

Case No.

835

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Application, Transcript,  
Small Exhibits, Etc.

OIL CONSERVATION COMMISSION  
P. O. BOX 871  
SANTA FE, NEW MEXICO

April 22, 1955

R. Olsen Oil Company  
Box 691  
Jal, New Mexico

Attention: Mr. Aaron Cummings

Gentlemen:

We enclose copy of Order R-619 issued in Case 835 under  
date of April 20, 1955.

Very truly yours,

W. B. Macey  
Secretary - Director

WBM:nr

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. 835  
Order No. R-619

THE APPLICATION OF THE COMMISSION  
UPON ITS OWN MOTION, DIRECTED TO  
R. OLSEN OIL COMPANY, FOR THE  
RECONSIDERATION OF ADMINISTRATIVE  
ORDER NSP-23 WHICH CREATED A NON-  
STANDARD GAS PRORATION UNIT IN THE  
JALMAT GAS POOL CONSISTING OF THE  
NE/4, S/2 NW/4, and NE/4 NW/4 OF SECTION  
11, TOWNSHIP 24 SOUTH, RANGE 36 EAST,  
NMPM, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on February 16, 1955, and March 16, 1955, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission".

NOW, on this 30<sup>th</sup> day of April, 1955, 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 the provisions of Rule 5 (a) of Order No. R-520, the Commission has 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 an oil and gas lease in Lea County, New Mexico, the land consisting of other than a legal section, and described as follows:

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

containing 280 acres, more or less.

(4) That applicant, R. Olsen Oil Company, has a producing gas well on the aforesaid lease, known as the Myers No. 2,

located 1980 feet from the north line and 660 feet from the east line of Section 11, Township 24 South, Range 36 East, NMPM, Lea County, New Mexico.

(5) That the aforesaid well is located and completed within the horizontal and vertical limits of the Jalmat Gas Pool.

(6) That Continental Oil Company, the owner of adjoining acreage which offsets the Myers "B" Well No. 2 to the east, has specifically protested and objected to the 280-acre proration unit, and

(7) That there is no showing made 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 in the Jalmat Gas Pool, or that such a unit is necessary to prevent confiscation of applicant's property.

IT IS THEREFORE ORDERED:

(1) That Administrative Order NS-23 and the 280-acre non-standard gas proration unit which it created, consisting of the following described acreage:

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

be, and the same are hereby cancelled and rescinded, and

(2) That the said non-standard gas proration unit is reduced in size, in accordance with the provisions of Paragraph 3 of Rule 5 (a) of Order No. R-520, to contain the following described acreage:

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

containing 160 acres, more or less, and a proration unit consisting of the aforesaid acreage is hereby created effective March 1, 1955.

(3) That applicant's well, Myers "B" Well No. 2, located in the SE/4 NE/4 of Section 11, Township 24 South, Range 36 East, NMPM, Lea County, New Mexico, shall be granted an allowable in the proportion that the above described 160-acre unit bears to the standard or orthodox 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 hereinafore designated.



STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*John F. Smith*  
JOHN F. SMITH, Chairman

*E. E. Smith*  
E. E. SMITH, Member

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



OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

January 21, 1955

R. Olsen Oil Company  
Box 691  
Jal, New Mexico

Re: Administrative Order NSP-23

Attention: Mr. Aaron Cummings, Gas Engineer

Gentlemen:

On November 8, 1954, by virtue of the provisions of Administrative Order NSP-23, I approved the formation of a non-standard gas proration unit consisting of the following described acreage in the Jalmat Gas Pool:

Section 11, Township 24 South, Range 36 East  
NE/4, S/2 NW/4, NE/4 NW/4

Information available to me at this time indicates that I exceeded the authority granted to me by the provisions of Rule 5-b of Order R-520, (Jalmat Pool Rules) due to the fact that the third paragraph of Rule 5-a specifically limits the maximum amount of acreage that may be assigned to a gas well, the amount being governed by the well location.

The formation of a 280-acre non-standard proration unit with your Myers "B" Lease, Well No. 2, located 1980 feet from the North line and 660 feet from the East line is contrary to the provisions of this rule.

On February 16, 1955, this Commission will hold hearings directed to you as operator for you to show cause why the acreage assigned your Myers "B" Well No. 2, SE/4 NE/4 Section 11, Township 24 South, Range 36 East, NE/4, Jalmat Gas Pool, should not be reduced to 160 acres in accordance with the provisions of Paragraph 3 of Rule 5-a of Order R-520. The description of this 160-acre unit is as follows:

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

-2-

Section 11, Township 24 South, Range 36 East  
NE/4

This proposed reduction would be effective March 1, 1955. You will of course be afforded the opportunity to present any testimony or evidence to support the formation of the proration unit as it now exists.

