

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO

CASE NO. 1151

TRANSCRIPT o f PROCEEDINGS

SEPTEMBER 26, 1956

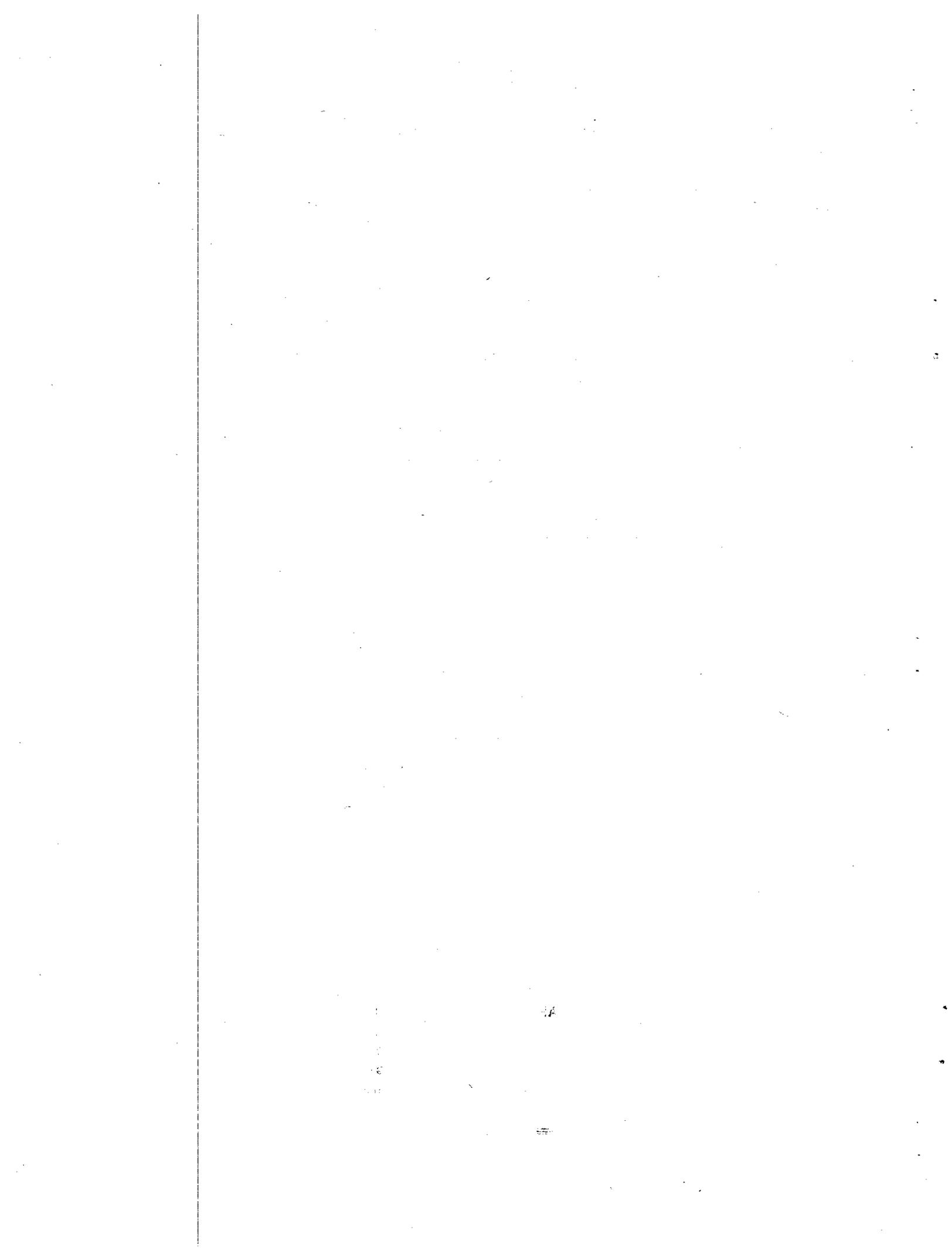
DEARNLEY-MEIER AND ASSOCIATES

COURT REPORTERS

605 SIMMS BUILDING

TELEPHONE 3-6691

ALBUQUERQUE, NEW MEXICO



H. N. WADE

a witness, called on behalf of the Applicant, having been first duly sworn on oath, testified as follows:

MR. NUTTER: State your name, please.

