

Case No.

741

Application, Transcript,
Small Exhibits, Etc.

CASE 741: R. Olsen Oil Company applica-
tion for unorthodox gas production unit,
Blindery Gas Pool (June 21 1954)

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 741 and 742
(June 21, 1954)

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
ROOMS 105, 106, 107 EL CORTEZ BUILDING
TELEPHONE 7-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
at
Santa Fe, New Mexico
June 21, 1954.

Afternoon Session.

IN THE MATTER OF:

Application of R. Olsen Oil Company for 160-acre
unorthodox gas proration unit in the Blinebry Gas
Pool: SE/4 NW/4, NE/4 SW/4, and S/2 SW/4 of
Section 25, Township 22 South, Range 37 East,
NMPM, Lea County, New Mexico.) Case 741

Application of R. Olsen Oil Company for 160-acre
unorthodox gas proration unit in the Blinebry Gas
Pool: N/2 NW/4, SW/4 NW/4 and NW/4 SW/4 of
Section 25, Township 22 South, Range 37 East, NMPM,
Lea County, New Mexico.) Case 742

TRANSCRIPT OF PROCEEDINGS

MR. SPURRIER: The meeting will come to order, please. The
case on the docket which we are about to consider is Case 741. I
presume you want to consolidate that with 742?

MR. KELLAHIN: Yes, sir, we would like to consolidate the cases
for the purpose of hearing.

Jason Kellahin representing the applicant, R. Olsen. These are
two applications for unorthodox gas proration units in Blinebry Gas
Pool in Lea County, New Mexico.

741, covering the Southeast quarter of the Northwest quarter,
the northeast quarter and the South half of the Southwest quarter
of Section 25, and the Case 742 covering the North half of the Northwest quarter,
Southwest quarter of the Northwest quarter, and the Northwest quar-
ter of the Southwest quarter of Section 25, both in Township 22 South,
Range 37 East.

I would like to call as a witness, Mr. Frank Barnes.

F R A N K B A R N E S

having first been duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. KELLAHIN:

Q Would you state your name, please?

A Frank C. Barnes.

Q Are you representing the R. Olsen Oil Company in connection with the two cases now before the Commission?

A That is correct.

Q Have you testified before this Commission as an expert in previous hearings, and had your --

A (Interrupting) Yes, sir, I have.

Q (Continuing) -- and had your qualifications accepted?

MR. KELLAHIN: Are the witness's qualifications acceptable to the Commission?

MR. SPURRIER: Yes, sir, to the Commission.

Q Are you familiar with the applications of R. Olsen in Cases 741 and 742?

A Yes, sir.

Q The first application, 741, is concerned with the acreage allotted to its Simms No. 1 well, is that correct?

A Yes, sir, that is correct.

Q And 742 is concerned with their acreage allotment to their Drinkard No. 1 well, is that correct?

A That is correct.

Q Mr. Barnes, do you know the circumstances under which those wells were originally drilled?

A The first well that was drilled was the Drinkard No. 1, and that was drilled in June of 1948, or completed in June of 1948, and

it was drilled to fulfill a drilling obligation on a 40-acre unit.

Q What acreage did Olsen have at that time?

A At that time they had the 40 acres in which the Drinkard No. 1 was located, which was Section 25, 22 South, 37 East, and they also had 40 acres in the same section, township and range that was offsetting the Drinkard No. 1.

Q That is the location of their Simms No. 1 well?

A That is correct.

Q How was the Drinkard No. 1 located?

A The Drinkard No. 1 was located in accordance with the spacing and the drilling unit allocation that was in effect at that particular time. It was a 40-acre location.

Q It's location is 350 feet south of the north line, and 1650 feet off the west boundary of Section 25, is that correct?

A That is correct.

Q Would you tell the Commission how that well was completed?

A That well was completed originally as a gas well at a total depth of 5,532 feet.

Q Do you know where the oil string was set in the well?

A It is set at 5532 feet.

Q What is the elevation of the well?

A The elevation is 3,328 feet.

Q Would that, then, make the completion within the vertical and horizontal limit of the Blinbry Gas Pool as now defined by the Commission?

A Yes, sir, that is correct.

Q When was the first delivery of gas from that well?

A The first delivery of gas from that well was the El Paso Natural Gas Company, and it was in September of 1948.

Q Was that prior to the adoption by this Commission of the orders prorating gas in the Blinebry Gas Pool?

A Yes.

Q Has the well always made its allowable since prorationing?

A Since prorationing it has always made its allowable.

Q Do you know what the allowable is based on at the present time?

A It is my understanding that the present allowable is based on 160 acre.

Q Is it not 120?

A It is 120 to that well, but what I meant, the gas unit is 160 acres.

