CASE 1783: Application of SKELLY for an amendment of Order R-1237, Rio Arriba County, N.M.

Case No.

1783

Application, Transcript,
Small Exhibits, Etc.

OCTOBER 7, 1969

TRANSCRIPT OF HEARING

IN THE MATTER OF:

CASE 1783

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
OCTOBER [illegible], 1956

IN THE MATTER OF:

CASE [illegible]: Application of Shelly Oil Company for an amendment of Order No. R-1237. Applicant, in the above-styled cause, seeks an order amending Order No. R-1237 to provide that new wells in the Otero-Gallup Oil Pool in Rio Arriba County be given [illegible] days after completion in which to make a beneficial use of the produced casinghead gas.

BEFORE:

Elvis A. Utz, Examiner.

T R A N S C R I P T O F P R O C E E D I N G S

MR. UTZ: Case [illegible].

MR. PAYNE: Case [illegible]. Application of Shelly Oil Company for an amendment of Order No. R-1237.

MR. WHITE: If the Commission please, Charles White of Santa Fe, New Mexico, appearing on behalf of Shelly Oil Company. We have one witness to be sworn.

(Witness sworn)

HAROLD E. [illegible],

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

DIRECT EXAMINATION

BY MR. [illegible]:

Q Mr. Aab, will you state your full name for the record and spell it for the reporter?

A Harold [illegible]. Aab. A-a-b.

Q By whom are you employed, Mr. Aab, and in what capacity?

A Shelly Oil Company as Assistant District Superintendent.

Q Are you familiar with Shelly Oil Company's operations in the Otero-Gallup Oil Pool?

A Yes.

Q Are you familiar with the subject application in Case No. 1703?

A Yes.

Q Mr. Aab, will you briefly state the purpose of the application?

A The application is to amend Order No. R-1237, which states that after August 31, 1961 no casinghead gas shall be flared or vented within the defined limits of the Otero-Gallup Oil Pool.

Q And by this application you are seeking a sixty-day grace period?

A That's right, yes.

Q Had this Order in this particular respect proven to be a satisfactory pool rule for you to operate under?

A No.

Q Will you state to us the reasons why it has not been installed?

A The Gross Ranch Pool alone will be no gas flared from this Pool in the areas in active development stage, and the Commission is constantly extending and limits of the Pool, and it is here for the operator to determine the limits of the Pool, now they will be extended. --

Q And what --

A -- and whenever the operator will be included in monthly extensions. And on development wells, it is necessary to await completion of the well to determine if it will be economically feasible to set facilities to produce and sell the gas.

Q Mr. Asb, have you previously testified before this Commission --

A Yes, I have.

Q -- in your expert capacity as a petroleum engineer?

A Yes.

Q And have your qualifications been accepted?

A Yes.

Q Approximately what is the cost of installing a compressor?

A Installing a compressor, gathering lines into the pipeline -- into the gas pipeline is approximately fifty-five thousand dollars.

Q Are there any low pressures lines in the area where

you turn on your [illegible]?

A [illegible].

Q [illegible] the pressure to assume the present low pressure lines?

A [illegible].

Q Is it possible [illegible] negotiate with your gas contracts upon the completion of your well in order to sell the gas?

A No, not [illegible], no.

Q Approximately how long does it take you to negotiate a contract?

A Approximately sixty days.

Q Then, your request for relief [illegible] the [illegible] ruling is a matter of economics?

A Yes, that's right.

MR. WHITE: If the Examiner please, the present Rule reads as follows: "That after August 31, 1950, that no casinghead gas shall be flared or vented from any well within the defined limits of the Otero-Gallup Pool nor from any well from one mile thereof." We would like to propose the following amendment be added to the following Rule: "Provided that new wells completed and wells brought into the Otero-Gallup Oil Pool by extension of said pool boundaries as a result of hearing by the Commission shall be permitted sixty days from the date of the filing of the completion papers of any such new well or sixty days from the date of the

[illegible] effective [illegible] of [illegible] the boundaries of Otero-Gallup Oil Pool [illegible] the produced casinghead gas."

We would like to enter that document, and that concludes our presentation.

Do you have [illegible] Mr. Aak?

A Yes.

MR. UTZ: Do you wish [illegible] exhibit?

MR. WHITE: We have offered it for your consideration.

MR. UTZ: All right, sir.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Aak, as I understand this, you would like sixty days in which to evaluate a new completion or a well which has been taken into the Otero-Gallup Oil Pool, in which to determine whether or not it's economically feasible to install compressors or extend lines?

A Yes, sir.

