

CASE 6260: CONTINENTAL OIL CO.
FOR NON-STANDARD GAS PRORATION
UNIT AND SIMULTANEOUS DEDICATION,
RA COUNTY, NEW MEXICO

CASE NO.

6260

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC. }

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6260
Order No. R-5759

APPLICATION OF CONTINENTAL OIL
COMPANY FOR A NON-STANDARD GAS
PRORATION UNIT AND SIMULTANEOUS
DEDICATION, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 21, 1978, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 29th day of June, 1978, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Continental Oil Company, seeks approval of a 480-acre non-standard gas proration unit comprising the N/2 and SE/4 of Section 2, Township 22 South, Range 36 East, NMPM, to be simultaneously dedicated to its State J-2 Wells Nos. 7, 9 and 12, located in Units J, G, and D, respectively, of said Section 2.

(3) That the entire non-standard proration unit may reasonably be presumed productive of gas from the Eumont Gas Pool and that the entire non-standard gas proration unit can be efficiently and economically drained and developed by the aforesaid wells.

(4) That approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of the gas in the Eumont Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells,

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Case No. 6260

Order No. R-5759

avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

(5) That Division Order No. R-5190, which previously approved the above-described proration unit and dedicated same to the State J-2 Wells Nos. 9 and 12 only, should be superseded.

IT IS THEREFORE ORDERED:

(1) That a 480-acre non-standard gas proration unit in the Eumont Gas Pool comprising the N/2 and SE/4 of Section 2, Township 22 South, Range 36 East, NMPM, Lea County, New Mexico, is hereby established and simultaneously dedicated to its State J-2 Wells Nos. 7, 9 and 12, located in Units J, G and D, respectively, of said Section 2.

(2) That Division Order No. R-5190 is hereby superseded.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



JOE D. RAMEY,
Director

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
21 June 1978

EXAMINER HEARING

IN THE MATTER OF:

Application of Continental Oil Com-) CASE
pany for a non-standard gas pro-) 6260
ration unit and simultaneous dedica-)
tion, Lea County, New Mexico.)

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Lynn Teschendorf, Esq.
Legal Counsel for the Division
State Land Office Building
Santa Fe, New Mexico 87501

For the Applicant: W. Thomas Kellahin, Esq.
KELLAHIN & FOX
500 Don Gaspar
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

I N D E X

VICTOR T. LYON

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E X H I B I T S

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1 MR. STAMETS: Call next Case 6260.

2 MS. TESCHENDORF: Case 6260. Application of
3 Continental Oil Company for a non-standard gas proration
4 unit and simultaneous dedication, Lea County, New Mexico.

5 MR. KELLAHIN: Tom Kellahin of Kellahin and
6 Fox, Santa Fe, New Mexico, appearing on behalf of Continental
7 Oil Company, and I have one witness.

8 (Witness sworn.)

9
10 VICTOR T. LYON

11 being called as a witness and having been duly sworn upon
12 his oath, testified as follows, to-wit:

13
14 DIRECT EXAMINATION

15 BY MR. KELLAHIN:

16 Q Would you please state your name, by whom
17 you're employed, and in what capacity?

18 A I'm Victor T. Lyon, L-Y-O-N, employed by
19 Continental Oil Company, Conservation Coordinator, in the
20 Hobbs Division located in Hobbs, New Mexico.

21 Q Mr. Lyon, have you made a study of and are
22 you familiar with the facts surrounding this particular
23 application?

24 A Yes, I have.

25 Q And have you previously testified before the

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1 Division and had your qualifications as an expert witness
2 accepted and made a matter of record?

3 A Yes, I have.

4 MR. KELLAHIN: Tender Mr. Lyon as an expert
5 witness.

6 MR. STAMETS: The witness is considered quali-
7 fied.

8 Q (Mr. Kellahin continuing.) Would you refer to
9 Exhibit Number One, Mr. Lyon, identify it and tell us
10 what you're seeking to accomplish?

11 A Case Number 6260 is the application of Con-
12 tinental Oil Company for approval of a non-standard gas
13 proration unit 480-acre size in the Eumont Gas Pool and
14 for the simultaneous dedication of this acreage to Wells
15 Numbers 7, 9, and 12, located on that unit.

16 Exhibit Number One is a location and ownership
17 plat showing the lease in question, which is indicated
18 by the stippled area and described as the north half and
19 southeast quarter of Section 2, Township 22 South, Range
20 36 East, in Lea County, New Mexico.

21 The wells in question are shown circled in
22 red and these are Wells No. 7, located in Unit J, Well
23 No. 9, located in Unit G, and Well No. 12, located in
24 Unit B of Section 2.