Q Do you know how the Simms No. 1 well happened to be drilled in its present location?

A The Simms No. 1 well was drilled to fulfill an offset drilling obligation and offset 40 to the Drunkard No. 1. The company was obligated to drill that well following completion of the Drunkard No. 1.

Q At that time those two 40's was all the acreage that Olsen Oil Company had?

A Yes, sir, that is correct. That is the only acreage they had and the wells were drilled in good faith, based on the spacing and the unit allowable at that time.

Q That was prior to the adoption by this Commission of the 160 acre spacing regulation on gas wells?

A That is correct.

Q How was the Simms Well No. 1 completed, Mr. Barnes?

A The Simms No. 1 was originally drilled as an oil well, but

it was not an economically feasible well. I don't know exactly what zone it was completed in, but it was completed at approximately 3500 feet. Later on the well was deepened to a total depth of 5500 feet and completed as a gas well. This well is also within the limits of the Blinebry Gas Pool, as is the Drinkard.

Q When was the first delivery of gas from that well?

A The first delivery of gas from this well was in May of 1949 and was delivered to El Paso Natural Gas Company.

MR. KELLAHIN: At this time I would like to have the Commission take notice of a memorandum issued by the Commission under signature of RR. Spurrier, under date of September 29, 1950 calling attention to the fact that the Commission had adopted a 160 acre drilling unit for gas production, and indicating that prorationing would be based on that 160 acres.

Q Do you know what action R. Olsen took in 1950 in connection with that?

A They immediately acquired additional acreage so they could fulfill the requirements for additional acreage required in the unit at that time.

Q I hand you what has been marked as Exhibit 1 and ask you to state what that shows.

A Exhibit 1 is a plat and it shows the location of the Drinkard No. 1. It shows the location of the Simms No. 1 and it has colored in the outline of the acreage that is committed to the two wells.

Q That is the acreage that was secured by Olsen following the memorandum of the Commission in 1950? A Yes, sir, that is correct.

Q I hand you what has been marked as Olsen's Exhibit No. 2 and ask you to state what that shows.

A That is a similar plat on a smaller scale. It shows the wells that have been drilled in ^{the} general area, and it shows the acreage, the proposed acreage to be committed to these wells at the present time.

Q Does it show the other wells producing from the Blinebry zone?

A Yes, it shows the other Blinebry wells in the area. They are colored in green. As a matter of fact, they are colored in on both maps.

Q Do you know whether Olsen Oil Company secured communitization agreements covering the areas in the two units?

A It is my understanding that they did.

MR. KELLAHIN: At this time we would like to offer in evidence Exhibits No. 1 and 2 and also Exhibit No. 3 and 4. Exhibit No. 3 being a unitization agreement covering the acreage for which a proration unit is sought in Case 741, and Exhibit 4 being a communitization agreement covering the acreage for which a proration unit is sought in 742. As to Exhibits 3 and 4, we would like to withdraw them and file photostatic copies.

(Marked Olsen's Exhibits Nos. 1, 2, 3 and 4 for identification.)

MR. SPURRIER: Is there objection? Without objection, they will be admitted and you may substitute copies for Exhibits 3 and 4.

Q Based on your experience in gas production business, do you consider it would be economical to drill another well on the acreage covered by these two applications?

A In view of the cost of drilling the two original wells, which was substantial.

Q Do you have the cost figures?

A The R. Olsen Oil Company Simms No. 1 cost \$131,800. The reason for the extremely high cost, of course, was, of course, a dual completion. The Drinkard No. 1 cost \$80,591. If they were to drill a third well in the area which would allow them to receive the same gas allocation as they would with the two, it wouldn't be economically feasible to drill a third well.

Q Do you know whether El Paso Natural before prorationing, took gas from the two wells on the basis of 160 acres allocated to each well?

A It is my understanding that is correct.

MR. KELLAHIN: I believe that completes our presentation.

MR. SPURRIER: Does anyone have a question of the witness? If not, the witness may be excused.

(Witness excused.)

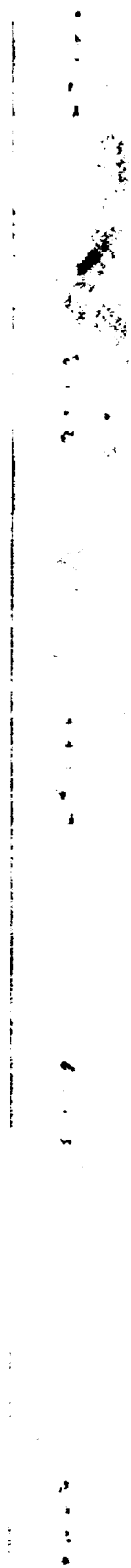
MR. SELINGER: Mr. Spurrier, Skelly offsets the first well mentioned to the west. While we don't like the practice of having two wells on the same governmental quarter section, and no wells on the south governmental quarter section, we realize that these are wells already drilled and that the denial of this application would result in a drilling of a well which we agree is an unnecessary well. Therefore, for that reason, we have no objections.