Q What if you determined that it is not economically feasible?

A Well, in that case, we would either shut the well in until we had further development that could be picked up in a program or plug the well.

MR. PAYNE: Or apply for a hearing for an exception for the well?

[illegible].

MR. [illegible]: [illegible] any [illegible] questions of the witness? If not, the witness may be excused.

(Witness excused)

MR. UTL: Do there any statements to be made in this case?

MR. WILLIS: That's all we have.

MR. UTL: If not, the case will be taken under advisement.

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, J. L. Trujillo, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in Stenotype and reduced to typewritten transcript by me, and that the same is a true and correct record of the best of my knowledge, skill and ability.

WITNESS my hand and Seal this, the 28th day of September 1959, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Jacob A. Trujillo
NOTARY PUBLIC

My Commission Expires:

October 9, 1960

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1783, heard by me on Oct. 7, 1959.

Elmer G. Utz, Examiner
New Mexico Oil Conservation Commission

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
1783 EXHIBIT NO. _____
CASE NO. _____

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

October 19, 1959

COPY

Mr. Charlie White
P. O. Box 787
Santa Fe, New Mexico

Dear Mr. White:

On behalf of your client, Skelly Oil Company, we enclose two copies of Order No. R-1237-A in Case No. 1783 issued by the Oil Conservation Commission on October 19, 1959.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Encl: (2)

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. 1763
Order No. R-1237-A

APPLICATION OF SHELLY OIL COMPANY FOR AN AMENDMENT OF THE SPECIAL RULES AND REGULATIONS FOR THE OTERO-GALLUP OIL POOL IN RIO ARRIBA COUNTY AS PROMULGATED BY ORDER NO. R-1237

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on October 7, 1959, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 7th day of October, 1959, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, 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, Shelly Oil Company, proposes that Order No. R-1237 should be amended to provide that new wells in the Otero-Gallup Oil Pool, Rio Arriba County, New Mexico, be given 60 days after completion in which to make use of the produced casinghead gas.

(3) That the application should be approved.

IT IS THEREFORE ORDERED:

That paragraph 4 of the order portion of Order No. R-1237 be and the same is hereby amended to read in its entirety as follows:

(4) That after August 31, 1956, no casinghead gas shall be flared or vented from any well within the defined limits of the Otero-Gallup Oil Pool or from any well within one mile therefrom; provided however, that every newly completed well in said pool or within one mile therefrom and every well subsequently governed by the Otero-Gallup pool rules due to extensions of said pool shall be permitted 60 days from the completion date or 60 days from the date the pool is extended to within one mile of the well to make beneficial use of the produced casinghead gas.

DONE at Santa Fe, New Mexico on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN BURROUGHS, Chairman

MURRAY E. MORGAN, Member

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

lcr/

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 10-8-59

CASE NO. 1283 HEARING DATE 10-7-59

My recommendations for an order in the above numbered case(s) are as follows:

Amend Order R-1237 to allow for the production of Gas for a 60 day ~~period~~ evaluating period for any well ~~outside~~ within or within 1 mile of the Otero Gallup Oil Pool. This should be allowed even tho the pool is extended within 1 mile of the pool.

Staff Member

Proposed Rule
OTERO-GALLUP OIL POOL
Rio Arriba County, New Mexico
Order No. R-1237

August 13, 1958, Case No. 1440 should be amended by adding thereto corrected Paragraph No. 4 of order as follows:

(4) That after August 31, 1958, no casinghead gas shall be flared nor vented from any well within the defined limits of the Otero-Gallup Oil Pool, nor from any well within one mile therefrom; provided that new ~~wells~~ completed and wells brought into the Otero Gallup Oil Pool by extension of said pool boundaries ~~as a result of hearing by the Commission~~ shall be permitted 60 days from the date of ~~the filing of the~~ completion ~~papers~~ of such new well and/or 60 days from ~~and after~~ the effective date of an order ~~of this Commission in~~ extending the boundaries of the Otero-Gallup Oil Pool in which to make beneficial use of the produced casing head gas.

All other provisions of the existing Otero-Gallup Oil Pool Order No. R-1237 shall remain in full force and effect except as modified.

No. 34-59

DOCKET: EXAMINER HEARING OCTOBER 7, 1959

OIL CONSERVATION COMMISSION - 9 a.m., Mabry Hall, State Capitol, Santa Fe, New Mexico

The following cases will be heard before Elvis A. Utz, Examiner, or A. L. Porter, Jr., Secretary-Director.

