

CASE NO. 6359: Appli. CONTINENTAL  
Oil Co. for sim. ded. and unortho.  
locations, Lea County

CASE No.

5359

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 locations, Lea County, )  
New Mexico. )  
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CASE 5359

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil                      William Carr, Esq.  
Conservation Commission:                  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  
SANTA FE, NEW MEXICO 87501  
TEL. (505) 982-0386

I N D E X

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VICTOR T. LYON

Direct Examination by Mr. Kellahin

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Cross Examination by Mr. Nutter

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Continental's Exhibits 1 and 2

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MR. NUTTER: We will call Case 5359.

MR. CARE: Application of Continental Oil Company for simultaneous dedication and unorthodox locations, Lea County, New Mexico.

MR. KELLAHIN: If the Examiner please, I would like to have the record reflect the same appearances and that I have the same witness who has been previously sworn and qualified. I would like for him to have his qualifications accepted in this Case.

MR. NUTTER: Mr. Lyon is qualified and under oath.

VICTOR T. LYON

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Lyon, would you please refer to what has been marked as Exhibit No. 1, identify it and explain to us what Continental is seeking?

A Case 5359 is the application of Continental Oil Company for the joint allocation of a 320-acre non-standard gas proration unit in the Jalmat Pool to Wells Nos. 1 and 6, located on that proration unit; Well No. 1 being located in Unit H, Well No. 6 being located in Unit E of Section 1,

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Township 24 South, Range 36 East. The proration unit is in the north half of Section 1. Exhibit 1 is a location plat showing, outlined in red, the proration unit consisting of the north half of Section 1 which was established by Order No. R-2986. Well No. 1 has been producing the allowable for this proration unit since the establishment of that unit, and it is shown circled in red in Unit H of the section. Well No. 6 has recently been drilled located 660 feet from the west line, 1980 feet from the north line of Section 1, and located in Unit E and it is also circled in red.

Q How do you propose to allocate the production between wells Nos. 1 and 6 to the 320-acre unit?

A We would like the unit assigned jointly and the right of producing the allowable between the two wells in any proportion. Now, Well No. 1 was reclassified to a marginal status only on July 1st, 1974.

Exhibit 2 shows a comparison of the allowable and the production for the months of January through September of 1974. The well was in reasonably good balance until the distribution of cancelled under-production, cancelled allowable, which took place on the first of April when 259,988 MCF was allocated to the proration unit. At that time it became greatly under produced, and, although it has

produced its assigned allowable beginning in June, it would not have the ability to make up that under production before the balancing process would cancel the allowable. It was reclassified to marginal status on July 1st.

We would like to have this allowable restored so that the two wells together would have the opportunity of at least attempting to produce this allowable.

Q The application also refers to -- I'm sorry -- the advertisement also refers to an unorthodox location; to what extent are these locations unorthodox?

A Well for a 320-acre unit, the well should be located 1980 feet from the end boundary, and neither of the two wells are located that distance from the end boundary.

Q Therefore, you seek permission, or approval of the unorthodox location sites?

A Yes.

Q Do you have anything else to present, Mr. Lyon?

A No, I believe that's all.

Q In your opinion, will approval of this application be in the best interests of conservation and the prevention of waste and the protection of correlative rights?

A Yes, it will.

MR. KELLAHIN: We move the introduction of Exhibits

1 and 2.

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

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

MR. KELLAHIN: That concludes our Case.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Lyon, your application doesn't seek the reclassification of the unit as a non-marginal unit and the restoration of the canceled allowable, and the notice for this Case doesn't mention that. Is it within the administrative province of the rules of prorationing that that could be done?

A As I understand the rules which the Commission has entered in Order 1870, as most recently amended, when we went to the quarterly reclassification period the Commission provided for the restoration of an allowable if remedial work or other work to improve the productivity of the unit indicated that the unit was capable of making up the allowable.

Q If it was reclassified at the end of the prorationing period; if it was reclassified non-marginal at the end of the proration period in which it was classified as



marginal, the well could have its under production reinstated, but I don't know if it mentions unit, if you drill a new well or not, this is the point.

