

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO
February 17, 1955

IN THE MATTER OF:

CASE NO. 837 - Regular Hearing

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
ROOMS 105, 106, 107 EL CORTEZ BUILDING
TELEPHONE 7-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

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-62 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 NE/4 of Section 34, Township 22 South, Range 36 East, Lea County, New Mexico.

Case No.
837

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 837.

(Statement of Policy on the Formation of Non-Standard Gas Proration (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: This is a similar case, involving Western Natural's Jones No. 1 Well, I believe. No need to qualify the witness again.

MR. MACEY: No, sir.

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

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

DIRECT EXAMINATION

By MR. VICARY:

Q Mr. Wright, do you know when the Jones No. 1 was completed?

A The Jones No. 1 was completed July 14, 1947.

Q Was it drilled in accordance with the regulations of the Commission, then existing?

A Yes.

Q Was Western Natural Gas Company the operator?

A Yes, sir.

Q Is this entire area held under one lease?

A Yes, sir.

Q It has a common ownership of the working and royalty interests?

A Yes, sir.

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

Q You handed me Exhibit No. 1. Does the area that you have marked in yellow outline the proposed non-standard proration unit?

A Yes, sir.

Q And that represents the unit that you are now requesting?

A That is right.

Q Where is it located?

A The unit is located in the north half of Section 34, Township 22 South, Range 36 East, Lea County, New Mexico.

Q Is the entire unit within the Jalmat Gas Pool as defined by the Commission?

A Yes, sir.

Q Is the Jones No. 1 producing from within the vertical limits of the Jalmat Gas Pool?

A Yes, sir.

Q Where is the well located with reference to the boundary lines of it?

A It is located 990 feet from the north and east lines of Section 34.

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

A Yes, sir.

Q What is the length of this proposed unit?

A 5,280 feet.

Q What is the width?

A 2,640 feet.

Q Have you obtained waivers from the offset owners?

A Yes, sir.

Q Do you have those?

A I have. The original waivers are filed with the Commission and I have telegrams reconfirming those waivers.

MR. VICARY: Could we have the original record in the NSP proceedings brought forward into these proceedings?

MR. MACEY: Yes, sir.

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

Q Exhibits 3-A, 3-B and 3-C?

A Yes, Sinclair, Gulf and Dalport.

Q These constitute all of the offset operators?

A Yes, sir.

MR. VICARY: We offer Exhibits 1, 3-A, B and C.

MR. MACEY: Is there any objection to the introduction of these exhibits? If not they will be received.

Q Have any dry holes ever been drilled within this unit, Mr. Wright?

A No, sir.

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

A No, sir.

Q Is there production on all four sides of the unit?

A All four sides.

Q Based on your experience in this field, are you of the opinion that the entire unit is reasonably productive?

A Yes, sir.

Q Are you of the opinion that the Jones No. 1 will effectively drain the proposed unit?

A Yes, sir.

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

A No, sir.

Q Would the granting of the unit be in the best interest of conservation?

A Yes, sir.

Q Are there offset wells on the four sides of this area?

A There are direct offsets on four sides of this area.

Q Then, the correlative rights have been fully protected by offset wells?

A Yes, sir.

Q Have you made any calculation as to the deliverability of the Jones No. 1 Well, into the pipeline?

A The Jones No. 1 Well is capable of producing approximately 4,100,000 cubic feet per day at current pipeline pressure.

Q Are those deliverabilities being made to El Paso?

A Yes, sir.

Q Are you of the opinion that the well is capable of making the allowable for 320-acre non-standard proration units?

A Yes, sir.

Q Has this well ever had any allowable cancelled?

A No, sir.

Q Do you have any further statement you would like to make to the Commission in connection with this case?

A No, sir.

MR. VICARY: That is all.

MR. MACEY: Any questions of the witness? Mr. Rhodes?

CROSS EXAMINATION

By MR. RHODES:

Q You stated that in your opinion this 320 acres was reasonably productive?

A That is right.

Q But, you neglected to state what it was productive of. I notice that this Gackels Esmund No. 1, which is over here in the northeast quarter of Section 33 is carried on our proration schedule as an oil well. It is granted an allowable of five barrels a day.

Mr. Montgomery, our geologist, tells me that that is a Yates oil well. I am wondering if mahaps your Western Natural Gas Company's No. 1 Jones might not be making a spray of oil?

A It is not making any oil to my knowledge. We don't have any separator set there, and El Paso is very careful about not getting any oil in their line.

Q There is no separator set?

A As far as I know.

Q You feel that that entire 320 acre area is productive of gas?

A Yes, sir.

Q In the Yates?

A Yes.... May I ask you a question?

Q Yes.

A What about the No. 2 of Gackels?

Q Gackels No. 2 Esmund has a pretty substantial underage of the proration schedule.

A It is productive of gas?

Q I think maybe the underage might be occasioned by taking up with oil.

A It does indicate that our acreage is productive of gas right across the line from the well.

Q Yes, yes, that it does. However, I wonder if it is entirely productive of gas and gas only?

A I would hate to make a statement that there is oil production under our acreage offsetting that Gackel Lease. The only way we would find out is to drill a well, of course.

MR. RHODES: That is all.

MR. MACEY: Anyone else? If not the witness amy be excused.

We will take the case under advisement. (Witness excused.)

