

CASE 3848: Appli. of CONTINENTAL  
for a non-std. gas proration unit  
and unorthodox gas well location.

Case Number

3848

Application

Transcripts.

Small Exhibits

ETC.

dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

1120 SIMMS BLDG. • P. O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO



BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
August 21, 1968

IN THE MATTER OF:

Application of Continental Oil  
Company for a non-standard gas  
production unit and an unorthodox  
gas well location, Eddy County,  
New Mexico.

Case No. 3846

BEFORE: D. S. NUTTER,  
Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: Case 384E.

MR. HATCH: Application of Continental Oil Company for a non-standard gas proration unit and an unorthodox gas well location, Eddy County, New Mexico.

MR. KELLAHIN: If the Examiner please, we would like to move to amend our application in this case to fix the well location at a point 200 feet south of the north line, rather than 200 feet farther south, that would be 1794 feet from the north line.

MR. NUTTER: I would amend it if I had one.

MR. KELLAHIN: You don't have an application?

MR. NUTTER: Here it is, it was in the other file. They're stapled together, never been separated.

Now, we have a motion to amend the application in what respect?

MR. KELLAHIN: To fix the well location at 1794 feet from the north line and 660 feet from the west line in the section, rather than 1594 feet from the north line which would move it closer to an orthodox location.

MR. NUTTER: Are there any Pool Rules in effect in the Upper Pennsylvanian Gas Pool at this time?

MR. KELLAHIN: No.

MR. NUTTER: So this is governed by the statewide

rules which would require for this type of a proration unit, the well be located no nearer than 660 to the side boundary and 1980 to the N boundary?

MR. KELLAHIN: Correct.

MR. NUTTER: And you are amending your application to move from 1594, from the N boundary to 1794?

MR. KELLAHIN: That is correct.

MR. NUTTER: In effect, moving to a more standard location?

MR. KELLAHIN: That is correct.

MR. NUTTER: Inasmuch as the amendment is to a more standard location, the application is amended and we will proceed with the hearing.

(Whereupon, Applicant's Exhibits  
1 and 2 marked for identification.)

\* \* \* \* \*

VICTOR T. LYON, called as a witness, having been previously duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Will you state your name, please?

A Victor T. Lyon.

Q And you have previously been sworn?

A Yes, I have.

Q Are you familiar with the application of Continental Oil Company in Case 3848?

A Yes.

Q What is proposed by Continental in this application?

A Case 3848 is the application of Continental Oil Company for approval of an unorthodox location for its Levers Federal Well No. 1 and for approval of a non-standard gas proration unit for the well in the Springs Upper Pennsylvanian gas pool.

Q Referring to what has been marked as Exhibit No. 1, would you identify that exhibit?

A Exhibit No. 1 is a location plat showing the Levers Federal Lease, the proposed gas proration unit outlined in red, and the proposed location circled in red. This was the location which was proposed prior to our amendment.

The Levers Federal Lease consists of all of Section 2, Township 21 South, Range 25 East, Eddy County, New Mexico. This lease is at the north end of the township where there is a considerable correction in the governmental surveys. The south half of the lease, the south 320 acres is standard and consists of the standard three hundred twenty acres. The north half of the lease, however, consists of 16 lots; lots 5 through 16 are normal 40-acre lots, but the northern row of lots, lots 1, 2, 3, and 4 are considerably shorter than the standard 40-acre lots. Lot No. 1 contains 27.70 acres; Lot No. 2

contains 27.90 acres; Lot No. 3 contains 28.10 acres and Lot No. 4 contains 28.30 acres.

Q In view of our amendment to the application, where will Continental propose to drill at this time?

A We propose to locate the Levers Federal No. 1 at a location 1794 feet from the north line, 660 feet from the west line of Section 2.

Q Now, would that remain then, in Lot No. 5?

A It would be two hundred feet south of the center of Lot No. 5.

Q Now, in a normal section, what would this location be, approximately?

A Well, in a normal section, if we were to locate 200 feet south of the center of the lot, this would be a location of 2180 feet from the north line.

Q Now, referring to what has been marked as Exhibit No. 2, would you identify that exhibit?

