

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 28, 1962

EXAMINER HEARING

IN THE MATTER OF:)

Application of Westates Petroleum)
Company for assignment of special)
allowables to four wells, Lea)
County, New Mexico. Applicant, in)
the above-styled cause, pursuant to) CASE 2508
Order No. R-1776, seeks an order ex-)
tending the period within which its)
Carlson-Federal "B" Wells Nos. 2, 3,)
4 and 5, located in Section 25, Town-)
ship 25 South, Range 37 East, Lea)
County, New Mexico, are assigned a)
special allowable not to exceed top)
unit allowable for the Justis Tubb-)
Drinkard Pool.)

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

(Whereupon, Westates' Exhibits
1 through 7 were marked for
identification.)

MR. UTZ: The hearing will come to order, please. For
those of you who might be interested, there seems to be very
little likelihood of hearing Cases 2510, 2511, 2518 and 2519.
As a matter of fact, I rather believe that there's little likeli-
hood of hearing 2516 or 2517, but I wouldn't want to state

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this afternoon.

Perhaps I was misunderstood, 2510, 2511, 2518, 2519 will not be heard until morning. Case 2508.

MR. WHITFIELD: Application of Westates Petroleum Company for assignment of special allowables to four wells, Lea County, New Mexico.

MR. CAMPBELL: Mr. Examiner, I am Jack M. Campbell, Campbell and Russell, Roswell, New Mexico, on behalf of the Applicant.

MR. UTZ: Are there other appearances?

MR. CAMERON: John Cameron representing Tidewater.

MR. KASTLER: W. V. Kastler representing Gulf.

MR. KELLAHIN: Jason Kellahin representing Amerada.

MR. HIXON: William Hixon representing Union Texas Petroleum Corporation. Union Texas Petroleum Company was just formerly Union Texas Gas Corporation, a successor to Anderson Prichard Oil Corporation.

MR. CAMPBELL: I have one witness. Stand and be sworn.

(Witness sworn.)

DEWEY WATSON

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

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DIRECT EXAMINATIONBY MR. CAMPBELL:

Q Will you state your name, please?

A Dewey Watson.

Q Where do you live, Mr. Watson?

A Denver, Colorado.

Q By whom are you now employed?

A Westates Petroleum Company.

Q What capacity? A Division engineer.

Q Have you previously testified before this Commission or its examiners in your professional capacity?

A Yes, I have.

MR. CAMPBELL: Are the witness's qualifications acceptable?

MR. UTZ: Yes, sir, they are.

Q (By Mr. Campbell) Mr. Watson, are you acquainted with the application of Westates Petroleum Company in this case?

A Yes, sir.

Q Will you please give to the Examiner, and for the record, a brief statement of the history of the development of this application, the history of the previous orders of the Commission as you know them?

A Well, on April 3rd, of 1960, Order R-1776 --

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Q I believe that's October 3rd.

A October, right. Went into effect the 3rd of October, 1961 and it combined what had formerly been called the Tubb and the Drinkard Pool and called it the Tubb-Drinkard Pool. They gave special allowables for a period of eighteen months for eight wells, four of Anderson-Prichard and four of Westates, the old Anderson-Prichard Company, and that special allowable will be up April the 3rd, 1962. The reason for our application is to get an extension or make permanent the special allowable assigned by that order.

Q I refer you to what has been identified as Applicant's Exhibit No. 1 in this case and ask you to state to the Examiner what this is.

A This is a map showing the wells and locations in the Justis area, and in red you will find the Westates acreage, the South Half of the Southeast Quarter of Section 25, and the Westates wells are designated, No. 5 is a Blinebry-Tubb dual, No. 3 the Drinkard Fusselman, and those two are on 140 acres. The No. 4 is a Drinkard-Fusselman dual, and the No. 2 is a Blinebry-Tubb dual.

Q Had these wells been drilled prior to the entry of Order R-1776?

A Yes, sir.

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Q What present special allowable you wish to have extended or made permanent by this application?

A Well, on our Order R-1776 we will be required to produce only one allowable from each 40 acres. We propose to continue producing an allowable from each well on each 40 acres.