A H. N. Wade, W-a-d-e, with The Texas Company. I have testified before the Commission before.

MR. NUTTER: Yes, sir.

A I would like to hand you, first, a copy of this plat.

This application was necessitated due to the fact that the El Paso Natural Gas Company has found it either unfeasible or impossible to join the acreage marked, or colored, in blue in this Exhibit No. 1, which is the Northwest Quarter of the Northwest Quarter of Section 6, Township 25 South, Range 37 East, with other Jalmat acreage in Section 6.

It is proposed to join the acreage marked in blue, previously outlined, with the Texas Company's C. C. Fristoe "B," (NCT-4) Lease, which consists of the West Half of the Southwest Quarter, Section 31, Township 24 South, Range 37 East; all of the acreage would be assigned to the C. C. Fristoe "B," (NCT-4) Well No. 2, which is a gas well in the Jalmat Pool.

This well was completed November 26, 1948, as a gas well, it has seven and a half inch casing set at 3505 feet, perforated from 2760 to 2960 in the Yates, therefore falling within the present productive vertical limits of the Jalmat Pool.

Its initial potential, in May, on May 20, 1953, was 16,570

MCF per day, which was a calculated open flow potential. We do not have any recent tests, but this well is capable of producing its present allowable, and we are quite confident it will produce the new allowable which is being requested.

A portion of the gas from the subject well is sold, at this time, to El Paso Natural Gas Company for transmission in their pipeline, while the remainder is utilized on the Texas Company's ~~August~~ "A" and "B" Leases, and the Fristoe "B" (NCT-4) Lease for fuel purposes.

To further explain the problem involved here, I would like to give a summary insofar as my knowledge goes on it as to the problems involved that have gone before in El Paso's trying to join their acreage or considering joining their acreage in Section 6, since that is the reason for the hearing, in that we are assigning acreage across the section line. Phillips Petroleum Company initially assigned to their Woolworth G-3 Well No. 2, the Southeast Quarter of the Northeast Quarter, the East Half of the Southeast Quarter and the Southwest Quarter of the Southeast Quarter of Section Six; Skelly assigned the Northeast Quarter of the Northwest Quarter and the Northwest Quarter of the Northeast Quarter to its J. W. Sherrell Well No. 3, -- these wells are marked on the plat -- also in Section 6. It is my understanding that this Sherrell is overproduced and has been overproduced for some time and is shut in because of its overproduction, therefore the joining of El Paso's acreage to that well is not very attractive from that standpoint.

Phillips also assigned the Southwest Quarter of the Northwest

Quarter, West Half of the Southwest Quarter, Southeast Quarter of the Southwest Quarter to its Woolworth G-3 Well No. 1, and it is my understanding that El Paso felt that the location of this Woolworth G-3 Well No. 1, being in the Southwest Quarter of the Southwest Quarter of this Section was such that it would not be realistic from a drainage standpoint to assign their acreage to this well. El Paso made application to join Western Natural Gas in assigning the acreage in question to Western's Wells Federal Well No. 1 located in the Southwest Quarter of the Northeast Quarter of the Section; however, the Commission denied this application by Order R-704 and suggested communitization of El Paso's acreage with the Texas Company's acreage as outlined and marked in yellow.

Western Natural Gas has since assigned the acreage of 160, or the center portion, to its Wells Federal Well No. 1; Westates, which owns the Northeast Quarter of the Northeast Quarter of the Section, has dedicated that acreage to its Wells Federal B-6 Well No. 1. In other words, all the acreage in the Section 6 is presently assigned for gas production from the Jalmat Gas Pool with the exception of El Paso's acreage.

It is my understanding that Continental's Wells B-1, Well No. 1, in Section 1, Range 36 East, Township 25 South, is producing only enough gas for lease use. That well, as you will note, is directly adjacent to the acreage on which that well is drilled -- directly adjacent to the El Paso acreage. Therefore, the assignment of El Paso's 40 acres to this well is not feasible.