MR. SPURRIER: Anyone else? We will take the case under advisement.

C E R T I F I C A T E

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings in the matter of Case No.s 741 and 742 were taken by me on June 16, 1954, that the same is a true and correct record to the best of my knowledge, skill and ability.

Ada Dearnley
Reporter



BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 741 and 742
(June 21, 1954)

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
ROOMS 105, 106, 107 EL CORTEZ BUILDING
TELEPHONE 7-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

at
Santa Fe, New Mexico
June 21, 1954.

Afternoon Session.

IN THE MATTER OF:

Application of R. Olsen Oil Company for 160-acre
unorthodox gas proration unit in the Blinebry Gas
Pool: SE/4 NW/4, NE/4 SW/4, and S/2 SW/4 of
Section 25, Township 22 South, Range 37 East,
NMPM, Lea County, New Mexico.

Case 741

Application of R. Olsen Oil Company for 160-acre
unorthodox gas proration unit in the Blinebry Gas
Pool: N/2 NW/4, SW/4 NW/4 and NW/4 SW/4 of
Section 25, Township 22 South, Range 37 East, NMPM,
Lea County, New Mexico.

Case 742

TRANSCRIPT OF PROCEEDINGS

MR. SPURRIER: The meeting will come to order, please. The
case on the docket which we are about to consider is Case 741. I
presume you want to consolidate that with 742?

MR. KELLAHIN: Yes, sir, we would like to consolidate the cases
for the purpose of hearing.

Jason Kellahin representing the applicant, R. Olsen. These are
two applications for unorthodox gas proration units in Blinebry Gas
Pool in Lea County, New Mexico.

741, covering the Southeast quarter of the Northwest quarter,
the northeast quarter and the South half of the Southwest^{quarter}/of Section
25, and the Case 742 covering the North half of the Northwest quarter,
Southwest quarter of the Northwest quarter, and the Northwest quar-
ter of the Southwest quarter^{of}, Section 25, both in Township 22 South,
Range 37 East.

I would like to call as a witness, Mr. Frank Barnes.

F R A N K B A R N E S

having first been duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. KELLAHIN:

Q Would you state your name, please?

A Frank C. Barnes.

Q Are you representing the R. Olsen Oil Company in connection with the two cases now before the Commission?

A That is correct.

Q Have you testified before this Commission as an expert in previous hearings, and had your --

A (Interrupting) Yes, sir, I have.

Q (Continuing) -- and had your qualifications accepted?

MR. KELLAHIN: Are the witness's qualifications acceptable to the Commission?

MR. SPURRIER: Yes, sir, to the Commission.

Q Are you familiar with the applications of R. Olsen in Cases 741 and 742?

A Yes, sir.

Q The first application, 741, is concerned with the acreage allotted to its Sims No. 1 well, is that correct?

A Yes, sir, that is correct.

Q And 742 is concerned with their acreage allotment to their Drinkard No. 1 well, is that correct?

A That is correct.

Q Mr. Barnes, do you know the circumstances under which those wells were originally drilled?

A The first well that was drilled was the Drinkard No. 1, and that was drilled in June of 1948, or completed in June of 1948, and

it was drilled to fulfill a drilling obligation on a 40-acre unit.

Q What acreage did Olsen have at that time?

A At that time they had the 40 acres in which the Drinkard No. 1 was located, which was Section 25, 22 South, 37 East, and they also had 40 acres in the same section, township and range that was offsetting the Drinkard No. 1.

Q That is the location of their Simms No. 1 well?

A That is correct.

Q How was the Drinkard No. 1 located?

A The Drinkard No. 1 was located in accordance with the spacing and the drilling unit allocation that was in effect at that particular time. It was a 40-acre location.

Q It's location is 350 feet south of the north line, and 1650 feet off the west boundary of Section 25, is that correct?

A That is correct.

Q Would you tell the Commission how that well was completed?

A That well was completed originally as a gas well at a total depth of 5,532 feet.

Q Do you know where the oil string was set in the well?

A It is set at 5532 feet.

Q What is the elevation of the well?

A The elevation is 3,328 feet.

Q Would that, then, make the completion within the vertical and horizontal limit of the Elinebry Gas Pool as now defined by the Commission?

A Yes, sir, that is correct.

Q When was the first delivery of gas from that well?

A The first delivery of gas from that well was the El Paso Natural Gas Company, and it was in September of 1948.