Q Now, you have stated that these wells were drilled at a time prior to the combination of these two zones into one pool. Can you give the Examiner the present status, payout status of these wells which you drilled prior to the issuance of this order?

A Yes, sir. On our Carlson "B" 25 No. 2, and this is as of December 31, 1961, we have \$28,875 yet to go before we will be paid out. The "B" 25 No. 3, \$6,814.00; Carlson "B" 25 No. 4 is \$93,752.00, and "B" 25 No. 5 is \$138,400.00.

Q Will you state to the Examiner whether or not you have made studies to try to determine whether or not these two zones, the Drinkard and the Tubb zone, are separate?

A Yes, sir, I have.

Q I refer you to what's been identified as Applicant's Exhibit No. 2 and ask you to state what that is, please?

A This is a cross section through the four wells on Westates property correlated from the top of the Blinebry through the Drinkard. On this cross section are shown the



perforated intervals on each well except for the Fusselman.

These logs do not go deep enough to show the Fusselman perforations on No. 3 and No. 4. They show the Tubb perforations and the Drinkard perforation on each well, as the case may be.

Colored in green across the cross section is an interval between the bottom of the Tubb perforations in Westates 25 No. 2 and "B" 25 No. 5, and the top of the perforations in the Drinkard zone, "B" 25 No. 3 and "B" 25 No. 4.

The minimum distance between perforations is 68 feet. There are no perforations in that interval between the Tubb and the Drinkard zone, and the top of the Drinkard as shown on the cross section falls entirely within that zone.

Q You show at the right-hand side of Exhibit 2 what information?

A This is the well history of each well location, spud date, completed casing program and the date and order number of the dual completion order, and the I. P.'s, and then the most recent test we have on the wells. There is some production history at the bottom.

Q What information is there on Exhibit 2 which indicates to you that these are separate producing zones in these wells?

A As far as the log is concerned there shows to be --

MR. KELLAHIN: We want to object to the question as



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going beyond the scope of the hearing in this case. The question of pool delineation was decided in a preceding case resulting in an order to which they're now seeking an exception. We are certainly not prepared to go into the pool delineation at this hearing.

MR. CAMPBELL: We are entitled, it seems to me, to establish here, in order to try to obtain an extension of the allowable provisions, that we are producing these wells from separate zones.

MR. KELLAHIN: The Commission determined otherwise in the previous case, that's my recollection of it.

MR. KASTLER: I concur with Mr. Kellahin in his objection. It's not within the call of the hearing.

MR. UTZ: Is that what this line of questioning is intended to show, the two separate pools?

A Well, in this case, the other evidence will show, I don't think there's any reasonable doubt there are separate pools now under this particular lease.

MR. CAMPBELL: The testimony which we're going to present for the purpose of requesting special allowables and an extension of the exception in the original order will go to that point. The apparent reason for the exception, originally with the period of time granted, was, I assume, to present to the



Commission testimony and evidence concerning the justification for the special allowable.

The provisions contained in paragraph three, which grants the exception, provides that the provisions which grant the exception shall terminate in eighteen months unless the affected operator show cause at public hearing why such provision should be continued in effect.

MR. UTZ: The allowable provision?

MR. CAMPBELL: Yes. The special allowables to the four wells involved here. I didn't participate in this original hearing so I'm not intimately acquainted with the background for it. It would appear from reading it that probably the basic reason for the exception was an economic one, because the wells had been drilled prior to the combination of these two pools into one pool. We'll have to just let the Commission rule on it.

MR. UTZ: Mr. Campbell, it's the Examiner's belief that the advertisement is not broad enough to cover any change in nomenclature.

MR. CAMPBELL: If the Examiner please, that may be correct. What I would like to suggest is that we have put into evidence the economic situation, which I presume was a part of the original hearing. I was not a participant in these hearings. These wells which were drilled prior to the combination of the

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pools were given this special treatment apparently because they had been drilled under previous pool designations.

The witness has testified that these wells are not under this allowable paid out at this time, and we would like to suggest this possibility, if the Westates desires to at this time question the designation of the pool, I presume they could if they saw fit, file an application for that purpose and have a hearing on that basis. In the meantime, we would like to request a continuation on some limited basis, if the Commission sees fit, of the present allowables so that we can consider preparing an application to redesignate the pools and advertise it as such so that those who oppose it can make their presentation.

