR. WILLIAMS: That is all the questions we have.

MR. NUTTER: Does anyone have any questions of the witness? Mr. Fischer?

MR. FISCHER: Is the Closson "B" No. 3 completed as a dual completion in the southeast of the Jalmat Gas Pool?

A. No that well has been plugged back. I will give you the information on that. The well was plugged back to 3721 and is now perforated as shown on the logs from 3250 to 90, 3310 to 84 and 3400 to 40.

Q. The Closson "B" No. 9 in Section 19-22-37, 36 rather, is it a Jalmat Gas Well?

A. That is a Jalmat Gas Well and completed in the Yates formation.

Q. Is this well capable of producing its allowable?

A. Would you define which well you are speaking of?

Q. The Closson "B" No. 9 in Section 19-22-36?

A. Yes that well is capable of producing its allowable. It has just been completed within the past six months.

Q. The Closson "B", the Cities Service Closson "B" No. 4 in the same section, is it capable of producing its allowable of gas?

A. Yes, the Closson "B" 4 was a Jalmat Oil Well and the well has been plugged within the past two or three weeks, all pipe has been pulled and it is now abandoned.

Q. It was a Jalmat oil well?

A. Yes that is correct.

Q. I have it shown here as a gas--it has a gas symbol on the well?

A. That wasn't "B" 4?

MR. NUTTER: What are you referring to Mr. Fischer which shows that that well is a gas well?

MR. FISCHER: Its a ^{filled} ~~built~~ in circle with gas star all around it --
The Closson "B" 4.

MR. NUTTER: Is this on one of the applicant's exhibits?

MR. FISCHER: Yes Exhibit E.

MR. MOTTER: Mr. Fischer, I didn't prepare this exhibit, this was prepared by our geologists but this well has been an oil well -- I can't tell you exactly how long but it has been carried on the proration schedule I am sure, as an oil well since last being produced.

MR. NUTTER: Mr. -- Motter, your Exhibit No. D portrays that well as being a temporarily abandoned oil well, was that the status of the well

prior to being plugged and abandoned?

MR. MOTTER: Yes it was and it was when we prepared these plats.

Q. So Exhibit "E" is in error in depicting that well?

A. Yes thats correct.

MR. NUTTER: Do you have any other questions Mr. Fischer?

A. No.

Q. Mr. Motter, I wonder if you could tell me what the productive capacity of the two wells is?

A. Yes, I can give you the past record of Closson "B" 3. This well had not produced its assigned allowable for quite some time and for the past six months it has averaged slightly over 200 MCF per day.

Q. Are you referring to "B"-3?

A. Yes, excuse me the "B"-6.

Q. Average about 200----

A. Slightly over 200 MCF per day.

Q. What is the allowable assigned to that well averaged?

A. Well, I can read off some of the allowables for the last six months if you like.

Q. If you would read those six allowables that were assigned to the well.

A. I will start in October, 1956: 21,917,000, November -- 17,864,000, December -- 25,904,000, January -- 14,803,000, February -- 28,952,000, March -- 13,452,000. I might point out to the Examiner that at the time this well was under -- I do not think it was entirely the fault of the well, I think that part of it was because the purchasers were not taking the gas that it was capable of producing.

Q. What amount of acreage is presently assigned to this well, 160 or 320?

A. 160, it presently has the NW/4 of Section 20 assigned to it.

Q. So actually the application here is for enlarging the unit to 320 acres and for assigning the "B-3" and "B-6" to the 320 acre unit?

A. That is correct.

Q. Where you presently have 160 acres assigned to the "B-6"?

A. That is correct.

Q. Mr. Motter, you stated that the "B" No. 6 Well has averaged producing 200 MCF per day for the last six months?

A. That is approximately correct production figures.

Q. In other words it has averaged approximately 6,000,000 feet per month production.

A. Yes, for the past six months it has averaged between 5,200,000 to a maximum of 6,700,000.

Q. And the allowables have ranged from 13,000,000 to 28,000,000 over the same six month period.

A. That is correct. That well should possibly be declared marginal some time back but it was not done.

Q. What is the current status of the well, is the well underproduced or overproduced?

A. The well is underproduced, I believe some 390,000,000.

Q. What is your recommendation as to what the Commission should do with this 390,000,000 feet of gas which the well has underproduced?

A. Well naturally if the Commission sees fit to assign it to us we will be glad to take it and try to produce it, however, I believe the

balancing period is due in just a few months and also the pipeline company will probably not take but very little more gas than what would be assigned to the 320 acre unit if it were assigned so rather than to make a suggestion I would leave that up to the Commission to what they see fit to do with it.