A Well, I really see no difference in whether the productivity, deliverability is improved by remedial work in the well or the drilling of additional wells.

Q That's what our conflict is. I'm talking about a well and you are reading unit into that rule.

A Right.

Q You should have drilled No. 6 back here in April.

MR. NUTTER: Are there any further questions of the witness? You may be excused.

Is there anything further in this Case, Mr. Kellahin?

MR. KELLAHIN: No, sir.


MR. NUTTER: Does anyone have anything to offer in Case 5359? We will take the Case under advisement.

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. 5359, heard by me on 10/30, 1974.

  
Examiner  
New Mexico Oil Conservation Commission

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# OIL CONSERVATION COMMISSION

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

November 12, 1974

L. R. TRUJILLO  
CHAIRMAN

LAND COMMISSIONER  
ALEX J. ARMIJO  
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. 5359  
ORDER NO. R-4909

Applicant:  
Continental Oil Company

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.  
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. 5359  
Order No. R-4909

APPLICATION OF CONTINENTAL OIL  
COMPANY FOR SIMULTANEOUS DEDICATION  
AND UNORTHODOX 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 12th 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 Vaughn B-1 Wells Nos. 1 and 6, located at unorthodox locations in Units H and E, respectively, of Section 1, Township 24 South, Range 36 East, NMPM, Jalmat Gas Pool, Lea County.

(3) That the applicant seeks approval for the simultaneous dedication of a 320-acre non-standard gas proration unit comprising the N/2 of said Section 1 to the above-described wells.

(4) That the applicant further seeks authority to produce the allowable assigned to the unit from either 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 320-acre non-standard gas proration unit comprising the N/2 of Section 1, Township

-2-

Case No. 4359  
Order No. R-4909

24 South, Range 36 East, NMPM, 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.

(2) That the allowable assigned to the above described gas proration unit shall be based upon the unit size of 320 acres; that the operator may produce the allowable assigned to the unit from the subject wells in any proportion.

(3) That Commission Order No. R-2988, which previously approved the aforesaid proration unit to be dedicated to a single well, is hereby superseded.

(4) 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 hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