A Exhibit No. 2 is a structure map showing the configuration of the top of the Cisco Canyon Dolomite Reef based on the information which is available to us. As shown, the structure here is a northeast-southwest trending anticline with its apex located approximately at the northwest corner of Section 2. The proposed location prior to our amendment

is shown circled in red, the Levers Federal Lease, as I mentioned, consists of all of Section 2 and it is the speckled area there covering Section 2.

Q Would you have a preference as to the well location in this area?

A Well, naturally, we would like to locate our well as near as possible to the top of the high which would be at the northwest corner, but under the statewide rules, we are not able to do this and consequently we had proposed to locate the well in the center of Lot 5, which we believe is consistent with the spirit of the statewide rules for wells of Pennsylvanian age or older, which would locate the well in the center of the second quarter-quarter section from the nearest inboundary.

Q What was the reason for wishing to amend the application to move the well location 200 feet further south?

A I believe it would be, well, I have indicated this to be Exhibit 3. Exhibit 3 is a topographic map taken from the U.S.G.S. topographic map of the area. The proposed location is just barely discernable but you can see that it is located in the center of Lot 5 which is just to the left of the 3300 datum mark on that contour interval. The contour interval on this map is ten feet, so you can see there is an

incline at this area and the construction of a location at this location would be somewhat more expensive than the location would be if we were to move it to the location which we have proposed in our amendment. This incline levels off much more favorably at the location 200 feet south of our original proposal.

Q Now, what proration units would you propose to allocate to this well, if it is completed as a producer?

A Referring back to Exhibit No. 1, the proposed proration unit would consist of Lots 3, 4, 5, 6, 11, 12, 13, and 14 which in a normal section would consist of the west half of a section, but since this is an unusual section, this is the closest thing that we can get to a standard proration unit. This unit includes 296 acres, I believe that's right.

Q What is the regular unit for this area, proration unit?

A A normal proration unit is 320 acres, consisting of half of a section by governmental survey.

Q In the event there is further development, what would be the result in the west half of the section?

A If the pool is found to be productive in the remainder of the lease, we would propose to form another non-standard unit consisting of Lots 1, 2, 7, 8, 9, 10, 15

and 16 for a well to be located either in Lot 7, 8, 9 or 10 and a third unit consisting of the south half of the section with a standard location in that unit.

Q I stated the west half, I mean the east half; you have a comparable unit as proposed here?

A Yes, sir.

Q Do you have anything further to add to your testimony?

A I don't believe so.

Q Were exhibits 1 and 2 prepared by you or under your supervision?

A Yes, sir.

MR. KELLAHIN: At this time, I offer in evidence Applicant's Exhibits 1 and 2.

MR. NUTTER: Applicant's Exhibits 1 and 2 will be admitted in evidence.

(Whereupon, Applicant's Exhibits 1 and 2 offered and admitted in evidence.)

MR. KELLAHIN: That's all I have on direct, Mr. Nutter.

MR. NUTTER: Are there any questions of this witness?

CROSS EXAMINATION

BY MR. NUTTER:

Q Do you feel like that all the conservation has been coordinated today?

A Yes, I think it has been coordinated. I can see where there's room for improvement.

MR. NUTTER: If there is no further questions of the witness, he may be excused.

(Witness excused.)

MR. NUTTER: Do you have anything further, Mr. Kellahin?

MR. KELLAHIN: That's all I have, Mr. Nutter.

MR. NUTTER: Does anyone have anything further to offer in Case 3848? We will take the case under advisement and the hearing is adjourned.

I N D E X

<u>WITNESS</u>	<u>PAGE</u>
<u>VICTOR T. LYON</u>	
Direct Examination by Mr. Kellahin	3
Cross Examination by Mr. Nutter	9

<u>EXHIBITS</u>	<u>MARKED</u>	<u>OFFERED AND ADMITTED</u>
Applicant's 1 and 2	3	8

STATE OF NEW MEXICO )  
 ) ss  
COUNTY OF BERNALILLO )

I, ADA DEARNLEY, Court Reporter 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, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my hand and seal this 5th day of September, 1968.

*Ada Dearnley*  
\_\_\_\_\_  
Ada Dearnley

I do hereby certify that the foregoing is a complete record of the proceedings of the Examiner hearing of Case No. 3848, heard by me on 8/21, 1968.

