

NEW MEXICO
OIL CONSERVATION COMMISSION
P. O. BOX 871
Santa Fe, New Mexico
February 10, 1954

DIRECTIVE

TO: Tubb, Blinebry and Drinkard Pool Operators

FROM: R. R. Spurrier, Secretary and Director

The gas pool rules for the Tubb and Blinebry Pools, as outlined in Orders Nos. R-372-A and R-373-A, requested operators of all oil and gas wells within the defined limits of these pools to furnish the Commission with certain geological information (well logs) on their producing wells. Very few of these logs have been submitted to date.

It is therefore requested that all operators take immediate steps to determine whether or not they have complied with this order and if the requested information is not available to advise this Commission to that effect. If logs have been submitted previously in dual completion applications or hearings, it will not be necessary to re-submit copies of these logs.

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CASE 587

STATEMENT OF SHELL OIL COMPANY
IN REGARD TO PROPOSED GAS RULES
FOR TUBB FIELD
SEPTEMBER 17, 1953

Shell Oil Company is in general accord with the gas rules as proposed, except for one feature thereof.

We wish to direct attention to Rule 5, Proration Units, in connection with Rule 8 under Gas Allocation.

Rule 5 establishes a standard gas proration unit of 158 to 162 contiguous surface acres.

Rule 8 provides, however, that more than one standard proration unit may be assigned to a gas well provided not more than 640 acres are so assigned, and provided the other requirements of the Section are met.

As written, the rule would apparently leave to the discretion of the operator whether such additional acreage should be assigned to a well. Also, as written, there is no requirement that the well to which additional acreage is assigned should be shown to be capable of draining such additional acreage.

We feel that this rule could result in grave inequities. An operator with a single 160-acre tract could be offset or surrounded by one or more single ownership units of 640 acres. Such operator would have a single unit allowable. The offset operators, on the other hand, could each assign four standard units to their wells, and could each obtain a proportionably increased allowable, and could do this even without a showing that their wells would drain the acreage assigned to such wells.

It is our thought that it would be better to stay with a standard size unit for allowable purposes, unless, after a hearing, the Commission permits the assigning of additional acreage and allowable because of the circumstances existing in the particular case. We realize that there may be conditions under which additional acreage should be assigned to a well or wells, but feel that it should be permitted only after hearing, and not solely at the discretion of an operator. As to the size of the standard unit in this field, in view of the fact that the field has been developed to date on 160 spacing, we feel that 160 acres should constitute the standard unit therein.

MEMORANDUM

To: The Oil Conservation Commission

From: W. B. Macey

Subject: Cases 582 through 590: General rules for the prorationing of gas in the Jalco, Langmat, Eumont, Arrow, Amanda, Blinebry, Tubb, Justis and Byers-Queen Gas Pools.

In accordance with Mr. Spurrier's request, following are my recommendations pertaining to the above listed Cases held in Santa Fe, on October 26 through 28. In order to evaluate the basic recommendations the following history of these cases should be observed.

1. The Commission originated hearings on a general four county area (Lea, Eddy, Chaves and Roosevelt Counties) on March 17, 1953 under Case 521. The purpose of this hearing was to establish means and methods of prorating gas in this four county area. In April, 1953 this Case was consolidated with Case 245 in accordance with Order No. 264 issued in Case 245. (Case 245 and subsequent Order R-264 established the defined limits and producing intervals of gas pools in Southeast New Mexico.) As a result of the March 17th hearing, the Commission appointed a Committee to propose suggested rules in Case 521 and suggested revisions in Case 245. The final report of the committee, containing recommendations in both Case 245 and Case 521 was made on August 20, 1953 and on August 28, 1953 the Commission issued Order R-356 in Case 321 outlining "Stand-by" rules for the four-county area. (No additional order has been issued in Case 245 as yet). The Commission then advertised nine gas pool cases for hearing on September 17, 1953, the Commission's advertisement requesting an order establishing pool rules and other related matters insofar as they were set forth in Order R-356. Some testimony was received at this time and as a result of these hearings, Orders were issued in each Case requesting operators and other interested parties to show cause why the rules as outlined in Order R-356 should not be put in effect on November 1, 1953. The hearings were conducted on October 26, 27 and 28 with extensive testimony being given in each case. The testimony and evidence given in these hearings is the basis for the following recommendations. Since the Rules as outlined in Order R-356 are numerical in sequence the following comments and recommendations will be made in the same numerical order.

