

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 1647

TRANSCRIPT OF HEARING

April 22, 1959

DEARNLEY - MEIER & ASSOCIATES  
GENERAL LAW REPORTERS  
ALBUQUERQUE NEW MEXICO  
Phone CHapel 3-6691

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO  
April 22, 1959

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IN THE MATTER OF: :

CASE 1647 Application of Olsen Oils, Inc., for a non- :  
standard gas proration unit and an unorthodox :  
gas well location. Applicant, in the above :  
styled cause, seeks an order establishing an :  
80-acre non-standard gas proration unit in the :  
Jalmat Gas Pool consisting of the W/2 NW/4 of :  
Section 28, Township 26 South, Range 37 East, :  
Lea County, New Mexico, said unit to be dedi- :  
cated to applicant's Gregory "B" Well No. 1 :  
located 2310 feet from the North line and 990 :  
feet from the West line of said Section 28. :  
Applicant further seeks approval for the un- :  
orthodox location of said gas well. :  
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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. GIRAND: If the Examiner please, I would like the  
record to show Girand & Neal of South Hobbs, New Mexico as attorneys  
for the applicant. I have one witness I would like to have sworn.

(Witness sworn)

DEWEY WATSON,

called as a witness, having first been duly sworn, testified as  
follows:

MR. GIRAND: Take the stand, Mr. Watson.

DIRECT EXAMINATION

BY MR. GIRAND:

Q State your name, please.

A Dewey Watson.

Q And where do you live, Mr. Watson.

A Jal, New Mexico.

Q By whom are you employed?

A Olsen Oils, Incorporated.

Q In what capacity are you employed?

A As a geological engineer.

Q Have you had occasion to testify before the Oil Conservation Commission on previous occasions in the capacity of a petroleum engineer? A Yes, I have.

MR. GIRAND: Is the Examiner satisfied with the witness' qualifications?

MR. NUTTER: Yes, sir.

Q (By Mr. Girand) Are you familiar with the application of Olsen Oils as being Case No. 1647? A Yes, I am.

Q State when the well, or application for drilling, was filed with the U. S. G. S., if you will, please.

A It was filed on November the 13th, '58.

Q And when was it approved?

A November the 20th, '58.

MR. GIRAND: I would like to correct those dates. In my application I show that as November the 23rd and November the 26th. There is a date error. The copy of the notice of intention to drill is on file with the Commission.

Q (By Mr. Girand) Now, Mr. Watson, the Olsen Oil Company Gregory "B" Well No. 1, what was it intended to be at the time the drilling operation commenced?

A Well, it was drilled as an oil test.

Q And is it within what has previously been designated as the Rhodes Oil Pool?

A Yes, sir. It was.

Q I see. Now, I hand you here what has been identified and marked for identification as Exhibit No. 3 and ask you if you can identify that instrument?

A This is a survey plat of the area made by John West in Hobbs showing the location of the offset wells in the Olsen Oils' acreage and the location of the Gregory "B" 1.

Q Now, I hand you what has been marked for identification as Exhibit No. 4. Will you state what that exhibit purports to show?

A Well, this is a map that has the wells plotted immediately offsetting the acreage, and shows the available tops on it and where we had logs to correlate with the plus or minus on top of the Yates, and also the oil wells producing or that have been producing in the area as a minus.

Q It is my understanding that the Gregory "B" No. 1 well is the only gas well in the immediate vicinity there, is that correct?

A Yes, sir. There is nothing closer than four locations

which would be the City Service State No. 2 to the South and West.

Q Is that the only other gas well in the immediate vicinity? A Yes, sir.

Q As shown by your Exhibit No. 4? A Right.

Q All the other wells are oil wells producing at this time?

A Well, the ones that aren't plugged and abandoned are producing, yes, sir.

Q Now, I hand you here what has been marked Exhibit No. 5. What is that?

A This is a tabulation of the shut-in pressure surveys taken by El Paso on the Rhodes Storage Area; of their injection wells and the wells surrounding the area that they operate. It is taken every four months, and it is reported in the Rhodes report. This particular report here was taken September of '58.

Q Now, from the report you have there and as shown by your Exhibit 5, do you have any wells reported there that have a comparable shut-in pressure to the Gregory "B" No. 1?

A No, sir. The pressures are from about three to four hundred pounds lower than the shut-in pressure in the Gregory "B" with one exception. That's the Missouri Federal No. 2.

Q Now, basing your answer on your qualifications or on your study of the area and from the exhibits you have investigated in your office and the office of the El Paso and other companies, in your opinion, do you believe that there is a communication of

your gas with the gas in what is known as the Rhodes Storage Area?

A No, sir. I believe it's separate.

Q Now, have you had a test run on your well?

A Yes, sir. There was a four point Baker pressure test conducted by El Paso on February the 26th, 1959, and reported to the Commission.

Q Is that on their Form 122? A Yes, it is.

Q And part of their files? A Right.

Q And what did that test show as to the production of this particular well?

