

Case 786

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

MAIN OFFICE OCC

1954 OCT 29 AM 10:17

IN THE MATTER OF APPLICATION OF GREAT WESTERN
DRILLING COMPANY FOR THE APPROVAL OF AN
UNORTHODOX GAS PRORATION UNIT CONSISTING OF
THE W/2 OF FRACTIONAL SECTION 8 AND THE W/2 W/2
SECTION 17, TOWNSHIP 32 NORTH, RANGE 11 WEST,
N.M.P.M., SAN JUAN COUNTY, NEW MEXICO

Your applicant, Great Western Drilling Company, represents that it is a corporation with offices in Midland, Texas, with a permit to do business in the State of New Mexico; that it is the present owner and holder of gas rights under an oil and gas lease for fee lands comprising the W/2 of fractional section 8, and that it is the present owner ^{OR PROPOSED OWNER} and holder of gas rights under Federal Oil and Gas Lease S.F. 078118, dated September 1, 1948, and extended by production, insofar as said lease covers the W/2 W/2 section 17, T. 32 N., R. 11 W., San Juan County, New Mexico, consisting of 327.80 acres, more or less.

Your applicant represents that section 8 in T. 32 N., R. 11 W. is a fractional section containing approximately 336.00 acres, and that the W/2 of said section 8 comprises Lots 3 and 4 and the S/2 SW/4 contains 167.80 acres, more or less.

Your applicant would show that the proposed unorthodox gas proration unit is offset to the west by gas wells completed to the Mesaverde formation in the NE/4 and SW/4 section 18 by Pubco Development, Inc., and a well completed to the Mesaverde formation in the SW/4 section 17 by Great Western Drilling Company.

Your applicant would show that the proposed unorthodox gas proration unit is offset to the east by the Cox Canyon Unit approved by the Oil Conservation Commission of New Mexico and the U. S. Geological Survey, and designated Contract I-Sec. No. 946.

Your applicant would show that it has requested the operator of the Cox Canyon Unit, namely Colorado Oil and Gas Corporation, for its joinder to form orthodox gas proration units but that said corporation has declined.

Your applicant represents that it has mailed to each of the offset operators a notice of this application.

Your applicant represents that pursuant to the terms and provisions of Order R-110, entered by the Commission, 320 acres has been established for drilling gas wells to the Mesaverde formation, San Juan County, New Mexico; that said 320 acre spacing units shall comprise governmental half sections, and that in the absence of joinder of lands embraced in the Cox Canyon Unit area your applicant is unable to form orthodox spacing units.

Your applicant desires to drill a gas well to be completed in the Mesaverde formation at a location approximately 990' from the south and west lines of section 17; and represents that, unless an unorthodox gas proration unit be approved, your applicant will be deprived of its opportunity to recover its just and equitable share of gas in the gas pool underlying the above described tract of land.

Your applicant respectfully requests that a hearing be held and an appropriate order be entered allowing the establishment of the W/2 of fractional section 8 and the W/2 W/2 section 17, T. 32 N., R. 11 W., N.M.P.M., as an unorthodox gas proration unit in the Blanco-Mesaverde Pool.

Respectfully submitted,

GREAT WESTERN DRILLING COMPANY

By Foster Morrell
Its Agent

FosterMorrell/fbp

October 27, 1954

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION, SANTA FE,
NEW MEXICO:
HEARING OF NOVEMBER 17, 1954

CASE NO. 786

APPLICATION OF GREAT WESTERN DRILLING COMPANY
FOR THE APPROVAL OF AN UNORTHODOX GAS PRORATION
UNIT CONSISTING OF THE W/2 OF FRACTIONAL SECTION 8
AND THE W/2 W/2 SECTION 17, T. 32 N., R. 11 W.,
N.M.P.M., SAN JUAN COUNTY, NEW MEXICO.

My name is Foster Morrell, Petroleum Consultant, Roswell, New Mexico, appearing on behalf of Great Western Drilling Company in Case No. 786 for the consideration of the application of Great Western Drilling Company for approval of an unorthodox gas proration unit in the Blanco-Mesaverde Pool, embracing the W/2 of fractional section 8 and the W/2 W/2 section 17, T. 32 N., R. 11 W., San Juan County, New Mexico, consisting of 327.80 acres, more or less. I have here a map, marked Exhibit 1 in Case No. 786, on which is shown, in red, the proposed unorthodox gas proration unit; in yellow, the boundary of the adjoining Cox Canyon Unit to the east, and the location to the west of gas wells completed to the Mesaverde formation.

Section 8, T. 32 N., R. 11 W., is a fractional section, the proposed unorthodox gas proration unit includes Lot 3, or 43.95 acres, and Lot 4, 43.85 acres, and the S/2 SW/4, or 80.00 acres, or a total of 167.80 acres of said section 8. This acreage, together with the 160.00 acres described as the W/2 W/2 section 17, comprises the 327.80 acres embraced in the unorthodox gas proration unit.

There are three gas wells offsetting the proposed unorthodox gas proration unit to the west. The Great Western Drilling Company No. 1 Decker, located 1850' from the south and west lines of section 7, T. 32 N., R. 11 W. This well was completed for production on March 18, 1954 at a total depth of 5500'. Gas is produced from the Mesaverde formation at depths from 4915 to 5591'. The initial potential after sand-oil-frac was 2,863,000 cubic feet of gas per day with a shutin pressure of 1015#. Gas is currently being sold from this well to El Paso Natural Gas Company. Acreage

attributed to the Decker well #1 includes all of fractional section 7, or a total of 332.27 acres, and is covered by a communitization agreement 14-08-001-1201 approved by the U. S. Geological Survey.