Rule 1: The recommended provisions of Rule 1 should be changed since they apply solely to a defined gas pool. The rule provides an exception to some of the provisions of statewide Rule 104. The exception however, should only apply to paragraph (a) and paragraph (d) of the Rule 104 since they are solely concerned with gas pools in particular. Also a further provision should be included as sub-paragraph (c) of the Rule to provide as follows:

(c) When the well is located upon a tract of not less than a quarter section of approximately 160 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Survey.

Rule 2: The provisions of this rule should be placed in effect in all nine pools.

Rule 3: An appropriate revision of Rule 3, pertinent to each pool name should be inserted in each set of pool rules.

Rule 4: This provision should be set forth in each set of pool rules.

Rule 5: This Rule and a portion of Rule 8 pertaining to Proration units and the formation of unorthodox gas units should be amended in such a manner to limit the standard proration unit to a legal quarter section of approximately 160 acres and allowing exceptions thereto only after notice and hearing. Exceptions should be limited to only extreme cases where Communitization is impractical because of the presence of a well which has been producing for considerable length of time, or where acreage is so situated that well locations can be adequately placed so as to insure adequate unit drainage in spite of the unorthodox unit and the correlative rights of everyone are protected. Furthermore, a policy of not approving unorthodox units where another unorthodox unit is formed thereby (thus starting a chain reaction) should be strictly adhered to. It is recognized that this policy which in effect promotes the formation of communitization or pooling agreements will cause some more work on the part of everyone concerned but the inequities which could arise from a large number of unorthodox units far out-weighs the work involved.

Since it is contemplated that the proration period in each pool will start January 1, 1954, it is entirely possible that a great number of Communitization Agreements will be delayed in execution until after the start of the proration period or after the completion of the well. Therefore, it is recommended that each pool order contain a provision outlining a policy which would allow the total acreage formed by the agreement, and thus dedicated to a well, be made retroactive to the first day of the proration period or the first day the well produces, whichever date is the later, provided, that the executed Communitization Agreement is in force and effect on the last day of the proration period.

Rules 6 and 7: The provisions of these rules should be placed into effect in each pool as outlined.

Rule 8: The first sentence of Rule 8 should be included as the last paragraph and the remaining provisions of the rule deleted from all pool rules. This will require the re-numbering of Rules 9 through 15. The reason for the deletion of that portion of Rule 8 is outlined in my remarks under Rule 5.

Rules 9 through 15: The provisions of these rules should be incorporated in each set of pool rules without any changes.

Further Recommendations:

It is further recommended that the Commission place in the hands of all operators, "preliminary" nomination forms so that the Commission may consider the nominations for each of the 9 pools for the first six month period of 1954 at the regular November hearing on November 19th. Instructions should be sent out with the forms stating that the nominations should apply to only those wells which are considered gas wells and which are not on the oil proration schedule.

Initially each purchaser or taker of gas should also include with his nominations the well or wells from which he desires to purchase gas January 1, 1954. This would allow the Commission staff an opportunity to check to see that each well to be listed on the schedule is known beforehand and that the well is not also listed on the oil proration schedule.

In this connection I believe it also advisable to point out that a provision should be inserted in each pool order stating that the Commission will continue to prorate those oil wells which lie within the productive limits of defined gas pools as oil wells pending a complete study and redesignation of some of the oil wells and possibly a re-definition of both oil pools and gas pools. In order to facilitate this study, all operators in all of the producing pools should be required to submit to the Commission an electric log or sample log, if available, on each well producing from the same zone within the defined limits of each gas pool.