CASE 1782: Application of Gulf Oil Corporation for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Eunice King Well No. 10, located 660 feet from the North line and 1980 feet from the East line of Section 28, Township 21 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Paddock Pool and the production of oil from the Wantz-Abo Pool through parallel strings of tubing.

CASE 1783: Application of Skelly Oil Company for an amendment of Order No. R-1237. Applicant, in the above-styled cause, seeks an order amending Order No. R-1237 to provide that new wells in the Otero-Gallup Oil Pool in Rio Arriba County be given 60 days after completion in which to make beneficial use of the produced casinghead gas.

CASE 1784: Application of Tennessee Gas Transmission Company for an oil-gas dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Glen Callow Well No. 8, located 890 feet from the South line and 1850 feet from the East line of Section 27, Township 29 North, Range 13 West, San Juan County, New Mexico, in such a manner as to permit the production of oil from an undesignated Gallup oil pool and the production of gas from an undesignated Dakota gas pool through parallel strings of tubing.

CASE 1785: Application of Whitehall Oil Company, Inc., for an unorthodox oil well location. Applicant, in the above-styled cause, seeks an order authorizing an unorthodox oil well location adjacent to the Allison-Pennsylvanian Pool, at a point 1980 feet from the North line and 660 feet from the West line of Section 14, Township 9 South, Range 36 East, Lea County, New Mexico.

CASE 1786: Application of The Atlantic Refining Company for two non-standard oil proration units and for two unorthodox oil well locations. Applicant, in the above-styled cause, seeks the establishment of two 40-acre non-standard oil proration units in the Horseshoe-Gallup Oil Pool, one to consist of a portion of the W/2 W/2 of Section 33, the other to consist of a portion of the W/2 SW/4 of Section 28, both in Township 31 North, Range 16 West, San Juan County, New Mexico. The respective unit wells are to be located on unorthodox locations 1980 feet from the South line and 386 feet from the West line of said Section 33 and 660 feet from the South line and 386 feet from the West line of said Section 28.

CASE 1778: Application of Olsen Oils, Inc., for an exception to the over-production shut-in provisions of Order R-520, as amended by Order R-967, for four wells in the Jalmat Gas Pool. Applicant, in the above-styled cause, seeks an order allowing the following-described wells in the Jalmat Gas Pool to compensate for their overproduced status without being completely shut-in in order to prevent possible waste:

Case 1778: (Cont.)

Cooper B Well No. 2, NE/4 NW/4 of Section 14, T-24-S, R-36-E.

Myers B Well No. 1, SE/4 NW/4 of Section 13, T-24-S, R-36-E,

S. R. Cooper Well No. 1, SE/4 NE/4 of Section 23, T-24-S, R-36-E,

Winningham Well No. 3, NE/4 SE/4 of Section 30, T-25-S, R-37-E,

All in Lea County, New Mexico.

CASE 1779: Application of Jal Oil Company for an exception to the overproduction shut-in provisions of Order R-520, as amended by Order R-967, for seven wells in the Jalmat Gas Pool. Applicant, in the above-styled cause, seeks an order allowing the following-described wells in the Jalmat Gas Pool to compensate for their overproduced status without being completely shut-in in order to prevent possible waste:

Legal Well No. 2, NE/4 SE/4 of Section 21,
Dyer Well No. 3, SE/4 NE/4 of Section 31,
Jenkins Well No. 1, SW/4 SW/4 of Section 29,
Jenkins Well No. 2, NE/4 SW/4 of Section 29,
Owens Well No. 1, SW/4 SW/4 of Section 21,
Repollo Well No. 1, SW/4 NW/4 of Section 28,

all in Township 25 South, Range 37 East, and the

Watkins Well No. 2, SE/4 NE/4 of Section 25, Township 24 South, Range 36 East, all in Lea County, New Mexico.

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GILBERT, WHITE AND GILBERT
ATTORNEYS AND COUNSELORS AT LAW
BISHOP BUILDING
SANTA FE, NEW MEXICO

CARL H. GILBERT
L. C. WHITE
WILLIAM W. GILBERT
SUMNER S. KOCH
EDWARD L. PIPER, JR.

September 8, 1959

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

Attention: Mr. A. L. Porter, Jr.
Secretary Director

Gentlemen:

Enclosed herewith please find Application of Skelly Oil Company to amend Order No. R-1237, Otero Gallup Oil Pool, Rio Arriba County, New Mexico.

It is requested that the hearing on this Application be held at the earliest convenient date in October and that it not be heard during the month of September.

