

CASE 5350: App. of CONTINENTAL
FOR SIMILARITY IN LOCATION AND
UNORTHODOX GAS WELL LOCATIONS.

CASE No.

5358

Application,

Transcripts,

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
October 30, 1974

EXAMINER HEARING

IN THE MATTER OF:)
)
)

Application of Continental Oil)
Company for simultaneous dedication)
and unorthodox gas well locations,)
Lea County, New Mexico.)

CASE 5358

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission: William Carr, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant: Tom Kellahin, Esq.
KELLAHIN & FOX
500 Don Gaspar
Santa Fe, New Mexico

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
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I N D E X

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VICTOR T. LYON
Direct Examination by Mr. Kellahin
Cross Examination by Mr. Nutter

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E X H I B I T S

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Applicant's Exhibits 1 and 2

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MR. NUTTER: We will call Case No. 5358.

MR. CARR: Case 5358, application of Continental Oil Company for simultaneous dedication and unorthodox gas well locations, Lea County, New Mexico.

MR. KELLAHIN: Tom Kellahin appearing on behalf of Continental Oil Company and I have one witness to be sworn.

(Whereupon, the witness was duly sworn.)

VICTOR T. LYON

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Lyon, would you please state your name, your occupation, by whom you are employed and in what capacity?

A I'm Victor T. Lyon, Conservation Coordinator for Continental Oil Company in the Hobbs Division Office, located in Hobbs, New Mexico.

Q Have you been previously sworn by this Commission and had your qualifications as an expert accepted and made a matter of record?

A Yes, I have.

Q Are you familiar with the facts surrounding this

particular application?

A Yes, sir.

MR. KELLAHIN: If the Examiner please, are the witness' qualifications acceptable?

MR. NUTTER: Yes, they are.

BY MR. KELLAHIN:

Q Mr. Lyon, would you refer to Exhibit No. 1, identify it and explain what Continental is seeking?

A In Case 5358, it is the application of Continental Oil Company for the joint allocation between four wells of a 640-acre proration unit, gas proration unit in Jalmat Pool, the unit consisting of Section 26, Township 23 South, Range 36 East. Exhibit No. 1 shows the proposed -- well, it is actually an existing gas proration unit which is currently allocated to three wells, which are wells No. 1 located in Unit J; Well No. 3 which is located in Unit C; and Well No. 4 which is located in Unit N, all in Section 26. The proration unit is outlined in red and the three wells, and the additional well which is No. 6 located in Unit A are all circled in red. This proration unit has existed for a number of years. Although the boundary is not shown on this exhibit, the unit has been segregated by the approval of the Langley-Lynn Unit, which is a waterflood

unit in the Langley-Mattox zone. We currently have, in circulation and in the process of approval, a communitization agreement which preserves the identity of this proration unit.

MR. NUTTER: In the Jalmat?

A (Continuing) In the Jalmat, yes. And, the same thing is true in that part of the lease consisting of the northeast quarter of Section 27. But, for the Jalmat Pool this section is being preserved as a single proration unit. The wells have been having difficulty making its allowable, and, therefore, we have recently drilled and are presently testing Well No. 16, which is located 660 feet from the north line, 660 feet from the east line of the section. It is a twin well to Well No. 2, which is shown to be shutin. This well was lost due to work which was done on the well. The well was deepened and we were attempting to complete it in the Langley-Mattox zone, by deepening the well and installing a liner. The liner collapsed and we were unable to utilize the well further, consequently Well No. 16 was drilled to take its place.

Q The previous order of the Oil Commission with regards to the joint allocation of Wells 1, 3 and 4 to this unit was Commission Order No. R-3492?

A That is correct.

Q How would you propose to allocate the production with regard to Wells 1, 3, 4 and now 16?

A We would like the allowable assigned jointly, and we would like authority to produce the allowable assigned to the unit among the four wells in any proportion.

Q Do you have a second exhibit?

A Yes.

Q Would you please refer to Exhibit 2 and identify it?

A Exhibit No. 2 is a comparison of the production and allowable for the Lynn B-1 gas unit, showing for the months of January through September, 1964, the allowable which would have been assigned to a non-marginal well, or a non-marginal unit of this size, and in the next column the production from the three wells combined for this unit. As you can see, during the first five months of the year the wells did not produce the total of the allowable which would have been assigned were it non-marginal; it is a marginal unit. The last four months it did produce its allowable. With the addition of well No. 16 we believe that the four wells can produce the entire allowable for the proration unit.

