

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 835

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
ROOMS 105, 106, 107 EL CORTEZ BUILDING
TELEPHONE 7-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
Santa Fe, New Mexico

March 16, 1955.

IN THE MATTER OF:

(Reference NSP-23) Directed to R. Olsen
Oil Company for reduction of a previously
approved non-standard gas proration unit to
limit its extent to NE¹/₄ of Section 11,
Township 24 South, Range 36 East.) Case No. 835
(Continued.)

Before: Honorable John F. Simms, E. S. (Johnny) Walker, and
William B. Macey.

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 835.

MR. RUSSELL: John F. Russell appearing on behalf of Olsen
Oil Company in Case 835.

This case was set down last month on an order to show cause
why the unit should not be reduced to 160 acres. At our request
it was postponed until this month because we did not have accurate
test on the wells to determine whether or not it could make the
allowable if it was granted.

D E W E Y W A T S O N

having first been duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. RUSSELL:

Q Will you state your name to the Commission?

A Dewey Watson.

Q By whom are you employed? A R. Olsen Oil Company.

Q In what capacity?

A Chief geologist and production foreman for New Mexico area.

Q What is your educational background, Mr. Watson?

A B. S. degree in geological engineering from University of Oklahoma.

Q What year? A 1950.

Q What have you been doing since 1950?

A I have been working for R. Olsen Oil Company.

Q Have you been working for them in Lea County, New Mexico during this period? A Yes, sir.

Q Referring to what has been identified as Olsen Exhibit No. 1, was the map prepared by you or under your instruction?

A Yes, sir, it was.

Q Are you familiar with the lands and the wells shown on this plat? A Yes, sir.

MR. RUSSELL: Are the witness's qualifications acceptable?

MR. MACEY: They are.

Q Will you describe the location of the well to which you seek to attribute this acreage?

A The location of the well is in the southwest of the northeast quarter of Section 11, 24 south, 36 east.

Q Will you give a brief history of this well to the Commission?

A This well was completed in June of 1948, drilled to a total depth of 3,172 and the top of the Yates is at 3,004 feet and the initial potential on that well was 7,600,000.cubic feet per day.

Q Mr. Watson, in your opinion, if the Commission should grant a 320 acre allowable, do you think that this well is capable of producing the allowable? A Yes, sir.

Q On what do you base your opinion?

A We took a test which started on the 22nd of February and

ran through the 24th of February, producing into El Paso's existing line, and that test showed that the well was capable of producing 1,920,000 cubic feet per day. That is based on a 14.65 pressure base.

Q In your opinion, Mr. Watson, is the entire north half of Section 11, Township 24 south, Range 36 east, reasonably productive of gas?

A Yes, sir, I think it is.

Q In your opinion will this well drain the entire 320 acres?

A Yes, sir.

Q Now, referring again to your Exhibit 1, Mr. Watson, who owns the working interest in the north half of this section?

A The working interests are owned by Stanolind Oil and Gas Company and the R. Olsen Oil Company. The Stanolind Oil and Gas Company has the northwest, northwest of Section 11.

Q R. Olsen has the balance of that?

A Yes, sir, which is 280 acres.

Q Who are the royalty owners in the north half of the section?

A It is the Federal Government.

Q For the entire north half including Stanolind?

A That is right.

Q Mr. Watson, have you currently, or is it currently, a tentative agreement between the Stanolind and R. Olsen for the pooling of their 40 in the northwest quarter and your 280 in the event that the Commission should see fit to grant a 320 acre allowable?

A Yes, sir, there is such an agreement.

Q In your opinion, Mr. Watson, will the granting of the requested exception injure correlative rights of any offset owner?

A I believe not.

Q I hand you what has been identified as Olsen Exhibit 2 and ask you to identify that.

A This is a telegram from Western Natural Gas Company and the date on it is February 11, 1955. The contents are as follows: "We have no objection to the formation of a 280 non-standard gas proration unit for your Meyers "B" 2 in Section 11, 24, 36."

MR. RUSSELL: I would like at this time to introduce into evidence Olsen Exhibit 1 and 2.

MR. MACEY: Without objection they will be received in evidence.

Q Mr. Watson, in your opinion will the granting of requested exception protect the correlative rights of the applicant?

A Yes, sir, I believe it will.

Q Will it further prevent waste and avoid the drilling of unnecessary wells by the applicant? A Yes, sir, it will.

MR. RUSSELL: No further questions of the witness.