Q Was that prior to the adoption by this Commission of the orders prorating gas in the Blinebry Gas Pool?

A Yes.

Q Has the well always made its allowable since prorationing?

A Since prorationing it has always made its allowable.

Q Do you know what the allowable is based on at the present time?

A It is my understanding that the present allowable is based on 160 acre.

Q Is it not 120?

A It is 120 to that well, but what I meant, the gas unit is 160 acres.

Q Do you know how the Simms No. 1 well happened to be drilled in its present location?

A The Simms No. 1 well was drilled to fulfill an offset drilling obligation and offset 40 to the Drunkard No. 1. The company was obligated to drill that well following completion of the Drinkard No. 1.

Q At that time those two 40's was all the acreage that Olsen Oil Company had?

A Yes, sir, that is correct. That is the only acreage they had and the wells were drilled in good faith, based on the spacing and the unit allowable at that time.

Q That was prior to the adoption by this Commission of the 160 acre spacing regulation on gas wells?

A That is correct.

Q How was the Simms Well No. 1 completed, Mr. Barnes?

A The Simms No. 1 was originally drilled as an oil well, but

it was not an economically feasible well. I don't know exactly what zone it was completed in, but it was completed at approximately 3500 feet. Later on the well was deepened to a total depth of 5500 feet and completed as a gas well. This well is also within the limits of the Blinebry Gas Pool, as is the Drinkard.

Q When was the first delivery of gas from that well?

A The first delivery of gas from this well was in May of 1949 and was delivered to El Paso Natural Gas Company.

MR. KELLAHIN: At this time I would like to have the Commission take notice of a memorandum issued by the Commission under signature of RR Spurrier, under date of September 29, 1950 calling attention to the fact that the Commission had adopted a 160 acre drilling unit for gas production, and indicating that prorationing would be based on that 160 acres.

Q Do you know what action R. Olsen took in 1950 in connection with that?

A They immediately acquired additional acreage so they could fulfill the requirements for additional acreage required in the unit at that time.

Q I hand you what has been marked as Exhibit 1 and ask you to state what that shows.

A Exhibit 1 is a plat and it shows the location of the Drinkard No. 1. It shows the location of the Simms No. 1 and it has colored in the outline of the acreage that is committed to the two wells.

Q That is the acreage that was secured by Olsen following the memorandum of the Commission in 1950? A Yes, sir, that is correct.

Q I hand you what has been marked as Olsen's Exhibit No. 2 and ask you to state what that shows.

A That is a similar plat on a smaller scale. It shows the ^{the} wells that have been drilled in/general area, and it shows the acreage, the proposed acreage to be committed to these wells at the present time.

Q Does it show the other wells producing from the Blinebry zone?

A Yes, it shows the other Blinebry wells in the area. They are colored in green. As a matter of fact, they are colored in on both maps.

Q Do you know whether Olsen Oil Company secured communitization agreements covering the areas in the two units?

A It is my understanding that they did.

MR. KELLAHIN: At this time we would like to offer in evidence Exhibits No. 1 and 2 and also Exhibit No. 3 and 4. Exhibit No. 3 being a unitization agreement covering the acreage for which a proration unit is sought in Case 741, and Exhibit 4 being a communitization agreement covering the acreage for which a proration unit is sought in 742. As to Exhibits 3 and 4, we would like to withdraw them and file photostatic copies.

(Marked Olsen's Exhibits Nos. 1, 2, 3 and 4 for identification.)

MR. SPURRIER: Is there objection? Without objection, they will be admitted and you may substitute copies for Exhibits 3 and 4.

Q Based on your experience in gas production business, do you consider it would be economical to drill another well on the acreage covered by these two applications?

A In view of the cost of drilling the two original wells, which was substantial.

Q Do you have the cost figures?

A The R. Olsen Oil Company Simms No. 1 cost \$131,800. The reason for the extremely high cost, of course, was, of course, a dual completion. The Drinkard No. 1 cost \$80,591. If they were to drill a third well in the area which would allow them to receive the same gas allocation as they would with the two, it wouldn't be economically feasible to drill a third well.

Q Do you know whether El Paso Natural before prorationing, took gas from the two wells on the basis of 160 acres allocated to each well?

A It is my understanding that is correct.

MR. KELLAHIN: I believe that completes our presentation.

MR. SPURRIER: Does anyone have a question of the witness? If not, the witness may be excused.

(Witness excused.)

MR. SELINGER: Mr. Spurrier, Skelly offsets the first well mentioned to the west. While we don't like the practice of having two wells on the same governmental quarter section, and no wells on the south governmental quarter section, we realize that these are wells already drilled and that the denial of this application would result in a drilling of a well which we agree is an unnecessary well. Therefore, for that reason, we have no objections.

