

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 8 741 and 742
(June 21, 1954)

TRANSCRIPT OF PROCEEDINGS

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BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

at
Santa Fe, New Mexico
June 21, 1954.

Afternoon Session.

IN THE MATTER OF:

Application of R. Olsen Oil Company for 160-acre
unorthodox gas proration unit in the Blinebry Gas
Pool: SE/4 NW/4, NE/4 SW/4, and S/2 SW/4 of
Section 25, Township 22 South, Range 37 East,
NMPM, Lea County, New Mexico.

Case 741

Application of R. Olsen Oil Company for 160-acre
unorthodox gas proration unit in the Blinebry Gas
Pool: N/2 NW/4, SW/4 NW/4 and NW/4 SW/4 of
Section 25, Township 22 South, Range 37 East, NMPM,
Lea County, New Mexico.

Case 742

TRANSCRIPT OF PROCEEDINGS

MR. SPURRIER: The meeting will come to order, please. The case on the docket which we are about to consider is Case 741. I presume you want to consolidate that with 742?

MR. KELLAHIN: Yes, sir, we would like to consolidate the cases for the purpose of hearing.

Jason Kellahin representing the applicant, R. Olsen. These are two applications for unorthodox gas proration units in Blinebry Gas Pool in Lea County, New Mexico.

741, covering the Southeast quarter of the Northwest quarter, the northeast quarter and the South half of the Southwest/^{quarter} of Section 25, and the Case 742 covering the North half of the Northwest quarter, Southwest quarter of the Northwest quarter, and the Northwest quarter of the Southwest quarter/^{of} Section 25, both in Township 22 South, Range 37 East.

I would like to call as a witness, Mr. Frank Barnes.

F R A N K B A R N E S

having first been duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. KELLAHIN:

Q Would you state your name, please?

A Frank C. Barnes.

Q Are you representing the R. Olsen Oil Company in connection with the two cases now before the Commission?

A That is correct.

Q Have you testified before this Commission as an expert in previous hearings, and had your --

A (Interrupting) Yes, sir, I have.

Q (Continuing) -- and had your qualifications accepted?

MR. KELLAHIN: Are the witness's qualifications acceptable to the Commission?

MR. SPURRIER: Yes, sir, to the Commission.

Q Are you familiar with the applications of R. Olsen in Cases 741 and 742?

A Yes, sir.

Q The first application, 741, is concerned with the acreage allotted to its Simms No. 1 well, is that correct?

A Yes, sir, that is correct.

Q And 742 is concerned with their acreage allotment to their Drinkard No. 1 well, is that correct?

A That is correct.

Q Mr. Barnes, do you know the circumstances under which those wells were originally drilled?

A The first well that was drilled was the Drinkard No. 1, and that was drilled in June of 1948, or completed in June of 1948, and

it was drilled to fulfill a drilling obligation on a 40-acre unit.

Q What acreage did Olsen have at that time?

A At that time they had the 40 acres in which the Drinkard No. 1 was located, which was Section 25, 22 South, 37 East, and they also had 40 acres in the same section, township and range that was offsetting the Drinkard No. 1.

Q That is the location of their Simms No. 1 well?

A That is correct.

Q How was the Drinkard No. 1 located?

A The Drinkard No. 1 was located in accordance with the spacing and the drilling unit allocation that was in effect at that particular time. It was a 40-acre location.

Q It's location is 350 feet south of the north line, and 1650 feet off the west boundary of Section 25, is that correct?

A That is correct.

Q Would you tell the Commission how that well was completed?

A That well was completed originally as a gas well at a total depth of 5,532 feet.

Q Do you know where the oil string was set in the well?

A It is set at 5532 feet.

Q What is the elevation of the well?

A The elevation is 3,328 feet.

Q Would that, then, make the completion within the vertical and horizontal limit of the Elinebry Gas Pool as now defined by the Commission?

A Yes, sir, that is correct.

Q When was the first delivery of gas from that well?

A The first delivery of gas from that well was the El Paso Natural Gas Company, and it was in September of 1948.

Q Was that prior to the adoption by this Commission of the orders prorating gas in the Blinebry Gas Pool?

A Yes.

Q Has the well always made its allowable since prorationing?

A Since prorationing it has always made its allowable.

Q Do you know what the allowable is based on at the present time?

A It is my understanding that the present allowable is based on 160 acre.

Q Is it not 120?

A It is 120 to that well, but what I meant, the gas unit is 160 acres.

Q Do you know how the Simms No. 1 well happened to be drilled in its present location?