This letter is being directed to you so that you can prepare your case, if you so desire. A copy of the advertisement will be mailed to you when available.

Very truly yours,

W. B. MACEY, Secretary-Director

WBM/lr

BEFORE THE  
Oil Conservation Commission  
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 835

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES  
COURT REPORTERS  
ROOMS 105, 106, 107 EL CORTEZ BUILDING  
TELEPHONE 7-9546  
ALBUQUERQUE, NEW MEXICO



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

March 16, 1955.

IN THE MATTER OF:

(Reference MSP-23) Directed to C. Olsen  
Oil Company for reduction of a previously  
approved non-standard gas proration unit to  
limit its extent to  $1\frac{3}{4}$  of Section 11,  
Township 24 South, Range 36 East. Case No. 835  
(Continued.)

Before: Honorable John F. Simms, J. C. (Johnny) Walker, and  
William B. Macey.

TRANSCRIPT OF HEARING

MR. MACKEY: The next case on the docket is Case 835.

MR. RUSSELL: John F. Russell appearing on behalf of Olsen  
Oil Company in Case 835.

This case was set down last month on an order to show cause  
why the unit should not be reduced to 160 acres. At our request  
it was postponed until this month because we did not have accurate  
test on the wells to determine whether or not it could make the  
allowable if it was granted.

D E W E Y W A T S O N

having first been duly sworn, testified as follows:

EXHIBIT EXAMINATION

By MR. RUSSELL:

Q Will you state your name to the Commission?

A Dewey Watson.

Q By whom are you employed?

A In what capacity?

A I am employed as a geologist for the Olsen Oil Company.

Q What is your educational background, Mr. Watson?

A B. S. degree in geological engineering from University of Oklahoma.

Q What year? A 1950.

Q What have you been doing since 1950?

A I have been working for R. Olsen Oil Company.

Q Have you been working for them in Lea County, New Mexico during this period? A Yes, sir.

Q Referring to what has been identified as Olsen Exhibit No. 1, was the map prepared by you or under your instruction?

A Yes, sir, it was.

Q Are you familiar with the lands and the wells shown on this plat? A Yes, sir.

MR. RUSSELL: Are the witness's qualifications acceptable?

MR. MACWY: They are.

Q Will you describe the location of the well to which you seek to attribute this acreage?

A The location of the well is in the southwest of the northeast quarter of Section 11, 24 south, 36 east.

Q Will you give a brief history of this well to the Commission?

A This well was completed in June of 1954, drilled to a total depth of 7,172 and the top of the water is at 3,014 feet and the initial potential is about 7,600 psi. with a flow of 100 bbl. per day.

Q Mr. Watson, in your opinion, if the production should reach a 300 acre allowable, do you think that this well is capable of producing the allowable? A Yes, sir.

Q To what do you have your opinion?

A As best as I can tell, I believe it is 2700 of February and

2  
ran through the 24th of February, producing into the Parole existing line, and that test showed that the well was capable of producing 1,920,000 cubic feet per day. That is based on a 34.6% pressure base.

Q In your opinion, Mr. Watson, is the entire north half of Section 11, Township 24 south, Range 36 east, reasonably productive of gas?

A Yes, sir, I think it is.

Q In your opinion will this well drain the entire 320 acres?

A Yes, sir.

Q Now, referring again to your Exhibit 1, Mr. Watson, who owns the working interest in the north half of this section?

A The working interests are owned by Stanolind Oil and Gas Company and the R. Olsen Oil Company. The Stanolind Oil and Gas Company has the northwest, northwest of Section 11.

Q R. Olsen has the balance of that?

A Yes, sir, which is 280 acres.

Q Who are the royalty owners in the north half of the section?

A It is the Federal Government.

Q For the entire north half including Stanolind?

A That is right.

Q Mr. Watson, have you currently, or is it currently, a tentative agreement between Stanolind and R. Olsen for the pooling of their 40 in the north half of this section with your 20 in the south half of the section should the 20 in the south half be available?

A Yes, sir, that is correct.

Q In your opinion, Mr. Watson, is the pooling of the 20 in the south half of the section with the 20 in the north half of the section a reasonable pooling?

A I believe not.

Q I hand you that has been identified as Exhibit 2 and ask you to identify that.

A This is a telegram from Western Natural Gas Company and the date on it is February 11, 1955. The contents are as follows: "We have no objection to the formation of a 280 non-standard gas proration unit for your Meyers "D" 2 in Section 11, 24, 36."

MR. RUSSALL: I would like at this time to introduce into evidence Olson Exhibit 1 and 2.

