

Case No.

921

Application, Transcript,
Small Exhibits, Etc.

Case #1: Application of R. Olsen Oil Co.
for non-standard gas proration unit in
Jalant Gas Pool (Cooper "G" Well #1)

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO
June 28, 1955

IN THE MATTER OF:

CASE NO. 921

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
605 SIMMS BUILDING
TELEPHONE 3-6691
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
June 28, 1955

IN THE MATTER OF:

Application of R. Olsen Oil Company for approval
of a 320-acre non-standard gas proration unit
in the Jalmat Gas Pool, Lea County, New Mexico,
to consist of W/2 of Section 11, Township 24
South, Range 36 East, to be dedicated to appli-
cant's Cooper "G" Well No. 1, located 1320 feet
from the south and west lines of Section 11.

Case No. 921

BEFORE:

Honorable John F. Simms
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 921.

DEWEY WATSON,

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

DIRECT EXAMINATION

By MR. CAMPBELL:

Q State your name, please.

A Dewey Watson.

Q By whom are you employed, Mr. Watson?

A R. Olsen Oil Company.

Q Where do you reside?

A Jal, New Mexico.

Q What position do you hold with that company?

A Geological Engineer.

Q Have you previously testified before this Commission as a Geological Engineer?

A Yes, sir.

MR. CAMPBELL: Are the witnesses qualifications acceptable to the Commission?

MR. MACEY: They are.

Q Are you acquainted with the application of R. Olsen Oil Company in Case No. 921 before this Commission?

A Yes, sir, I am.

Q Will you state to the Commission what that application seeks, briefly?

A It is an application for an approval of a 320-acre non-standard gas unit in the Jalmat Gas Pool. It is located in the west half of Section 11, Township 24 South, Range 36 East.

Q To what well in that half section do you seek to have the 320-acre gas unit allowable allocated?

A It is our Cooper "G" No. 1.

Q Where is that well situated with reference to the unit boundaries?

A It is 1320 feet from the south and west lines of Section 11.

Q Will you first state what other acreage within the proposed unit does R. Olsen own?

A We own the entire southwest quarter which the well is located in, and all but the northwest of the northwest quarter, 40 acres, which is owned by Stanolind.

Q Is the entire northwest quarter of the section covered by Federal leases?

A Yes, sir, it is.

Q Has Stanolind been approached with reference to pooling of their 40-acre tract with the 280 acres of R. Olsen, in the event that this gas proration unit is granted by the Commission?

A Yes, sir, they have.

Q Has Stanolind agreed upon that pooling, in the event the unit is approved?

A Yes, sir.

Q Mr. Watson, if the unit is approved, is it your opinion that the well in the southwest quarter of Section 11 can make the 320-acre gas unit allowable?

A Yes, sir, I believe it can.

MR. CAMPBELL: I believe that is all.

MR. MACEY: Any questions of the witness? Mr. Mankin?

CROSS EXAMINATION

By MR. MANKIN:

Q In this particular unit, 160 acres is patented land and 160 is Federal land?

A Yes, sir.

Q Has that unit been approved for a 320-acre unit?

A Yes, sir.

MR. CAMPBELL: Go ahead.

A Go ahead.

MR. CAMPBELL: I assume you mean with respect to the Federal acreage?

MR. MANKIN: Yes.

MR. CAMPBELL: Let me state this. That the question has been

raised by Continental, as a royalty owner, in connection with this unit. The problem is constantly present in units where State acreage or Federal acreage is involved, as to which comes first, the chicken or the egg. The Federal government will not approve communitization agreements unless the Commission has indicated that they will grant the allowable in the event it is communitized. The same thing is true with the State.

I have always taken the position it is a lot easier to back out of one of the approved units by the Commission than it is to back out of a pooling agreement, when you come in here, after you have the pooling done and can't get the allowable. I can see in my own mind no reason why, from the State's point of view, why these units when the working interest owners have agreed upon it and all conditions being present to grant the unit, why the Commission should orally insist upon all of the royalty interests being pooled before the allowable is granted, particularly where State and Federal acreage is involved, and you can't get the communitization agreement approved until the the Commission gives its approval as to the unit.

MR. MANKIN: That answers my question.

Q The other question is this. Is this well making oil?