*I. R. Trujillo*

I. R. TRUJILLO, Chairman

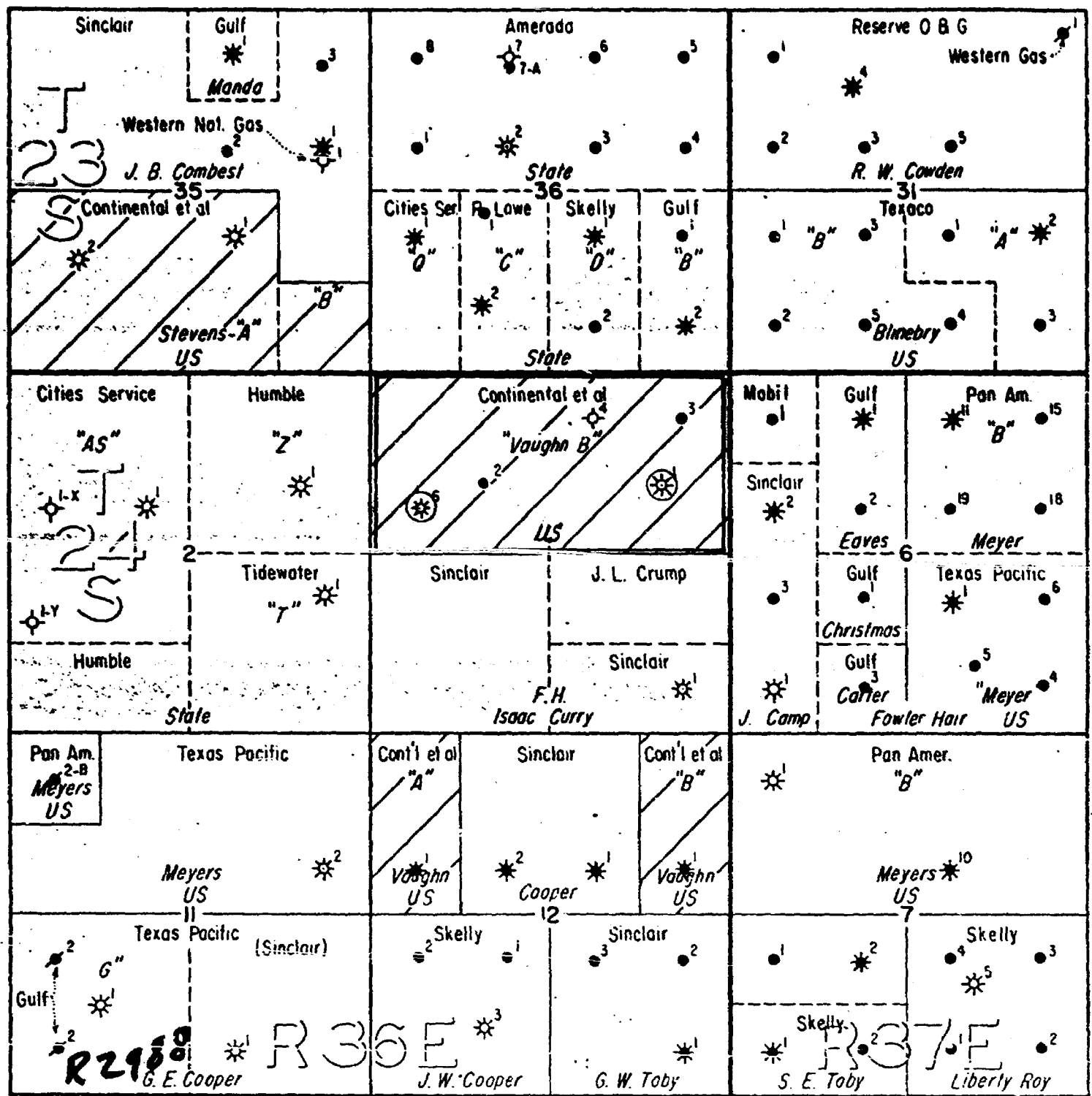
ALEX J. ARMILLO, Member

*A. L. Porter, Jr.*

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

S E A L

og



*R2986 established unit to be  
dedicated to well 7. No. 1.  
No 6 recently drilled.*

# CONTINENTAL OIL COMPANY

PRODUCTION DEPARTMENT

HOBBS DISTRICT

JALMAT GAS POOL

Lea County, New Mexico

BEFORE EXAMINER NUTTER

OIL CONSERVATION COMMISSION

CASE NO. \_\_\_\_\_

SCALE  
0 1000 2000

BLJ

BEFORE EXAMINER NUTTER

OIL CONSERVATION COMMISSION

EXHIBIT NO. 1

CASE NO. 5357

Comparison of Production and Allowable  
Vaughn B-1 No. 1

<u>Month</u>	<u>Allowable</u>	<u>Production</u>	<u>Status</u>
January	41,804	29,921	(21,450)
February	41,101	26,398	(36,153)
March	37,990	28,226	(45,917)
April	35,567	26,021	(315,451)*
May	42,237	28,013	(329,675)
June	17,329	19,957	(327,047)
July	15,009	26,445	(315,611)#
August	14,950	25,234	(305,327)
September	13,944	3,944	(315,327)

\* Redistribution of cancelled underage 259,988  
# Reclassified to marginal 7-1-74

*per to have cancelled  
allowable restored.*

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
EXHIBIT NO. 2  
CASE NO. 5359

Case 5359  
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 5 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.