MR. MACKEY: Without objection they will be received in evidence.

Q Mr. Watson, in your opinion will the granting of requested exception protect the correlative rights of the applicant?

A Yes, sir, I believe it will.

Q Will it further prevent waste and avoid the drilling of unnecessary wells by the applicant? A Yes, sir, it will.

MR. RUSSELL: No further questions of the witness.

MR. KELAHIN: Kelahin, representing Continental.

#### CROSS EXAMINATION

By MR. KELAHIN:

Q Mr. Watson, I am a little confused. Are you asking for a 280 acre non-standard or 320?

MR. WATSON: I would like to make a statement in that. It is my understanding that the original administrative order by the Commission was granted for 280 acres. It was then set down for hearing on an order to show cause as to why the order of the Commission should not be set aside, and that is why that the question of how much land is involved is not a question.

could be placed before the Commission at this hearing and then avoid unnecessary administrative hearing procedure to bring in the 40 acres along with the 280, if 280 is granted.

MR. KSLAHTE: I am to understand that you are asking for 320?

MR. RUSSELL: Asking for 320.

MR. KSLAHTE: I don't want to seem technical, it does seem a little out of line on an order to show cause why they should not be cut back from that which they have; instead they want it increased from that which they have at the same hearing. As I say, I don't want to seem technical on the point, but it doesn't seem proper to me as a matter of procedure for the Commission to entertain such an application at this time without advertising it on that basis.

MR. RUSSELL: I realize you don't want to get technical, but I haven't checked to determine whether that would be within the radius of influence of that particular well. I feel that the information could be properly presented on the capability of the well with regard to 320 as well as 280, which is why we ran the additional test last month.

MR. KSLAHTE: I am going to state it is well beyond the well. I am hearing.

BY MR. KSLAHTE:

- Q I want to ask you one more question. Is the well within the radius of influence of the well?
- A That is the question, isn't it?
- Q Could you give me an answer to that?
- A I don't know the answer to that, but I don't know the answer to that.

is 66°.

Q You have other wells in this section, do you not?

A Yes, sir.

Q What are those wells?

A We have a well in the southwest of the southeast quarter. It is Cooper 1, and we have another well in the center of the southwest quarter, Cooper "G" 1.

Q Those are both completed within the Jalmat Pool?

A Yes, sir.

Q Did you consider dedicating the west half to your well in the southwest quarter as being a location which more nearly conforms to the present rules in effect in the Jalmat Pool?

A Yes, the problem arises there of having to pool patented land with Government land.

Q It is just an administrative problem within your organization then, is it not?

A Yes, sir, I suppose so.

Q Did you make any effort to communitize the west half? Have you attempted to do that?

A Not to my knowledge.

Q Are you aware of the fact that under the rules you could dedicate the east half or the northeast quarter without an exception as one unit, are you not?

A I believe that would be right, sir.

Q In your opinion, if you were to dedicate the northeast quarter of the northeast quarter of the section, would it be a unit?

A Yes, sir, I believe so.

Q Have you ever had a unit of land within the Jalmat Pool which was not a unit?

A Yes, sir.

Q In your opinion it will drain it that distance?

A I believe it will.

Q Are you familiar with wells in adjoining sections?

A Not entirely, but I have a knowledge of them.

Q You know that Continental does have a well on the southeast quarter of the northeast quarter of Section 12 completed in the Yates?

A You mean the southeast quarter or the northeast quarter?

Q No. The southeast of the northeast, designated as their Vaughn "B" No. 1.

A Yes, sir.

Q On the basis of your test as to your well, in your opinion would a well so located likewise drain the east half of the northwest quarter of Section 12?

A Yes, sir, I believe it would.

Q Would you have any objection in view of the fact that Continental has the east half, the east half of the northeast quarter and the west half of the northeast quarter, would you have any objection to a unit consisting of those two areas, an exception to paragraph 5 B-1 of the Jolmat Pool rules?

A I don't suppose I would, but I imagine there are some other people that would.

Q Would you have such an objection?

A No, sir.

Q Prior to the entry of this order, did you have a contract covering this area, Mr. [redacted], or did you have?

A Yes, sir, I did.

Q Yes.

A No, sir, I did not have a contract covering this area.

and E. Olsen pending the hearing.

Q I mean a gas contract. A Yes, sir.

Q You had a contract covering the entire area?

A No, I don't believe we did.

Q Did you have a gas purchase contract covering this well?

A Yes, sir.

Q Do you know what acreage was dedicated to it under that contract? A No, sir, I don't.

Q How far is it from your well to the farthest point within the proposed unit?