25 It is our request that this 480 acres, ac-

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1 tually it's 480.6 because of a row of lots across the
2 north boundary, jointly to these wells so that they may
3 produce the assigned allowable between the wells in any
4 proportion.

5 Q In what way is the proration unit non-standard?

6 A Well, the standard proration unit in the
7 Eumont Gas Pool is 640 acres and this is only 480-plus
8 acres.

9 Q Okay. Please refer to what we've marked as
10 Exhibit Number Two and identify it.

11 A Exhibit Number Two is a tabulation showing a
12 comparison of a normal non-marginal 480-acre allowable
13 and the production of Wells Nos. 9 and 12.

14 Now I might point out that originally a 480-
15 acre tract was allocated to Well No. 9 and a few years
16 ago we recompleted Well No. 12 and Order No. R-5190 ap-
17 proved the joint allocation of this proration unit to
18 Wells Nos. 9 and 12. We have just recently, last month,
19 recompleted Well No. 7 and we would like to add that
20 well's producing capacity to that of the other two so
21 that we may produce the assigned allowable.

22 Referring back to Exhibit Two, the first
23 column on the left shows the year and the month, and this
24 is organized on the basis of balancing periods. And the
25 second column is the normal 480-acre allowable for a non-

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1 marginal unit.

2 The next column shows the production for Well
3 No. 9 and the next one shows the production for Well No.
4 12, and then the last column on the right shows the com-
5 parison between the allowables and the production. Those
6 figures which are indicated by parentheses represent under-
7 production and the figures which are not enclosed in
8 parentheses is over-production.

9 As you can see, the two wells for both pro-
10 duction periods shown are under-produced and the unit is
11 a marginal unit. Well No. 7 was recompleted from the
12 Arrowhead Pool and on June the 2nd was tested with a cal-
13 culated open flow potential of 3197 Mcf per day, so we
14 believe that the three wells can produce the non-marginal
15 allowable for this unit.

16 Q Were Exhibits One and Two prepared by you
17 or compiled under your direction and supervision?

18 A Yes, they were.

19 Q And in your opinion, Mr. Lyon, will approval
20 of this application be in the best interests of conserva-
21 tion, the prevention of waste, and protection of correla-
22 tive rights?

23 A Yes, it will.

24 MR. KELLAHIN: Move the introduction of Ex-
25 hibits One and Two.

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1 MR. STAMETS: These exhibits will be admitted.

2
3 CROSS EXAMINATION

4 BY MR. STAMETS:

5 Q Mr. Lyon, it looks like the two wells were
6 442-million under in the previous year and only 156-million
7 under this year. The wells must be getting better, they
8 will probably be over-produced by the end of next year.

9 A Well, if you'll look at the allowables, if
10 you'll recall the winter of '76 - '77, we had extremely
11 high allowables, and the allowable for the next year is
12 300,000 Mcf less than it was the previous balancing period.

13 Actually, the production from the two wells
14 is a little bit less in the latest proration period than
15 it was in the earlier one.

16 MR. STAMETS: Any other questions of the wit-
17 ness? He may be excused.

18 Anything further in this case? Take the case
19 under advisement.

20 (Hearing concluded.)
21
22
23
24
25

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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Court Reporter, DO HEREBY
 CERTIFY that the foregoing and attached Transcript of
 Hearing before the Oil Conservation Division was reported
 by me; that the said transcript is a full, true, and correct
 record of the hearing, prepared by me to the best of my
 ability, knowledge, and skill from my notes taken during
 the course of the hearing.

Sidney F. Morrish
 Sidney F. Morrish, C.S.R.

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I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examiner hearing of Case No. 6260
 heard by me on *Aug 21*, 19 *48*.
Richard F. [Signature], Examiner
 New Mexico Oil Conservation Commission

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

CASE 6256: Application of Texaco Inc. for amendment of Commission Order No. R-5530, non-standard locations, and an administrative procedure, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to amend paragraph (14) on Page 7 of Commission Order No. R-5530 by removing or amending the allowable restriction therein subject to lease line agreements.

Applicant also seeks approval of nine injection wells at non-standard locations not closer than 10 feet to the Central Vacuum Unit boundary in the following units: Unit B of Section 12, Township 18 South, Range 34 East; Units D, E, L, and M of Section 6, Township 18 South, Range 35 East; Unit M of Section 31, Township 17 South, Range 35 East; and Units N, O, and P of Section 36, Township 17 South, Range 34 East, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico.

Applicant further seeks an administrative procedure for approval of additional producing and injection wells at orthodox and unorthodox locations.

CASE 6257: Application of Benchmark Oil Company, Ltd., for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Wright Well No. 1 to be located 1980 feet from the South line and 660 feet from the East line of Section 30, Township 9 South, Range 33 East, Flying M-San Andres Pool, Lea County, New Mexico, the E/2 SE/4 to be dedicated to the well.

