

CASE 3385: Appli. of SINCLAIR OIL
& GAS for a non-standard gas
proration unit, Lea County.

ASE No.

3385

Application,

Transcripts,

All Exhibits

ETC.

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

November 12, 1969

C
O
P
Y

Atlantic Richfield Company
Post Office Box 1978
Roswell, New Mexico 88201

Attention: Mr. W. P. Tomlinson

Re: Order No. R-3054 Establishing Non-
Standard Gas Proration Unit in the
Jalmat Gas Pool

Gentlemen:

Reference is made to your application for approval to shut in the Atlantic Richfield Company E. L. Steeler Well No. 1 located in Unit P of Section 19, Township 23 South, Range 37 E., NMPM, Lea County, New Mexico, in accordance with Order (2) of Order No. R-3054.

In accordance with said Order (2) of Order No. R-3054, you are hereby authorized to shut in the aforementioned Well No. 1.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/GMH/esr

cc: Oil Conservation Commission - Hobbs
Proration Department, OCC - Santa Fe

Atlantic Richfield Company North American Producing Division
New Mexico-Arizona District
Post Office Box 1978
Roswell, New Mexico 88201
Telephone 505 622 4041
W. P. Tomlinson
District Engineer



Sub
NOV 10 1969

November 7, 1969

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. A. L. Porter, Jr.

Gentlemen:

Commission Order No. R-3054 established a 320 acre non-standard gas proration unit in the Jalmat Gas Pool comprising the S/2 of Section 19, Township 23 South, Range 37 East, Lea County, New Mexico and simultaneously dedicated same to Atlantic Richfield Company's E. L. Steeler Wells No. 1, 2 and 3. Said Order further provided that Wells No. 1 and 2 would be produced at capacity and would not be temporary or permanently abandoned without consent of the Secretary Director of the Commission.

Atlantic Richfield Company respectfully requests approval to shut-in Well No. 1 at this time in that this well is now depleted and will not produce into the pipeline. Since the Well No. 2 is already shut-in, we will continue to produce the 320 acre allowable from Well No. 3. Please advise if you desire additional information concerning this request.

Yours very truly,

W. P. Tomlinson
W. P. Tomlinson

MAO:jcb

Circ 3385 Ord. 710 R-3054

#1 P
#2 N
#3 L

19-23-37

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

November 8, 1967

C
O
P
Y

Sinclair Oil & Gas Company

P. O. Box 1470

Midland, Texas 79701

Attention: Mr. R. M. Anderson

Re: Order No. R-3054 Establishing Non-
Standard Gas Proration Unit in the
Jalmat Gas Pool

Gentlemen:

Reference is made to your application for approval to shut in the Sinclair E. L. Steeler Well No. 2 located in Unit W of Section 19, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico, in accordance with Order (2) of Order No. R-3054.

In accordance with said Order (2) of Order No. R-3054, you are hereby authorized to shut in the aforementioned Well No. 2. Provided, however, that the Sinclair E. L. Steeler Well No. 1 located in Unit P of the aforesaid Section 19 shall continue to be produced at capacity subject to the allowable assigned to the non-standard gas proration authorized by Order No. R-3054.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/GMH/esr

cc: Oil Conservation Commission - Hobbs
Proration Department, OCC - Santa Fe



SINCLAIR OIL & GAS COMPANY

P. O. Box 1470
MIDLAND, TEXAS 79701

October 3, 1967

WEST TEXAS REGION

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

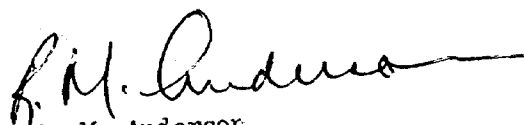
Attention: Mr. A. L. Porter, Jr.

Gentlemen:

Commission Order No. R-3054 established a 320 acre non-standard gas proration unit in the Jalmat Gas Pool comprising the S/2 of Section 19, 23 S-37 E, Lea County, New Mexico and simultaneously dedicated same to Sinclair's E. L. Steeler Wells No. 1, 2 and 3. Said Order further provided that Wells No. 1 and 2 would be produced at capacity and would not be temporary or permanently abandoned without consent of the Secretary Director of the Commission.

Sinclair Oil & Gas Company respectfully requests approval to shut-in Well No. 2 at this time in that this Well is now depleted and will not produce into the pipe line. We will continue to produce Well #1 at capacity and take the balance of the 320 acre allowable from Well #3. Please advise if you desire additional information concerning this request.

Yours very truly,


R. M. Anderson
Region Regulatory
Engineer

RMA/ar

cc: N. F. Gullledge
W. F. Burns
Regional Central File

67 OCT 4 AM 8 37

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 3385
Order No. R-3054

APPLICATION OF SINCLAIR OIL & GAS
COMPANY FOR A NON-STANDARD GAS PRO-
PORTION UNIT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 23, 1966,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 1st day of April, 1966, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Sinclair Oil & Gas Company, seeks
approval of a 320-acre non-standard gas proration unit in the
Jalmat Gas Pool comprising the S/2 of Section 19, Township 23
South, Range 37 East, NMPM, Lea County, New Mexico, to be
simultaneously dedicated to its E. L. Steeler Wells Nos. 1, 2,
and 3, located in Units P, N, and L, respectively, of said
Section 19.