Thanking you for your usual courtesies, I am

Sincerely,

L. C. WHITE

LCW:LG

Enclosures: Original and 2 copies of Application

cc. Mr. George W. Selinger
Skelly Oil Company
Tulsa 2, Oklahoma

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. 1440
Order No. R-1237

APPLICATION OF SKELLY OIL COMPANY
FOR AN ORDER ESTABLISHING TEMPORARY
80-ACRE SPACING AND PROMULGATING
SPECIAL RULES AND REGULATIONS FOR
THE OTERO-GALLUP OIL POOL IN RIO
ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on July 2, 1958, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 13th day of August, 1958, the Commission, a quorum being present, having considered the application, the evidence adduced and the recommendations of the Examiner, Daniel S. Nutter, 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, Skelly Oil Company, seeks the establishment of temporary 80-acre spacing and the promulgation of special rules and regulations for the Otero-Gallup Oil Pool, Rio Arriba County, New Mexico.

(3) That the applicant has failed to prove that the Otero-Gallup Oil Pool can be efficiently drained and developed on an 80-acre spacing pattern.

(4) That the drilling and spacing of wells in the Otero-Gallup Oil Pool should continue to be governed by Rule 104 of the Commission Rules and Regulations.

(5) That in view of the high gas-oil ratios generally encountered in the Otero-Gallup Oil Pool, the gas-oil ratio limitation should be increased from 2000 cubic feet of gas per barrel of oil to 6000 cubic feet of gas per barrel of oil for all wells in said pool, effective September 1, 1958.

(6) That in order to prevent waste, no casinghead gas should be flared nor vented in the Otero-Gallup Oil Pool after August 31, 1958. Provided however, etc.

(7) That applicant failed to establish any justification or need for authorizing the transfer of allowables from high gas-oil ratio wells to lower gas-oil ratio wells in the Otero-Gallup Oil Pool.

IT IS THEREFORE ORDERED:

(1) That the application of Skelly Oil Company for the establishment of temporary 80-acre spacing and for the transfer of allowables from high gas-oil ratio wells to lower gas-oil ratio wells in the Otero-Gallup Oil Pool in Rio Arriba County, New Mexico, be and the same is hereby denied.

(2) That the drilling and spacing of wells in the Otero-Gallup Oil Pool shall continue to be governed by Rule 104 of the Rules and Regulations of the Oil Conservation Commission of New Mexico.

(3) That effective September 1, 1958, the gas-oil ratio limitation shall be increased from 2000 cubic feet of gas per barrel of oil produced to 6000 cubic feet of gas per barrel of oil produced for all wells within the defined limits of the Otero-Gallup Oil Pool and for all wells within one mile therefrom.

(4) That after August 31, 1958, no casinghead gas shall be flared or vented from any well within the defined limits of the Otero-Gallup Oil Pool nor from any well within one mile therefrom. Provided however,

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

MURRAY E. MORGAN, Member

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

S E A L
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BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION)
OF SKELLY OIL COMPANY TO AMEND)
ORDER R-1237 OTERO GALLUP OIL POOL)
RIO ARRIBA COUNTY, NEW MEXICO)

Case No. 1052

APPLICATION

Comes now Skelly Oil Company and alleges and states:

1. That it is an operator of oil wells in the Otero Gallup Oil Pool of Rio Arriba County, New Mexico.

2. That on August 13, 1958, this Commission issued Order No. R-1237 in Case No. 1440 providing that no casinghead gas be flared or vented in the Otero Gallup Oil Pool nor from any well within one mile therefrom after August 31, 1958.

3. That the area is in active development stage and the Commission is constantly extending the area covered by said order so that it is difficult for operators to know at the time of drilling or completing if said area is subsequently to be included in the monthly extensions

4. That on development wells within the area it is necessary to await completions to determine if said area is feasible and economical for the facilities necessary to utilize such casinghead gas particularly in view of the varied small volumes involved.

5. That in the interest of orderly development and the determination of the necessary data to comply with the terms of the order, operators should be permitted to produce and operate their wells at least sixty days so that new wells should be permitted to produce sixty days after the completion date and wells drilled outside the existing area covered by the order should be permitted to be produced sixty days after the date of the order extending the limits of the field or within one mile thereof before being required to utilize said casinghead gas.

WHEREFORE, premises considered, applicant prays that this matter be set for hearing after the giving of notice and in line with evidence presented, amend present order in Dallas Oil Pool and for such other orders, rules and regulations as may be necessary in the premises.

SKELLY OIL COMPANY

BY: GEORGE W. SELINGER:

AND GILBERT, WHITE AND GILBERT

BY: L. C. WHITE