It is also recommended that an Order be entered immediately in Case 245 outlining the recommended changes in pool nomenclature as made by the sub-committee in this case at previous hearings. It is also suggested that as soon as this Order is entered, the Hobbs office sent out Form C-123 requesting pool extensions which have not yet been made so that a hearing can be held in December to consider these pool extensions.

Due to the fact that considerable testimony was entered by the Pipeline Companies in the 9 pool cases requesting some form of a deliverability formula it is recommended that the Commission, through its staff, take immediate steps to outline an adequate gas well testing program to govern all gas wells in south-eastern New Mexico. In connection with this, the Commission should supply adequate tables and forms in order that any deliverability formula can be properly evaluated after the necessary well tests are performed. In this connection each pool order should contain a provision that well tests in that particular pool should be made in accordance with testing procedure approved by the Commission.

It is also recommended that the Commission carefully consider the advisability of refusing to approve any subsequent dual completions (gas-oil or gas-gas) where the recompletion information shows that the well is not located upon a standard 160 acre proration unit. It should also be noted that some operators might construe approval of a dual to mean also approval of an unorthodox gas unit.

With reference to the Rhodes storage area of the Jalco Pool, a provision should be inserted in the order pertaining to the Jalco Pool which states that those storage wells in the Rhodes Unit Area should not be governed by the pool rules. Provided, however, that the operator of the storage area submits periodic reports of storage and withdrawal of gas from the unit area.

With particular reference to the Blinebry Pool a study should be made immediately on the withdrawals of gas and oil from this reservoir and a determination made after proper notice and hearing of some volumetric withdrawal formula.

October 30, 1953

Before the
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico



TRANSCRIPT OF PROCEEDINGS

Case No. 587

October 26, 1953 - Special Hearing

ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 103-106, EL CORTEZ BLDG.
PHONES 7-9643 AND 5-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

October 26, 1953

IN THE MATTER OF:

Tubbs Gas Pool, in Lea County, New Mexico) Case No.
said operators and interested persons be-) 587
ing called upon to show cause at respect-)
ive special hearings, beginning at 9:00)
A. M., on October 26, 1953, why Order No.)
R-373, Tubbs Gas Pool, as amended at such)
respective hearings, should not be effect-)
ive and in full force and effective as of)
November 1, 1953.)

BEFORE:

R. R. Spurrier, Secretary

(See transcript in Case 582 for register of attendance
and appearances.)

TRANSCRIPT OF PROCEEDINGS

MR. SPURRIER: The next case on the docket is Case No.
587.

MR. GRAHAM: I read the notice this morning in full.

MR. SPURRIER: The record will show the advertisement was
read in this case. Anyone to be heard from in this case, Mr.
Girard? Mr. Campbell.

MR. JACK CAMPBELL: On behalf of Gulf, I would like to ask
that the record contain the same statement that was made in the
Jalco Pool hearing.

MR. SPURRIER: Now, with respect to that, let's take Mr. Campbell, Mr. Stahl, Mr. Hinkel and Mr. Adair's statements and see if there is any objection to your proposed amendment, or your proposed changes, or your stipulations in each case. Mr. Stahl?

MR. STAHL: Did you also mean to include Mr. Fowler's testimony? I would like Mr. Fowler's testimony to be incorporated.

MR. SPURRIER: That includes, I am informed that includes Mr. Fowler's testimony.

MR. ADAIR: We have no particular interest in this pool under consideration. I hate to burden the record, but I would like ours to go to the Arrow and Langmat Pools, in addition to the Jalco Pool.

MR. SPURRIER: We can eliminate Mr. Adair's proposal. Is there any objection to the other motions or the testimony of Mr. Fowler? If not--

MR. GIRAND: (Interrupting) If the Commission please, I understood my statement made in the Jalco matter would go to all the related cases.