The Pubco Development, Inc. well No. 1 Johns, located 1650' from the north and east lines of section 18, T. 32 N., R. 11 E. This well was completed for production September 25, 1953, at a total depth of 5885'. Gas is being produced from the Mesaverde formation from depths of 5082 to 5885'. The initial potential after shooting was 3,590,000 cubic feet of gas per day with a shutin pressure of 985#. Gas is currently being sold from this well to El Paso Natural Gas Company. The acreage attributed to the Johns well #1 is the N/2 of section 18.

The Pubco Development, Inc. well No. 2 Johns, located 1650' from the south and west lines of section 18, T. 32 N., R. 11 E. This well was completed for production October 31, 1953, at a total depth of 5724'. Gas is being produced from the Mesaverde formation from depths of 5038 to 5724'. The initial potential after shooting was 4,450,000 cubic feet of gas per day with a shutin pressure of 1032#. Gas is currently being sold from this well to El Paso Natural Gas Company. The acreage attributed to the Johns well #2 includes the S/2 section 18, or 316.10 acres, which is covered by a communitization agreement 14-08-001-1161 approved by the U. S. Geological Survey.

As stated heretofore, the Cox Canyon Unit includes all land immediately to the east of the proposed unorthodox gas proration unit. Colorado Oil and Gas Corporation, Denver, Colorado, is the present unit operator of the Cox Canyon Unit. By letter of September 23, 1954 to Colorado Oil and Gas Corporation, Great Western Drilling Company requested said Colorado Oil and Gas Corporation to consider forming an orthodox gas proration unit covering all of fractional section 8. Such unit would have included the E/2 of section 8 held by Great Western and the E/2 of section 8 located within the Cox Canyon Unit. By letter of September 29, 1954, Colorado Oil and Gas Corporation advised that they were presently negotiating ^{for} with the possible transfer of their interest in these lands and were reluctant to commit the E/2 of

I wish to enter as Exhibit 2 the letter of September 23, and as Exhibit 2-1 the letter of September 29.

said section 8 at that time. Great Western Drilling Company is aware that pursuant to the terms and provisions of Order R-110, entered by the Oil Conservation Commission of New Mexico, 320.00 acres has been established for drilling gas wells to the Mesaverde formation in San Juan County, New Mexico; that said 320.00 acre spacing units shall comprise governmental half sections; and that in the absence of joinder of lands embraced in the Cox Canyon Unit area, Great Western Drilling Company is unable to form orthodox proration units.

Great Western Drilling Company is the present owner and holder of gas rights under an oil and gas lease for fee lands comprising the $\frac{1}{2}$ of fractional section 8, and is the present owner or proposed owner and holder of gas rights under Federal Oil and Gas Lease S.F. 073113 insofar as said lease covers the $\frac{1}{2}$ $\frac{1}{2}$ section 17.

In order to protect its interest and equity in the properties involved, Great Western Drilling Company proposes to form the unorthodox gas proration unit consisting of said $\frac{1}{2}$ of said fractional section 8 and the $\frac{1}{2}$ $\frac{1}{2}$ of said section 17, T. 32 N., R. 11 E., and to drill a gas well on said unorthodox gas proration unit to be completed in the Mesaverde formation at a location approximately 990' from the south and west lines of section 17, unless topographical conditions would prevent, in which case the location would be made approximately 1650' from the south line and 990' from the west line of section 17.

Great Western Drilling Company has mailed to each of the offset operators a notice of the application to this Commission. In support of this statement, I wish to present as Exhibits ~~2~~, 3, and 4, copies of my letters dated November 2, 1954, on behalf of Great Western Drilling Company, to Colorado Oil and Gas Corporation, the east offset operator, and to Sinclair Oil and Gas Company, the south offset operator. Pubco Development, Inc., the offset operator to the west, is fully informed of the application of Great Western and offers no objection to said application. Pubco will either be a partner in the drilling of the well with Great Western Drilling Company or will farm out to Great Western the $\frac{1}{2}$ $\frac{1}{2}$ of section 17.

~~I wish to enter as Exhibit 5 a letter dated November 10, 1954, from Colorado~~

Oil and Gas Corporation to me acknowledging receipt of my letter of November 2 advising of the application now pending before the Oil Conservation Commission for the creation of an unorthodox gas proration unit, which is the subject of this Case No. 736. Colorado Oil and Gas Corporation advises that they have related the information furnished to the other working interest holders of the Cox Canyon Unit and that they are jointly considering what action, if any, should be taken in opposition to or in support of the application of Great Western Drilling Company.

Your applicant represents that it is prepared to proceed with the drilling of a gas well to the Mesaverde formation, as heretofore described in this testimony, and that said applicant will be deprived of its opportunity to recover its just and equitable share of gas in the gas pool underlying its lands, and waste will occur, unless an unorthodox gas proration unit be approved.

This application has been reviewed with the Regional Oil and Gas Supervisor of the U. S. Geological Survey, who offers no objection to the application as filed with the Oil Conservation Commission. The Supervisor is of the opinion that wells can be located within the Cox Canyon Unit so that the unit may obtain full acreage credit for each gas well drilled so far as they effect lands in sections 8 and 17, T. 32 N., R. 11 W.

Great Western Drilling Company respectfully requests that an appropriate order be entered allowing the establishment of the W/2 of fractional section 8 and the W/2 W/2 section 17, T. 32 N., R. 11 W., N.M.P.M., New Mexico, as an unorthodox gas proration unit in the Blanco-Mesaverde Pool.

I wish to enter in the record of Case No. 736 Exhibits 1 through 5, inclusive.

the opening of the well thereon as proposed in this testimony.