*[Signature]*, Examiner  
New Mexico Oil Conservation Commission

IN THE MATTER OF THE APPLICATION OF  
CONTINENTAL OIL COMPANY FOR APPROVAL  
OF AN UNORTHODOX LOCATION AND NON-  
STANDARD GAS PRORATION UNIT FOR ITS  
LEVERS FEDERAL NO. 1 TO BE LOCATED  
1594' FROM THE NORTH LINE AND 660'  
FROM THE WEST LINE, SECTION 2, T21S, R25E,  
EDDY COUNTY, NEW MEXICO, IN THE SPRINGS  
UPPER PENNSYLVANIAN GAS POOL

*Ced 3837*

68 AUG 5 AM 8 23

*amend to 1794*

A P P L I C A T I O N

COMES NOW Continental Oil Company and respectfully requests approval of an unorthodox location and non-standard gas proration unit in the Springs Upper Pennsylvanian Gas Pool for its Levers Federal Well No. 1 to be located 1594' feet from the north line and 660 feet from the west line, Section 2, T21S, R25E, Eddy County, New Mexico and in support thereof would show:

1. Applicant is owner and operator of the Levers Federal Lease consisting of Section 2, T21S, R25E, Eddy County, New Mexico.
2. Said Section 2 is a non-standard section containing 912 acres more or less.
3. The non-standard dimensions of said Section 2 precludes applicant from drilling at a standard location in Lot 5 of said section and applicant therefore proposes to locate its Levers Federal No. 1 well in the center of said Lot 5 at a location described as 1594 feet from the north line and 660 feet from the west line of said Section 2.
4. The non-standard dimensions of said Section 2 precludes the formation of a standard 320-acre gas proration unit and applicant proposes to dedicate to said Well No. 1 a 296.40 acre non-standard unit consisting of Lots 3, 4, 5, 6, 11, 12, 13, and 14 of said Section 2.

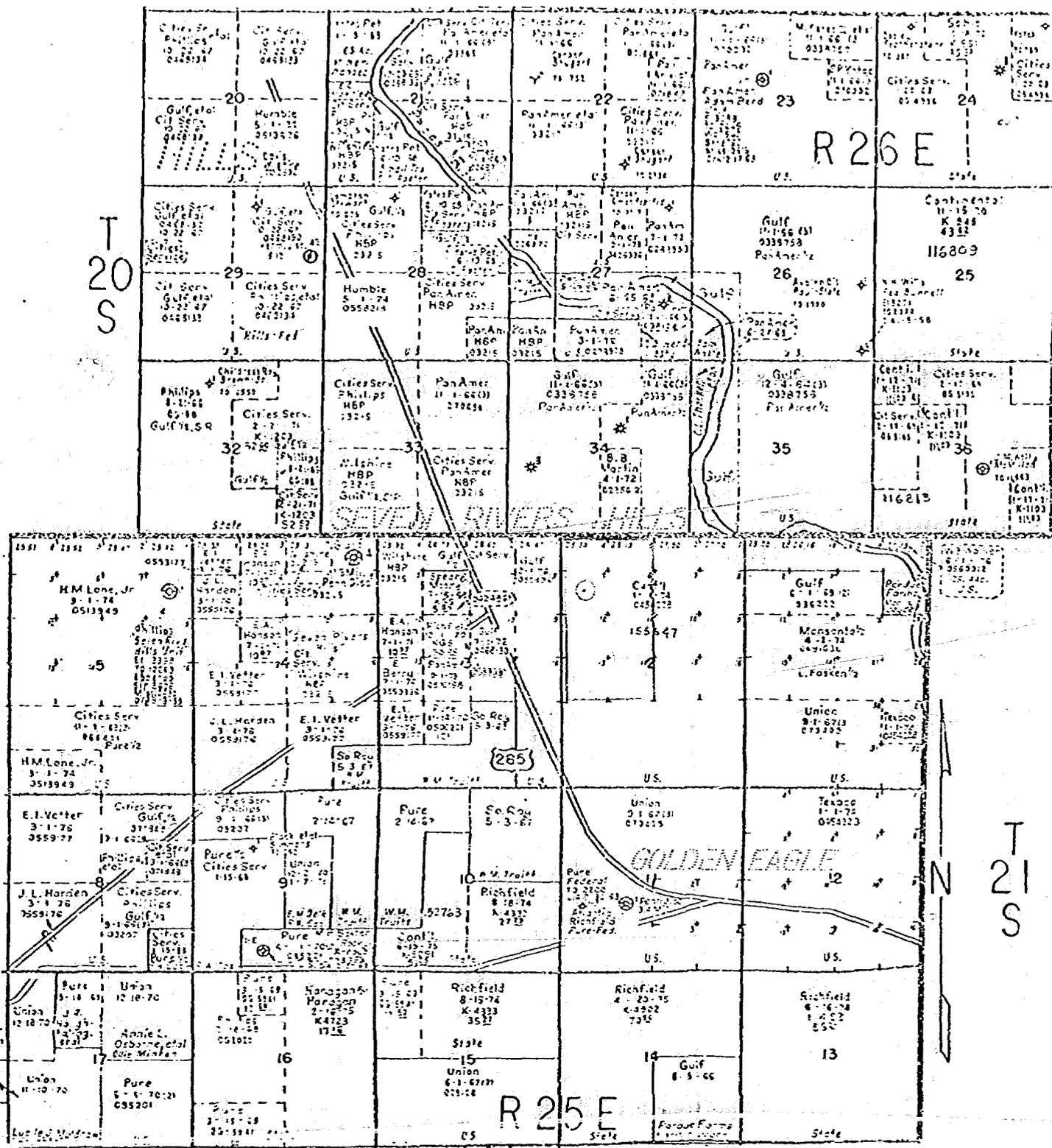
5. The granting of this application is in the interest of preventing waste and protecting correlative rights.