(3) That the proposed non-standard gas proration unit can
be efficiently and economically drained and developed by the
E. J. Steeler Wells Nos. 1, 2, and 3.

(4) That approval of the subject application will afford the
applicant the opportunity to produce its just and equitable share
of the gas in the pool, and will otherwise prevent waste and
protect correlative rights.

-2-

CASE No. 3385

Order No. R-3054

IT IS THEREFORE ORDERED:

(1) That a 320-acre non-standard gas proration unit in the Jalmat Gas Pool comprising the S/2 of Section 19, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico, is hereby created and simultaneously dedicated to the Sinclair Oil & Gas Company E. L. Steeler Wells Nos. 1, 2, and 3, located in Units P, N, and L, respectively, of said Section 19.


(2) That the allowable assigned to the above-described non-standard gas proration unit shall be based upon the unit size of 320 acres and the operator may produce the allowable assigned to the unit from the subject wells in any proportion. Provided, however, that wells Nos. 1 and 2, located in Units P and N, respectively, of said Section 19, shall be produced at capacity subject to the allowable assigned to the aforesaid non-standard gas proration unit, and they shall not be temporarily or permanently abandoned without the consent of the Secretary-Director of the Commission for good cause shown.

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

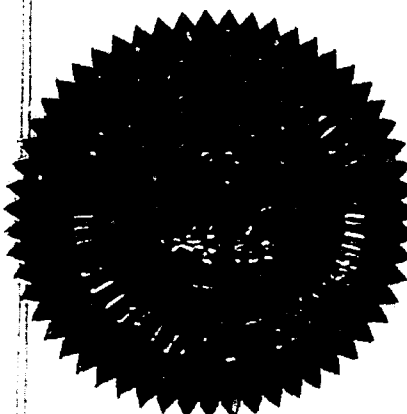
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JACK M. CAMPBELL, Chairman


GUYTON B. HAYS, Member


A. L. PORTER, Jr., Member & Secretary



onr/

GOVERNOR
JACK M. CAMPBELL
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
GUYTON B. HAYS
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

P. O. BOX 2088
SANTA FE

April 1, 1966

Mr. Charles White
White, Gilbert, Koch & Kelly
Attorneys at Law
Post Office Box 787
Santa Fe, New Mexico

Re: Case No. 3385
Order No. R-3054
Applicant:

SINCLAIR OIL & GAS COMPANY

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Carbon copy of order also sent to:

Hobbs OCC x
Artesia OCC
Aztec OCC

Other Mr. Jason Kellahin

Docket No. 9-66

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 23, 1966

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or
Elvis A. Utz, Alternate Examiner:

CASE 3385: Application of Sinclair Oil & Gas Company for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a non-standard gas proration unit comprising the S/2 of Section 19, Township 23 South, Range 37 East, Jalmat Gas Pool, Lea County, New Mexico, said unit to be dedicated to applicant's E. L. Steeler Wells Nos. 1, 2, and 3 located in Units P, K, and L, respectively, of said Section 19. Applicant further seeks authority to produce the allowable assigned to said unit from any of the aforesaid wells in any proportion.

CASE 3386: Application of Sunray DX Oil Company for a dual completion and salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the dual completion (conventional) of its New Mexico State "AO" Well No. 1 located in Unit M of Section 16, Township 10 South, Range 34 East, Simanola Pennsylvanian Pool, Lea County, New Mexico, in such a manner as to produce oil from the Pennsylvanian formation through perforations from 9933 feet to 9939 feet and to dispose of produced salt water into the San Andres and Glorieta formations through the annulus between the 8 5/8 and the 5 1/2 inch casing to the interval from 4100 feet to 9390 feet.

CASE 3387: Application of Charles B. Read for a dual completion and down-hole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the dual completion (conventional) of his Bogle Farms Well No. 1 located in Unit L of Section 13, Township 16 South, Range 31 East, Eddy County, New Mexico, in such a manner as to produce gas from an approximate depth of 3300 feet, West Mesa-Queen Gas Pool, and to produce oil from an approximate depth of 3600 feet, Bunker Hill-Queen Oil Pool, separating the zones by means of a packer and pressure-operated gas entry valve, utilizing said gas to gas lift the oil.

CASE 3388: Application of Charles B. Read for special rules for the Llano-Pennsylvanian Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Llano-Pennsylvanian Pool, Lea County, New Mexico, including a provision for 160-acre proration units.

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SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

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PAGE 1

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 23, 1966

EXAMINER

HEARING

IN THE MATTER OF:

Application of Sinclair Oil & Gas Company
for a non-standard gas proration unit,
Lea County, New Mexico

Case No. 3385

BEFORE:

Daniel S. Nutter, Chief Engineer

TRANSCRIPT OF HEARING

NEW MEXICO OIL CONSERVATION COMMISSION

Examiner HearingSanta Fe, NEW MEXICOREGISTERHEARING DATE March 23, 1966 TIME: 9 A.M.

