

EXAMINER HEARING
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 6, 1958

IN THE MATTER OF: Case No. 1426

TRANSCRIPT OF PROCEEDINGS

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3-6691 5-9546

EXAMINER HEARING
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IN THE MATTER OF:)
)
Application of Neville G. Penrose for a non-)
standard gas proration unit. Applicant, in the)
above-styled cause, seeks an order establishing) Case 1426
a 120-acre non-standard gas proration unit in)
the Blinebry Gas Pool consisting of the S/2 SE/4)
and SE/4 SW/4 of Section 17, Township 21 South,)
Range 37 East, Lea County, New Mexico, said unit)
to be dedicated to the applicant's Percy Hardy)
No. 1 Well, located 660 feet from the South line)
and 1980 feet from the West line of said Section)
17.)
-----)

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF PROCEEDINGS

MR. NUTTER: We will take the next case, 1426.

MR. PAYNE: Case 1426: Application of Neville G. Penrose
for a non-standard gas proration unit.

MR. CHURCHILL: R. T. Churchill, appearing for Neville G.
Penrose, Inc. That should show Neville Penrose, Inc., on the
application.

MR. NUTTER: The only error is the word "Incorporated"?

MR. CHURCHILL: That's right.

(Witness sworn.)

JOHN P. McNAUGHTON

called as a witness, having been first duly sworn on oath, testi-
fied as follows:

DIRECT EXAMINATION

By MR. CHURCHILL:

Q Will you state your name, please?

A John P. McNaughton.

Q By whom are you employed?

A Neville G. Penrose, Inc.

Q What is the nature of your employment?

A Vice-president.

Q Are you also employed as petroleum engineer?

A Yes.

Q Have you previously appeared before the Commission as a witness?

A I have.

Q Have your qualifications been established before the Commission as an expert petroleum engineer?

A Yes, sir.

MR. CHURCHILL: Will the Commission accept Mr. McNaughton's qualifications?

MR. NUTTER: Yes, sir, he may proceed.

Q Are you familiar with the application in Case No. 1426?

A I am.

Q What lease is involved or what leases are involved in that application?

A This involves Neville G. Penrose, Inc., Percy Hardy Lease and Tidewater's Hardy Lease.

Q What is the acreage involved in the two leases that you have referred to?

A The Penrose Lease is the Southeast Quarter Southwest Quarter of Section 17, 21 South, 37 East; and the Tidewater Lease is the South Half Southeast Quarter of the same Section.

Q Are these fee leases?

A Yes, they are.

Q And do the leases cover all of the proposed unit?

A Yes, there are ten leases covering the Penrose and Tidewater interest and there is also a 1/8th mineral interest owned by Peerless Oil and Gas Company.

Q In other words, the lease is controlled and owned by Penrose and Tidewater controls only 7/8ths?

A 7/8ths, that is correct.

Q The 1/8th owned by Peerless is an unleased interest?

A That is correct.

Q What arrangement has been made with Tidewater and Peerless regarding the formation of the unit?

A A unit operating agreement has been executed covering this acreage, and it is our intention when this unit was organized to dual complete the three wells involved from their present producing formations in the various gas zones that were felt to be productive in the area. To date, the Tidewater Hardy No. 2 has been completed as a dual completion from a Drinkard Oil and Tubb Gas zone, and under the terms of our agreement it was Penrose's obligation next

to attempt a completion from the Blinebry gas zone in their Hardy No. 1. After this is completed, then we will endeavor to complete a gas well from the Eumont gas zone.

Q Has application been made for a dual completion of our Percy Hardy No. 1?

A Yes, application has been made for the dual completion of Hardy No. 1, and approved under DC-587.

Q The nature of the application, then, of Neville G. Penrose, Inc., is to dually complete the Hardy No. 1 as a Blinebry Gas and Drinkard Oil well?

A That is correct. And the nature of this application is to request permission for a 120-acre non-standard gas proration unit in the Blinebry Gas zone.

Q What attempts have been made heretofore to form a gas unit for the Blinebry production?

A About two years ago, possibly a little bit longer than that, we were approached by the Sun Oil Company with the possibility of either dual completing or drilling new wells in Section 17, for the purpose of producing Blinebry and Tubb gas. Several meetings were held with the operators concerned, the Sun, Texas Company, Continental, Tidewater, and others; but after some discussion and quite a bit of correspondence, it was determined that the size unit that had been proposed was not proper in this case, inasmuch as it was the consensus of the opinion among the operators concerned that any gas found in this area would not be of sufficient capacity to

allow an allowable four times the regular 160-acre allowable. For that reason, the original plans to develop gas on a section-wide basis were dropped; and approximately a year and a half ago we were approached by the Tidewater with the idea of forming this 120-acre unit that has been described. Since that time, as I have mentioned previously, the agreements have been executed and the work has proceeded, and Tidewater's Hardy No. 2 has been completed as a Tubb gas well or as a producer from the Tubb Gas zone.

Q Has any effort been made to secure additional acreage to make this a standard Blinebry Gas unit?

A Only the efforts that I have mentioned. With the lease's situation as it is, it doesn't seem very likely that there is acreage in the area that could be included properly in this unit. We have contacted, we have advised all of the operators, as we were requested to do by the Commission, and have received no objections to the formation of this unit.

Q Has anyone evidenced any further desire to join in a unit at this time?

A No, they have not.

Q Mr. McNaughton, is the acreage sought to be formed in the non-standard Blinebry Gas unit here within the horizontal limits of the Blinebry Gas Pool?