WHEREFOR Applicant respectfully prays that this matter be set for hearing before the Commission's duly appointed examiner and upon hearing an order be entered approving the unorthodox location and the non-standard gas proration unit for applicant's Levers Federal Well No. 1 as described above.

Respectfully submitted,



G. C. Jamieson  
CONTINENTAL OIL COMPANY

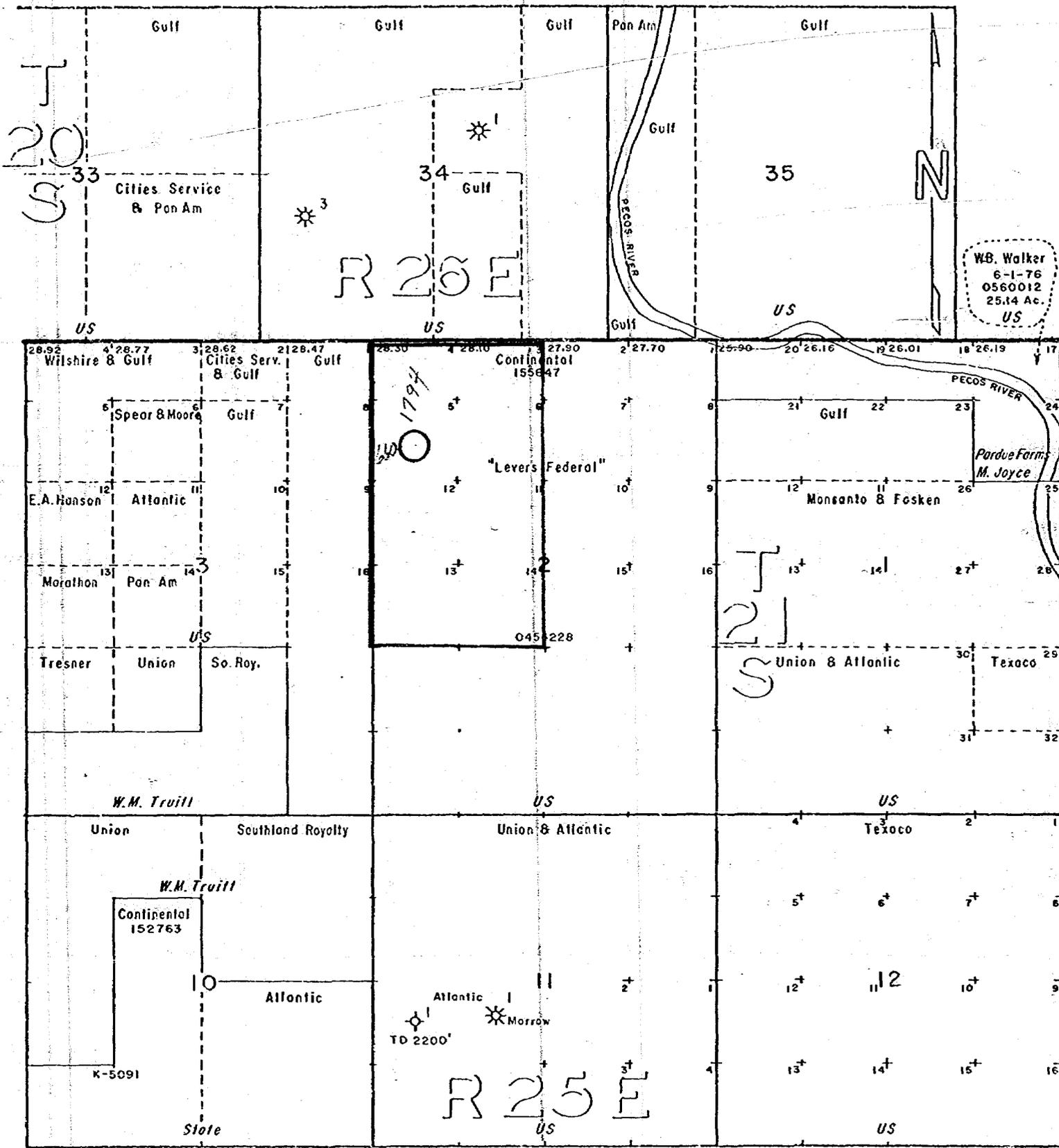


*Case 3837*

CONTINENTAL OIL COMPANY  
 PRODUCTION DEPARTMENT  
 HOBBS DIVISION

LOCATION PLAT  
 EDDY COUNTY, NEW MEXICO

Scale: 1" = 4000'



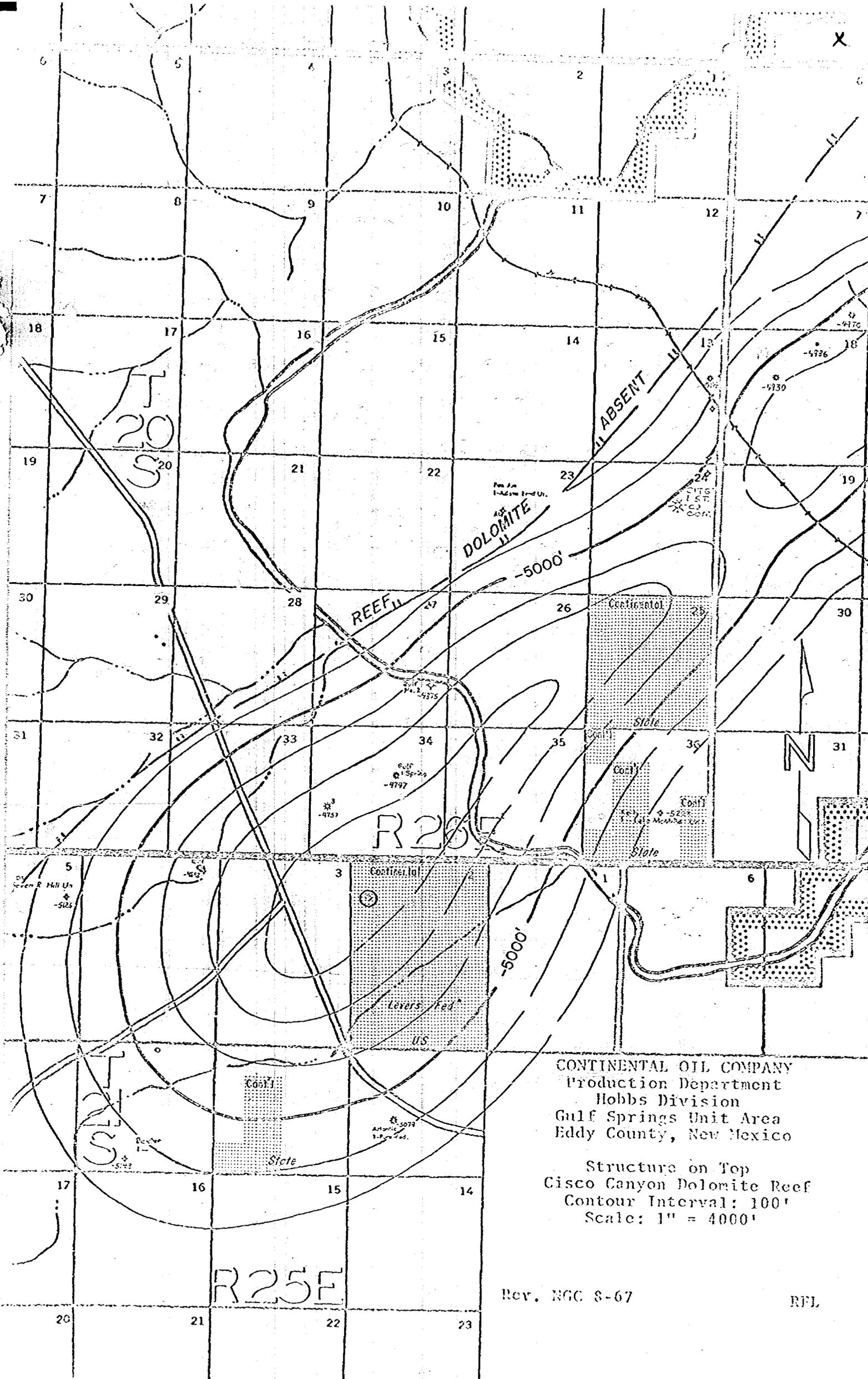
WB. Walker  
6-1-76  
0560012  
25.14 Ac.  
US