A Well, it would be 660 feet less 5,280.

Q That would be something over 4,000 feet?

A Yes, sir.

MR. KELAHIN: That is all.

MR. MACKEY: Any other questions of the witness? Mr. Kitts.

By MR. KITTS:

Q I want to be sure I understand you. You are not seeking approval of 320 acre units in this hearing?

MR. RUSSELL: I would like approval of 320 acre unit at this hearing if possible.

MR. KITTS: You have not concluded your agreement with standing on the pooling?

MR. RUSSELL: No, the agreement has not been executed at this time.

MR. KELAHIN: I have one other question from Mr. Olson.

By MR. KELAHIN:

Q In computing your 640 acre unit, did you include the 640 acre unit which was produced by the 640 acre unit, the 640 acre



pressure base?

A That is primarily the base upon which your gas, what we were paid for.

Q I didn't understand you.

A That is the pressure base at which you received payment for your gas.

Q Are you aware of the fact that the pressure base normally used is 15.025? A Yes, sir.

Q Did you correct it to that figure?

A No, sir, I did not.

Q Could you do so now?

A I believe I could. Slide rule, 1,861,000 cubic feet.

MR. KELAHIN: That is all, thank you.

By MR. REIDER:

Q Would you repeat?

A 1,861,000 cubic feet.

Q Can you explain the underproduction as of February?

A The underproduction as of February. Just a minute, let me check the proration schedule.

Q It amounts to 38,956,000. A That is up to when?

Q That was up to January last.

A I must have made up a figure in February because January 1st it is 38,956,000. I don't have an explanation.

Q Do you feel that should be corrected by the allocation on 1st and 2nd? A Yes, sir, I do.

MR. KELAHIN: Now, if you have any other questions of the witness? Your honor, I have nothing further to ask him.

MR. REIDER: I would like to ask a few more questions.

of Continental. Continental is opposed to this application for the reason we have previously stated, and briefly I now like to review them.

We feel that the Commission in adopting the spacing regulation governing the amount of acreage that can be dedicated to a well, adopted a rule for which they should grant an exception only after strong showing of actual need for such an exception. Certainly we don't feel that such a need has been shown in this case. Continental owns the offsetting acreage and would be affected by the production from this well. I would like to point out that there is no testimony in the record to show that the western portion of this proposed unit, in particular the northwest quarter, is reasonably productive of gas. No testimony was offered on that point at all. We feel that the Commission should adhere to its Rule 5a in the Jalmat Pool Rules and abide by this spacing regulation.

Otherwise correlative rights are going to be damaged. That was the purpose for which the rule was adopted. My question in regard to Continental's location, Continental having a well in the east half of the northeast quarter and owning the east half of the northeast quarter and the west half of the northwest quarter being non-contiguous acreage, would not be subject to a creation of a unit under the present rule, but the witness has testified that this unit drain the acreage up to the northwest quarter of their proposed unit. Certainly the Continental well will drain the acreage in the northwest quarter of the unit.

It will be just another exception. I brought it out not to show that Continental has a good application and a strong case, but to show the point to which this thing would be taken. I will

A I would like to go a little further on the productivity of the west half of the north half of Section 11. Cities Service drilled a well in 1950, State 1 "Y". They have a drillstem test that was taken, incidentally it is plugged and abandoned, that was taken from 3138 to 3225. It was open one hour and forty-five minutes, had gas to surface in three minutes and flowed at the rate of 427 m.c.f. per day. They also recovered 160 feet of sulphur water. The flow pressure was from 200 pounds and 20 minutes shut in pressure 375 pounds. I believe that pressure, as far as the pressure concerned is normal for the area at this time and at that time. The top of the Yates was at 3763 which is about approximately 50 feet of the Yates that did not test. I believe that with but regard to Cities Service, I believe the well could be made to produce Yates gas in that particular well, or well drilled in that area.

1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 2680, 26

280. For that reason we are naturally in favor of the application. I should not say the application, but with the proponents here.

MR. MACY: Anyone else have anything further in this case? If not we will take the case under advisement.

#### C E R T I F I C A T E

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings in the matter of Case No. 825, were taken by me on March 16, 1955; that the same is a true and correct record to the best of my knowledge, skill and ability.

  
Reporter



BEFORE THE  
OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

Santa Fe, New Mexico

February 17, 1955  
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TRANSCRIPT OF PROCEEDINGS

CASE NO. 835

Regular Hearing

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
February 17, 1955

IN THE MATTER OF:

The application of the Oil Conservation Commission  
for revision of an administrative order in creation  
of a non-standard gas proration unit.