MR. SPURRIER: Anyone else? We will take the case under advisement.

C E R T I F I C A T E

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings in the matter of Case No.s 741 and 742 were taken by me on June 16, 1954, that the same is a true and correct record to the best of my knowledge, skill and ability.

Ada Dearnley
Reporter

1

1

1

1

1

OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
SANTA FE, NEW MEXICO

Re: IN THE MATTER OF APPLICATION
OF R. OLSEN OIL COMPANY FOR AN
UNORTHODOX GAS UNIT EMBRACING
160 CONTIGUOUS ACRES IN THE
BLINEBRY GAS POOL, LEA COUNTY,
NEW MEXICO.

Gentlemen:

Comes now the R. OLSEN OIL COMPANY hereby petitioning the New Mexico Oil Conservation Commission for approval of an unorthodox gas proration unit lying wholly within the limits of the Blinebry Gas Pool, namely SE/4 NW/4, NE/4 SW/4 and the S/2 SW/4 of Section 25, Township 22 South, Range 37 East, N. M. P. M., Lea County, New Mexico, and in support thereof does state:

1. That the petitioner is the owner of all oil and gas leases on the 320 acres confined by the boundaries of the W/2 of Section 25, Township 22 South, Range 37 East, N.M.P.M. *11-11-18*

2. That the petitioner's Sims Well No. 1, is located 1980 feet South of the North and 1980 feet East of West boundary of the section, and is completed within the vertical limits of the Blinebry Gas Pool as defined by the New Mexico Oil Conservation Commission.

3. That the royalty owners of the 160 acre unorthodox unit herein applied for are not the same as the owners of the royalty of the remaining 160 acres in the W/2 of subject section.

4. That the petitioner's lease is capable of producing by virtue of its past production and the fact it is offset by gas wells producing gas from the Blinebry Pool.

5. That a plat showing the above described lands and all offset properties indicating well locations and lease ownership to the best of our knowledge is hereto attached.

Wherefore, the petitioner requests that in the interest of conservation and protection of correlative rights, the Commission grant an exemption to Rule 7 (a) of order R-372-A, as provided therein, by which the petitioner may operate the above described lands as a single unit.

Respectfully submitted,

R. OLSEN OIL COMPANY

Aaron Cummings

AARON CUMMINGS
Gas Engineer

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW MEXICO
FOR THE PURPOSE OF CONSIDERING:

CASE NO. 741
ORDER NO. R-504

THE APPLICATION OF R. OLSEN OIL COMPANY
FOR AN ORDER GRANTING APPROVAL OF AN
EXCEPTION PURSUANT TO RULE 7(A) OF ORDER
NO. R-372-A IN ESTABLISHMENT OF AN UN-
ORTHODOX GAS PRORATION UNIT OF 160 CON-
TIGUOUS ACRES CONSISTING OF SE/4 NW/4,
NE/4 SW/4 AND S/2 SW/4 OF SECTION 25,
TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM,
IN THE BLINEBRY GAS POOL.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on June 21, 1954,
at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter
referred to as the "Commission."

NOW, on this 12th day of August, 1954, the Commission, a
quorum being present, having considered the records and testimony adduced,
and being fully advised in the premises,

FINDS:

(1) That due notice of the time and place of hearing and the purpose
thereof having been given as required by law, the Commission has jurisdiction
of this case and the subject matter thereof.

(2) That pursuant to provisions of Rule 7(a) of Order No. R-372-A
the Commission has power and authority to permit the formation of a gas pro-
ration unit consisting of other than a legal quarter section after notice
and hearing by the Commission.

(3) That applicant, R. Olsen Oil Company, is the owner of an oil and
gas lease in Lea County, New Mexico, the land consisting of other than a
legal quarter section, and described as follows:

Township 22 South, Range 37 East, NMPM
SE/4 NW/4, NE/4 SW/4, S/2 SW/4
of Section 25

containing 160 acres, more or less.

(4) That applicant, R. Olsen Oil Company, has a producing well on
the aforesaid lease known as Sims No. 1, located 1980 feet from the north
line and 1980 feet from the west line of Section 25, Township 22 South,
Range 37 East.

(5) That the aforesaid well was completed and in production prior to
January 1, 1954, the effective date of Order No. R-372-A, and is located
within the limits of the pool heretofore delineated and designated as the
Blinebry Gas Pool.

(6) That it is impractical to pool applicant's said lease with
adjoining acreage in the W/2 of Section 25, Township 22 South, Range 37
East.

(7) That unless a proration unit consisting of applicant's aforesaid acreage is permitted, applicant will be deprived of the opportunity to recover its just and equitable share of the natural gas in the Blinebry Gas Pool.