In view of the fact that all of the acreage in Section 6 is presently assigned to the Jalmat Gas wells for proration purposes and further that El Paso Natural Gas Company has found it impractical to assign its acreage to gas wells within that section, it is requested that the Commission issue an order granting the Texas Company an exception to Rule 5 (a) of Order R-520 in order to form a non-standard proration unit in the Jalmat Gas Pool, Lots 3 and 4, Section 31, Township 24 South, Range 37 East, and Lot 4, Section 6, Township 25 South, Range 37 East, Lea County, New Mexico.

We feel that this exception will be in keeping with conservation and resources, and will protect correlative rights.

I would like to inform the Examiner that if there are any detailed questions concerning any of the dealings insofar as El Paso is concerned, El Paso has a representative here, and they can answer those questions. I am not prepared at this time to go through the ramifications of this deal. We also have a representative of our land department that could answer any detailed questions.

MR. NUTTER: Do you have anything further?

A No.

MR. NUTTER: Does anyone have a question of Mr. Wade? Mr. Cooley?

MR. COOLEY: This is directed to the landmen of one of the two companies. Has Communitization Agreements been executed?

A It has been sofar as the Texas Company and El Paso is con-

cerned, and all working interests are at this time, they have either executed, or are in the process of executing, and also I understand that the Government, Federal portion of the leases, is now in the process of being signed. We have never run into any difficulty, incidentally, with communitization as far as Government lands are concerned.

MR. COOLEY: You understand that an increased allowable cannot be assigned to this well unless it is communitized?

A Yes, sir.

MR. NUTTER: Mr. Wade, do you feel that the entire acreage is productive of gas?

A Yes, sir.

MR. NUTTER: Does anyone have any further questions of the witness? If not, the witness may be --

MR. COOLEY: Would you care to introduce your exhibit into the testimony?

MR. WADE: Yes, sir, please. I would like to introduce Exhibit No. 1.

MR. NUTTER: Without objection, Exhibit No. 1, Case 1151, will be received in evidence.

Are there any further questions of the witness? If not, he may be excused.

(Witness excused.)

MR. NUTTER: Are there any statements that anyone wishes to make in this case?

MR. DANIEL: L. R. Daniel, El Paso Natural Gas Company. I would like to put on a witness supporting the application.

J. J. BOWDEN

a witness, called on behalf of El Paso Natural Gas Company, having been first duly sworn on oath, testified as follows:

DIRECT EXAMINATION

BY MR. DANIEL:

Q State your name, address, and occupation to the Examiner, please.

A J. J. Bowden, I am Area Landman for El Paso Natural Gas Company.

Q Where are you based? A El Paso, Texas.

MR. DANIEL: Are this witness' qualifications acceptable?

MR. NUTTER: Yes, sir.

Q Are you familiar with the application in this case?

A I am.

Q Would you outline, briefly, what we seek to do there?

A We seek to join with the Texas Company in order to form a 114.41-acre non-standard proration unit with the Texas Company, consisting of Township 24 South, Range 37 East, Section 31, Lots 3 and 4, and, in Township 25 South, Range 37 East, Section 6, Lot 4.

Q In your capacity as Area Landman for El Paso, do you have occasion to work with land located in the Permian area?

A Yes.

Q And also located in Section 6, Township 25 South, Range 37

East?

A Yes.

Q And do you also work with the lands in Section 1, or are familiar with Section 1, Township 25 South, Range 36 East?

A Yes.

Q Does El Paso Natural Gas Company own an interest in any of the lands located in Section 6, 25, 37?

A They own an interest in Lot 4 of that Section.

Q I might ask you, is that an entire interest there?

A No, El Paso Natural Gas Company owns a 65-percent in gas to the Glorieta Formation, and 75 percent in gas below the Glorieta Formation; Indian Petroleum Corporation owns the balance of the interest in the gas, and Anderson Prichard, Indian Petroleum Company and the First Chicago Corporation own the oil rights in that lot.

Q But in this particular well in the Jalmat, El Paso's interests would be what?

A El Paso's interest, if it were to be communitized and dedicated to the Texas Company Well, would be a 65 percent of the gas insofar as the portion pertaining to Lot 4.