Applicant, in the above-styled cause, seeks an  
order amending Administrative Order NSP-23 and  
directing R. Olson Oil Company to reduce the size  
of the non-standard gas proration unit permitted  
therein to conform to provisions of Paragraph 3 of  
Rule 5(a) of the Special Rules and Regulations for  
the Jalmat Gas Pool, as set forth in Order R-520;  
the resulting proration unit to consist of NE/4 of  
Section 11, Township 24 South, Range 36 East, Lea  
County, New Mexico.

Case No.  
835

BEFORE:

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

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 835.

(Statement of Policy on the Formation of Non-Standard Gas  
Proration Units (Presented at February 16 Hearing by W. F. Kitts,  
Attorney)).

Considerable confusion has developed in recent weeks regard-  
ing the formation of non-standard gas proration units in Lea County  
gas pools, and the following statement is presented in an effort  
to eliminate this confusion and to clarify the requirements in  
filing applications for approval of non-standard gas proration  
units in the Southeast gas pools.

The basic considerations for approval of all applications

will be that the formation of such unit will:

1. Prevent Waste
2. Protect Correlative Rights
3. Serve the Best Interests of Conservation

For an application to receive consideration for administrative approval, the unit for which the exception is requested must in all respects meet the requirements of Rule 5(a) paragraph 3 and Rule 5(b) of the various pool rules contained in Order R-520. Any application which does not meet these requirements for administrative approval must be heard after notice of hearing of the Commission at which time the merits of the application can be considered.

Further, the Commission Staff feels that Order R-520 clearly implies the radius of influence for one well in the various Southeast gas pools, covered by Order R-520, to be 3735' -- that is, the radius of a circle which will totally enclose a 640-acre section. And that such radius should be applied to all applications for exception to the provisions of Order R-520. Quite naturally, this radius of influence cannot be the only consideration and factors of economics, offset counter-drainage, and good operating practice must be considered. The Commission Staff is aware that each request for approval of a non-standard gas proration unit must stand on its own merits, and be treated individually - and we take note of this fact.

We have briefly outlined our position in an effort to assist the operators in making application for and securing non-standard proration units, and with the hope that the operators can assist the Commission Staff by keeping their units within the limits as set out in this statement, in so far as economics and good operating practice will permit.



We are certain that we can count on the full support of all of the operators.)

MR. RUSSELL: If the Commission please, Jack Russell, Roswell, appearing on behalf of R. Olsen Oil Company in Case 835. I would like to advise the Commission that after reviewing the original application and the information currently on hand, we are of the opinion that at present we do not have sufficient accurate information to determine whether or not the well will make the allowable, if granted. We would like to make some back pressure tests, and in the event those tests confirm the original thought that it would make the full allowable, we would like to present that to the Commission next month. In the event it does not, we will abandon our position under it. I would like to request that the Commission continue Case 835 until next month.

MR. MACEY: Mr. Russell, I think you are aware of the fact that it would call for a suspension of allowable on March 1st -- Not suspension, but reduction.

MR. RUSSELL: Yes, sir, that is right, reduction.

MR. MACEY: I wonder how your offset operators feel about it. Would you agree to a temporary reduction allowable?

MR. RUSSELL: Yes, sir. We realize that we would be in the position of a cut for the month of March.

MR. KELLAHIN: Jason Kellahin, Continental. We have no objection to the continuance.

MR. MACEY: Is there objection to the continuance from anyone? If not, we will continue Case 835 until the March 16th hearing.

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 25th day of February, 1955.

*Ada Dearnley*  
Notary Public, Court Reporter

My Commission Expires:

June 19, 1955



CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

# WESTERN UNION

W. P. MARSHALL, PRESIDENT

SYMBOLS

DL=Day Letter

NL=Night Letter

LT=Int'l Letter Telegram

VL=Int'l Victory Ltr.

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt STANDARD TIME at point of destination

DA152

1995 FEB 11 PM 2 33

D: HSD259 29 COLLECT=HOUSTON TEX 11 15OPMC=

R OLSEN OIL CO=

2/ 2809 LIBERTY BANK BLDG OKCTY=  
WE HAVE NO OBJECTION TO THE FORMATION OF A 280 ACRE  
NON-STANDARD GAS PRORATION UNIT FOR YOUR MEYERS B-2  
IN SECTION 11-24-36 LEA COUNTY NEX MEXICO=

PAUL C WRIGHT WESTERN NATURAL GAS CO=

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO  
EXHIBIT No. 2  
CASE

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

November 8, 1954

R. Olsen Oil Company  
Box 691  
Jal, New Mexico

Attention: Mr. Aaron Cummings, Gas Engineer

Gentlemen:

Administrative Order NSP-23

Reference is made to your application (received October 8, 1954) for approval of a 280-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the following acreage:

Twp. 24 South, Rge. 36 East, NMPM  
NF/4, S/2 NW/4, and NE/4 NW/4  
of Section 11.