NAME:	REPRESENTING:	LOCATION:
BF Browley	Sunray DX Oil Co.	Roswell, New Mexico.
DON FARREIS	SUNRAY DX OIL Co.	Roswell, New Mexico
SC 1111	W & K & K	South of
H M Andersen	Sinclair O & G Co	Midland Tex
Jason W Kellah	Kellah & Co	Santa Fe
James J. Janning	Janning & Co	Roswell N.M.
Charles B. Reed	self	" "
Nina L. Dillman		
A. L. Bates	O & C	Santa Fe, N.M.

MR. NUTTER: The hearing will come to order, please.
The first case will be Case 3385.

MR. DURRETT: Application of Sinclair Oil & Gas
Company for a non-standard gas proration unit, Lea County,
New Mexico.

MR. WHITE: Mr. Examiner, please, Charles White or
White, Gilbert Cook & Kelly, appearing on behalf of the
applicant. We have one witness to be sworn at this time.

(Witness sworn.)

(Whereupon, Applicant's Exhibits
1, 2 & 3 marked for identification.)

MR. NUTTER: Any appearances in this case?

MR. KELLAHIN: Jason Kellahin of Kellahin & Fox,
Santa Fe, appearing on behalf of Samedan Oil Corporation.

RICHARD M. ANDERSON, a witness, having been
first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. WHITE:

Q Will you state your name for the record, please?

A Richard M. Anderson.

Q By whom are you employed and in what capacity?

A Sinclair Oil and Gas Company as a Senior Petroleum
Engineer with the Midland Office.

Q Are you familiar with the application?

A I am.

Q What does Sinclair seek by the application?

A We seek to have 320 acres, namely the South half of Section 19, Township 23 South, Range 37 East, assigned to 3 Jalmat gas wells which are located on the Section, and we seek approval of the locations of those three wells with respect to the proration unit boundaries.

Q Would you refer to what has been marked Exhibit 1 and explain that, please?

A Exhibit 1 is an area map reflecting the proration units directly offsetting the Sinclair Steeler Lease which is the subject of this application. The Sinclair Steeler Lease is colored in yellow and has three wells circled in red, wells 1, 2 and 3. The present status of the Lease, with regard to the Jalmat Gas Pool, is that the Southeast Quarter of Section 19 is assigned to Well Number 1; the Southwest Quarter of Section 19 is assigned to Well Number 2; and that is the present status.

The offset leases all around Sinclair are indicated with red outlines indicating the proration units, and red circles indicating the wells that produce from those proration units, and we see that all of the offsetting acreage is assigned to one Jalmat Gas Pool well or another with the exception of reserve oil companies, Carter Well Number 1 which

is a 40 acre tract occupying the Northeast of the Northeast of Section 25, and that well is completed in the Langley Mattix Oil Pool and that well is not assigned to any gas well, but all other acreage offsetting Sinclair's Lease is assigned. I believe that this is all this map shows except for the ownership of those leases.

Q As to the locations of each of these wells, are each in an unorthodox location?

A Yes, 4A, 320 acre non-standard unit, the well should be 660 by 1980, and none of these three wells qualify for a standard location.

Q Were these wells drilled prior to the Jalmat Pool Rules of 1954?

A Yes, sir.

Q What has the production of these wells been?

A I have prepared an Exhibit Number 2 reflecting the production of the gas wells. Exhibit 2 is the production history of the gas wells on the E. L. Steeler WN Lease. This lease, incidently, was acquired about three years ago from Western Natural Gas Company. It was drilled and developed by them and Sinclair has operated it since then, and I went back just the last three years to get an idea of the current picture and I have tabulated for each well its actual production, and I have tabulated on the right-hand column what

a hundred and sixty acre top allowable well would have during each month in the Jalmat Gas Pool.

Q I notice here that Well Number 1 shows no production for January and February of '63, was it shut down during that period?

A Apparently so, both wells were completed prior to 1963 and apparently there was just no production those months.

Q What conclusion do you draw from this Exhibit?

A The conclusion I draw from this Exhibit can be more readily seen, I believe, from the next Exhibit which is a graphic representation of this tabular data.

MR. NUTTER: Mr. Anderson, while you're still on Exhibit 2 would you give me the figure for Well Number 1 for 1965, it's not legible on this particular exhibit.

THE WITNESS: March of '65 for Well Number 1?

MR. NUTTER: Right.

THE WITNESS: Is 12,556 MCF.

MR. NUTTER: Thank you.

A Exhibit 3 is a graphic representation of the tabular data and I have colored the 160 acre top allowable in orange, and the solid plots are identified as the Steeler Number 1 and Steeler Number 2 Wells showing their actual production. So with this graph we can compare their actual production with what a top allowable 160 acre well would have.