A The Simms No. 1 well was drilled to fulfill an offset drilling obligation and offset 40 to the Drunkard No. 1. The company was obligated to drill that well following completion of the Drinkard No. 1.

Q At that time those two 40's was all the acreage that Olsen Oil Company had?

A Yes, sir, that is correct. That is the only acreage they had and the wells were drilled in good faith, based on the spacing and the unit allowable at that time.

Q That was prior to the adoption by this Commission of the 160 acre spacing regulation on gas wells?

A That is correct.

Q How was the Simms Well No. 1 completed, Mr. Barnes?

A The Simms No. 1 was originally drilled as an oil well, but

it was not an economically feasible well. I don't know exactly what zone it was completed in, but it was completed at approximately 3500 feet. Later on the well was deepened to a total depth of 5500 feet and completed as a gas well. This well is also within the limits of the Blinebry Gas Pool, as is the Drinkard.

Q When was the first delivery of gas from that well?

A The first delivery of gas from this well was in May of 1949 and was delivered to El Paso Natural Gas Company.

MR. KELLAHIN: At this time I would like to have the Commission take notice of a memorandum issued by the Commission under signature of RR. Spurrier, under date of September 29, 1950 calling attention to the fact that the Commission had adopted a 160 acre drilling unit for gas production, and indicating that prorationing would be based on that 160 acres.

Q Do you know what action R. Olsen took in 1950 in connection with that?

A They immediately acquired additional acreage so they could fulfill the requirements for additional acreage required in the unit at that time.

Q I hand you what has been marked as Exhibit 1 and ask you to state what that shows.

A Exhibit 1 is a plat and it shows the location of the Drinkard No. 1. It shows the location of the Simms No. 1 and it has colored in the outline of the acreage that is committed to the two wells.

Q That is the acreage that was secured by Olsen following the memorandum of the Commission in 1950? A Yes, sir, that is correct.

Q I hand you what has been marked as Olsen's Exhibit No. 2 and ask you to state what that shows.

A That is a similar plat on a smaller scale. It shows the the wells that have been drilled in/general area, and it shows the acreage, the proposed acreage to be committed to these wells at the present time.

Q Does it show the other wells producing from the Blinebry zone?

A Yes, it shows the other Blinebry wells in the area. They are colored in green. As a matter of fact, they are colored in on both maps.

Q Do you know whether Olsen Oil Company secured communitization agreements covering the areas in the two units?

A It is my understanding that they did.

MR. KELLAHIN: At this time we would like to offer in evidence Exhibits No. 1 and 2 and also Exhibit No. 3 and 4. Exhibit No. 3 being a unitization agreement covering the acreage for which a proration unit is sought in Case 741, and Exhibit 4 being a communitization agreement covering the acreage for which a proration unit is sought in 742. As to Exhibits 3 and 4, we would like to withdraw them and file photostatic copies.

(Marked Olsen's Exhibits Nos. 1, 2, 3 and 4 for identification.)

MR. SPURRIER: Is there objection? Without objection, they will be admitted and you may substitute copies for Exhibits 3 and 4.

Q Based on your experience in gas production business, do you consider it would be economical to drill another well on the acreage covered by these two applications?

A In view of the cost of drilling the two original wells, which was substantial.

Q Do you have the cost figures?

A The R. Olsen Oil Company Simms No. 1 cost \$131,800. The reason for the extremely high cost, of course, was, of course, a dual completion. The Drinkard No. 1 cost \$80,591. If they were to drill a third well in the area which would allow them to receive the same gas allocation as they would with the two, it wouldn't be economically feasible to drill a third well.

Q Do you know whether El Paso Natural before prorationing, took gas from the two wells on the basis of 160 acres allocated to each well?

A It is my understanding that is correct.

MR. KELLAHIN: I believe that completes our presentation.

MR. SPURRIER: Does anyone have a question of the witness? If not, the witness may be excused.

(Witness excused.)

MR. SELINGER: Mr. Spurrier, Skelly offsets the first well mentioned to the west. While we don't like the practice of having two wells on the same governmental quarter section, and no wells on the south governmental quarter section, we realize that these are wells already drilled and that the denial of this application would result in a drilling of a well which we agree is an unnecessary well. Therefore, for that reason, we have no objections.

MR. SPURRIER: Anyone else? 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 Nos 741 and 742 were taken by me on June 16, 1954, that the same is a true and correct record to the best of my knowledge, skill and ability.

Ada Dearnley

Reporter