It is understood that this unit is to be ascribed to your Myers 'B' Well No. 2, located 1980 feet south of the north line and 660 feet west of the east line of said Section 11.

Inasmuch as no objections have been received from offset operators whom you properly notified of your intention by registered mail, by authority granted me under provisions of Rule 5, Section (b)-6 of the Special Rules and Regulations for the Jalmat Gas Pool, as set forth in Order R-520, you are hereby authorized to operate the above-described acreage as a non-standard gas proration unit, with allowable to be assigned thereto in accordance with pool rules.

Very truly yours,

WHL:mr

H. B. Hacy, Secretary-Director

cc: Oil Conservation Commission:  
Hobbs

S. H. Oil & Gas Eng. Committee  
Hobbs

RECEIPT FOR REGISTERED ARTICLE No. 231

Fee paid 30 1906, 1906

Class postage paid 1 Return receipt fee 1  
Special delivery fee 1

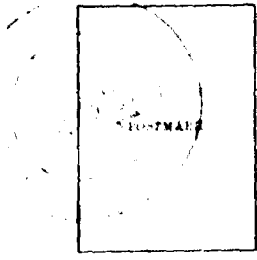
Declared value, \$ 100.00

Surcharge paid, \$ 0.00 Restricted delivery ☐ in person ☐  
(Accepting office will place initials in proper space) or order ☐ Fee paid ☐

From R. A. Lee (Sender)

Addressed to Cent. of Phila. (Recipient)  
(Street and number) (City and State)

(Street and number) (City and State)



Postmaster, per 1

**RECEIPT FOR REGISTERED ARTICLE No. 222**

Fee paid \$2.00 Date 12-6-1950

Class postage paid Return receipt fee  
Declared value, \$10.00 Special delivery fee

Surcharge paid, \$ Restricted delivery  
(Accepting employee will place initials in proper space)

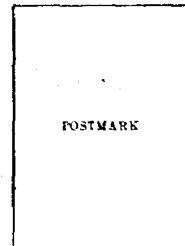
From (Sender)

Addressed to (Addressee)

(Street and number) (Post office and State)

Postmaster, per

GPO c9-16-12000-5



**RECEIPT FOR REGISTERED ARTICLE No. 223**

Fee paid \$3.00 Date 12-6-1950

Class postage paid Return receipt fee  
Declared value, \$10.00 Special delivery fee

Surcharge paid, \$ Restricted delivery  
(Accepting employee will place initials in proper space)

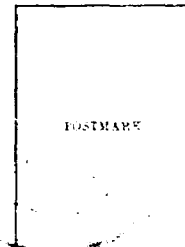
From (Sender)

Addressed to (Addressee)

(Street and number) (Post office and State)

Postmaster, per

GPO c9-16-12000-5



R. OLSEN OIL COMPANY

BOX 691

JAL, NEW MEXICO

October 5, 1954

Re: Application for Assignment of 280 acre allowable to Myers B-2, Sec. 11, T 24S, R 36E, Lea County, New Mexico.

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

Gentlemen:

The R. Olsen Oil Company owns the following acreage in Section 11, T 24S, R 36E, NE/4, NE NW/4, S/2 NW/4, upon which is located its Myers B-2 well, 1980' South of North line and 660' West of East line. The subject well is completed as a Yates gas well. It was completed June 8, 1948, at a depth of 3172' with 7" casing set at 2950'.

At the present time only the NE/4 (160 acres) is dedicated to this well. However, as the provisions of the Oil Conservation Commission Order R-520 permit up to 320 acres to be dedicated for gas allowable purposes to a well so located, the R. Olsen Oil Company hereby desires to assign the S/2 NW/4 and the NE NW/4 in addition to the existing NE/4 of Section 11, T 24S, R 36E and requests that the Oil Conservation Commission grant approval to this proposed unit, thus permitting the well to be produced on the basis of a 280 acre allowable.

Along with this request will be found a copy of a letter to Stanolind Oil & Gas, owner of the NW NW/4 of Section 11, T 24S, R 36E, asking them if they wish to add their 40 acres to our 280 acres to form a 320 acre unit. Also, a copy of this letter is being forwarded to all operators within 1500' of the well.