A Well, the absolute open flow of 4,800,000 cubic feet per day, with the liquid of 5 barrels per minute.

Q Now, the location of the Gregory "B" No. 1 well is in the ~~excepted~~ area in the Jalmat Gas Pool, is that correct? It's the area that has been excluded to the Jalmat Pool?

A It has been excluded. Yes, sir.

Q And is a gas well in what is known as the Rhodes Oil Pool, is that right? A Yes, sir.

Q There are no gas rules covering the particular area in which this well is located?

A None, except for the storage area.

Q General rules? A Yes, sir.

Q Now, if the Commission grants this application, would the inclusion of this property, this 80 acres into the Jalmat Pool be satisfactory with the operator of Olsen Oils? A Yes, sir.

MR. NUTTER: What was that question again, please?

MR. GIRAND: If the application was acted on favorably, would the adoption of the Jalmat Pool rules for this area or including this into the Jalmat Pool area be satisfactory with the applicant? He answered it would.

MR. NUTTER: I see.

Q (By Mr. Girand) The well is definitely a gas well under the rules and regulations of the Commission?

A Yes, it is.

MR. GIRAND: I believe that's all I have of this witness.

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

CROSS EXAMINATION

QUESTIONS BY MR. PAYNE:

Q Mr. Watson, you say the well in question was drilled for oil? A Yes, it was.

Q Was the location orthodox for an oil well?

A Yes, sir. It was.

Q Have any attempts been made to unitize with the Anderson-Pritchard acreage?

A Yes, there has been.

Q And those proved unsuccessful, did they?

A Yes, they did.

Q I believe you stated in your application that this

well is not completed in any designated gas pool, is that right?

A Yes, sir.

Q Paragraph 6 says, " Applicant will fully show that the well was not located within any designated gas pool."

A Yes, sir. That's true.

Q Now, do you know by that that the Jalmat rules do not apply to this well because it was not within the horizontal limits of the Jalmat Gas Pool?

A It is within the Jalmat. It was extended to cover the acreage. It would be within the limits.

Q Well, what I am getting at, it is within the horizontal limits now, is it not?

A Yes, sir.

Q Even though the --

MR. PORTER: I'd like to clarify this a little. From his discussion here I take it that this well is located within what has been referred to as the Rhodes Storage Area, which in itself is encompassed by the Jalmat Gas Pool, but in which the Jalmat rules do not apply, is that it?

MR. GIRAND: That is correct. This particular tract was deleted from the order RF-250 along with other tracts designated as the Rhodes Storage Area.

MR. PORTER: Excuse me, Mr. Payne, I just wanted to clear that up.

Q (By Mr. Payne) So that this well would not be covered by the Jalmat Pool rules and, therefore, the statewide rules would

apply?

A Yes. Under the present system.

Q So it would be a non-prorated gas well?

A Right.

MR. PAYNE: I believe that's all I have at this time.

QUESTIONS BY MR. NUTTER:

Q Mr. Watson, is it your contention by showing these pressure differentials on Exhibit No. 5 that this well is not completed in the actual physical Rhodes Storage Area?

A Yes, that's right.

Q Although it is within the boundaries of the so called storage area?

A That's correct.

Q Do you feel that perhaps the storage area boundaries are unduly large then?

A Well, evidently they are, some. I mean as far as unduly is concerned I don't know, but evidently there is a barrier somewhere between the two areas.

Q Now, are any of the wells that you showed pressure on Exhibit No. 5, are any of those wells shown here on No. 4?

A No, sir, they are not, except the City Service No. 2.

Q What is the location of that well?

A It's in Section 32, Northwest of the Northeast.

Q Are all of these wells outside of the area that is shown by this Exhibit No. 4 or you just haven't placed them on the

exhibit?

A Well, they are outside of the area.

Q I see.

A There might be two or three of them right at the very top but it's not -- there are two in Section 21. I don't know the exact location on those as far as the injection wells are concerned.

Q Then the two that would be in Section 21 are the nearest of any of these, is that correct? A Yes, sir.

MR. NUTTER: Now, you stated in your application, Mr. Girand, that you had attached a copy of the notice of intention to drill which was filed with the Department of the Interior?

MR. GIRAND: Yes, sir. The notice that I have attached there is the wrong notice.

MR. NUTTER: Do you have a copy of the notice of intention to drill that was filed?

MR. GIRAND: Yes, sir. The copy has been filed with the Commission.

Q (By Mr. Nutter) This well, Mr. Watson, was projected originally as an oil well in the Rhodes Oil Pool? A Yes, sir.

Q What are the vertical limits of the Rhodes Oil Pool?

A That I don't know as far as the vertical limits.

Q What formation did you project the well through?

A It was Seven Rivers. I would assume -- I mean that the vertical limits of the Jalmat would include the gas area of the Rhodes, but I wouldn't be sure about that.

Q You believe the vertical limits of the Jalmat go down through the upper and middle Seven Rivers formation?

A Yes. There may be a difference between the Rhodes oil area because those other wells are producing higher in the section.