A No, it is not. As well as I know, however, there are Blinebry Gas units immediately on the east of this acreage. There are Blinebry units on the south, and there is one Blinebry unit to the

west in the South Half of Section 18 and the North Half of Section 19, so we feel that if we are successful in completing the well from the Blinebry zone, we could reasonably expect the acreage involved to be included within the horizontal limits of the field.

Q Was the Blinebry Gas formation tested at the time of the Penrose Hardy No. 1, when it was drilled?

A No, it was not.

Q In your opinion, is the entire acreage sought to be included in this non-standard gas unit reasonably presumed to be productive of Blinebry Gas?

A Yes, it is.

Q Will this non-standard gas unit in any way violate correlative rights of any of the offset operators?

A In my opinion, it will not.

Q Do you have an Exhibit "B", which is attached to your initial application concerning the proposed dual completion, before you there?

A Yes.

Q Was that exhibit, as well as the Exhibit "A" attached to our application, prepared by you or under your supervision?

A Yes, it was.

Q Does that Exhibit "B", being a diagrammatic sketch of the proposed completion, indicate the zones that would be perforated in this well?

A Yes, it does.

Q And the manner in which production would be achieved?

A Yes, sir.

MR. CHURCHILL: We would like at this time to introduce Exhibits "A" and "B" in evidence.

MR. NUTTER: Is there objection to the introduction of Penrose's Exhibits "A" and "B"? If not, they will be received.

MR. CHURCHILL: We have no further questions.

MR. NUTTER: Are there any questions of this witness?

CROSS EXAMINATION

By MR. NUTTER:

Q Mr. McNaughton, would you describe to me the location of the Blinebry units as they would appear on your Exhibit No. "A", please?

A You are requesting the description of Blinebry units in the area in the immediate vicinity?

Q Yes, sir, in the area on this plat.

A The Northwest Quarter of Section 16.

Q That would be --

A (Interrupting) I'm reading from two plats.

Q Would this be Pan American State "C", Tract No. 12?

A That's the way my map shows it.

Q That is a 160-acre standard unit?

A Yes, sir.

Q Okay.

A The South Half -- no, it's the North Half South Half of

Section 16.

Q Would that be Amerada State DA?

A Yes.

Q Is that an 80-acre non-standard unit?

A No, I believe that is 160-acre non-standard unit.

Q In other words --

A (Interrupting) North Half, South Half. I have an additional plat, if you would like to have it, including a little bit more area, or I could give you this one if you like. It's the only one I have.

Q Does this have the units in the area?

A Yes.

Q Does it also have the Blinebry wells in the area?

A Yes, sir, they are designated as "BL". It was not intended as an exhibit, but you can have it.

MR. NUTTER: Would you care to offer this as an exhibit?

MR. CHURCHILL: Yes.

MR. NUTTER: Is there objection to the introduction of this plat of the area, which has been identified as Penrose Exhibit "C"? If not, it will be received.

Q (By Mr. Nutter) Mr. McNaughton, what formation is the Weatherly Well No. 1, which is located in the Northeast Quarter of the Southwest Quarter of Section 17, productive from, please?

A According to my notes here, it's producing from the Eumont Gas zone.

Q Are there any Blinebry Gas wells in Section 17?

A To my knowledge there are none.

Q Are there any Blinebry Gas wells south of this proposed unit?

A May I correct myself? I believe this is a Blinebry Oil well (indicating). That's the Continental No. 3 Lockhart. South of our well, the Amerada Randle No. 1-A to the best of my knowledge is a Blinebry Gas well.

Q There are Blinebry Gas wells to the east of this unit?

A Yes, these are Blinebry Gas units and this is a Blinebry Gas unit, being Makin Wanick Unit -- I believe it is TD; that is a Blinebry Gas and Eumont Gas dual completion.

Q Mr. McNaughton, I think I understood you to say that the Tidewater Hardy No. 2 has already been dualled in the Drinkard Oil and the Tubb Gas zones?

A That is correct.

Q You have authority, but have not yet dually completed your Hardy No. 1 Well as a Blinebry Gas and Drinkard Oil well?

A That is correct. It's now producing oil from the Drinkard zone, and we have received approval, as mentioned before, from the Commission to dual complete the well, but we have not received the non-standard proration unit. That is the reason for this hearing.

Q What is the status of the Hardy No. 1 on Tidewater's lease?

A I believe it is currently producing from the Drinkard Oil zone.

Q Has a proration unit been assigned to Tidewater's Hardy No. 2 Well?

A Yes, I believe it has been assigned by administrative approval.

Q What is the unit that is assigned to that well?

A 120 acres requested here, being the South Half of the Southeast Quarter, and the Southeast Quarter of the Southwest Quarter.

Q The Hardy No. 2 has the identical acreage assigned to it in the Tubb Gas Pool which you are presently seeking for the Blinebry in the Hardy No. 1 Well?

A That is correct. My understanding is that they can receive administrative approval, whereas under the terms of the Blinebry we have to have this hearing.

Q And all interests owning the minerals underlying this acreage have been unitized or communitized?

A That is correct. The ten leases covering our interest cover the 120 acres.

MR. NUTTER: Any further questions of Mr. McNaughton? If not, he may be excused.

(Witness excused.)

MR. NUTTER: Does anyone have anything further they wish to offer in Case 1426? If not, we'll 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, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in stenotype and reduced to typewritten transcript under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this 12th day of May, 1958, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Ada Dearnley
 NOTARY PUBLIC

My commission expires:

June 19, 1959.

I do hereby certify that the foregoing is
 a complete and true copy of the proceedings in
 the Oil Conservation of Case No. 1426
 heard by the 5-6, 1958.

Adrian, Examiner
 New Mexico Oil Conservation Commission