(8) That creation of a proration unit consisting of the aforesaid acreage will not cause but will prevent waste, will protect correlative rights, and is necessary to prevent confiscation of applicant's property.

IT IS THEREFORE ORDERED:

(1) That the application of R. Olsen Oil Company for approval of an unorthodox proration unit consisting of the following described acreage:

Township 22 South, Range 37 East, NMPM
SE/4 NW/4, NE/4 SW/4, S/2 SW/4 of
Section 25

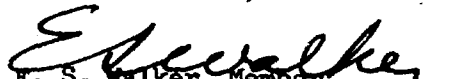
be, and the same hereby is approved, and a proration unit consisting of the aforesaid acreage is hereby created.

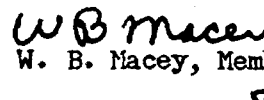
(2) That applicant's well, Sims No. 1, located in the SE/4 NW/4 of Section 25, Township 22 South, Range 37 East, NMPM, shall be granted an allowable from January 1, 1954, in the proportion that the above-described 160-acre unit bears to the standard or orthodox proration unit for said pool, all until further order of the Commission.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


Edwin L. Mechem, Chairman


E. S. Walker, Member


W. B. Macey, Member and Secretary

S E A L

MAIN OFFICE OGC

1954 JUN 22 AM 8:33

The Ohio Oil Co.

Legal Department

W. Hume Everett

Thomas H. McCleary

J. O. Terrell Couch

Attorneys

June 18, 1954

P. O. Box 3128

Houston, Texas

Oil Conservation Commission
State of New Mexico
Santa Fe, New Mexico

Gentlemen:

Re: Applications of R. Olsen Oil Company
for Unorthodox Gas Units, Blinbry Gas
Pool, Lea Co., New Mexico in
Case No. 741 and
Case No. 742

Enclosed please find Protest and Objection of The Ohio Oil Company in 8 counterparts, together with an extra copy of this letter. Please file a copy of the Protest and a copy of the letter in each of the above numbered cases.

I also respectfully request that our Protest and Objection be made a part of the record in each numbered case.

I am today mailing by regular mail copies of this letter and Protest to the parties indicated on the letter, such parties being all of the operators adjoining the Ohio-Phillips 80-acre unit embracing the E/2 of the SW/4, Sec. 24, T22S, R37E, Lea County, New Mexico.

Please acknowledge receipt of the Protest and advise me the date same is filed and that it has been made a part of the record in each case.

Very truly yours,

W. H. Everett
W. H. EVERETT

WHE/1

encls

REGISTERED: RETURN RECEIPT
REQUESTED

Copies to:
Gulf Oil Corporation
P.O. Box 1290
Fort Worth, Texas

#2

Mr. E.H. Foster
c/o Phillips Petroleum Company
Amarillo, Texas

Mr. E.H. Foster
c/o LaFonda Hotel
Santa Fe, New Mexico

R. Olsen Oil Company
P.O. Box 625
Jal New Mexico

Mr. Jason W. Kellahin
Attorney-at-Law
Santa Fe, New Mexico

OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
Santa Fe, New Mexico

IN THE MATTER OF

APPLICATIONS OF R. OLSEN OIL COMPANY
FOR UNORTHODOX GAS UNIT EMBRACING 160
CONTIGUOUS ACRES IN THE BLINEBRY GAS
POOL, LEA COUNTY, NEW MEXICO

Case No. 741
Case No. 742

PROTEST AND OBJECTION OF THE OHIO OIL COMPANY

Now comes The Ohio Oil Company (hereinafter called OHIO) and moves that Cases Nos. 741 and 742 be consolidated, and hereby protests and objects to the approval of the unorthodox gas proration units applied for in the above numbered cases by R. Olsen Oil Company (hereinafter called OLSEN), and states:

1.

That Ohio and Phillips Petroleum Company (hereinafter called PHILLIPS) are the owners of an oil and gas lease covering the East 1/2 of the Southwest 1/4 of Section 24, Township 22 South, Range 37 East, which adjoins and is contiguous to the East 1/2 of the Northwest 1/4 of Section 25, Township 22 South, Range 37 East, embraced with other lands in Applications Nos. 741 and 742, for all of which said Olsen makes application for unorthodox gas proration units in said cases.

2.

That Ohio is the Operator of the Ohio-Phillips lease, and that heretofore by order dated April 16, 1954 an unorthodox gas proration unit was established by this Commission as to the 80 acres embraced in the Ohio-Phillips lease, all as appears in Case No. 654 (Order R-446), herein referred to for all purposes.

3.