MR. SPURRIER: That is right, Mr. Girand, we overlooked you. This question of mine will also include the statement of Mr. Girand. If there is no objection then, the record will show that each of these statements, or the testimony, will be included in the record taken in this case.

MR. HINKEL: Mr. Commissioner, that as I understand it, in-

cludes the Humble statement I made on behalf of Humble, and the proposal I made on the special rule.

MR. SPURRIER: We also include Mr. Hinkel and the Humble statement.

MR. VICKERY: If the Commission please, Jack Vickery--

MR. SPURRIER: Just a moment. I would like Mr. Bickel's statement to be included in that list, his statement. Is there objection to the inclusion of his statement in the record on this pool?

MR. GRAHAM: Mr. who?

MR. SPURRIER: Mr. Bickel.

MR. VICKERY: We can make this general. I would like to include Atlantic's statement, it all amounts, to these pools, the same statement made on the Jalco Pool with the exception of the Amanda Pool in which we have no interest.

MR. SPURRIER: Then we will include Mr. Vickery's statement for Atlantic, except the Amanda Pool. Without objection, all those statements will be included.

MR. HILTZ: R. G. Hiltz for Stanolind. I would like to ask the Commission to take into consideration our statement, and request it go into the record of all the hearings to be heard by the commission. Our position is again in direct support of the rules adopted by the Commission on a stand-by basis. If it would simplify the record any, I would like it to pertain to all the hearings to be held.

MR. SPURRIER: We can do that.

MR. WHITE: We can do it by each time when we call the specific cases on the docket, we can ask for objections in the case as it is called up, and if someone makes an objection, they can cross examine, and we can't allow the statement to stand. As long as there is no objection, we will ask if there is any objection when the case is called, if there are none, then we can put it in the record.

MR. SPURRIER: Is there objection to Mr. Hiltz's motion? If not, his statement will be included as if it were a part of each case record.

Now is there anyone to be heard, does anyone have testimony to present in Case 587 relating to the Tubbs Pool?

MR. HINKEL: Mr. Commissioner, it has been called to my attention there is one well the Humble has which is the Penrose No. 2, classed as being in the Tubbs, but it is outside the present Tubb boundary, it is a gas well, and I wonder how they are going to handle it.

MR. MASSEY: Where is that well located, Mr. Hinkel?

MR. HINKEL: It is in 13-22-37.

MR. MASSEY: All of section 13 is included in the Tubb Pool boundary.

MR. HINKEL: Well, they have got the marks here which was taken off of a map, it says "Outside the present Tubb boundary." I don't know where they got it.

MR. SPURRIER: It seems to me the old proviso, "Now in the pool or as the pool may be extended," would apply. That might

answer your question.

MR. HINKEL: We wanted to know how it would be considered.

MR. SPURRIER: Mr. Howell.

MR. HOWELL: Mr. Commissioner, Ben Howell representing El Paso Natural Gas Company. We would like to put some testimony on in this case, and I will call Mr. Woodruff who testified this morning as a witness.

(Witness sworn)

F. NORMAN WOODRUFF

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. HOWELL:

Q Will you state your name for the record?

A My name is F. Norman Woodruff.

Q I believe you testified in the preceding case regarding the Jalco Pool, and recited your qualifications in that case.

A That is correct.

Q Now, have you studied the situation with regard to the Tubb Pool which is now under consideration?

A I have.

Q What is the condition as of July, 1953, with reference to the number of wells in that pool and the takers of gas from that pool?

A The New Mexico Oil and Gas Engineering Committee report showed 15 wells producing during the month of July, 1953, of

which 11 were connected to El Paso, the other four wells were being used for gas lift purposes.

Q Now, approximately how long has this pool been producing?

A This pool has been producing from two and a half to three years, with a major production, however, being taken from this pool during the last year.

Q That is with reference to the gas taken by El Paso Natural Gas Company?

A That is correct.

Q And are the conditions the same in this pool as existed in the Jalco Pool?

A No, they are not.

Q What formula would you recommend for a proper pro ration in this pool?