MR. UTZ: You want, then, to continue with the testimony as to the need for extension time on the allowables?

MR. KELLAHIN: It's not quite clear to me as to when this allowable runs out. Do they have the month of April --

MR. UTZ: April 3rd.

MR. CAMPBELL: April 3rd it runs out.

MR. UTZ: Let the record show that Mr. Kellahin's motion was sustained.

MR. KELLAHIN: I believe that this didn't come out on the schedule until November, although this order was entered in October, if you give them eighteen months' allowable it should

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be greater than that unless it was a retroactive allowable granted, I don't know.

MR. CAMPBELL: If the allowable doesn't expire until June, then, of course, if they saw fit they could make an application in a different form and present this evidence at that time. Can we determine that?

MR. KASTLER: Is it possible that the allowable might have come out late but Westates might have made up the production?

MR. CAMPBELL: We'll find that out.

MR. CHRISTIE: May I suggest here, I checked the proration schedules and the first time that the combination pool, the Tubb and the Drinkard, shows up in the proration schedule was the first of November, so I would assume they wouldn't know what the allowable would be until that time. That would make the eighteen months run out the 3rd of May.

MR. NUTTER: May I interject a thought? Prior to the time that the order was entered they were all receiving the allowable. There has never been a day's loss of the allowable for the wells. Whether the order was in effect or not, they continued on the same allowable basis.

MR. MORRIS: The point is that the eighteen months would not begin running until such time as the pools had been

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combined by order.

MR. NUTTER: The pools were combined by this order and it specifies that the allowable provision terminates eighteen months after the date of the order.

MR. MORRIS: That's right, so it would have to be from the date of the order.

MR. NUTTER: Yes.

MR. UTZ: I believe, Mr. Campbell, that the allowable would terminate on the 3rd of April.

MR. CAMPBELL: I'm afraid so, on the basis of the order. We would like to request an extension of time sufficient to permit us to, if we see fit, to file an application for a designation of the pool here. The only evidence that we have is the evidence that has been presented with regard to the fact that the wells which were drilled under the old nomenclature still have not paid out. This would be the only basis for any extension of time. The other evidence we have is directed toward the point that was mentioned here. There's not much question about that.

MR. MORRIS: If the Examiner please, Mr. Campbell, as I understand your request, then, in this case you are asking for an extension of time for say a six-month period?

MR. CAMPBELL: We are at the point where we'd be

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happy to get any.

MR. MORRIS: Some definite period of time?

MR. CAMPBELL: Yes.

MR. MORRIS: I think there might be some question as to the propriety of bringing up the question of nomenclature in this particular area where in the previous order the Commission has found that they are, the Tubb and the Drinkard are actually one common source of supply, but if based upon new and additional evidence that's come to light in the interim, you intend to justify your position, then, of course, that case would have to stand on its own merits?

MR. CAMPBELL: That's right. We would have to file a new application on that basis. I'm not prepared to say at this moment whether we'll file one or not. I haven't consulted with my applicant here.

MR. MORRIS: I'm at a loss to know what your proposal is for Commission action on this case.

MR. CAMPBELL: On this case, based on the Commission's ruling, the only thing we could seek is an extension of time for the exception granted in the original order based upon the economic information that was presented here. In the interim period, if we desire to put this testimony in, we would have to revise our application or make a new application.

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MR. UTZ: Are you prepared at this time to request a certain length of time for your extension?

MR. CAMPBELL: We would like to request a ninety day extension of this order.

MR. KASTLER: Before you rule on the request, representing Gulf Oil Corporation, I would like to state that we object on the grounds that there has been no legitimate basis for an extension shown. Westates has had all of eighteen months in which to bring this matter on for hearing, or for a determination of the pool rules, the pool delineation, and such a matter should be brought up with notice to all operators so that it can be pool wide, so we object to any extension whatever.

MR. CAMERON: Tidewater joins in that objection.

MR. KELLAHIN: Amerada joins in the objection too.

MR. MORRIS: May I interject this, the witness is still, I don't think has ever been released from direct examination. I think we ought to withhold statements until the end of the case.

MR. CAMERON: We are objecting to that motion.