That the wells referred to in Cases Nos. 741 and 742 are located on the East 1/2 of the Northwest 1/4 of said Section 25, being the 80 acre tract adjoining the Ohio-Phillips unorthodox gas proration unit to the south, all as shown by the plats attached to Olsen's applications herein.

4.

That, as shown by the New Mexico Oil and Gas Engineering Committee Report for the month of April, 1954, Applicant Olsen is apparently assigning and now claiming a 120 acre allowable for its Drinkard Well No. 1, referred to at page 4 in the Report, and located as described in its Application in Case No. 742; and that Applicant Olsen is apparently assigning and now claiming a 40 acre allowable for its Sims Well No. 1, referred to at page 4 in the Report, and located as described in its Application in Case No. 741. In effect, Applicant is now unjustly receiving the equivalent of a 160 acre allowable for the two wells which are located on the 80 acres immediately south of the Ohio-Phillips unorthodox unit above described. The allowable as set forth in said Committee Report for April, 1954, for the Drinkard well is 7113 m.c.f., and for the Sims well is 2371 m.c.f., or a total of 9484 m.c.f. as compared with an allowable of 4742 m.c.f. for the Ohio-Phillips J.L. Muncy Well No. 3, located on said unorthodox unit.

5.

That under the present proration, the allowable for Olsen's 80 acres is twice that for the Ohio-Phillips 80 acres adjoining to the north; that regardless of Olsen's applications, the allowables for Olsen's 80 acres on which the Drinkard and Sims wells are located should not be more than the allowable for the Ohio-Phillips well No. 3, on said unorthodox unit.

6.

That the granting of the applications in Cases Nos. 741 and 742 is not in the interest of conservation and would not protect correlative rights, but would legalize and sanction the manifestly unfair withdrawals of gas in disregard of the correlative rights of Ohio and Phillips and should, therefore, be in all things denied.


WHEREFORE, The Ohio Oil Company asks that Cases Nos. 741 and 742 be consolidated, and protests and objects to the granting of said applications in Cases Nos. 741 and 742, and requests that the Commission, in the interest of conservation and the protection of correlative rights, in all things deny said applications of Olsen in said cases, and respectfully requests that an order be entered

fixing the same total allowable for the Ohio-Phillips well on said 80 acre unit as for the two wells on the Olsen 80 acre tract described as the East 1/2 of the Northwest 1/4 of Section 25, Township 22 South, Range 37 East.

Respectfully submitted,

THE OHIO OIL COMPANY

By


Attorney



R. OLSEN OIL COMPANY

Box 625, Jal, New Mexico

May 28, 1954

Mr. R. R. Spurrier, Secretary & Director
New Mexico Oil Conservation Commission
P. O. Box 871
Sante Fe, New Mexico

Dear Sir:

Attached are applications for approval of two unorthodox gas proration units embracing 160 acres, each in the Blinebry gas pool. Both units are in the W/2 of Section 25, Township 22 South, Range 37 East. Under existing gas prorationing rules, Sims Well No. 1 is granted a 40 acre allowable out of 160 acre lease, and Drinkard Well No. 1 is granted an allowable based on 120 acres of 160 acre lease. Both wells are producing on adjoining 40 acre tracts from the same pay zone. Since royalty ownership under the two 160 acre leases is different, royalty owners of Sims Well No. 1 receive only 1/3 the income that royalty owners of Drinkard Well No. 1 receive.

Due to this unfavorable condition, and because an inequity exists, the R. Olsen Oil Company respectfully requests the New Mexico Oil Conservation Commission to grant a special hearing for this case. In order to protect correlative rights and to grant interested royalty owners their just and equitable share of revenue from the subject property, it is also requested the commission grant an order approving the two unorthodox gas proration units.

Respectfully submitted,

R. OLSEN OIL COMPANY

Aaron Cummings

AARON CUMMINGS
Gas Engineer

AC/mp

UNITIZING AGREEMENT

WHEREAS, the undersigned, hereinafter called Royalty Owners, are the owners of undivided mineral interests in and under the following described land, to-wit:

The Southeast Quarter of the Northwest Quarter (SE/4 NW/4) of Section 25, Township 22 South, Range 37 East, Lea County, New Mexico, containing 40 acres, more or less,

said tract being subject to oil and gas lease now on record in Lea County, New Mexico; And,

WHEREAS, the undersigned are the owners of undivided mineral interests in and under the following described land, to-wit:

The East Half of the Southwest Quarter (E/2 SW/4) and the Southwest Quarter of the Southwest Quarter (SW/4 SW/4) of Section 25, Township 22 South, Range 37 East, Lea County, New Mexico, containing 120 acres, more or less,

said tract being subject to oil and gas lease now on record in Lea County, New Mexico.