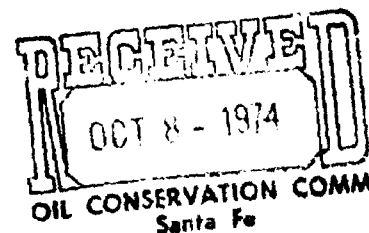
CASE 5359: Application of Continental Oil Company for simultaneous dedication and unorthodox locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of a 320-acre non-standard gas proration unit comprising the N/2 of Section 1, Township 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  
ALLOCATION OF A 320-ACRE NON-  
STANDARD GAS PRORATION UNIT IN  
THE JALMAT GAS POOL JOINTLY TO  
VAUGHN B-1 WELLS NOS. 1 AND 6  
IN UNITS H AND E, RESPECTIVELY,  
SECTION 21, T-24S, R-36E, LEA  
COUNTY, NEW MEXICO

A P P L I C A T I O N

Applicant, Continental Oil Company, respectfully requests the allocation  
of a 320-acre non-standard gas proration unit consisting of N/2 Section 1,  
T-24S, R-36E, Lea County, New Mexico. Jointly to its Vaughn B-1 Wells Nos.  
1 and 6 located in Units H and E, respectively, in said Section 1, and  
in support thereof would show:

1. Applicant is the operator and co-owner of the Vaughn B-1 Lease consisting  
N/2 Section 1, T-24S, R-36E, Lea County, New Mexico.
2. Applicant has heretofore drilled its Vaughn B-1 Well No. 1, located in  
Unit H of said Section 1, as a gas well in the Jalmat Gas Pool.
3. Order No. ~~R-2986~~ <sup>R-2988</sup> established a 320-acre non-standard gas proration  
unit for said well consisting of N/2 of said Section 1.
4. Well No. 1 has been re-classified to marginal status as of July 1, 1974.
5. Applicant has drilled and completed its Vaughn B-1 No. 6 at a location  
1980' FNL and 660' FWL of said Section 1 as a gas well in the Jalmat  
Pool.
6. Applicant desires to allocate said 320-acre unit jointly to Wells Nos.  
1 and 6 for a greater flexibility of producing the assigned allowable.
7. That the granting 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 ordered  
be entered allocating the 320-acre gas proration unit jointly to the wells as  
described above.