A No, sir.

Q The Commission records seem to reflect it has made some oil.

A I believe if you will check, it might be the Cooper Gulf No. 1, which is located in the southwest of the southwest ^{part} quarter of Section 11. That well does make a small amount of distillate.

Q That is true, it does, but also the records indicate that this particular well is making oil, too. I wondered if you had any

knowledge of that?

A I don't know what records you have. There is no record that we have that would indicate that it is.

Q The record of the New Mexico Oil and Gas Engineer Report indicated it made oil beginning July, '54.

A I believe there is an error in that particular record, because to my knowledge there has never been any oil produced out of the well. There is no separation equipment there at all on the well.

Q You have no way of recording what it made during the year, 1954?

A Well, I believe that should be allotted to the No. 1 Well, because there never has been a separator put on the well. I am sure of that.

Q What is the deliverability of this well?

A The deliverability is 2,245,000 at 300 pounds, into El Paso's line.

Q When was that taken?

A That was taken May 3, 1955.

Q Then, the record that was submitted in 1954 for about a half million, at about 700 pounds -- Has this well been worked on?

A No, sir, the only change that was made from there is that it was put into the intermediate system of El Paso Natural.

Q It was a test reported of half a million on July 17, 1954 at 707 pounds, but this has since gone into the intermediate system?

A Yes, sir.

Q It now makes 2,000,000?

A 2,245,000. That was an average three day test.

Q You feel that the unit would be capable --

A (Interrupting) It is on the borderline, but I believe over a year's period, or six months period, it certainly would make the allowable. There may be one or two months during the year which it would not. If the unit is granted and it fails to make the allowable, I am sure there will be re-work done on it to bring it back up to where it would make the allowable.

Q Under the present 160-acre allowable it has been under-producing during the last year and a half. In fact, some of the allowable has been cancelled, is that correct?

A To my knowledge that may be true. I checked on the, I have the June proration schedule here, and the May allowable was 29,839, about 29,839 MCF for May and it made 36,271 MCF.

Q What was the production in May?

A Thirty-six thousand two hundred -- Wait a minute. Thirty-six hundred, two hundred seventy-one MCF.

Q You mean 36,271,000 cubic feet?

A Yes, for the month of May.

Q The allowable, you said, for that particular month?

A Counting the underage, carried over, which was 23,100,000, plus the May allowable of 6,739,000, it is now over produced, as of the 1st of June. I don't know --

Q (Interrupting) In other words, the records show it was under-produced until May and at that time it went into the intermediate system and it is now capable of producing 160 or more?

A I don't know the exact date that it was put into the intermediate system.

Q It was underproduced ihrough April and now is slightly over-produced?

A Yes, sir.

MR. MACEY: Anyone else have a question of the witness? If not the witness may be excused.

(Witness excused.)

MR. MACEY: Do you have anything further?


MR. CAMPBELL: No.

MR. MACEY: Does anyone have anything further in Case 921? If nothing further, we will take the case under advisement.

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 7th day of July, 1955.


Court Reporter, Notary Public

My Commission Expires:

June 19, 1959

Case # 921

Cag @ 2997' Pay 2997-3207 Yates
 T.D. 3207 Comp. 4/10/59 OF. Hm 2" 3.02 MMCF
 D.D. 10/23/49 3207 to 3256' Had 10 MMCF
 C-122C 7/17/50 0.512 MMCF @ 707 PS/5th C
 Had 1 to 5 PNB on 10/1/49
 24th S.E. Prod. on 10/13/50 @ 1098 PS/a
 last 24th S.E. " on 5/12/53 @ 790 PS/a

	Allow	Prod	Under Prod
Jan. 1955	22,502	30,297	- 8,795
Feb "	25,310	331	- 25,079
March "	21,115	31,970	- 10,855
April "	13,124	21,558	- 8,434
May "	6,739	35,366	+ 28,627 (over)
June "	17,041		

- now on 200 PS
 system

- ① Not Making 160 acre allowable? 160 acre much less 320 acre allowable!
- ② Most wells around well have del. v. of less than 1/2 MMCF/day/well!
- ③ Entire Unit gas productive in light of dry holes of Gulf #1 & 2 & Conoco reports #2?
- ④ Making oil? - no
- ⑤ Approval for Federal Polished Unit? - later

