

Case No.

720

Application, Transcript,
Small Exhibits, Etc.

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 CON-
SIDERING:

CASE NO. 720
ORDER NO. R-489

THE APPLICATION OF SHELL OIL
COMPANY FOR AN ORDER GRANTING
APPROVAL OF AN EXCEPTION PURSUANT
TO RULE 7 (a) OF ORDER NO. R-370-A IN
ESTABLISHMENT OF AN UNORTHODOX GAS
PRORATION UNIT OF 40 CONTIGUOUS ACRES
CONSISTING OF NE/4 SE/4 OF SECTION 29,
TOWNSHIP 19 SOUTH, RANGE 37 EAST, NMPM.,
LEA COUNTY, NEW MEXICO IN THE EUMONT
GAS POOL.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a. m., on June 16, 1954,
at Santa Fe, New Mexico, before the Oil Conservation Commission, herein-
after referred to as the "Commission".

NOW, on this 7th day of *July*, 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-370-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, Shell 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, to-wit:

TOWNSHIP 19 SOUTH, RANGE 37 EAST, NMPM.,
NE/4 SE/4 of Section 29

containing 40 acres, more or less.

(4) That applicant, Shell Oil Company, has a producing well on the
aforesaid lease known as State "F", No. 1, located 1980' from the South line
and 660' from the East line of Section 29, Township 19 South, Range 37 East.

(5) That the aforesaid well is located within the limits of the pool here-
before delineated and designated as the Eumont Gas Pool.

Order No. R-489

(6) That efforts are being made to communitize the above described 40 acres with other lease owners in the SE/4 of Section 29 and pending the outcome of such negotiations the aforementioned unorthodox unit should be approved.

(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 Eumont Gas Pool.

(8) That creation of a proration unit consisting of the aforesaid acreage will not cause but will prevent waste and will protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That the application of Shell Oil Company for approval of an unorthodox proration unit consisting of the following described acreage

TOWNSHIP 19 SOUTH, RANGE 37 EAST, NMPM.
NE/4 SE/4 of Section 29

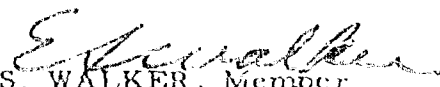
be and the same is hereby approved, and a proration unit consisting of aforesaid acreage is hereby created.

(2) That applicant's well, State "F", No. 1, located in the NE/4 SE/4 of Section 29, Township 19 South, Range 37 East, NMPM, shall be granted an allowable in the proportion that the above described 40 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, the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


EDWIN L. MECHEM, Chairman


E. S. WALKER, Member


R. R. SPURRIER, Secretary and Member

S E A L

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
Santa Fe, New Mexico
* * * * *

TRANSCRIPT OF PROCEEDINGS
CASE NO. 720
Regular Hearing

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
June 16, 1954

IN THE MATTER OF:

Application of Shell Oil Company for 40-acre
unorthodox gas proration unit in the Summit
Gas Pool: NE/4 SE/4 Section 29, Township 19
South, Range 37 East, NMPM, Lea County, New
Mexico.

Case No. 720

BEFORE:

Honorable Edwin L. Lechem
Mr. E. S. (Johnny) Walker
Mr. R. R. Spurrier

TRANSCRIPT OF HEARING

MR. HUGHSTON: R. L. Hughston for Shell Oil Company.

The applicant is ready to present its case.

R. J. EDWARDS ON

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

DIRECT EXAMINATION

By MR. HUGHSTON:

Q State your name to the Commission, please.

A R. J. Edwards.

Q You are employed by Shell Oil Company?

A That is correct.

Q Do you believe in proration at Hoces?

A Yes, sir.

Q Are you familiar with the facts in connection with the application about which you are to testify?

A Yes, sir.

Q Have you prepared a plat showing the location of the unorthodox unit for which the application is made?

A I have.

Q This plat was prepared under your direction and supervision?

A Yes, sir.

(Mark Exhibit No. 1, for identification.)

Q You are prepared to state that the facts concerning the location of the proposed unorthodox unit and the shape of it are true and correct?

A That is right.

Q The other facts shown on the legend of the plat are also correct?

A That is correct.

MR. HUGHSTON: No other is in evidence as Shell's Exhibit No. 1.

MR. WALLER: Any objection to the exhibit being admitted? If not it will be admitted.

MR. LAWRENCE: Would you state to the Commissioner the basis for Shell's application for an unorthodox unit in this case?

A This case shows the all-mercies association unit proposed

by Shell Oil Company for its State F-1 well in the Sumont Gas Pool. This unit shall consist of the northeast fourth, southeast fourth, Section 29, Township 19 South, Range 37 East, Lea County, New Mexico, as outlined in red. Other wells in this vicinity in the Sumont Gas Pool are also shown in red on the plat. Shell State F-1 was originally completed July 16, 1936 as a Grayburg-San Andres producer. Permission to dually complete this well in the Sumont Gas Pool and Monument Oil Pool was granted by the Oil Conservation Commission in Order K-224, dated December 12, 1952. This well was completed as a Sumont gas, Monument Oil dual well, January 4, 1953, for a calculated absolute open-flow potential of 2.6 million cubic feet per day.