BEFORE EXAMINER NUTTER  
CONSERVATION COMMISSION  
EXHIBIT NO. 1  
CASE NO. 3848

CONTINENTAL OIL COMPANY  
PRODUCTION DEPARTMENT—HOBBS DIVISION  
SPRING UPPER PENN GAS POOL  
Eddy County, New Mexico

SCALE  
0' 1000' 2000'

6-9-68 R.L.



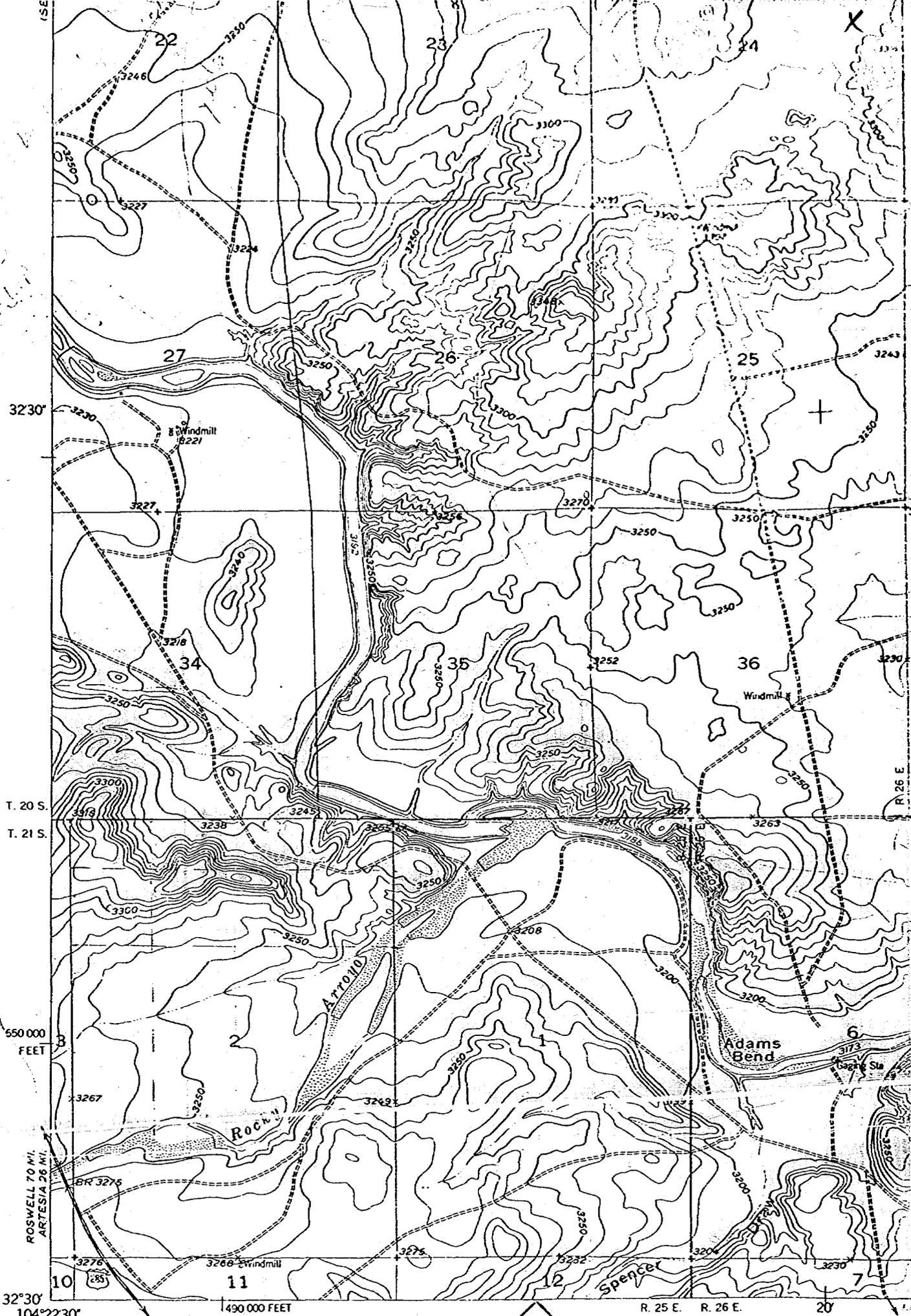
CONTINENTAL OIL COMPANY  
 Production Department  
 Hobbs Division  
 Gulf Springs Unit Area  
 Eddy County, New Mexico

Structure on Top  
 Cisco Canyon Dolomite Reef  
 Contour Interval: 100'  
 Scale: 1" = 4000'

Rev. NGC 8-67

RFL

R25E



WEST CARLSBAD  
1:62,500

Mapped, edited, and published by the Geological Survey  
 Control by USGS and USC&GS  
 Culture and drainage in part compiled from aerial photographs taken 1947. Topography by planetable surveys 1955  
 Polyconic projection. 1927 North American datum  
 10,000-foot grid based on New Mexico coordinate system, east zone  
 Dashed land lines indicate approximate locations  
 All wells not labeled are inactive oil wells

**BEFORE EXAMINER NUTTER**  
 EXHIBIT NO. 3  
 CASE NO. 7548

TRUE NORTH  
 MAGNETIC NORTH  
 APPROXIMATE MEAN DECLINATION, 1955

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. 3848  
Order No. R-3489

APPLICATION OF CONTINENTAL OIL COMPANY  
FOR A NON-STANDARD GAS PRORATION UNIT  
AND AN UNORTHODOX GAS WELL LOCATION,  
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 21, 1968, at Santa Fe, New Mexico, before Examiner Daniel S. Mutter.

NOW, on this 9th day of September, 1968, 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 Levers Federal Lease comprising all of Section 2, Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico.
- (3) That the applicant seeks approval of a 296-acre non-standard gas proration unit in the Springs-Upper Pennsylvanian Gas Pool comprising all of Lots 3, 4, 5, 6, 11, 12, 13, and 14 of said Section 2 to be dedicated to its Levers Federal Well No. 1 to be drilled at an unorthodox gas well location from 1594 feet to 1794 feet from the North line and 660 feet from the West line of said Section 2.
- (4) That the unorthodox size of the proposed non-standard unit is due to a variation in the legal subdivision of the United States Public Land Surveys.