Q In your opinion, Mr. Lyon, will approval of this application be in the best interest of conservation, the protection of correlative rights of others, and the prevention of waste?

A Yes, it will.

MR. KELLAHIN: Mr. Nutter, we move the introduction of Applicant's exhibits 1 and 2.

MR. NUTTER: Continental's Exhibits 1 and 2 will be admitted into evidence.

(Whereupon, Continental's Exhibits
1 and 2 will be admitted into evidence.)

MR. KELLAHIN: That concludes our case.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Lyon,,do you have a test on No. 16 yet?

A No, we do not; the well is still cleaning up.

Q The unit at the present time is classified as marginal; when was that reclassification made?

A I don't believe I have that information with me; I can get it for you.

Q Has it been quite sometime or within this present proration period?

A My recollection is that it was reclassified during

LYON-CROSS

CASE 5358

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1973.

MR. NUTTER: Okay. Are there any further questions of Mr. Lyon? You may be excused.

Do you have anything further, Mr. Kellahin?


MR. KELLAHIN: Not in this Case.

MR. NUTTER: Does anyone have anything to offer in Case No. 5358? We will take the Case under advisement.

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SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

STATE OF NEW MEXICO)
) SS.
COUNTY OF SANTA FE)

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.


RICHARD L. NYE, Court Reporter

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5358
heard by me on 10/30, 1974.


Examiner
New Mexico Oil Conservation Commission

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
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TEL. (505) 982-0386



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

November 4, 1974

I. R. TRUJILLO
CHAIRMAN
LAND COMMISSIONER
ALEX J. ARMILLO
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

Mr. Tom Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: CASE NO. 5358
ORDER NO. R-475
Applicant:
Continental Oil Co.

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x
Artesia OCC _____
Aztec OCC _____

Other _____

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5358
Order No. R-4905

APPLICATION OF CONTINENTAL OIL
COMPANY FOR SIMULTANEOUS DEDICATION
AND UNORTHODOX GAS WELL LOCATIONS,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 30, 1974,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 4th day of November, 1974, the Commission,
a quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being
fully advised in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Commission has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Continental Oil Company, is the
owner and operator of the four wells being the Lynn B-1 Well
No. 1, in Unit J and Lynn B-1 Wells Nos. 3, 4, and 16, at
unorthodox locations in Units C, M, and A, respectively, of
Section 26, Township 23 South, Range 36 East, NMPM, Jalmat
Gas Pool, Lea County, New Mexico.

(3) That the applicant seeks authority to simultaneously
dedicate a standard 640-acre gas proration unit comprising all
of said Section 26 to the above-described wells.

(4) That the applicant further seeks authority to produce
the allowable assigned to the unit from any of the aforesaid
wells in any proportion.

(5) That approval of the application will protect
correlative rights and prevent waste.

IT IS THEREFORE ORDERED:

(1) That the applicant, Continental Oil Company, is
hereby authorized to simultaneously dedicate a standard 640-

-2-

CASE NO. 5358
Order No. R-4905

acre gas proration unit comprising all of Section 26, Township 23 South, Range 36 East, NMPM, Jalmat Gas Pool, Lea County, New Mexico, to its Lynn B-1 Well No. 1, in Unit J and Lynn B-1 Wells Nos. 3, 4, and 16, at unorthodox locations in Units C, M, and A, respectively, of said Section 26.

(2) That the allowable assigned to the above-described gas proration unit shall be based upon the unit size of 340 acres; that the operator may produce the allowable assigned to the unit from the subject wells in any proportion.

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

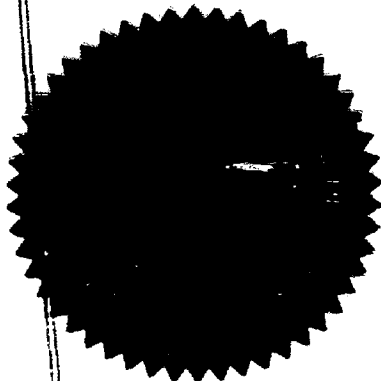
DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. TRUJILLO, Chairman