1954

	Allow	Prod	
Jan	36,471	28,030	
Feb	30,358	19,663	
Mar	25,233	16,633	
Apr	5,070	8,552	
May	4,378	7,816	
June	4,693	14,484	under 19,969
July	16,565	14,416	
Aug	25,436	25,765	
Sept	15,179	10,933	
Oct	12,195	20,088	Cancel 9,134
Nov	14,838	13,687	
Dec	34,837	10,893	
1954 Total	225,197	190,966	cancel under 34,231

9,136
 25,095

OIL CONSERVATION COMMISSION

P. O. BOX 671

SANTA FE, NEW MEXICO

August 24, 1955

Mr. Jack M. Campbell
Campbell & Russell
J. P. White Building
Roswell, New Mexico

Dear Sir:

In behalf of your client, R. Olsen Oil Company, we enclose
a copy of Order R-676 issued in Case 921 and dated August 17,
1955.

Very truly yours,

W. B. Macey
Secretary - Director

WMH:brp
Enclosure

C
O
P
Y

Case 921

JACK M. CAMPBELL
JOHN F. RUSSELL

LAW OFFICES OF
CAMPBELL & RUSSELL
J. F. WHITE BUILDING
ROSWELL, NEW MEXICO

June 28

TELEPHONES
4975 - 4287

May 24, 1955

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

Enclosed please find original and two copies of an application for a non-standard gas proration unit in the Jalmat Gas Pool, filed on behalf of R. Olsen Oil Company.

It will be appreciated if you will set this down for the June 28th hearing of the Oil Conservation Commission.

Very truly yours,

CAMPBELL & RUSSELL

By

Jack M. Campbell

CC:le
Encl. 3

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. 921
Order No. R-676

THE APPLICATION OF R. OLSEN OIL
COMPANY FOR APPROVAL OF A 320-
ACRE NON-STANDARD GAS PRORATION
UNIT CONSISTING OF THE W/2 OF SECTION
11, TOWNSHIP 24 SOUTH, RANGE 36 EAST,
NMPM, LEA COUNTY, NEW MEXICO, TO BE
ASSIGNED TO APPLICANT'S COOPER "G"
WELL NO. 1, FOR GAS PRORATION PURPOSES
IN THE JALMAT GAS POOL.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on June 28,
1955, at Santa Fe, New Mexico, before the Oil Conservation Commission,
hereinafter referred to as the "Commission".

NOW, on this 17th day of August 1955, the Commission, a
quorum being present, having considered the record 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 the Commission has the power and authority to permit
the formation of a gas proration unit consisting of other than a legal section
after notice and hearing by the Commission.

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

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM
SW/4 of Section 11

containing 160 acres, more or less.

(4) That R. Olsen Oil Company is the owner of a federal oil and gas lease in Lea County, New Mexico, which lease covers land consisting of other than a legal section, and described in part as follows:

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM
S/2 NW/4 and NE/4 NW/4 of Section 11

containing 120 acres, more or less.

(5) That Stanolind Oil and Gas Company is the owner of a federal oil and gas lease in Lea County, New Mexico, which lease covers land consisting of other than a legal section, and described as follows:

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM
NW/4 NW/4 of Section 11

containing 40 acres, more or less.

(6) That applicant, R. Olsen Oil Company, has a producing gas well on the lease described in paragraph (3) above, which well is known as R. Olsen Oil Company's Cooper "G" Well No. 1, located 1320 feet from the South and West lines of Section 11, Township 24 South, Range 36 East, NMPM, Lea County, New Mexico.

(7) That the aforesaid well is located within the horizontal and vertical limits of the Jalmat Gas Pool as presently defined.

(8) That the aforesaid well was completed as an oil well in the Cooper-Jal Oil Pool in April 1949, and recompleted in the Jalmat Gas Pool in September 1949, which date precedes the effective date of Order R-520.

(9) That it is practical to pool applicant's aforesaid leases with adjoining acreage in said Section 11, and that negotiations are currently underway between the applicant and Stanolind Oil and Gas Company to effect the unitization of their respective leaseholds as described above.