CASE 6258: Application of Atlantic Richfield Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Devonian, McKee, and Ellenburger formations underlying the S/2 of Section 21, Township 22 South, Range 36 East, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5911: (Reopened and Readvertised)

In the matter of Case 5911 being reopened pursuant to the provisions of Order No. R-5353-B which order established temporary special pool rules for the Chacon-Dakota Associated Pool, Rio Arriba and Sandoval Counties, New Mexico. All interested parties may appear and show cause why said pool should not be reclassified as an oil pool to be governed by statewide rules.

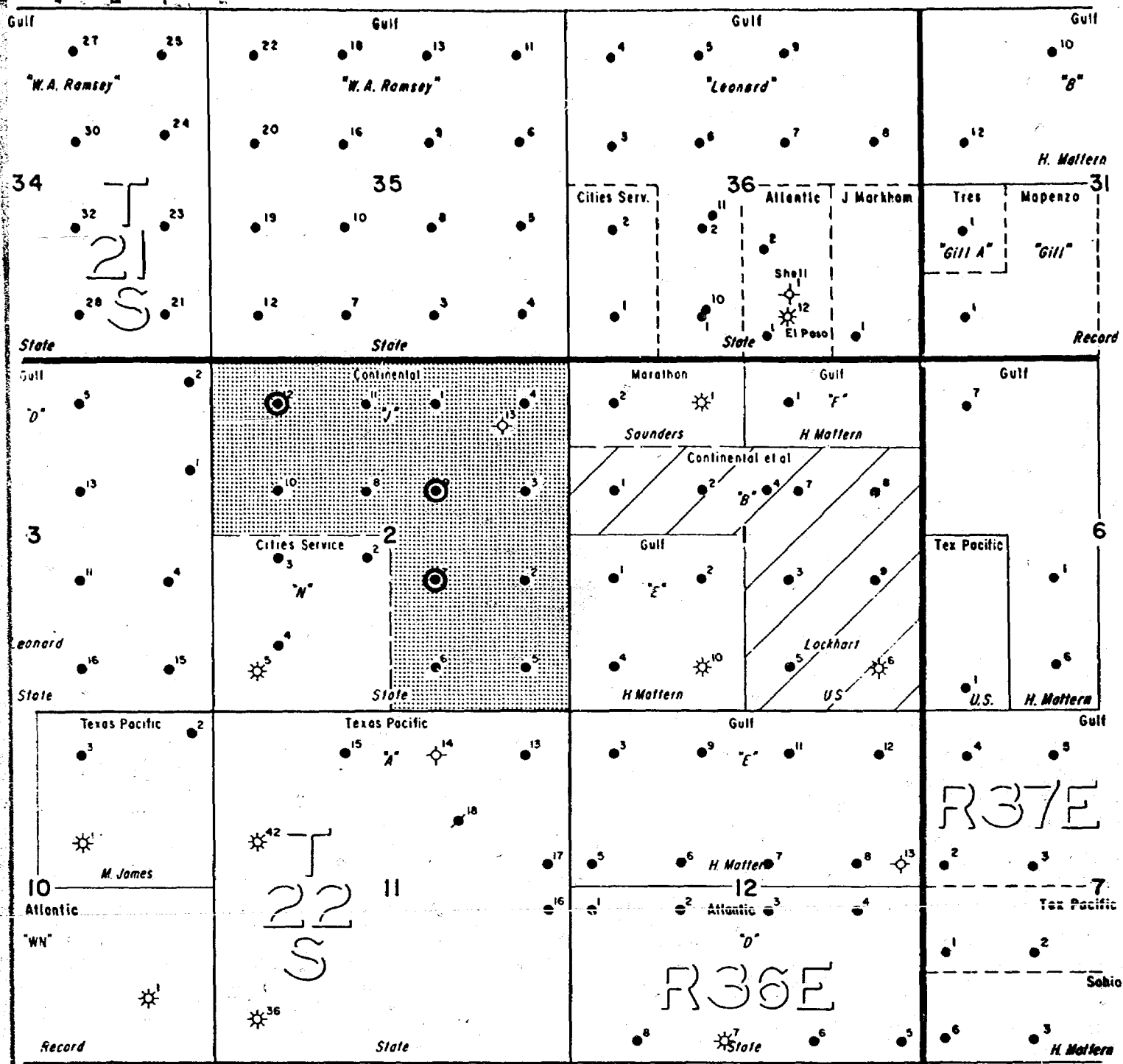
CASE 6259: Application of V-F Petroleum, Inc., for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Devonian formation through the perforated interval from 11,085 feet to 11,102 feet in its State 14 Well No. 1 located in Unit L of Section 14, Township 9 South, Range 32 East, SRR-Devonian Pool, Lea County, New Mexico.

