

BEFORE THE
OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

Santa Fe, New Mexico
February 17, 1955
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TRANSCRIPT OF PROCEEDINGS

CASE NO. 834

Regular Hearing

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 17, 1955

IN THE MATTER OF:

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-22 and
directing the Texas Company to reduce the size of
the non-standard gas proration unit permitted there-
in to conform to provisions of Paragraph 3 of Rule
5(a) of the Special Rules and Regulations for the
Eumont Gas Pool, as set forth in Order R-520; the
resulting proration unit to consist of NW/4 NW/4,
E/2 NW/4, and NW/4 NE/4 of Section 10, Township 20
South, Range 37 East, Lea County, New Mexico.

Case No.
834

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 834.

(Statement of Policy on the Formation of Non-Standard Gas
Proration Units (Presented at February 16 Hearing by W. F. Kitts,
Attorney)).

Considerable confusion has developed in recent weeks re-
garding 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 gas 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 3,735' -- 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. WHITE: If the Commission please, this order to show cause is directed to The Texas Company's Well Phillips No. 1, to which 280 acres was assigned in accordance with its order NSP-22, issued October 27, 1954. The Texas Company respectfully requests that this order be reaffirmed and approved.

W A R R E N W. M A N K I N

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

DIRECT EXAMINATION

By MR. WHITE:

Q Mr. Mankin, I direct your attention to Texas Company's Phillips Well No. 1 and ask you when that was drilled?

A Texas Company's E. H. B. Phillips Well No. 1 located in the northwest quarter, northwest quarter Section 10, Township 20 South, Range 37 East, Lea County, New Mexico, was completed on April 16, 1953 as a gas well in the Queen pay in the presently designated Eumont Gas Pool.

Q Then, I assume that the well was drilled prior to any gas proration orders having been issued?

A Yes, sir.

(Marked Texas Company's Exhibit "A",
for identification.)

Q I direct your attention to Exhibit "A", and ask if that was prepared under your direction and supervision?

A It was.

Q Will you state to the Commission what you intend that to show?

A That is a gas well plat of the Texas Company's E. H. B. Phillips No. 1, a gas well in the Queen pay of the Eumont Gas Pool with a dedication of 280 acres to the particular well. The well is located 660 feet from the west line and 661 feet from the north line of Section 10, Township 20 South, Range 37 East. It also shows the other wells and leases within that Section 10, which is the Continental's H. M. Britt No. 10, with a 160-acre unit assigned to their one well with an additional acreage that has not been assigned or developed, of Continental, in the same section.

Q In making application to the Commission for the orders now in question, were the offset operators notified?

A Yes, sir, they were. In addition, they were notified and waivers were requested from all operators within the section, according to Rule 5(b).

Q Were those waivers obtained?

A Yes.

Q Are they on file with the Commission?

A Yes, they are on file. Waivers were obtained from Continental within the section, and also obtained from offset operators within 1,500 feet of the well, which is Tennessee Production Company -- I don't recall just what the others are, they are on file with the Commission. Amerada, and Ohio Oil Company, Nolan and Byron, those are on file with NSP-22.

Q Is this assigned acreage all contiguous quarter quarter sections?

A Yes, sir.

Q Does the unit lie within a governmental section?

A Yes, sir.

Q In your opinion, is it reasonable to assume that the entire acreage is productive of gas?

A Yes, sir.

Q In your opinion, can this acreage be efficiently and economically drained by the subject well?

A Yes, sir.

Q In your opinion, what effect would this proposed unit have on correlative rights?

A None, it would not effect the other offset operators.

Q Are the royalty interests in common?

A Yes, sir, they are.

Q As to the working interests, are they in common?

A Yes, sir.

Q What do you have to say, as to the offset drainage, if any?

A I don't believe there would be any offset drainage.

MR. WHITE: I believe those are all the questions we have.

MR. MACEY: Are there any questions of the witness? Mr.

Reider?

CROSS EXAMINATION

By MR. REIDER:

Q Mr. Mankin, is the Phillips No. 1 showing any oil?

A To the best of our knowledge it is not. It is the only well on the lease and to the best of my knowledge there is no oil. In fact, in this particular area, it is far away from any rim oil that has been known, that I have any knowledge of.

Q The Ohio Laughton 4 is showing a little oil. That is what prompted our question here, the southwest diagonal offset.

A That is dual completion also, is it not?

Q Yes, but they are not completely sure of the communication.

A We have no knowledge of any oil production. We will certainly keep it under surveillance.

MR. REIDER: That is all.

MR. MACEY: Do you know how the well is hooked into the pipeline? Is it hooked into a separator, or directly into the pipeline?

A That I am not certain of. We are checking on each of those conditions at the present time to be sure, if there is any possibility of any oil being made, that separators are set on our leases in that connection.

MR. MACEY: Anyone have any questions of the witness? If not the witness may be excused.

(Witness excused.)

MR. WHITE: We would like to have Exhibit "A" admitted in evidence.

MR. MACEY: Is there objection to introduction of Exhibit "A" in Case 834? If not it will be received in evidence.

MR. KELLAHIN: Jason Kellahin, for Continental. At the time this application was originally filed, Continental did grant a waiver, and at the time this waiver was executed the Commission was apparently condoning this type of application, and we executed the waiver in recognition of that policy. Since that time the Commission has felt it advisable to reconsider, and we feel the Commission is correct in doing so. We do not want this to be interpreted

as a protest to this application. We do not protest the application at the present time, but we do feel that the Commission acted properly in setting the matter for a hearing.

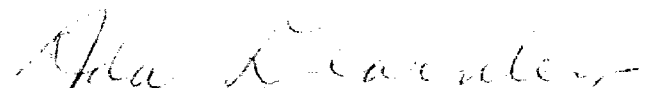
MR. MACEY: Anyone else? If not we will take the case under advisement and take a short recess.

(Recess.)

STATE OF NEW MEXICO)
 : ss.
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 25th day of February, 1955.


Notary Public, Court Reporter

My Commission Expires:
June 19, 1955