Q Of your own knowledge, Mr. Bowden, do you know whether or not non-standard gas proration units have been granted by the Commission covering other lands in Section 6?

A It's my understanding that all except Lot 4 has been for the Jalmat Gas Pool.

Q Is El Paso's acreage at this time dedicated to any other of those units?

A No.

Q What efforts, if you will just summarize again for the Examiner here, have been made by El Paso Natural Gas Company to dedicate its acreage to such a non-standard proration unit in Section 6, or others?

A At the time Phillips asked for an exception for its Woolworth No. 1 Well in the Southwest Southwest Section 6, El Paso could foresee that unless it were able to have its acreage dedicated to a proration unit that it might find itself in a position that the entire section, with exception of our acreage, would be committed and we might be deprived of our gas rights, and so at that time we began to check in to see if we could join a unit. We contacted all the offsetting operators, not only in Section 6, but in the surrounding sections, and we discovered and came to the conclusion that after a careful study of the situation that about the only three units we could join would be possibly the Skelly Unit, which is in the North Half of the North Half of Section 6; the Western Natural Gas Company's proposed unit, which consisted of the four center Quarter Quarter Sections of Section 6, and possibly the Texas Unit which is in the West Half of the Southwest Quarter of Section 31, as shown on the Exhibit. We contacted Skelly Oil Company and found that their Sherrell No. 3 Well was overproduced in the amount of approximately 70,000 MCF, and therefore we felt that we would not be desirous to join this unit. The Phillips well was approximately three-quarters of a mile south, and, from the drainage standpoint, we did not feel that this would be feasible; the Continental Well

to the east, was used for gas purposes only.

Q That was to the west, wasn't it?

A To the west, and therefore about the only feasible unit that we could join would be the Texas Company Unit to the north or the Western Natural Gas' proposed unit consisting of the four center Quarter Quarter Sections of Section 6. We contacted both of these companies again to see if we could enter into their units, it if would be desirable and feasible. We were able to work out a consent with Western Natural Gas Company to join their unit; we joined with Western Natural Gas Company and they made their application; the communitization agreements were prepared and commenced to be circulated and the application was heard before the Commission, and as a result of this application to form this non-standard proration unit in the Jalmat Gas Pool, consisting of the four Quarter Quarter Sections of Section 6, together with El Paso's Lot 4, Order No. R-704 was issued whereby the application was denied and the Commission, in its Paragraph 6, stated that "the orderly development of the Jalmat Gas Pool, and the protection fo correlative rights, would best be accomplished by the communitization of Federal gas acreage consisting of the Northwest Northwest of Section 6, Township 25 South, Range 37 East, New Mexico Principal Meridian, with presently dedicated Federal gas acreage consisting of the West Half of the Southwest Quarter of Section 31, Township 24 South, Range 37 East, New Mexico Principal Meridian, Lea County, New Mexico." And, as a result of this recommendation of the Commission, El Paso Natural

Gas Company then re-approached The Texas Company and we were able to join into the proposed unit with The Texas Company, and this application has resulted as a result of that recommendation of the Commission. We have also prepared and have circulated a communitization agreement consisting of the proposed -- the acreage to be dedicated to the proposed non-standard proration unit and it has been circulated and executed by the Texas Company, which, of course, owns the acreage in Section 31, and the Indian Petroleum, which, together with El Paso, owns the acreage of -- interest in Section 6. The balance of the parties to the communitization agreement have not at this time executed the communitization agreement, although they have been contacted and have consented to it, just have not had time to be completely circulated at this time, and we expect no difficulty in communitizing the tract.

MR. NUTTER: Mr. Bowden, is that right?

A Yes.

MR. NUTTER: Do you have a copy of that order that was entered in Western's application?

A It is not an executed copy, but I do have a copy with me.

MR. NUTTER: Just hand me the sheets there, I just wanted to take a look at it. Do you have anything further, Mr. Bowden?

A The only further thing that I do have is that since the date of this order, October 13, 1955, El Paso has diligently been attempting to communitize this tract with the Texas Company, and in accordance with the recommendations of the Commission.