Very truly yours,

R. OLSEN OIL COMPANY

*Alton Cummings*  
ALTON CUMMINGS  
Engineer

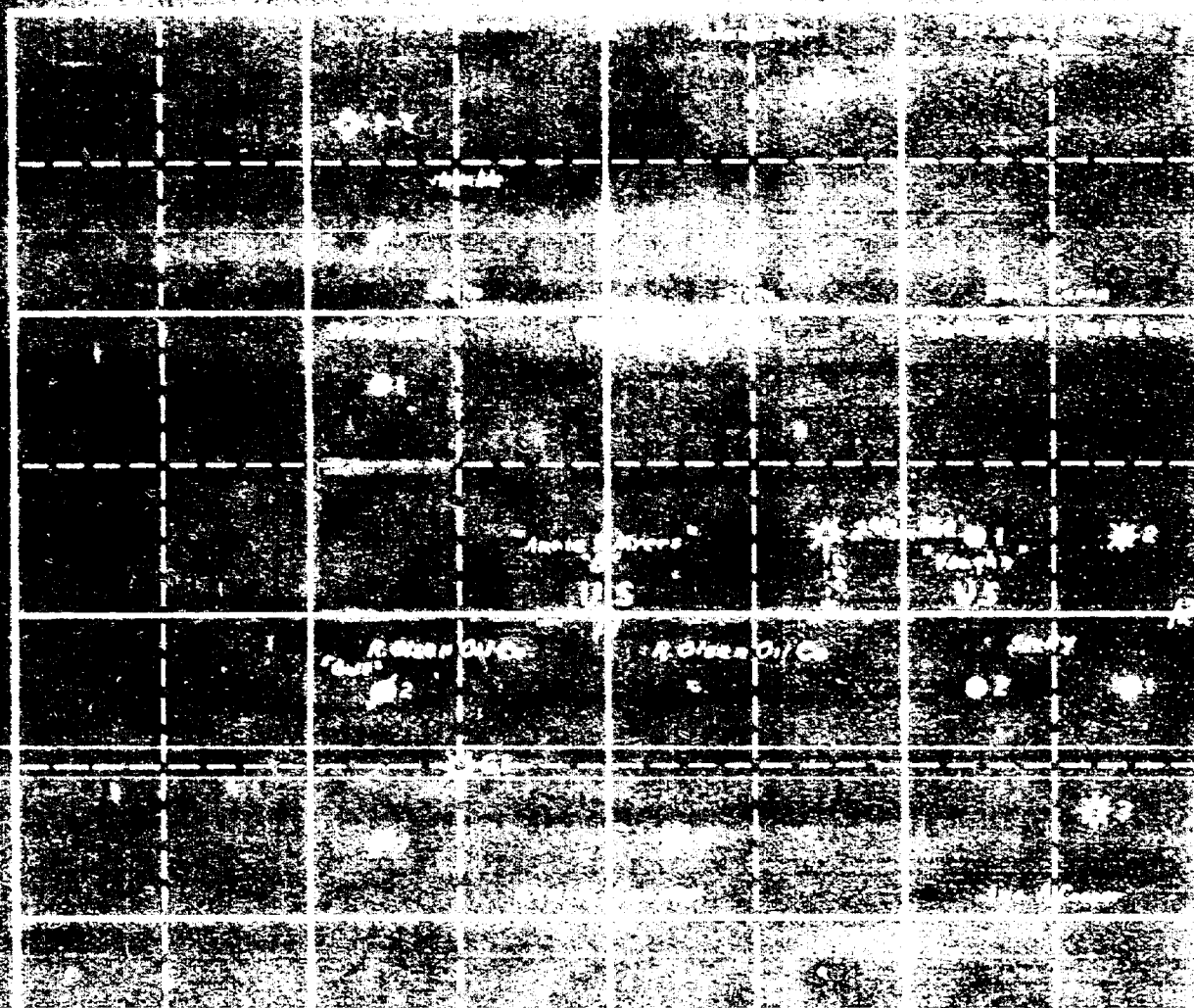
AC:mp

cc: New Mexico Oil Conservation Commission (C/P)  
P. O. Box 871  
Santa Fe, New Mexico

Continental Oil Co.  
Box 427  
Hobbs, New Mexico

Western Natural Gas Co.  
8th Flr. Midland Tower Bldg.  
Midland, Texas





BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO  
CARLOS M.

1957

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

January 21, 1955

R. Olsen Oil Company  
Box 691  
Jal, New Mexico

Re: Administrative Order NSP-23

Attention: Mr. Aaron Cummings, Gas Engineer

Gentlemen:

On November 8, 1954, by virtue of the provisions of Administrative Order NSP-23, I approved the formation of a non-standard gas proration unit consisting of the following described acreage in the Jalmat Gas Pool:

Section 11, Township 24 South, Range 36 East  
NE/4, S/2 NW/4, NE/4 NW/4

Information available to me at this time indicates that I exceeded the authority granted to me by the provisions of Rule 5-b of Order R-520, (Jalmat Pool Rules) due to the fact that the third paragraph of Rule 5-a specifically limits the maximum amount of acreage that may be assigned to a gas well, the amount being governed by the well location.