The Steeler Number 1 Well is a non-marginal well, so this actually reflects its allowable. The Steeler Number 2 Well is a marginal well and its allowable is whatever it can make, which is what has been plotted here as production.

Now, from this plot we can see how the original line varies over a period of three years and how the allowable has varied, and we can see how the Steeler Number 1 Well has its production as compared with the allowable and through, up to about the middle of 1964, why, it appears like the Steeler Number 1 Well was making about as much gas as its allowable. But since June of '64 the Steeler Number 1 Well production has declined and an extrapolation of the Steeler Number 1 production history indicates that it is less than a similar extrapolation that you might make on the allowable.

The allowables have come down during this period, but the production from the Steeler Number 1 has come down, and it is anticipated from an analysis of these curves that the Steeler Number 1 will be designated as a marginal producer in the immediate future, and then neither well will be making the allowable for the acreage.

Q (By Mr. White) In other words, the production of Number 1 had declined more than the allowable?

A Yes, the Number 1 has declined to a point where it can no longer make the allowable as it is currently trending.

Q Would you give the last six month's production average for Well Number 1?

A Yes. Just average the last six months which is a balancing period, the last six months of '65. Well Number 1 produced 10,672 MCF per month, while the allowable was 10,921 MCF a month, the average allowable for the 160 acres, so it actually produced a little less than the allowable.

MR. NUTTER: That average wouldn't be 10,000 for production, would it?

THE WITNESS: I get the total production for the six months.

MR. NUTTER: Would that be July through December?

THE WITNESS: Yes, July through December of 54,034 MCF, that is approximately correct. During the last six months of '65 Well Number 1 made a total of 54,034 MCF and 1/6 of that--

MR. NUTTER: Would be 9,000?

THE WITNESS: It would have to be in excess of 50,000 to be as high as 10,000, so Well Number 1 averaged approximately 9,000 MCF per month during the last six months of 1965, where the average allowable was 10,921 MCF per month.

MR. NUTTER: So then, it's be underproduced approximately 1900 MCF a month, average?

THE WITNESS: Yes, sir, and Well Number 2 being a

marginal producer averaged 1890 MCF a month for the last six months.

Q (By Mr. White) What would the approximate total capabilities of both wells be?

A Both wells together are capable of producing 10,890 MCF per month, where the allowable for 320 acres is 21,842 MCF per month. So they are, the two wells together are capable of only producing about 50 percent of the allowable based on current allowables and production.

Q Now, will you refer to Exhibit 1 and point out the location of Well Number 3?

A Well Number 3 is located 660 feet from the North and West lines of the proration unit, or the South half of Section 19.

Q Now, has this well be producing?

A Well Number 3, as a result of the analysis that we just went through on Well Number 2, and as a result of realizing the deficiency of these two wells, Well 3 was worked over and plugged back from the Langley Mattix Reservoir and was recompleted as a gas well in the Jalmat formation, and an open flow capacity test was filed with the Commission reflecting productivity of 6,917 MCF per day for open flow capacity of Well Number 3. This calculates on a monthly basis, if this well were allowed to produce, and I believe

that it could sustain a rate of about 25 percent of this without any trouble, and if it sustained a 25 percent of this open flow capacity this well would produce 51,900 MCF per month as compared with a 320 acre allowable of 21,842. So Well Number 3 is able to make two and a half times the 320 acre allowable. So rather than plug out wells 1 and 2 and ask for a 320 acre unit and an exception to the location requirement for the Well Number 3, we felt that it would be more in the interest of conservation to continue to produce all three wells, and that is why we are here today.

Q Do you think waste would be prevented by the granting of this application?

A Yes, I believe that by producing these marginal and to be marginal wells as long as it's economically feasible to do so, that we will probably more effectively drain the 320, more effectively drain it than any one well might do it.

Q Would Correlative Rights be protected?

A Yes, if the application is approved. Everyone's Correlative Rights will be protected in that allowables are assigned not on the basis of the number of wells but on the basis of productive acreage assigned, and the allocation formula is a hundred percent acreage.

If the application is not granted then Sinclair

would not be able to make its 320 acre allowable without coming back for another application for Well Number 3.

Q Were Exhibits 1 through 3 prepared by you or under your supervision?

A Yes, sir.

MR. WHITE: We would like to offer Sinclair's Exhibits 1 through 3 into evidence.

(Whereupon, Applicant's Exhibits 1 through 3 offered into evidence.)

MR. NUTTER: Sinclair's Exhibits 1 through 3 will be admitted into evidence.

(Whereupon, Applicant's Exhibits 1 through 3 admitted into evidence.)

MR. WHITE: That concludes my examination of this witness.

MR. NUTTER: Are there any questions of the witness?

CROSS-EXAMINATION

BY MR. KELLAHIN:

Q Have any efforts been made to work over your Well Number 1; I'll ask you the same question about Well Number 2 while you're looking?