-2-

CASE No. 3848  
Order No. R-3489

(5) That the location and the 200-foot tolerance for the location are necessitated by extreme topographical conditions in the NW/4 of said Section 2.

(6) That the entire proposed non-standard gas proration unit may reasonably be presumed to be productive of gas from the Springs-Upper Pennsylvanian Gas Pool.

(7) That the proposed non-standard gas proration unit can be efficiently and economically drained and developed by a well located as proposed.

(8) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Springs-Upper Pennsylvanian Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, will avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

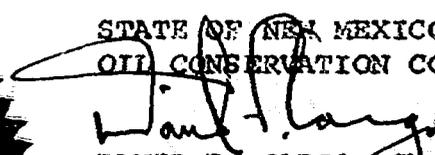
(1) That an unorthodox location in the Springs-Upper Pennsylvanian Gas Pool is hereby approved for the Continental Oil Company Levers Federal Well No. 1 to be located from 1594 feet to 1794 feet from the North line and 660 feet from the West line of Section 2, Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico.

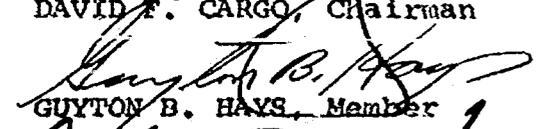
(2) That a 296-acre non-standard gas proration unit in the Springs-Upper Pennsylvanian Gas Pool comprising all of Lots 3, 4, 5, 6, 11, 12, 13, and 14 of Section 2, Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico, is hereby established and dedicated to the Continental Oil Company Levers Federal Well No. 1.

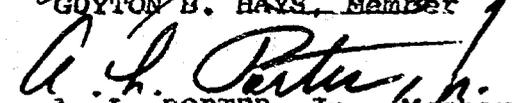
(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
DAVID F. CARGO, Chairman

  
GUYTON B. HAYS, Member

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

esr/

- CASE 3844: Application of Rice Engineering & Operating, Inc., for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Queen, San Andres and Glorieta formations in the perforated intervals at approximately 3808-3834, 3962-3992, 5248-5261, and 5980-6054 feet in its Hobbs East San Andres SWD Well No. F-30 (formerly the Humble Oil & Refining Company S. E. Cain Well No. 1) located in Unit F of Section 30, Township 18 South, Range 39 East, Hobbs East San Andres Pool, Lea County, New Mexico.
- CASE 3845: Application of Rice Engineering & Operating, Inc., for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Grayburg, San Andres, and Glorieta formations in the open-hole interval from 3540 feet to 5616 feet in its Justis SWD Well No. H-2 (formerly the Resler & Sheldon-Bette Sue Well No. 2) located in Unit H of Section 2, Township 26 South, Range 37 East, Langlie-Mattix Pool, Lea County, New Mexico.
- CASE 3846: Application of Bco, Inc., and Harry L. Bigbee for downhole commingling, San Juan County, New Mexico. Applicants, in the above-styled cause, seek authority to commingle production from the Gallup, Greenhorn, Graneros, and Dakota formations in the wellbores of the Harry L. Bigbee Nancy Wells Nos. 3 and 4 located, respectively, in Units N and F of Section 12, Township 24 North, Range 8 West, Escrito-Gallup Oil Pool, San Juan County, New Mexico. Applicants further seek an administrative procedure whereby said commingling may be authorized for additional wells to be drilled in the area comprising all of Sections 12, 13, and the E/2 of Section 14; said township and range.
- CASE 3847: Application of K. K. Amini for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Bough "C" zone of the Pennsylvanian formation underlying the NE/4 of Section 5, Township 10 South, Range 34 East, Lea County, New Mexico. Said acreage to be dedicated to a well to be drilled in the SW/4 NE/4 of said Section 5, adjacent to the Vada-Pennsylvanian Pool.
- CASE 3848: Application of Continental Oil Company for a non-standard gas proration unit and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the approval of a 296-acre non-standard gas proration unit comprising all of Lots 3, 4, 5, 6, 11, 12, 13, and 14, Section 2, Township 21 South, Range 25 East, Springs-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico, said unit to be dedicated to its Levers Federal Well No. 1 located at an unorthodox location 150 feet from the North line and 660 feet from the West line of said Section 2.