Q There is no possibility of this being a high gas-oil ratio oil well in the Rhodes Oil Pool, is there?

MR. PAYNE: It actually produces from the Jalmat Gas Pool, is that right?

A Yes. The limits of the Jalmat Gas Pool. See, the well was drilled to 3365 and the zone that we were looking for came in about 3388.

Q (By Mr. Nutter) Do you have a log of this -- an electric log of this well?

A Yes, sir, I have, if you would like to look at it.

Q Can you furnish the Commission a copy of the electric log of the well with the perforated interval marked on that, Mr. Watson?

A Yes, sir.

MR. NUTTER: Off the record.

(Discussion off the record.)

Q (By Mr. Nutter) Mr. Watson, it commonly referred to the area of the Rhodes Storage Area as an area that is defined by a unit agreement, is that correct?

A I believe it is.

Q This unit agreement was approved by the Department of

Interior quite a number of years ago, is that correct?

A And the state. Yes, sir. The state has some acreage in the Rhodes unit somewhere. Now, I'm not saying it's the same agreement.

MR. GIRAND: I think I'm better qualified to answer that than the witness.

MR. NUTTER: Would you answer the question?

MR. GIRAND: There were approximately 800 acres placed in the storage area by the State of New Mexico back in 1944, and the Commission entered the order at that time declaring the Rhodes Storage Area. The U. S. G. S. at the same time or approximately the same time in 1944 entered into an agreement with the El Paso, and certain operators joined in that agreement wherein certain acres were dedicated to the Rhodes Storage Area. However, the acreage in question here was never dedicated to that area, although this is within the boundaries of the area.

MR. NUTTER: It was delineated?

MR. GIRAND: Yes, sir. Of the area that is called the Rhodes Storage Area, this particular acreage has never been committed to that unit agreement.

Q (By Mr. Nutter) In other words, Mr. Watson, this acreage that we have in question here today is not a part of the Rhodes Storage unit acreage?

A Yes.

Q And has never been committed to that unit?

A Never been committed, no, sir.

Q And your application here today is for an 80 acre non-standard proration unit in the Jalmat Gas Pool? A Yes, sir.

Q And this well is completed within the vertical limits of the Jalmat Gas Pool? A Right.

Q It lies within the horizontal limits of the Jalmat Gas Pool?

A Yes, sir. It that Jalmat extends through that Rhodes unit, it does. Yes, sir.

REDIRECT EXAMINATION

BY MR. GIRAND:

Q Mr. Watson, in that connection you are also seeking here approval of the unorthodox location for the well?

A Yes, sir.

Q And you are also seeking that the well be assigned some on some basis?

A Preferably the Jalmat.

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

MR. GIRAND: If the Commission please, I have two exhibits that need identification. Exhibit 1 is the receipts showing that the offset lessees to the Gregory "B" No. 1 Well were notified and furnished a copy of the application. Exhibit 2 is a copy of the Commission's order R-520.

Q (By Mr. Girand) Mr. Watson, I hand you here what has been identified as Exhibit No. 6. Can you identify that instrument?

A This is the application to drill sent in to the U.S.G.S. by Olsen Oils, Incorporated to drill the well at Gregory "B" 1.

MR. GIRAND: We would like to introduce Exhibits 1 through 6 inclusive. Exhibit 3 is the map showing the location of Gregory "B" No. 1 Well. Exhibit 4 is a map showing the total depth of all wells in the immediate area. Exhibit 5 is the shut-in pressure of all gas wells in the storage area as well as the well in question. Exhibit 6 is the copy of the notice of intention to drill. Exhibit 1 is the notice and 2 is the copy of order 520, I believe, or R-520. ,

MR. NUTTER: Without objection applicant's Exhibits 1 through 6 will be entered in evidence. Mr. Watson, you will furnish the Commission with a copy of the log with the perforated interval indicated thereon?

A Yes, sir. I will.

MR. NUTTER: Does anyone have anything further?

MR. WAYNE: David Wayne, El Paso Natural Gas. As operator of the Rhodes Storage unit and as an operator of leases offsetting the proposed non-standard unit, concurs in the application for Olsen Oil Company.

MR. GIRAND: Before the case closes, if the Commission please, I would like to direct the Commission's attention to Cases 680, 681, 682, and 683, which were cases involving ~~undicated acreage~~ in the Rhodes unit but located in the delineated area of the Rhodes Storage Area.

MR. NUTTER: We will take administrative note of those cases, Mr. Girand. Is there anything further in Case 1647? If not, we will take the case under advisement and take the next case, Case 1649.

STATE OF NEW MEXICO        )  
 )  
 COUNTY OF BERNALILLO     )

SS

I, Ned A. Greenig, Court Reporter, 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 by me, and that the same is a true and correct record to the best of my knowledge, skill and ability.

*Ned A. Greenig*  
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 COURT REPORTER

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1647, heard by me on 4-22, 1959.

*Samuel A. Owen*, Examiner  
 New Mexico Oil Conservation Commission