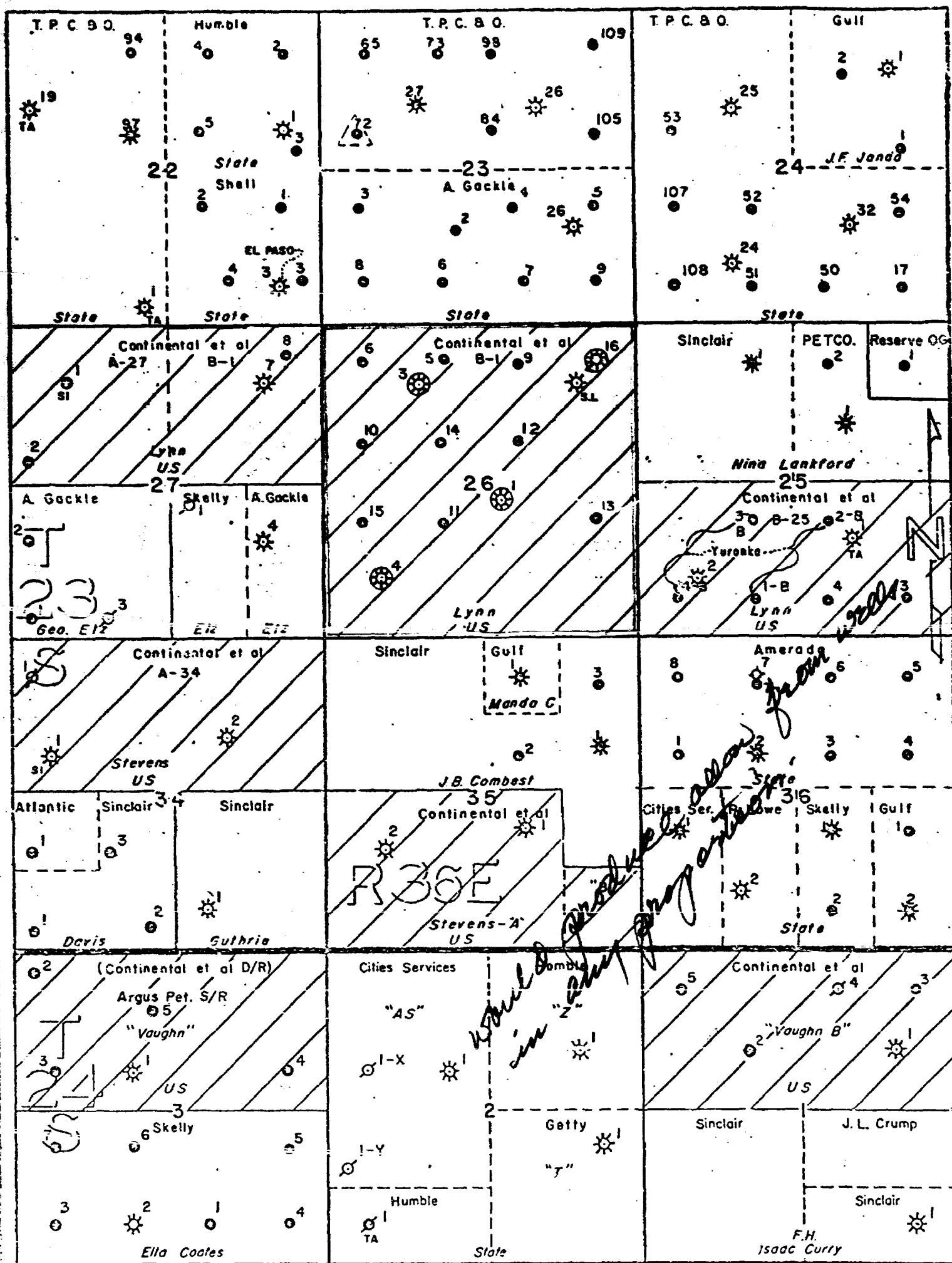
ALEX J. ARMISTO, Member

A. L. PORTER, Jr., Member & Secretary



SEAL

jr/



R-3492 formed unit and
dedicated three wells:
Nos. 1, 4, & 5.