Discussions looking into the unitization of the gas horizon in the quarter section have been initiated with Gulf, which hold the remaining acreage therein.

Presently we are studying several plans under which unitization might best be handled under this specific case. Meanwhile we request that the proration unit as proposed be granted in order that Shell State F-1 may continue to carry an allowable.

Q Now, the difficulties confronting the operators in carrying upon unit operations of a well that has been dually completed are greater than they are in ordinary operations, are they not?

A Yes, sir.

A Well, Shell is willing to unitize if an agreement can be worked out, but until the agreement can be worked out desires that

the status quo is maintained?

A That is correct.

Q The well is presently on the gas allowable for a fractional allowable?

A Yes, sir.

MR. HUGHSTON: I believe that is all.

MR. WALKER: Any questions of the witness?

MR. MACEY: I have a question I would like to ask Mr. Hughston. If you increase that unit to 160 -- In other words, if you unitize with the Gulf and then the Commission was to establish a proration unit in the Sumont Field of 640 acres, you would have to come back in here and have another hearing or submit to the rules, the new rules. What I am thinking about, is there any way we can avoid all that administrative work involved on the same well twice?

MR. HUGHSTON: I don't know. That is more of a Commission problem than one of ours. We have to act under the rules as they are at the time. We cannot anticipate what rules the Commission are going to make.

MR. MACEY: Have you examined some of the orders that the Commission has written on approving unorthodox units?

MR. HUGHSTON: No, sir, I have not. Mr. Hull has.

MR. MACEY: One of the findings in there is that it is impractical for you to unitize with the other unit operators. In this case you are attempting to effect a unitization and I think

that is one of the essential points for us to recommend to the Commission, that it is imperative for you to realize.

MR. HUGHSTON: But should the rest be thrown on the man who drilled his well prior to the Commission entering the gas orders pending a working out of such an arrangement? That puts that fellow at a disadvantage. He shouldn't be placed at such a disadvantage.

MR. MACEY: I am not quite sure I followed you. When was the well drilled?

MR. HUGHSTON: It was actually completed in January, 1953. Mr. Macey, I am sure, of course, you are aware of the difficulties that confront unitization of a dually completed well. It is something that isn't easy to work out, the difficulty in operation, the difficulty in agreeing upon the capital expenditure to be prorated.

MR. MACEY: That is all.

MR. HULL: Your first question, how did you say this tied in to the possibility of 640-acre unit?

(Discussion off the record.)

MR. WALKER: Does anyone else have a question of the witness or attorney? Any comments?... Did you have anything else, Mr. Hughston?

MR. HUGHSTON: No.

MR. WALKER: If the witness may be excused and the case taken under advisement.

(Witness excused.)

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss.

I, Ada Searnley, 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 18th day of June, 1954.

Ada Searnley
Notary Public, Court Reporter

My Commission Expires:

June 19, 1955

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
Santa Fe, New Mexico

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TRANSCRIPT OF PROCEEDINGS

CASE NO. _____

Regular Hearing



OFFICE OCS

MAY 14 1954

SHELL OIL COMPANY

Box 1957
Hobbs, New Mexico

May 14, 1954

Subject: Application for Unorthodox
Gas Proration Unit, Shell
State (B-1167) Lease,
Eumont Gas Pool, Lea County,
New Mexico

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


Gentlemen:

Shell Oil Company respectfully submits application for an unorthodox gas proration unit for its State F-1 well in the Eumont Gas Pool. Further, it is requested that this matter be considered at the next regular statewide hearing on June 16, 1954.

The following data is offered in support of this application:

1. Shell Oil Company is the owner and operator of the 1000-acre State (B-1167) lease which includes the NE/4 SE/4 of Section 29, T-19-S, R-37-E, Lea County, New Mexico, as shown on the attached plat.
2. Shell Oil Company proposes that the above described acreage be established as an unorthodox 40-acre gas proration unit in exception to Rule 7 (a) of Order R-370A.
3. Shell State F-1, located 1980 feet from the south line and 660 feet from the east line of Section 29, T-19-S, R-37-E, Lea County, New Mexico, was completed as a Eumont (gas) - Monument (oil) dual well January 4, 1953. Permission to dually complete this well in the Eumont Gas Pool and the Monument Pool was granted by the Oil Conservation Commission in Order R-224 dated December 12, 1952.
4. No other Eumont gas well is completed on the 40-acre proration unit proposed under this application.

Yours very truly,


W. E. Owen
Division Manager