A Well Number 1 and Well Number 2 are dually completed in the Langley Mattix and Jalmat Gas Pools, and an analysis of

these wells, a recent analysis reflected that it is not feasible to attempt a work over on the wells. I don't know to what extent the duals were entered into it but it was determined that the best procedure was not to spend a lot of money to work these wells over; they might have been worked over in the past.

Q Your Number 3 Well is a single completion in the Jalmat?

A Yes, it was plugged back from the Langley Mattix to the Jalmat.

Q The standard location would be what for a 320 acre unit?

A 660 by 1980.

Q You say that the only way you can achieve your allowable is by assigning 320 acre allowables to all three of the wells. Could the allowable not be divided, the restricted allowable assigned to the Number 3 Well? In other words, Mr. Anderson, according to your testimony, as I understand it, Number 1 and 2 wells will make 50 percent of the allowable assigned of the 320 acre unit?

A At the present time and with the present allowables which are less than they were in '64. If the allowables tend to get back up to the levels that they were in '64 then these wells will make considerable less than half

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the allowables of wells 1 and 2.

Q But it wouldn't be necessary to assign a 220 allowable to your Number 3 Well, would it?

A Our intention is to produce wells 1 and 2 to the fullest extent that they will produce, this is what we intend to do. We intend to produce wells 1 and 2 and use well 3 for a make up of any shortage that we have here. Our intention is to continue to produce wells 1 and 2 until they are found to be no longer economically feasible to do so. So just how you might give wells 1 and 2 capacity allowables and well 3 a restricted allowable, it would have to be--it's in effect of how we're going to produce them, but it would be administratively difficult to determine what kind of restricted allowable well number 3 must have in order to keep coming up here every several months to get it revised.

Q Well, at its location, assuming they dedicate the acreage, it would be entitled to a 160 acre allowable at that location?

A Yes, sir.

Q And you have, as far as you know, no intention of reworking your wells 1 and 2?

A No, sir.

MR. KELLANIN: That's all I have.

REDIRECT EXAMINATION

BY MR. WHITE:

Q If this well is not restricted you still would not overproduce all three wells together on the allowable, would you? In other words, you wouldn't produce over your allowable regardless of whether it's restricted or unrestricted?

A No, if we did we would have to shut in to make it up.

MR. WHITE: That's all we have.

CROSS-EXAMINATION

BY MR. NUTTER:

Q Mr. Anderson, this well number 2, according to the plat here, would be located in the Southeast of the Southwest. Is it in that 40 or is it in the 40 to the North of that?

A It's 330 feet out of the corner of that 40, it's 1650 from the West and South--no, no, it's 1650 from the West and 2110 from the South.

Q Which would put it in the next 40 to the North, then?

A Oh, I see. It's 1650 by 990, let me look up the location of well number 2, 1650 by 990. This 1990 is in error on our application. That is right, it's 990 from the South line and 1650 from the West line.

Q We took the location in writing the advertisement

from the application, and it's advertised for a well in Unit K rather than N. I don't know how serious the defect in the ad is.

MR. KELLAHIN: If the Examiner, please, we won't raise the objection.

MR. WHITE: At this time we would like to amend the application to read 990 rather than 1990.

MR. NUTTER: We can amend the application, we can't amend the ad.

MR. WHITE: If it should be readvertised we ask that it be readvertised in the absence of any protest.

Q (By Mr. Nutter) The reason I was concerned there, Mr. Anderson, I was thinking in the alternative to the dedication of the 320 and the assignment of the allowable of all three wells to be produced in any proportion from those wells. If it would be possible to realign the acreage and create some other units, if the well were in that next 40 North, it would be more difficult to do that?

A Yes.

Q But if it's down here in N where it evidently is, it might be possible to gerrymander the acreage around so you would have acreage dedicated to 1 and 2 and some dedicated to number 3?

A I think possibly we might prefer to plug and abandon wells 1 and 2 and assign the 320 to well 3 in lieu of doing

something like that because it looks like wells 1 and 2 are on the decline. Anything we had along that line will be temporary. I would like to point out on Exhibit 1 the location of the well, Resler & Sheldon. We see a well 650 feet out of the corner of a 320 proration unit. What I'm saying, this is a common practice in this field. Just to the North of there we have a Skelly, Johnson, well 4 that is 660 out of the corner of a 320 proration unit. We see just to the North of us, we see a 320 proration unit in two sections, Section 18 and 19, and we see the well that is assigned is in Section 18, 660 feet out of the proration unit; and we see one similar to that in Section 29, Gulf's C.E. LaMunion Number 4 where they have 280 acres assigned to a well that is 660 out of the corner, so there is 3 or 4 examples offsetting the Sinclair acreage where it is just the exactly same situation that we are asking for. There is one other one on the map that I know of, and that's the South half of Section 25. The well number 2 is apparently about 990 out of the corner and it has 320 acres assigned. Also, well number 1 is shown as a gas well but it's not a gas well in the Jalmat schedule, it's not so assigned; the 320 is assigned to the Jalmat schedule.

This is the same thing that we have asked for and it has been granted. Instead of getting all the production we're going to be getting a substantial part of it out of

some existing wells which will tend to prevent waste and we will probably more thoroughly deplete this waste by operating 3 wells.

