

Case No.

742

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Application, Transcript,  
Small Exhibits, Etc.

CASE 742: R. Olsen Oil Company applica-  
tion for unorthodox gas proration unit,  
Blaineby Gas Pool

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE NO. 742  
ORDER NO. R-505

THE APPLICATION OF R. OLSEN OIL COMPANY  
FOR AN ORDER GRANTING APPROVAL OF AN EX-  
CEPTION PURSUANT TO RULE 7(A) OF ORDER NO. R-372-A  
IN ESTABLISHMENT OF AN UNORTHODOX GAS PRORATION  
UNIT OF 160 CONTIGUOUS ACRES CONSISTING OF  
NW/4 SW/4, SW/4 NW/4, N/2 NW/4 OF SECTION 25,  
TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMFM, LEA  
COUNTY, NEW MEXICO, 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 of New  
Mexico, hereinafter referred to as the "Commission."

NOW, on this 12<sup>th</sup> day of August, 1954, the Commission, a quorum  
being present, having considered the testimony presented at said hearing, 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 proration  
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, to-wit:

Township 22 South, Range 37 East, NMFM  
NW/4 SW/4, SW/4 NW/4, N/2 NW/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 Drinkard No. 1, located 330 feet from the north line  
and 1650 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,  
NMFM, and that the owners of adjoining acreage in said quarter sections have not  
objected to the formation of the proposed proration unit of 160 acres, but  
have expressly consented thereto.

(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 and will protect correlative rights.

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  
NW/4 SW/4, SW/4 NW/4, N/2 NW/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, Drinkard No. 1, located in the NE/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

*E. L. Mechem*  
Edwin L. Mechem, Chairman

*E. S. Walker*  
E. S. Walker, Member

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

S E A L

Case 142

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 N/2 NW/4, SW/4 NW/4 and NW/4 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.
2. That the petitioner's Drinkard Well No. 1 is located 330 feet South of the North and 1650 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 petitioners 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



R. OLSEN, PRESIDENT

## R. OLSEN OIL COMPANY

2665/14/1460/1044

OKLAHOMA/0000/OKLA/

Box 625, Jal, New Mexico

June 2, 1954

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

Dear Sir:

As per the request, by telephone, of your office, we are forwarding two (2) extra copies of our recent application for approval of two (2) unorthodox gas proration units for our Sims Well No. 1 and our Drinkard Well No. 1.

If additional information is required prior to the hearing, please notify me.

Yours very truly,

R. OLSEN OIL COMPANY

*Aaron Cummings*

AARON CUMMINGS  
Gas Engineer

AC:mp

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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 Blinbry 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

Ex # 4  
C. 112

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 Northeast Quarter of the Northwest Quarter (NE/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 West Half of the Northwest Quarter and the Northwest Quarter of the Southwest Quarter (NW/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 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.

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.

*Re.  
leases* 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 additional 1/16th override of oil and gas recovered from the ~~Blinbry pay alone~~, 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 4<sup>th</sup> day of June, 1952.

Allen M. Drinkard  
Allen M. Drinkard

Vivian H. Drinkard  
Vivian H. Drinkard

Amanda E. Sims  
Amanda E. Sims

"Royalty Owners"

R. OLSEN OIL COMPANY

Attest:

BY: [Signature]

President

[Signature]  
Secretary



STATE OF NEW MEXICO )  
COUNTY OF LMA ) ss.

On this \_\_\_\_\_ day of \_\_\_\_\_, 1952, before me personally appeared ALLEN M. DRINKARD, VIVIAN H. DRINKARD, AND AMANDA E. 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:

\_\_\_\_\_  
Notary Public

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STATE OF OKLAHOMA )  
COUNTY OF OKLAHOMA ) ss.

On this \_\_\_\_\_ the day of \_\_\_\_\_, 1952 before me personally appeared E. OLSEN, to me known who, being first duly sworn, did say that he is the President of the E. 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 E. 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:

\_\_\_\_\_  
Notary Public