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Appl. EXHIBIT NO. 1
CASE NO. 5358

CONTINENTAL OIL COMPANY
PRODUCTION DEPARTMENT
HOBBS DIVISION
NMFU LANGLEIE MATTIX POOL
Lea County, New Mexico

SCALE

Comparison of Production and Allowable
Lynn B-1 Gas Unit

<u>Month</u>	<u>Allowable</u>	<u>Production</u>
January	83,608	52,882
February	82,208	45,007
March	75,967	49,461
April	71,136	47,617
May	84,472	46,357
June	34,656	48,212
July	30,016	37,802
August	29,900	41,438
September	27,888	36,975

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Appl EXHIBIT NO. 2
CASE NO. 5358

Case 5358
Exhibit No. 2

Dockets Nos. 31-74 and 32-74 are tentatively set for hearing on November 13 and November 26, 1974. Application for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 30, 1974

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- CASE 5349: Application of Corinne Grace for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Bond Draw Unit Area comprising 5123 acres, more or less, of Federal, State, and Fee lands in Township 24 South, Range 27 East, Eddy County, New Mexico.
- CASE 5350: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Sullivan DZ Com Well No. 1, to be drilled 990 feet from the North line and 660 feet from the West line of Section 8, Township 18 South, Range 26 East, West Atoka-Morrow Gas Pool, Eddy County, New Mexico, the N/2 of said Section 8 to be dedicated to the well.
- CASE 5351: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Ferguson DY Com Well No. 1 to be drilled 1980 feet from the North line and 660 feet from the East line of Section 7, Township 18 South, Range 26 East, West Atoka-Morrow Gas Pool, Eddy County, New Mexico, the N/2 of said Section 7 to be dedicated to the well.
- CASE 5352: Application of David Fasken for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests of Pennsylvanian age or older underlying the S/2 of Section 2, Township 18 South, Range 26 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 990 feet from the South line and 1650 feet from the East line of said Section 2. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of the applicant as operator of the well and a charge for the risk involved in drilling said well.
- CASE 5353: Application of Cities Service Oil Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Government-Z Com Well No. 1, located in Unit K of Section 23, Township 20 South, Range 28 East, Eddy County, New Mexico, in such a manner as to produce oil from the Wolfcamp formation through tubing and gas from the Morrow formation through the casing-tubing annulus by means of a cross-over assembly.

CASE 5354: Application of Mark Production Company for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests of Pennsylvanian age or older underlying the S/2 of Section 9, Township 20 South, Range 25 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South and West lines of said Section 9. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of the applicant as the operator of the well and a charge for risk involved in drilling said well.

CASE 5355: Application of Tesoro Petroleum Corporation for pool contraction and expansion, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the Lone Pine-Dakota "D" Oil Pool by the deletion of the E/2 NW/4 of Section 8, Township 17 North, Range 8 West, McKinley County, New Mexico, and the expansion of the Hospah-Dakota Oil Pool by the addition of such lands.

CASE 5356: Application of Anadarko Production Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of its Artesia State Unit Area comprising 440 acres, more or less, of State lands in Township 18 South, Range 27 East, Eddy County, New Mexico.

CASE 5357: Application of Anadarko Production Company for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its Artesia State Unit, Artesia Pool, by the injection of water into the Grayburg and San Andres formations at the following six unorthodox locations in Township 18 South, Range 27 East, Eddy County, New Mexico: Section 13, 1330 feet from the South line and 1310 feet from the West line, and 10 feet from the South and West lines; Section 14, 2630 feet from the South line and 10 feet from the East line and 1310 feet from the South and East lines; Section 23, 1310 feet from the North and East lines and 10 feet from the North line and 2630 feet from the East line. Further to drill two producing wells at unorthodox locations 10 feet from the North line and 1310 feet from the East line of Section 23 and 1330 feet from the South line and 10 feet from the East line of Section 14. Applicant further seeks an administrative procedure whereby the project may be expanded by the drilling of additional injection and producing wells at orthodox and unorthodox locations without further notice and hearing.

CASE 5358: Application of Continental Oil Company for simultaneous dedication and unorthodox gas well locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order approving the simultaneous dedication of a standard 640-acre gas proration unit comprising all of Section 26, Township 23 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to four wells, being the Lynn B-1 Well No. 1, in Unit J and Lynn B-1 Wells Nos. 3, 4, and 16, at unorthodox locations in Units C, M, and A, respectively, of said Section 26.

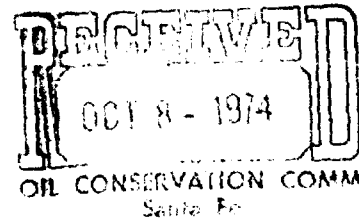
CASE 5359: Application of Continental Oil Company for simultaneous dedication and unorthodox locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of a 320-acre non-standard gas proration unit comprising the N/2 of Section 1, Township 24 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to its Vaughn B-1 Wells Nos. 1 and 6, located at unorthodox locations in Units H and E, respectively, of said Section 1.