Q. Do you have any recent tests on this well which indicate what the "B No. 6" well can produce -- if the pipeline can take it?

A. That well is producing some water and I have a copy of a letter which I wrote to Mr. Utz in January, 1957, in fact it is January 23, would you like for me to read that letter?

Q. Please.

A. Mr. Elvis A. Utz, Gas Engineer, New Mexico Oil Commission, Santa Fe, New Mexico. Dear Sir: In compliance with Rule 401 of the New Mexico Oil Conservation Commission regarding the annual back-pressure tests of gas wells, an attempt was made to test our Closson No. 8, a Jalmat Gas Well located in Section 6, 22 South, 36 East, which is not just happens to be in this letter, and the Closson "B" No. 6, a Jalmat gas well located in Section 20, 22S-36E. Both of the mentioned wells make considerable water and if shut-in for any period of time will load up and die. An attempt to run a 4 point test was made but due to the excessive water being made no accurate data could be obtained. It is therefore requested that we be permitted to omit testing Closson "B" No. 8 and Closson "B" No. 6 for the above reasons. Respectfully yours, D. F. Motter, District Engineer.

Q. So what is the most recent test you have taken on the well?

A. Apparently this test was run in December, prior to this letter, we were able to get one rate and ^{at} the --- pressure in which we must deliver -- we were able to obtain 223 MCF per day.

Q. That test was taken in December, 1956?

A. This test was taken by El Paso Gas Company, I have a copy here and I notice here where it says date of test, they left it blank but I am sure that it was shortly before I sent this letter in to Mr. Utz.

Q. So it would have been approximately the latter part of 1956.

A. That's right, the latter part of 1956 or the early part of 1957.

Q. And the tests you obtained on the well indicated that you could deliver 223 MCF against the working back pressure in that area?

A. That is correct.

Q. And the well has average producing about 200 MCF over the last six months?

A. 200 MCF, I might point this one thing out, I believe that at the time this test was run we tried to shut that well in for a short time and I am sure it was probably loaded up, I think I can safely say that the well actually has greater capacity than what it has shown in this test.

Q. In other words the apparent inability of the well to produce much more than it has produced isn't necessary accurate?

A. No, that is correct.

Q. Now, what is your proposal for dividing the allowable to be assigned to this 320 acre unit, Mr. Motter?

A. Well if it is assigned, what we were planning to do of course would be to put in a metering devices at each well and produce the well with what we have produced the Closson "B" No. 6 in the past and probably try to make up the remainder of the daily allowable from the "B"-3 throughout this month.

Q. In other words, the "B" No. 6 would be produced at capacity?

A. Yes, that is correct.

Q. And the unproduced allowable would be -- then be transferred to the "B" No. 3 and you will make it up on that well?

A. That is correct, I might point out that we have not run a back-pressure test on the Closson "B" No. 3, we have tested it several days and we have found it is capable of producing well over what a 320 acre gas allowable would be for this unit.

Q. Do you believe that the entire 320 acres which you propose to assign to these two wells is productive of gas?

A. I believe that the two wells will drain 320 acres whether it would be exactly under the unit I couldn't say, I might point out in Exhibit "E", the contour line of plus 300 would indicate that this formation from top of the Yates is up-dip of the Closson "B" No. 3. However, if you will notice the radioactive log of that particular well, you will see that we have a section of porosity a little bit higher in that well than we do in No. 6 which we do not call top or in the Yates formation it is considered in the Tansill and therefore we feel that since it is perforated that much higher we probably will have drainage from that portion of the 320 acre unit to the East of that well.

Q. Do you feel that the S/2---that the SW/4 of Section 20 is productive of gas?

A. Yes, I think that we can reasonably presume that. If you will refer to Exhibit "D" you will notice that there are gas wells all the way around this particular quarter. We have our Closson "B" 11 in Section 30, Continental has its Meyer - I believe that is indicated as Section 29, State Well No. 4, their No. 5 in the same section, Lamar Lunt has their

well in the SE/4 of Section 20, and these wells are all from the Yates formation or the Tansill-Yates formation and I believe that we can reasonably be assured that it is productive of gas.

Q. Is it characteristic of the wells in this area to load up with water and have low productive capacity such as the No. 6 well has?

A. No not perhaps as fast as No. 6, we really believe that that well might be a local condition -- might be a physical property of the well or something that is limiting the capacity of that well and I don't know whether further workover expense would warrant the testing of additional capacities.