Q How close to the economic limit is well 2?

A Its got a long way to decline, it's just barely below top allowable. Well number 2, I'm sorry, that's well number 1, and well number 2 is a very weak marginal well.

Q It's probably not being to profitable to operate it very much longer, is it?

A No, sir.

MR. NUTTER: Any other questions of the witness?

CROSS-EXAMINATION

BY MR. DURRETT:

Q Mr. Anderson, would your company have any objection to some type of provision that would require you to produce your 1 and 2 at their capacity?

A This is what we intend to do. As a matter of enforcing it I anticipate a little bit of difficulty because Sinclair does not actually turn the valves, the purchaser does, and he could be so instructed and we would have no objection if he were insofar as he could get the production from those wells.

Q That might be the requirement in an order of a restricted provision. In other words, you might, as an

alternative be granted a 320 acre unit with the allowable to be produced from any of the 3 wells in any proportion provided that 1 and 2 were produced at their capacity; that's in essence what you plan to do, anyway?

A Yes, and we have no objection to it as far as I can tell. I'm trying to think of ramifications. I would prefer not to be restricted no more than necessary. I think that by continuing to produce those wells we are tending to prevent some waste, certainly a small amount, but certainly some.

Q One other question I had was this. When your first well goes dry or it becomes necessary to abandon the well, would you be faced with the problem of dedicating dry acreage to the remaining wells or well?

A When it is a matter of productivity, I don't think well capability rather than well productivity, I believe that this acreage is proven by development all around that there's no question as to its productivity. It's just a matter as to whether the completions are now, capable of now draining it after all these years or not; apparently they're falling off. The standard proration unit is 640 acres in the field and we're certainly a lot more densely developed than that. I would think all the acreage is productive and would remain so until it's no longer economically feasible to produce it. There would still be some gas there when the wells are

abandoned.

Q Thank you.

MR. NUTTER: Any other questions of Mr. Anderson?

You may be excused. Anything further, Mr. White?

MR. WHITE: No.

MR. KELLAHIN: Samedan Oil Corporation is offsetting the unit to the North as shown by the application Exhibit Number 1, and Samedan has no objection to the non-standard unit, but it does object to that portion of the application which requests authority to produce any or all of the allowable assigned to the unit from any or all of the wells. We feel that under the circumstances it's very clear that the best well in the group is the one which has recently been completed directly offsetting Samedan to the South and the major portion, if not all the allowable, would be producing from that well resulting from drainage of the Samedan acreage.

The rules require location for those wells for this situation and although the witness pointed out there has been situated, we are offsetting this acreage, we do object to the assignment of the allowable and we request a restricted allowable be assigned to the well number 3 in order to prevent drainage of Samedan's acreage.

The witness has testified that insofar as he knows no effort has been made and none will be made to re-work the

other two wells in the unit. The number 2 well located over in the same quarter section as the number 3 well, is a marginal well and at its present rate of production will be abandoned soon because of the increased production. This can only result in the drainage of Samedan's acreage and we request a restricted allowable to number 3 well.

MR. NUTTER: Do you have any rebuttal, Mr. White?

MR. WHITE: In reply to what Mr. Kellahin said we would like to point out that well number 2 has been marginal over many many years, and if what he says is true that number 3 would drain his client's acreage, why, his client has been draining our acreage over a number of years, by the same token.

MR. NUTTER: Anyone else have anything they wish to offer in this case?

MR. DURRETT: Mr. Kellahin, do you have a suggestion as to what type of restricted allowable your client is seeking?

MR. KELLAHIN: My client made no suggestion, but from looking at the situation and since the witness has stated that the number 2 well is not located in that quarter quarter section or in the North North portion of that unit, it would be my suggestion that the number 3 well be permitted, not be permitted to exceed 160 acre allowable which would be a standard location for that well, and would

certainly protect their Correlative Rights and the Correlative Rights of Samedan would be protected.

MR. NUTTER: In other words, it would be a restricted 50 allowable.

THE WITNESS: We would not be agreeable to that restriction. There are several wells located 660 feet out of the corner of the 320 proration unit, I'm sure there are some wells that are assigned 640 that are located 660 feet out of the corner, some may be 330 feet. I think this is a common situation. I fail to understand the basis of their objection in that allowables are on the basis of acreage, and we have the full amount of acreage and any drainage off the Samedan Lease of this type of operation would be compensated by drainage on the Samedan Lease because everybody is entitled to drain the same amount of gas on a per acre basis. We object to any restriction short of a 320 acre allowable.

MR. WHITE: It would be unprecedented in this pool.

THE WITNESS: As far as I think.