CASE 5360: Application of Continental Oil Company for two non-standard gas proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the two following non-standard gas proration units in the irregular Section 4, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico:

A 480-acre unit comprising all of Lots 1, 2 and 3, 6 through 11, and 14, 15, and 16 of said Section 4 to be dedicated to the Meyer B-4 Well No. 14, located in Unit G;

A 240-acre unit comprising the SE/4 and E/2 SW/4 of said Section 4 to be dedicated to the Meyer B-4 Well No. 4, located in Unit S.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO



IN THE MATTER OF THE APPLICATION
OF CONTINENTAL OIL COMPANY FOR THE
JOINT ALLOCATION OF A STANDARD 640-
ACRE GAS PRORATION UNIT IN THE JALMAT
POOL TO ITS LYNN B-1 WELLS NOS. 1, 3,
4 and 16, LOCATED IN UNITS J, C, M
and A OF SECTION 26, T-23S, R-36E,
LEA COUNTY, NEW MEXICO

A P P L I C A T I O N

Applicant, Continental Oil Company, hereby requests the allocation of a
standard 640-acre gas proration unit consisting of Section 26, T-23S,
R-36E, jointly to its Lynn B Wells Nos. 1, 3, 4 and 16 located in Units
J, C, M and A, respectively, in said Section 26 and in support thereof
would show:

1. Applicant is operator and co-owner of the Lynn B-1 Lease comprising,
in addition to other lands, all of Section 26, T-23S, R-36E, Lea
County, New Mexico.
2. Order No. R-3492 allocated said unit jointly to Wells Nos. 1, 3 and
4.
3. Said Unit has become under-produced due to the inability of the wells
to produce the assigned allowable. Consequently Well No. 16 located
660' FNL and 660' FEL of said Section 26 has been drilled and completed
as a gas well in the Jalmat Pool.
4. The addition of Well No. 16 to the Unit should enable the wells to
produce their assigned allowable and thus protect the correlative rights
of the owners of the lease.
5. The grant of this application will prevent waste and will not impair
correlative rights.

WHEREFORE, Applicant respectfully requests that this matter be set for
hearing before the Commissioner's duly appointed Examiner and upon hearing
an order be entered approving the joint allocation of the 640-acre unit
as described above.