(10) That all the acreage included in the proposed proration unit, is reasonably presumed to be productive of gas from the Jalmat Gas Pool.

(11) That unless a proration unit consisting of the aforesaid acreage owned by applicant and Stanolind Oil and Gas Company is approved, the applicant will be deprived of the opportunity to recover its just and equitable share of the natural gas in the Jalmat Gas Pool.

(12) That the creation of a proration unit as described above and the assignment of said acreage to the well identified above will prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That, upon the successful conclusion of unitization negotiations now pending between applicant and the Stanolind Oil and Gas Company, a non-standard gas proration unit consisting of the following described acreage shall be created:

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM
W/2 of Section 11

containing 320 acres, more or less.

(2) That, for the purposes of gas proration, the acreage included in said non-standard gas proration unit shall be assigned to R. Olsen Oil Company's Cooper "G" Well No. 1, which well is located as heretofore described.

(3) That said well shall be granted an increased allowable dating from the first day of the month next following that month in which the Commission is formally notified in writing of the unitization of the 320-acre tract described above, and that the allowable granted shall be in the proportion that 320 acres bears to the acreage included in a standard proration unit for the Jalmat Gas Pool, all until further order of the Commission.

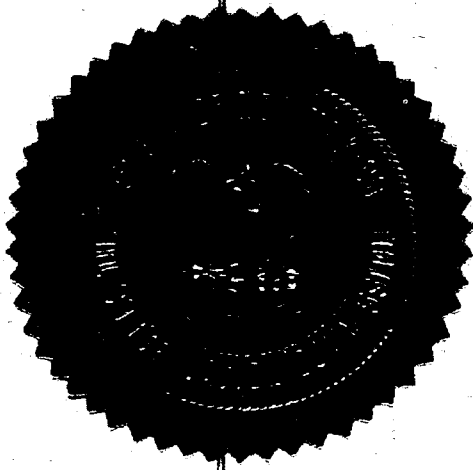
DONE at Santa Fe, New Mexico on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

John F. Simms
JOHN F. SIMMS, Chairman

E. S. Walker
E. S. WALKER, Member

W. B. Macey
W. B. MACEY, Member and Secretary



BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF R. OLSEN OIL COMPANY FOR AN
EXCEPTION TO RULES 5(a) AND 5(b)
OF THE SPECIAL RULES FOR THE
JALMAT GAS POOL, LEA COUNTY,
NEW MEXICO FOR THE COOPER G-1
WELL SITUATED 1320' FROM THE
SOUTH LINE AND 1320' FROM THE
WEST LINE OF SECTION 11, TOWN-
SHIP 24 SOUTH, RANGE 36 EAST,
N.M.P.M. LEA COUNTY, NEW MEXICO

Case No. 921

APPLICATION

Comes now R. Olsen Oil Company and requests the Commission to grant an exception to Rule 5 of the Special Rules of the Jalmat Gas Pool, and for its grounds therefor states:

1. Applicant seeks a non-standard gas proration unit consisting of the West Half ($W\frac{1}{2}$) of Section 11, Township 24 South, Range 36 East, N.M.P.M., Lea County, New Mexico, and the allocation of an appropriate gas allowable to said unit.

2. The well to which applicant seeks to have the allowable granted is the Cooper G-1 well situated 1320' from the south line and 1320' from the west line of said Section 11. All of said gas proration unit lies wholly within a single governmental section and the entire non-standard gas proration unit may reasonably be presumed to be productive of gas.

3. There is attached hereto a plat showing the acreage to be dedicated, the well location, and the offset ownership.

4. The granting of the exception requested herein will not adversely affect the correlative rights of any offset owner and will protect the correlative rights of applicant and prevent waste and avoid the drilling of unnecessary wells.

WHEREFORE, applicant requests the Commission to set this matter down for hearing, to publish notice as required by law, and to issue its order granting applicant an exception to Rule 5 of the Commission noted above for the Cooper G-1 well, and allocating to said well a 320-acre gas proration unit consisting of the $\frac{1}{2}$ of Section 11, Township 24 South, Range 36 East, N.M.P.M. Lea County, New Mexico.

R. OLSEN OIL COMPANY

By Jack M. Campbell

For CAMPBELL & RUSSELL
its attorneys