MR. NUTTER: I would like for the record to show while there are numerous wells with 320 dedicated to them located 660, there is more than one well where the wells are located on more than a 320 acre tract, and there are restrictions, so it wouldn't be unprecedented. If there is nothing further the Commission will take the case under advisement and call

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I N D E X

WITNESS:

RICHARD M. ANDERSON

Direct Examination by Mr. White

2

Cross-Examination by Mr. Kellahin

10

Redirect Examination by Mr. White

13

Cross-Examination by Mr. Nutter

13

Cross-Examination by Mr. Durrett

16

E X H I B I T S

MARKED FOR IDENTIFICATION

OFFERED

ADMITTED

NUMBER

Applt's 1

2

10

10

Applt's 2

2

10

10

Applt's 3

2

10

10



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Case 3386.

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, BOBBY J. DAVIS, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

Witness my Hand and Seal this 21st day of April, 1966.

Bobley J. Davis
NOTARY PUBLIC

My Commission Expires:

March 13, 1969.

I do hereby certify that the foregoing is a true and correct copy of the original in my possession of Case No. 3385 dated 3/23 1966.

James H. Dwyer, Secretary
New Mexico Oil Conservation Commission

MAIN OFFICE 090

FEB 19 1960
BEFORE THE OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO

APPLICATION OF SINCLAIR OIL & GAS
COMPANY FOR A NON-STANDARD GAS PRO-
PORTION UNIT, JALMAT GAS POOL,
LEA COUNTY, NEW MEXICO

CASE NO. 3385

ORDER NO. _____

A P P L I C A T I O N

SINCLAIR OIL & GAS COMPANY, a Maine corporation with an operating office in Midland, Texas, hereby files application for an exception to Rule 5(B) of Order R-1670 and approval of a 320 acre non-standard gas proration unit in the Jalmat Gas Pool, and in support thereof shows:

1. Sinclair Oil & Gas Company is the owner and operator of its E. L. Steeler (gas) WN lease comprised of the S/2 of Section 19, Township 23 South, Range 37 East, N.M.P.M., Lea County, New Mexico, and the royalty ownership is common or has been unitized throughout the tract.

2.

Applicant has its well No. 1, located 660 feet from the South and East lines of the proposed proration unit, assigned to the SE/4 of said Section 19, and its well No. 2, located 1990 feet from the South line and 1650 from the West line, assigned to the SW/4 of said Section 19, as non-standard proration units in the Jalmat Gas Pool pursuant to prior orders of the Commission. Applicant recently worked over and re-completed its well No. 3, located 660 feet from the North and West lines of the proposed unit as a gas well in the Jalmat Pool. Applicant now seeks approval to produce the 320-acre allowable simultaneously from wells Nos. 1, 2 and 3, that the allowable assigned to the proposed unit shall be based upon the unit size of 320-acres, and that Applicant be permitted to produce the allowable assigned to the unit from the subject wells in any proportion.

3.

That the proposed non-standard gas proration unit can be

*Carpet
to white, yellow, black
Hansen Burton
Sinslow*

efficiently and economically drained and developed by the E. L. Steeler (gas) WN wells Nos. 1, 2 and 3.

4.

Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the pool, and will otherwise prevent waste and protect correlative rights.

WHEREFORE, applicant prays that the Commission set this application for a public hearing before an Examiner in Santa Fe, New Mexico, that notice be issued according to law and that upon hearing this application be granted.

HORACE N. BURTON
P. O. Box 1470
Midland, Texas 79701

WHITE, GILBERT, KOCH & KELLY
Lincoln Bldg.
P. O. Box 787
Santa Fe, New Mexico

By



ATTORNEYS FOR APPLICANT
SINCLAIR OIL & GAS COMPANY

SINCLAIR OIL & GAS COMPANY
 GRANT GAS POOL
 LIN COUNTY, NEW MEXICO

PRODUCTION HISTORY (MCF)

D. L. SINCLAIR WN

TOP
 ALLOWABLE

160 ACRE

MONTH

WELL #1

WELL #2

1963

MONTH	WELL #1	WELL #2	TOP ALLOWABLE
1963			16325
J	0	0	12399
F	0	545	12156
M	765	1207	10890
A	12783	2696	8694
M	16241	2196	8553
J	18572	1940	6517
J	18362	1583	9073
A	19131	1575	15825
S	15499	1392	10007
O	17102	1241	17005
N	15422	1332	25101
D	17320	957	

1964

MONTH	WELL #1	WELL #2	TOP ALLOWABLE
1964			20268
J	17482	1223	13964
F	13760	1066	22905
M	13240	2017	12092
A	11510	2744	10754
M	20978	2438	10794
J	11599	1787	7703
J	13934	1606	9641
A	10933	1619	23698
S	14452	1420	17331
O	13771	1378	20498
N	10762	1411	26099
D	14082	1560	

1965

MONTH	WELL #1	WELL #2	TOP ALLOWABLE
1965			14485
J	11455	1693	4012
F		1383	13167
M	12856		

BEFORE EXAMINER NUTTER
 OIL CONSERVATION COMMISSION
 EXHIBIT NO. 2-
 CASE NO. 3385

Sinclair Oil & Gas Co.
 Exhibit No. 2

MONTH	WELL #1	WELL #2	160 ACRE
1965			
A	7700	1432	16087
M	9541	2678	17610
J	8221	2509	10267
J	10283	2359	9712
A	8754	2103	9501
S	7572	2107	13304
O	8929	1936	7679
N	8754	1725	10148
D	9742	1112	14884
1966			
J			12963
F			14244
M			14960

