

BEFORE THE  
OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO

Santa Fe, New Mexico  
February 17, 1955

TRANSCRIPT OF PROCEEDINGS  
CASE NO. 836

Regular Hearing

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

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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-67 and directing Western Natural Gas 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 NW/4 of Section 14, Township 22 South, Range 36 East, Lea County, New Mexico.)

Case No.  
836

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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 836.

(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 regarding 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 at a 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. VICARY: The case concerns the Western Natural Gas Company. We would like to introduce evidence in support of the request for 320 - acre non-standard proration unit.

P A U L C. W R I G H T ,

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

DIRECT EXAMINATION

By MR. VICARY:

Q Would you state your name, please?

A Paul C. Wright.

Q With whom are you associated in business?

A Western Natural Gas Company.

Q What is your position with Western Natural Gas Company?

A Chief Engineer.

Q What are your duties as Chief Engineer?

A General engineering and supervision of the engineering phases of drilling, production and other operation of the company.

Q Oil and gas production?

A Oil and gas production.

Q What education have you had as an engineer?

A I hold a Bachelor of Science Degree in Petroleum Engineering from Texas A & M.

Q Are you a registered engineer in the States of Texas and New Mexico?

A Yes, sir.

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

MR. MACEY: They are.

Q Are you familiar with Western Natural Gas Company's State McDonald No. 11?

A Yes, sir.

Q Do you know the date it was completed?

A August 12, 1953.

Q Was it drilled and completed with the then existing regulation of the Commission?

A Yes, sir.

Q Is Western Natural Gas Company the operator of the well?

A Yes.

Q Is the entire proposed non-standard proration unit held under one lease?

A Yes, sir.

Q And has a common ownership?

A Yes.

Q Both royalty and working interest?

A Yes, sir.

(Marked Western Natural Gas Company's Exhibit No. 1, for identification.)

Q Do you have your Exhibit 1 that shows the geographic location of State McDonald No. 11?

A Yes.

Q Is the area colored in yellow, Mr. Wright, the proposed non-standard proration unit?

A Yes, sir.

Q Where is this unit located?

A It is located in the north half of Section 14, Township 22

South, Range 36 East, Lea County, New Mexico.

Q The yellow area represents the proration unit that you are requesting from the Commission?

A Yes, sir.

Q Is it located within the geographical boundary of the Jalmat Gas Pool?

A Yes, sir.

Q Is this well producing within the vertical limits of the Jalmat Gas Pool?

A Yes, sir.

Q Does this State McDonald No. 11 ever produce any oil?

A No, sir.

Q Any separator on the well?

A No, sir.

Q Does this unit consist of contiguous quarter sections?

A Yes, sir.

Q Where is the well located within the proposed unit?

A The well is located 990 feet from the north line and from the west line of the section.

Q Does the proposed unit lie wholly within a single governmental section?

A Yes, sir.

Q What is the length?

A 5,280 feet.

Q What is the width?

A 2,640 feet.

MR. VICARY: We would also like to introduce the NSP record on this, make it a part of this same record.

MR. MACEY: All right.

Q Did you obtain waivers from all of the offset owners?

A I did.

Q Do you have those here with you?

A Copies of them. I have copies of them, and I also have copies of the original waivers in the file, as filed with the Commission.

Q You had those re-confirmed, did you not, after the show-cause order was served?

A I had them re-confirmed by telegram.

Q Are they marked Exhibit 3?

A 3-A, telegram from Ohio; Exhibit 3-B is a telegram from Sinclair.

(Marked Western Natural Gas Company's Exhibits 3-A and 3-B for identification.)

MR. VICARY: We offer these exhibits 1, 3-A and 3-B.

Q Texas Pacific Coal and Oil is the other offset operator, are they not?

A That is right.

Q They will announce their consent to the unit?

MR. MACEY: Do you have an Exhibit 2?

MR. VICARY: We skipped Exhibit 2.

MR. MACEY: Is there objection to the introduction of these Exhibits in evidence? If not they will be received.

MR. RUSSELL: If the Commission please, I would like to make a statement on behalf of Texas Pacific Coal and Oil Company. With reference to Case 836, we would like to confirm our original position stating we have no objection to this application and recommend the

approval of the unit requested.

Q Have any dry holes ever been drilled within the proposed unit?

A No, sir.

Q Have any dry holes been drilled in this immediate vicinity?

A So far as I know there are none in the immediate vicinity.

Q Is this well producing from the Yates Formation?

A Yes, sir.

Q Is it generally productive of gas, the Yates Formation?

A Yes, sir.

Q Where is the production located that surrounds this unit, or is adjacent to it?

A Well, this unit is offset by gas production from the Jalmat Pool, it is offset on three sides and to the east it is offset by the Arrowhead Pool, which produces oil from the Queen.

Q You have offset wells on the north and south and the west?

A That is right.

Q Has your company had any experience drilling wells in this Yates Formation?

A Yes, sir, we drilled, not in this particular area, we drilled approximately 20 wells in another area.

Q Have you ever had a dry hole?

A No, sir.

Q Based on your knowledge and information of your company's experience in this area, are you of the opinion that this entire proposed unit is reasonably productive?

A Yes, sir.

Q Are you of the opinion that this State McDonald No. 11 will

effectively drain this 320-acre area?

A Yes, sir.

Q Would the granting of this proposed unit result in any waste of any kind?

A No waste.

Q In your opinion, would it be in the benefit of conservation to grant this unit?

A Yes, sir.

Q Would the granting of this unit, in any way, protect correlative rights?

A It would serve to protect the correlative rights.

Q Have you calculated the deliverability of this well into the line?

A Yes, sir.

Q What line is it delivering into?

A It is delivering into El Paso Natural's high pressure gas gathering system.

Q Have you calculated the deliverability based on the pressures of that line?

A Yes, sir. The well is capable of delivering 2,650,000 cubic feet per day against the current pipeline pressure.

Q In your opinion is the well capable of producing the allowable that we are requesting in the 320-acre unit?

A Yes, sir.

Q Was some of the allowable, previously granted, cancelled?

A Yes.

Q Do you know why it failed to make its allowable?

A It wasn't the failure of the well, it was the failure of the

pipeline to take the allowable that was granted.

Q You are sure that the well will make the allowable if it is granted?

A Yes, sir.

Q Do you have any further statement you wish to make in connection with this case?

A No, sir.

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

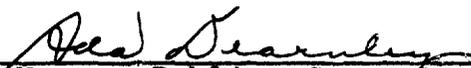
(Witness excused.)

MR. MACEY: Does anyone have a statement to make in this case? If not we will take the case under advisement.

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.

  
Notary Public, Court Reporter

My Commission Expires:  
June 19, 1955