Q. In the event that the Commission sees fit to grant this application, to approve this application and grant Cities Service a 320 acre unit with the allowable to be divided among the two wells thereon, would Cities Service be willing to cancel the large amount of underage which has accrued the No. 6 well and start from scratch with a clean slate for the two wells?

A. I don't know if I can speak for the Company, for myself I would see no reason why we wouldn't be in agreement to that.

Q. From all indications this well should have been declared marginal and some underage cancelled previous to now, though?

A. That is correct, yes.

Q. Does anyone have a question, Mr. Cooley?

MR. COOLEY: Mr. Motter, in direct testimony you referred to an application by the Ohio Oil Company to permit two wells in this area to be placed on a single proration unit.

A. Yes, sir.

Q. Are you aware Mr. Motter that there was in the application and in the order a restriction on the amount of gas that could be produced from either of the two wells?

A. Yes, I am fully aware of that and I believe that Ohio in their application asked for that restriction to be made. 75% of the allowable production could not be taken from one well only.

Q. And are you aware that the order as written further restricted beyond that in the application that no more than 60% of the allowable for the entire unit shall be taken from either of the two wells?

A. Yes, I have read that order, that refreshes my memory on it now. I have seen the order, yes.

Q. And you feel that it would be feasible to impose a similar restriction in this case? The restriction would be—was in the Ohio case on both wells for the reason both were unorthodox locations. In this case it would be a necessity for restriction of only one well following the same theory since the "B" 3 is the only well that is unorthodox.

A. I don't believe that this nature of the wells — that we could produce well—our two wells in that proportion, I do feel that at such time as our No. 6 becomes more limited and we have shut it in—it would probably appeal to the Commission to perhaps plug this particular well but we feel there is considerable gas to be taken from the "B" 6 yet and we feel that premature abandonment will leave it in the formation.

Q. Do you have any other wells on this 320 acres?

A. No we do not have.

Q. Do you feel that due to the location on the "B" 3 Well, that you be permitted to produce by far the greatest percentage of the 320 acre

allowable would cause drainage of offset leases?

A. If there is drainage from offset leases I feel that would probably come from---to the west from our Section 19, this is all one lease--- it all belongs to the federal government, so if there was drainage from there, nobody would be harmed.

Q. So Cities Service is the working interest owner to the west also?

A. Yes that is correct.

Q. So the working interest as well as the royalty interest are identical?

A. That is correct.

Q. Who owns the working interest to the northwest marked on as Exhibit "A" -- as Tom Closson "AFC", I believe?

A. That is the Tom Closson "A and C" lease, again that belongs to the federal government and it is our lease. It is strictly a different lease, I believe if you can check the records of the Commission you will find that recently these wells were changed from the Closson "A" to the Closson "C" lease to take in the wells 1 and 3 which are Jalmat gas wells also.

Q. The "B" 3 well is located 660 feet from the north line of Section 20, is that correct?

A. Yes that is correct.

Q. Who owns the working interest and royalty interest immediately to the North of the "B" 3 Well?

A. Apparently that is State minerals and Continental is the lease holder in that case. We have received no objection from Continental, in

fact I talked to several of their men before I made this application and they informed me they knew of no reason why they would enter an objection at any time. I might point out one thing while we are talking about Continental, there is an error on my plat, Exhibit "D", we were informed that those were dually completed wells, that is, the wells in Section 17, No. 4 and 5 and checking just the past two days since this plat was made I find that those are strictly single completions in the Jalmat Pool.

Q. Are they Jalmat oil wells?

A. No, Jalmat gas pools,

Q. Then there is counter drainage taking place, in your professional opinion, from the wells drilled in Section 17 by Continental Oil Company?

A. Yes, I believe since they are 330 from the line, they are probably getting drained a little bit up there to the west.

MR. NUTTER: Does anyone else have any questions to the witness, if not, the witness may be excused. Does anyone have anything further they wish to offer in Case 1260? If not, we will take the case under advisement and the hearing is adjourned.

STATE OF NEW MEXICO)
)
COUNTY OF SANTA FE) ss.

I, Ola M. Garcia, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Commission Examiner at Hobbs, New Mexico, is a true and correct record, to the best of my knowledge, skill and ability.

Dated at Santa Fe, New Mexico this 28th day of June, 1957.

Ola M. Garcia

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 1260
heard by me on 5-28, 1957.
Samuel H. Austin, Examiner
New Mexico Oil Conservation Commission