MR. KELLAHIN: The applicant made a motion for extension and we are objecting to his motion.

MR. MORRIS: Mr. Kellahin, the extension is not in the form of a motion, that's the purpose of the case.

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MR. KASTLER: But his motion is in this form, that this hearing be dismissed if this motion is to be approved.

MR. KELLAHIN: That's the way I understood it.

MR. CAMERON: We need a clarification.

MR. UTZ: Are you willing to proceed on the basis of economics as far as your extension of time request is concerned?

MR. CAMPBELL: The only evidence we have is in connection with the payout, that these wells have not paid out, and that they were drilled prior to the change of the pool designation. Those two facts are in evidence.

I agree that there probably isn't any necessity for a motion here except for the fact the order expires on April 3rd, and that these people have a right to cross examine if they wish and to put on any testimony. But I'll withdraw the motion on the ground that the Commission can act or not act.

MR. MORRIS: The decision will have to be an administrative action rather than actually by Examiner, Mr. Campbell.

MR. CAMPBELL: That's right.

MR. MORRIS: Is your witness available for cross examination?

MR. CAMPBELL: Yes, he is.

MR. UTZ: Mr. Morris.



CROSS EXAMINATION

BY MR. MORRIS:

Q Could you give me some information with respect to each of these wells as to how long at current rates of production it will take for each of the wells to pay out?

A I can give you an approximate figure, but it's going to be pretty rough.

MR. UTZ: Before you answer that, let me clarify one point. Are these figures that you are about to give for the dual completion in both zones or are they effective only for the Drinkard and Tubb zones?

A No, sir, it is for both zones.

MR. UTZ: Both zones even where the Fusselman is concerned?

A That's right.

Q (By Mr. Morris) Mr. Watson, with that in mind, I don't believe that's the information that the Commission desires. The Commission would desire information concerning how long it would take to pay out that portion of the well allocated to either the Drinkard or the Tubb formation only, not to both zones. We aren't interested in the zones that the Tubb or Drinkard wells might be dualled with. Do you have any information on that?

A Well, I couldn't furnish that at this time, no.



MR. UTZ: You have no breakdown as to what the completion charge is to each zone?

A No.

Q (By Mr. Morris) Is the information that you gave previously with respect to each well as to how much money would have to come in before the wells would be paid out, is that with respect to the wells that are duals --

A Yes, sir.

Q -- or with respect to each of the two zones?

A That is a combination of both zones. That is all the oil that we have produced out of both zones.

Q Do you have any breakdown on that as to the Drinkard or Tubb formation within the dual completion?

A No, sir, I do not.

Q If such an allocation were made, is it possible that that particular zone of the dual completion might have paid out the Drinkard or the Tubb zone?

A As far as the Tubb and Blinebry wells are concerned, the oil has been the same, I mean they have been top allowable wells or very nearly so, and the Drinkard and Fusselman wells, one of the Drinkard wells is not top allowable so it would lack more than the others as far as the Tubb-Drinkard zones are concerned, but what exactly the figures are, I don't have that



information.

Q It's impossible to tell, then, from the figures that you have presented to the Commission today whether the Tubb or Drinkard zones of the dual completions have actually failed to pay out to date, is that correct, Mr. Watson?

A Well, the only question there could be there is the No. 3 well which is very nearly paid out right now. Of the others, there's too much money to get back to be paid out at this time.

MR. MORRIS: I have no further questions.

BY MR. UTZ:

Q Mr. Watson, which well was the Drinkard zone marginal in?

A The "B" 25 No. 4.

Q Is that the only marginal zone, either the Tubb or the Drinkard?

A At the present time, yes, sir.

Q Mr. Watson, how long an extension are you prepared to request on the basis of the economic data which you have presented on direct?

A Does that just mean that the information would be in the Commission's hand or another hearing?

Q Well, that means on the basis of the information that you have submitted here today, how long an extension are you



requesting on these allowables for each zone, or a double allowable for the one pool.

A As far as the economic information is concerned, I would say thirty days.

MR. UTZ: Any other questions of the witness?

MR. RAMEY: I have a question.

BY MR. RAMEY:

Q Mr. Watson, do you have any recent test information on these wells?