CASE 6260: Application of Continental Oil Company for a non-standard gas proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 480-acre non-standard gas proration unit comprising the N/2 and SE/4 of Section 2, Township 22 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to applicant's State J-2 Wells Nos. 7, 9 and 12 located in Units J, C and D, respectively, of said Section 2.

CASE 6261: Application of Continental Oil Company for a non-standard gas proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the W/2 of Section 20, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to applicant's State C-20 Wells Nos. 5 and 6, located in Units M and C, respectively, of said Section 20.

CASE 6262: Application of Adobe Oil & Gas Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mississippian formation underlying the SE/4 of Section 17, Township 14 South, Range 36 East, Austin Field, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6263: Application of Adobe Oil & Gas Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mississippian formation underlying the NE/4 of Section 17, Township 14 South, Range 36 East, Austin Field, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.



CONTINENTAL OIL COMPANY

PRODUCTION DEPARTMENT—HOBBS DIVISION

EUMONT POOL

LEA COUNTY, NEW MEXICO

STATE J-2 LEASE

SCALE

BEFORE EXAMINER STAMETS

OIL CONSERVATION COMMISSION

EXHIBIT NO. 1

CASE NO. 6260

Submitted by Conoco

Hearing Date 6-21-78

STATE J-2 LEASE
COMPARISON OF ALLOWABLE VS. PRODUCTION

EUMONT GAS POOL

<u>Year/Month</u>	<u>480-Acre Allowable</u>	<u>#9 Production</u>	<u>#12 Production</u>	<u>Comparison</u>
1976 APR	66,864	12,271	37,573	(17,020)
MAY	58,560	12,284	51,391	5,115
JUN	44,991	12,567	42,736	10,312
JUL	34,515	13,032	42,918	21,435
AUG	45,000	10,800	32,834	(1,366)
SEP	76,245	11,327	31,007	(33,911)
OCT	116,160	12,655	30,630	(72,875)
NOV	121,101	11,943	32,645	(76,513)
DEC	128,172	12,351	47,730	(68,091)
1977 JAN	93,555	11,818	45,391	(36,346)
FEB	129,294	10,931	44,068	(74,295)
MAR	<u>156,591</u>	<u>11,833</u>	<u>45,993</u>	<u>(98,765)</u>
	1,071,048	143,812	484,916	(442,320)
APR	85,098	11,728	43,241	(30,129)
MAY	59,319	12,153	45,578	(1,588)
JUN	43,572	11,663	36,031	4,122
JUL	42,330	11,742	44,328	13,740
AUG	45,000	8,504	36,436	(60)
SEP	43,548	9,749	41,703	7,904
OCT	53,592	11,094	42,477	(21)
NOV	52,740	10,950	40,794	(995)
DEC	70,029	9,191	41,899	(18,939)
1978 JAN	84,909	9,046	41,625	(34,238)
FEB	76,029	7,873	37,203	(30,953)
MAR	<u>117,027</u>	<u>12,342</u>	<u>39,524</u>	<u>(65,161)</u>
	773,193	126,035	490,839	(156,319)

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
EXHIBIT NO. 2
CASE NO. 6260
Submitted by Conoco
Hearing Date 6-21-78

VTL/jj

EXHIBIT NO. 2

ROUGH

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6260

Order No. R- 5759

APPLICATION OF CONTINENTAL OIL
COMPANY FOR A NON-STANDARD GAS PRORATION
UNIT AND SIMULTANEOUS DEDICATION, LEA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 21, 1978, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this _____ day of June, 1978, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Continental Oil Company, seeks approval of a 480-acre non-standard gas proration unit comprising the N/2 and SE/4 of Section 2, Township 22 South, Range 36 East, NMPM, to be simultaneously dedicated to its State J-2 Wells Nos. 7, 9 and 12, located in Units J, G, and D, respectively, of said Section 2.

(3) That the entire non-standard proration unit may reasonably be presumed productive of gas from the Eumont Gas Pool and that the entire non-standard gas proration unit can be efficiently and economically drained and developed by the aforesaid wells.

(5) That Division Order No R-5190V should be
Superseded.

which previously approved the above-described
proration unit and dedicated same to the
State J-2 Wells Nos. 9 and 12 only

(4) That approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of the gas in the Eumont Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That a 480-acre non-standard gas proration unit in the Eumont Gas Pool comprising the N/2 and SE/4 of Section 2, Township 22 South, Range 36 East, NMPM, Lea County, New Mexico, is hereby established and simultaneously dedicated to its State J-2 Wells Nos. 7, 9 and 12 located in Units J, G and D, respectively, of said Section 2.

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

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

(2) That Division Order No. R-5190
is hereby superseded.