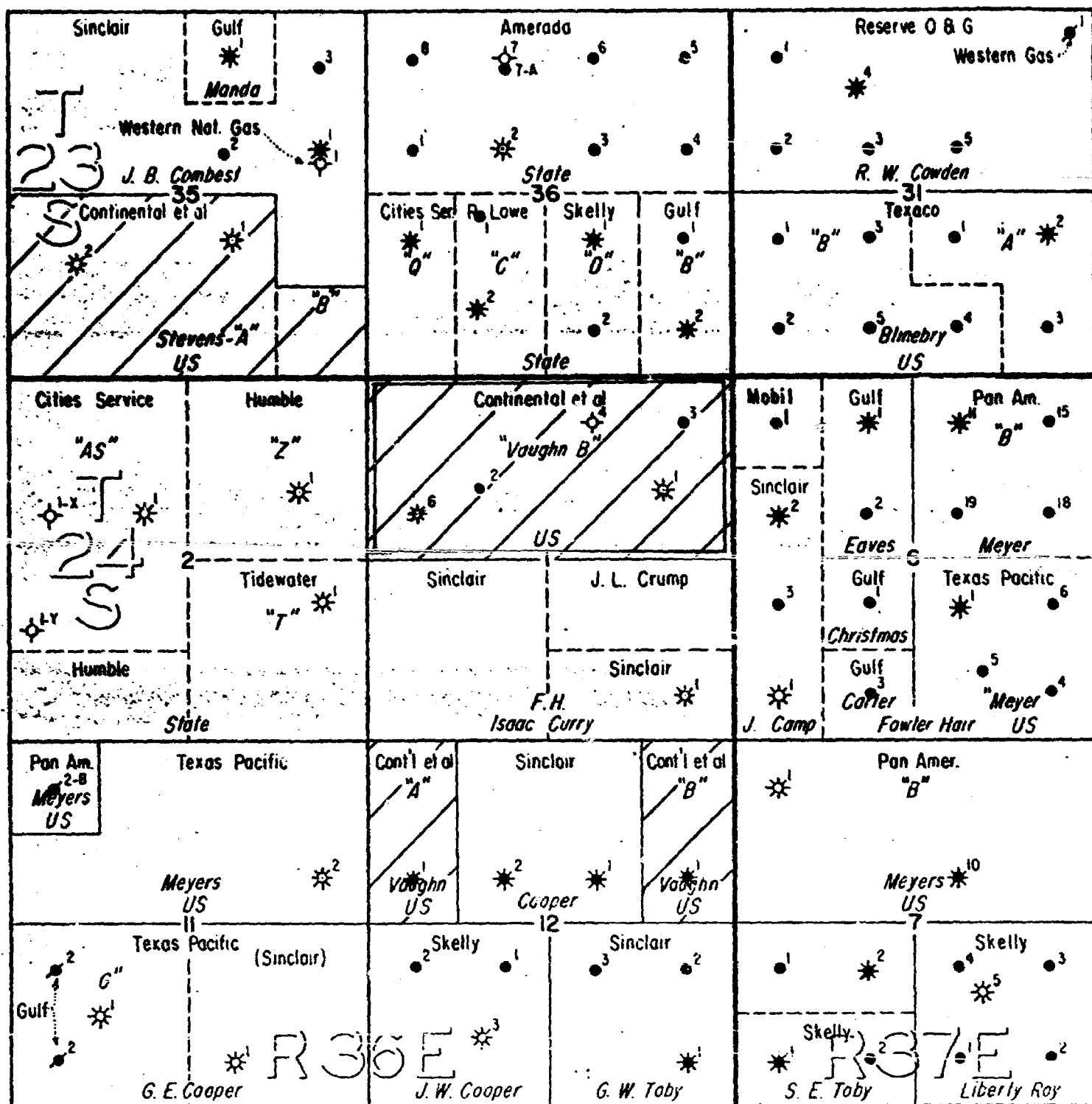
Respectfully submitted,

CONTINENTAL OIL COMPANY

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

DOCKET MAILED

Date 10-18-74



## CONTINENTAL OIL COMPANY

PRODUCTION DEPARTMENT  
HOBBS DISTRICT

## JALMAT GAS POOL

Lea County, New Mexico

SCALE  
0 1000' 2000'

BLJ

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. 5359

Order No. R-4909

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

*all* *Jan* *W*  
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 Vaughn B-1 Wells Nos. 1 and 6, located  
at unorthodox locations in Units H and E, respectively, of  
Section 1, Township 24 South, Range 36 East, NMPM, Jalmat Gas  
Pool, Lea County.

1 (3) That the applicant seeks approval for the  
2 simultaneous dedication of a 320-acre non-standard gas proration  
3 unit comprising the N/2 of said Section 1 to the above-described  
4 wells. *M*

5 (5) *(4)* That approval of the application will protect correla-  
6 tive 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 320-acre non-  
11 standard gas proration unit comprising the N/2 of Section 1,  
12 Township 24 South, Range 36 East, NMPM, Jalmat Gas Pool, Lea  
13 County, New Mexico, to its Vaughn B-1 Wells Nos. 1 and 6,  
14 located at unorthodox locations in Units H and E, respectively,  
15 of said Section 1.

16 *2 2 3*  
17 (2) That jurisdiction of this cause is retained for the  
18 entry of such further orders as the Commission may deem neces-  
19 sary.

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

22 (4) That the applicant further seeks authority to produce  
23 the allowable assigned to the unit from <sup>either</sup> any of the  
24 aforesaid wells in any proportion.

25 (3) That Commission Order No. R-2988, which previously  
26 approved the aforesaid proration unit to be dedicated to a single  
well, is hereby superseded.

27 (2) That the allowable assigned to the above-described  
28 gas proration unit shall be based upon the unit  
29 size of 320 acres; that the operator may produce  
30 the allowable assigned to the unit from the  
31 subject wells in any proportion.  
32