A It's, if you can still use this, it's on the production history right down there on the bottom.

Q I was trying to figure out where you'd lose barrels a day production. I think your gas-oil ratios tests would be due any time now and it looks like you can penalize wells.

A We're trying to remedy that before those tests come in. Whether we'll be able to completely cure it or not, that's down the road a little ways, but it would mean a considerable amount of oil more than just two allowables.

Q I figured from your February production here that by a combination of factors you could probably lose only about 28 barrels a day.

A That's possible.

MR. UTZ: Mr. Ramey, what is the ratio for this pool



at the present time?

MR. RAMEY: Two thousand.

MR. UTZ: Are there other questions? Mr. Kellahin.

BY MR. KELLAHIN:

Q Mr. Watson, I notice on your Exhibit 2 you have cumulative figures for the Tubb and Drinkard zone, that is the total production from those wells to January 31, is that correct?

A Yes, sir, that is correct.

Q Do you have the same information for the other zones in which those wells are completed?

A Not with me.

Q In other words, the Fusselman and the Blinebry?

A No, sir, I do not. It's available, but I don't have it with me.

MR. KELLAHIN: That's all.

MR. UTZ: Does that complete your questioning?

MR. KELLAHIN: That's all.

MR. UTZ: Are there other questions? The witness may be excused.

(Witness excused.)

MR. UTZ: Statements in this case? Mr. Kastler.

MR. KASTLER: Gulf Oil Corporation is the owner of the Arnold Ramsey State Lease, a portion of which is offset by the



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Westates Carlson "B" Lease. The total production from Westates Wells No. 2, 3, 4 and 5 as taken from the New Mexico Oil and Gas Engineering Committee reports for all zones in which these wells are dually completed, indicates that on an average cost basis the wells should be more than paid out. We find an average cost basis of about \$111,000.00 per well. We do not believe that it was the intent of the original eighteen months' special order to guarantee the payout on four wells, but rather to help relieve the financial burden incurred for two additional wells. In our opinion this has been more than accomplished.

In the interest of protection of correlative rights, Gulf Oil requests that Westates' application for special allowable be denied.

MR. CAMERON: Tidewater operates the Coates "C" Lease and the Buffington "B" Lease in the immediate proximity of the well in question. Tidewater concurs in Gulf's statement here in that we think that the Commission has been more than lenient in this eighteen months' special allowable, and we believe it now necessary that such special allowable be terminated, particularly in view of the fact that the applicant here has not made, in my opinion, a proper case for the extension of this special allowable, and we respectfully request that such special allowable be ceased as of April 3.



MR. HIXON: Union Texas Petroleum Corporation.

MR. UTZ: Would you state your name for the record, please?

MR. HIXON: William L. Hixon, representing Union Texas Petroleum Corporation, which is Anderson-Prichard Oil Corporation joined with Amerada Petroleum Corporation in the application which resulted in the Order No. R-1776, does not favor Westates' application to extend the provisions set forth under Section 3 of the order. Especially in view of the fact that Westates has been extremely vague as to the extent of any economic hardship which would result to it from termination of the extension on April 3rd, 1962, and in view of the fact that our plans for future operations have been based upon the termination becoming effective as of April 3rd, 1962.

MR. UTZ: Mr. Kellahin.

MR. KELLAHIN: Jason Kellahin for Amerada. Amerada concurs with the statement made by Gulf Oil Corporation, we do not feel that the applicant in this case has offered a sufficient case to show any economic hardship which would justify an extension of the order, as pointed out by the Commission's attorney, on examination the Westates testimony is somewhat lacking in the details which would be necessary to determine whether there is an economic hardship or not.

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We have no information on well costs. We have no information on production from zones other than the zones involved here in the Drinkard and Tubb, and a lack of information on the entire situation. Amerada opposes any extension.

MR. UTZ: Any other statements? The case will be taken under advisement. It appears that we will not get to Cases 2516 or 2517 until tomorrow morning.

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

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 29th day of March, 1962.

Ada Dearnley
Notary Public-Court Reporter

My commission expires:
June 19, 1963.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2508 heard by me on May 28, 1962

Thurston W. [Signature]
Examiner
New Mexico Oil Conservation Commission

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