The formation of a 280-acre non-standard proration unit with your Myers "B" Lease, Well No. 2, located 1980 feet from the North line and 660 feet from the East line is contrary to the provisions of this rule.

On February 16, 1955, this Commission will hold hearings directed to you as operator for you to show cause why the acreage assigned your Myers "B" Well No. 2, SE/4 NE/4 Section 11, Township 24 South, Range 36 East, NMPM, Jalmat Gas Pool, should not be reduced to 160 acres in accordance with the provisions of Paragraph 3 of Rule 5-a of Order R-520. The description of this 160-acre unit is as follows:

OIL CONSERVATION COMMISSION  
P. O. BOX 871  
SANTA FE, NEW MEXICO

-2-

Section 11, Township 24 South, Range 36 East  
NE/4

This proposed reduction would be effective March 1, 1955. You will of course be afforded the opportunity to present any testimony or evidence to support the formation of the proration unit as it now exists.

This letter is being directed to you so that you can prepare your case, if you so desire. A copy of the advertisement will be mailed to you when available.

Very truly yours,

W. B. MACEY, Secretary-Director

WDM/lr

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

January 31, 1955

Robinson, Shipp, Robertson  
and Barnes  
Hightower Building  
Oklahoma City 2, Oklahoma

Attention: Mr. T. Murray Robinson

Re: Case 835

Gentlemen:

Reference is made to your letter of January 27, 1955, in which you requested information pertinent to the formation of a non-standard gas proration unit.

The Commission's letter of January 21, 1955, was to inform R. Olsen Oil Company of the Commission's intention to have hearing upon its own motion for the purpose of determining whether the proration unit as now formed should remain in effect, or whether said unit should be reduced in size, in accordance with Rule 5 (a) paragraph 3 of Order R-520 of the Special Pool Rules for the Jalmat Gas Pool. It will be necessary for R. Olsen or its representatives to appear at our February 16, 1955 hearing and introduce testimony to validate a non-standard gas proration unit of over 160 acres. I am enclosing a copy of Order R-520 for your information.

The Commission, after notice and hearing, may grant unusual or special non-standard gas proration units where testimony presented at the hearing justifies the formation of such a unit.

I enclose a copy of the notice of publication of this case, and also a copy of the docket of the February 16, 1955, hearing.

Very truly yours,

W. B. Macey  
Secretary - Director

WBM:jh

LAW OFFICES  
**ROBINSON, SHIPP, ROBERTSON AND BARNES**

T. MURRAY ROBINSON  
LEON SHIPP  
WALLACE E. ROBERTSON  
C. E. BARNES  
J. M. O'LOUGHLIN  
THOMAS E. BENNETT  
WM. L. ROBERTSON  
HIGHTOWER BUILDING  
OKLAHOMA CITY 2, OKLAHOMA  
TELEPHONE REGENT 9-0623

January 27,  
1955

Mr. W. B. Macey  
Oil Conservation Commission  
State Capitol Building  
SANTA FE, NEW MEXICO.

Re:  $N\frac{1}{2}$  of Section 11-24S-36E,  
Lea County, New Mexico -  
Administrative Order NSP-23

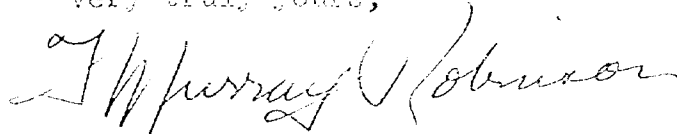
Dear Sir:

Your letter of January 21, 1955, addressed to R. Olsen Oil Company, has been handed to me for consideration. It appears that you are undoubtedly correct in concluding that an administrative order could not have been issued fixing the size of the proration unit assigned to the well in the Southeast Quarter of Northeast Quarter of said section on any greater acreage than 160.

However, certain circumstances make it appear that it would be equitable in this instance to assign to this gas well for proration purposes all of the North half of the section. The owners thereof do in fact have three gas wells in the section and it would appear that a well in the Northwest Quarter of the section is not needed in order to fully drain the horizon of its producible gas.

I am wondering if your general procedure provides for any applications to the Commission on which a special proration unit may be created under such exceptional circumstances. If such be true, would you be kind enough to have your secretary mail me a copy of the rule under which such application may be processed.

Very truly yours,



TER D..

T. Murray Robinson