10990 acre capability
of both wells

10990 acre
10990/mo

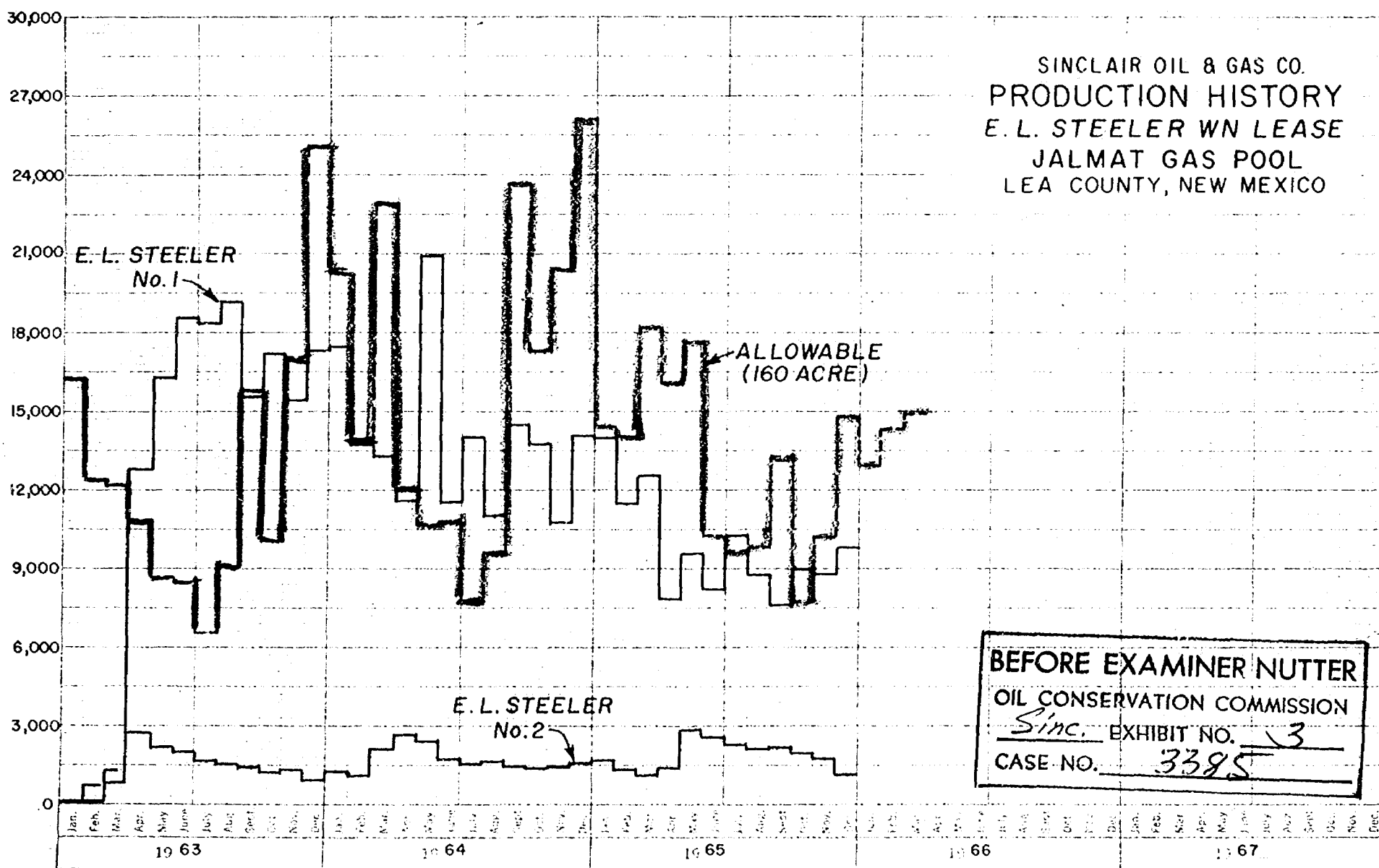
both wells together
could make only about 1/2
of 320 acre allowance

therefore well no 3 recently reworked &
accomplish in Galveston with
open flow test of
6917 mcf/day

therefore well could sustain at least
25% of open flow or
51900 mcf/mo

#1 & 2 are dual completions
analysis of these wells reflected it was
not feasible to work them over.

SINCLAIR OIL & GAS CO.
 PRODUCTION HISTORY
 E. L. STEELER WN LEASE
 JALMAT GAS POOL
 LEA COUNTY, NEW MEXICO



BEFORE EXAMINER NUTTER
 OIL CONSERVATION COMMISSION
Sinc. EXHIBIT NO. 3
 CASE NO. 3385

Sinclair Oil & Gas Co.
 Exhibit No. 3