NOW, THEREFORE, for a valuable consideration, the receipt of which is hereby acknowledged, and in order to accomplish the conservation of gas and to prevent economic waste in the full recovery thereof, the undersigned agree that the above described tracts and the oil and gas leases thereon, above referred to, insofar as the gas and gas rights therein and thereunder are concerned, and insofar as the Blinbry Pay, which is approximately between 5400 feet to 5600 feet, more or less, and all of the several interests of the Royalty Owners in and to the gas and gas rights in, to and under the said lands are hereby consolidated, pooled, and unitized for the purpose of confining the development of said tracts to the drilling of one gas well to the Blinbry section, above referred to, in order to obtain the maximum allowable allocated to a 160 acre drilling unit.

RECEIVED

SEP 13 1957

JAL OFFICE

All royalties accruing from said above described properties, with respect to the gas and gas rights in and under aforesaid unitized tracts, shall be treated as an entirety and paid to the Royalty Owners as their interests shall bear, and in proportion that each Royalty Owner's interest in the minerals under said tracts bears to the entire mineral interest under the unitized tracts, above described.

Except as herein modified, the terms and provisions of the oil and gas leases, above referred to, shall be and remain in full force and effect, and this agreement shall apply to all extensions and renewals of said oil and gas leases, it being specifically provided that this agreement shall operate on the Blinbry pay alone, as aforesaid, and shall not relieve the lessees of any covenants, express or implied, concerning any other pays under the aforesaid unitized tracts.

It is further agreed and understood that the R. Olsen Oil Company shall pay to the Royalty Owners, in addition to the regular 1/8th royalty, an ²⁰ ^{additional} 1/16th override of ^{oil and} gas recovered from the ~~Blinbry pay~~ ^{leases} ~~unitized~~, described in this agreement.

The terms, covenants and provisions hereof shall extend to and be binding upon the parties hereto, their heirs, successors and assigns.

EXECUTED this 4th day of June, 1952.

Amanda E. Sims
Amanda E. Sims

George W. Sims
George W. Sims

"Royalty Owners"

R. OLSEN OIL COMPANY

BY: R. Olsen
President

Attest:

L. P. [Signature]
Secretary

STATE OF NEW MEXICO }
COUNTY OF LEA } SS.

On this 1st day of June, 1952, before me personally appeared AMANDA E. SIMS and GEORGE W. SIMS, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

My Commission Expires:

June 1st 1954

My Comm. exp: June 1, 1954

Bernard L. Sims
Notary Public

STATE OF OKLAHOMA }
COUNTY OF OKLAHOMA } SS.

On this 10th day of June, 1952, before me personally appeared R. OLSEN, to me known who, being first duly sworn, did say that he is the President of the R. Olsen Oil Company and that the seal affixed to the said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of the said corporation by authority of its Board of Directors and said R. Olsen acknowledged the said instrument to be the free act and deed of said corporation.

WITNESS my hand and official seal the day and year last above written.

My Commission Expires:

8-12-54

John L. Callaway
Notary Public.

NOTICE OF PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION
SANTA FE - NEW MEXICO

The State of New Mexico by its Oil Conservation Commission hereby gives notice pursuant to law and the Rules and Regulations of said Commission promulgated thereunder of the following public hearings to be held at 9 o'clock a.m. on June 21, 1954, at Mabry Hall, State Capitol, Santa Fe, New Mexico.

STATE OF NEW MEXICO TO:

All named parties and persons
having any right, title, interest
or claim in the following cases,
and notice to the public.

CASE 741:

In the matter of the application of R. Olsen
Oil Company for unorthodox gas proration unit.

Applicant, in the above-styled cause, seeks an order authorizing formation of a 160-acre unorthodox gas proration unit as an exception pursuant to provisions of Rule 7(a) of Order R-372-A and consisting of SE/4 NW/4, NE/4 SW/4, and S/2 SW/4 of Section 25, Township 22 South, Range 37 East, N14E, Lea County, New Mexico, in the Hlinebry Gas Pool.

CASE 742:

In the matter of the application of R. Olsen
Oil Company for unorthodox gas proration unit.

Applicant, in the above-styled cause, seeks an order authorizing formation of a 160-acre unorthodox gas proration unit as an exception pursuant to provisions of Rule 7(a) of Order R-372-A and consisting of N/2 NW/4, SW/4 NW/4 and NW/4 SW/4 of Section 25, Township 22 South, Range 37 East, N14E, Lea County, New Mexico, in the Hlinebry Gas Pool.

GIVEN under the seal of the Oil Conservation Commission of New Mexico at Santa Fe, New Mexico, this 2nd day of June, 1954.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

R. R. Spurrier,
Secretary

S E A L