Respectfully submitted,

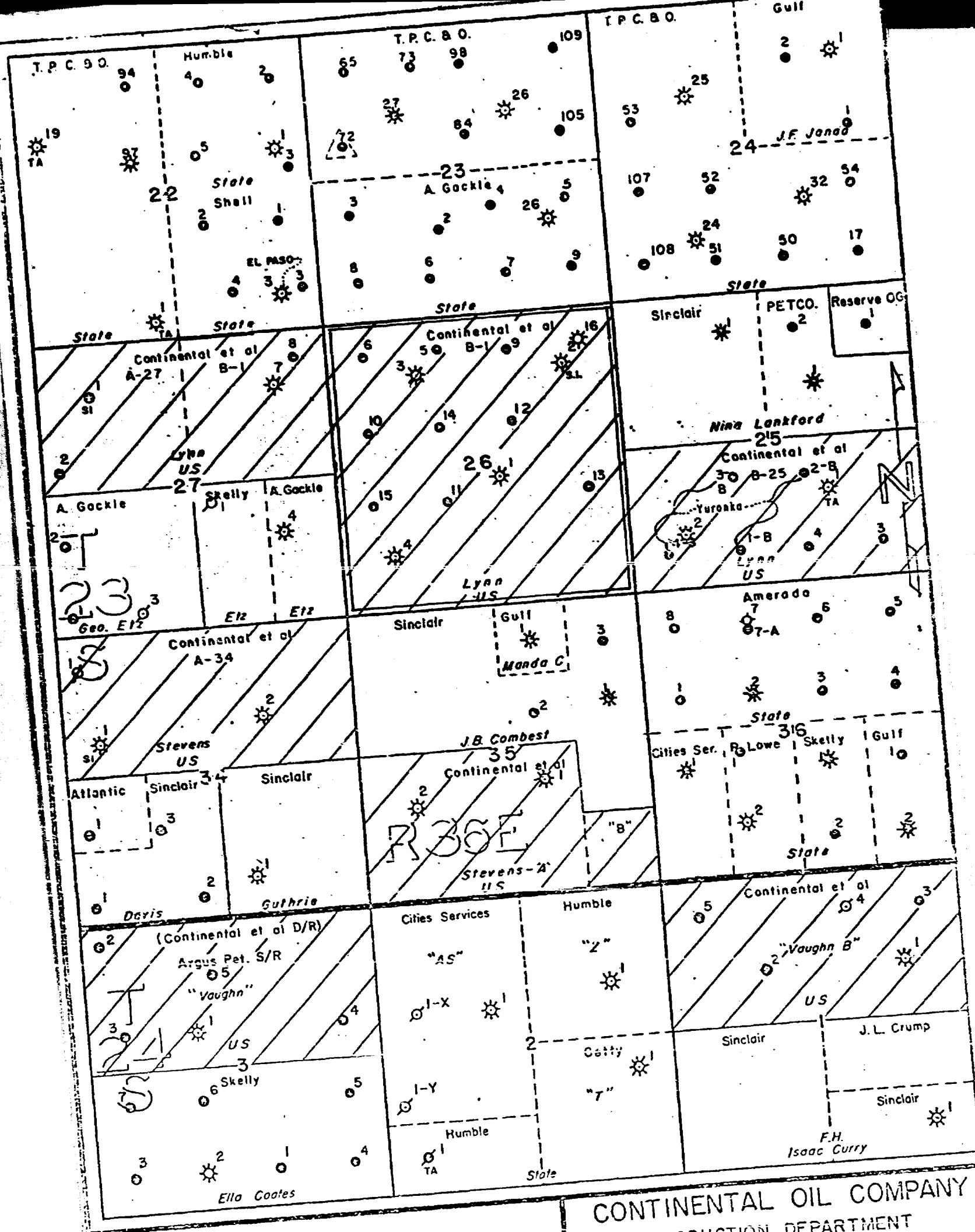
CONTINENTAL OIL COMPANY

for *John G. Salstrom*
L. P. Thompson
Division Manager
Production

reh

DOCKET MAILED

Date 10-18-74



CONTINENTAL OIL COMPANY
PRODUCTION DEPARTMENT
HOBBS DIVISION

Leo County, New Mexico

DRAFT

dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5358

Order No. R-4905

APPLICATION OF CONTINENTAL OIL
COMPANY FOR SIMULTANEOUS DEDICATION
AND UNORTHODOX GAS WELL LOCATIONS,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 30, 1974
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this day of November, 1974, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Continental Oil Company, is the
owner and operator of the of four wells ~~being the~~ being the
Lynn B-1 Well No. 1, in Unit J and Lynn B-1 Wells Nos. 3, 4,
and 16, at unorthodox locations in Units C, M, and A, respectively,
of Section 26, Township 23 South, Range 36 East, NMPM, Jalmat
Gas Pool, Lea County, New Mexico.

1 (3) That the applicant seeks authority to simultaneously
2 dedicate a standard 640-acre gas proration unit comprising all
3 said
4 of/Section 26 to the above-described wells.

5 (S)(4) That approval of the application will protect
6 correlative rights and prevent waste.

7
8 IT IS THEREFORE ORDERED:

9 (1) That the applicant, Continental Oil Company, is
10 hereby authorized to simultaneously dedicate a standard 640-
11 acre gas proration unit comprising all of Section 26, Township
12 23 South, Range 36 East, NMPM, Jalmat Gas Pool, Lea County, New
13 Mexico, to its Lynn B-1 Well No. 1, in Unit J and Lynn B-1
14 Wells Nos. 3, 4, and 16, at unorthodox locations in Units C,
15 said
16 M, and A, respectively, of/Section 26.

17 (2) That jurisdiction of this cause is retained for the
18 entry of such further orders as the Commission may deem necessary.

19 DONE at Santa Fe, New Mexico, on the day and year herein-
20 above designated.

21
22
23
24 (4) That the applicant further seeks authority to produce
25 the allowable assigned to the unit from any of the
26 aforesaid wells in any proportion. ~~and to make~~

27
28 ~~and to make~~
29 (2) That the allowable assigned to the above described
30 gas proration unit shall be based upon the unit
31 size of 640 acres; that the operator may produce the
32 allowable assigned to the unit from the subject wells
in any proportion.