A I would recommend a formula of 100% acreage times deliverability.

Q Is the deliverability formula which you would recommend the same as you outlined in your testimony in the hearing on the Jalco Pool?

A Yes, sir.

Q And what is the reason that in this particular pool you have selected the 100% acreage times deliverability as a proper factor?

A This pool is a comparatively new pool. We are able to pro rate it right at the initial stages of development and pro-

duction. We find the pool has been uniformly developed, and it is my belief that to maintain uniform development and to allocate the allowable corrected between the wells, that is the **type** formula proposed to be instituted.

Q In your opinion, would that type formula prevent waste and protect correlative rights if applied to the Tubb Pool?

A I believe that to be true.

Q Without going into great detail, would you very briefly state what your previous testimony, with reference to the meaning of deliverability is?

A The deliverability as suggested for us in the formula to apply to the Tubbs Pool may be defined as the volume of gas which would be calculated at a pressure draw-down from initial shut in pressure of 20%.

Q Would the tests that you suggest be handled in exactly the same way as you have recommended for testing to determine deliverability in the Jalco Pool?

A Yes, sir. I might add that in the rules that we have proposed to offer to the Commission, that the same rules apply for the Tubb Pool with the name Tubb being substituted in the place of Jalco.

Q That is insofar as determining deliverability and testing is concerned?

A That is right.

MR. HOWELL: I think that is all that I have.

MR. SPURRIER: Does someone have a question of this

witness? Mr. Stahl.

CROSS EXAMINATION

By MR. STAHL:

Stahl of Permean Basis Pipe Line Company.

Q Mr. Woodruff, in conjunction with the Tubb Pool, you testified there were 11 wells presently productive of gas in the Tubb Pools?

A No, I testified 15, of which 11 are connected with El Paso.

Q Are you familiar that Permean Basis Pipe Line Company also has acreage under contract in the Tubb Pool?

A I am.

Q Were you present in the room when Mr. Fowler was testifying?

A No, I was not.

MR. STAHL: That is all

MR. SPURRIER: Anyone else? If not, the witness may be excused.

(Witness excused)

MR. SPURRIER: Do you have another witness, Mr. Howell?

MR. HOWELL: We do not.

MR. SPURRIER: Does anyone else have a witness in this case? Does anyone have a comment in the case?

MR. STAHL: I don't believe it is necessary, but Permean would like to support El Paso's suggested method on the Tubb Pool of 100%.

MR. SPURRIER: Mr. Foster.

MR. FOSTER: We would like to have the statement we made regarding the present rules be incorporated in the record in this case.

MR. WHITE: What was that again, Judge, I am sorry.

MR. FOSTER: We would like to have the statement we made regarding the adoption of the present rule be incorporated in this case.

MR. HOWELL: Mr. Commissioner, we now have available the exhibit which we mentioned earlier, and we would like to offer as an exhibit to be admitted both in the Jalco case and all other cases these as suggested rules to implement the type of test and deliverability factor suggested by El Paso.

MR. SPURRIER: Specifically in case 582, but you also want it included in the 587, the Tubb?

MR. HOWELL: And the other hearings.

MR. SPURRIER: And the other hearings, too?

MR. HOWELL: That is correct.

MR. SPURRIER: Any objection to counsel's motion?

MR. HOWELL: It would be, of course, necessary in each one to change the name of the field where it is applicable there.

MR. SPURRIER: Without objection, let the record show that counsel Foster's request in this Case 587 will be granted, and, also, that El Paso's exhibit No. 2 will be admitted. There being no further comments in this case, we will move on to Case No. 588, which relates to the Amanda Gas Pool.

REPORTER'S CERTIFICATE

I, MARIANNA MEIER, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings in Case No. 587 taken before the Oil Conservation Commission on Monday, October 26, 1953, contains a true and correct record of said proceedings to the best of my knowledge, skill, and ability.

DATED at Albuquerque, New Mexico, this 3rd day of November, 1953.

Marianna Meier

REPORTER