MR. KELAHLIN: Kelahin, representing Continental.

CROSS EXAMINATION

By MR. KELAHLIN:

Q Mr. Watson, I am a little confused. Are you asking for a 280 acre non-standard or 320?

MR. RUSSELL: I would like to make a statement on that. It is my understanding that the original administrative order by the Commission was granted for 280 acres. It was then set down for hearing on an order to show cause as to why the allowable of this well should not be reduced to 160, and ^{we} feel that at this time the question of how much acreage can be attributed to the well,

could be placed before the Commission at this hearing and then avoid unnecessary administrative hearing procedure to bring in the 40 acres along with the 280, if 280 is granted.

MR. KELAHLIN: I am to understand that you are asking for 320?

MR. RUSSELL: Asking for 320.

MR. KELAHLIN: I don't want to seem technical, it does seem a little out of line on an order to show cause why they should not be cut back from that which they have; instead they want it increased from that which they have at the same hearing. As I say, I don't want to seem technical on the point, but it doesn't seem proper to me as a matter of procedure for the Commission to entertain such an application at this time without advertising it on that basis.

MR. RUSSELL: I realize you don't want to get technical, but I haven't checked to determine whether that would be within the radius of influence of that particular well. I feel that the information could be properly presented on the capability of the well with regard to 320 as well as 280, which is why we ran the additional test last month.

MR. KELAHLIN: My only point is that it would be beyond the call of the hearing.

By MR. KELAHLIN:

Q I understood you to say that the well was located in the southwest quarter of the northeast quarter?

A That is the southeast quarter.

Q Could you give the distance from the northeast lines?

A From the north line it is 1,980 and from the east line it

is 660.

Q You have other wells in this section, do you not?

A Yes, sir.

Q What are those wells?

A We have a well in the southwest of the southeast quarter. It is Cooper 1, and we have another well in the center of the southwest quarter, Cooper "G" 1.

Q Those are both completed within the Jalmat Pool?

A Yes, sir.

Q Did you consider dedicating the west half to your well in the southwest quarter as being a location which more nearly conforms to the present rules in effect in the Jalmat Pool?

A Yes, the problem arises there of having to pool patented land with Government land.

Q It is just an administrative problem within your organization then, is it not?

A Yes, sir, I suppose so.

Q Did you make any effort to communitize the west half? Have you attempted to do that?

A Not to my knowledge.

Q Are you aware of the fact that under the rules you could dedicate the east half or the northeast quarter without an exception as one unit, are you not?

A I believe that would be right, sir.

Q In your opinion will this well drain the northwest quarter of the northwest quarter of the proposed unit?

A Yes, I believe it will.

Q Have you made a study of the formation within the Jalmat Pool as to the communication?

A Yes, sir.

Q In your opinion it will drain it that distance?

A I believe it will.

Q Are you familiar with wells in adjoining sections?

A Not entirely, but I have a knowledge of them.

Q You know that Continental does have a well on the southeast quarter of the northeast quarter of Section 12 completed in the Yates?

A You mean the southeast quarter or the northwest quarter?

Q No. The southeast of the northeast, designated as their Vaughn "B" No. 1.

A Yes, sir.

Q On the basis of your test as to your well, in your opinion would a well so located likewise drain the east half of the northwest quarter of Section 12?

A Yes, sir, I believe it would.

Q Would you have any objection in view of the fact that Continental has the east half, the east half of the northeast quarter and the west half of the northeast quarter, would you have any objection to a unit consisting of those two areas, an exception to paragraph 5 B-1 of the Jalmat Pool rules?

A I don't suppose I would, but I imagine there are some other people that would.

Q Would you have such an objection?

A No, sir.

Q Prior to the entry of this order, did you have a contract covering this area, Mr. Watson, or do you know?

A You mean the whole 320?

Q Yes.

A No, sir, it was a tentative agreement between Stanolind

and R. Olsen pending the hearing.

Q I mean a gas contract. A Yes, sir.

Q You had a contract covering the entire area?

A No, I don't believe we did.

Q Did you have a gas purchase contract covering this well?

A Yes, sir.

Q Do you know what acreage was dedicated to it under that contract? A No, sir, I don't.

Q How far is it from your well to the farthest point within the proposed unit?

A Well, it would be 660 feet less 5,280.

Q That would be something over 4,000 feet?

A Yes, sir.

MR. KELAHLIN: That is all.

MR. MACEY: Any other questions of the witness? Mr. Kitts.
By MR. KITTS:

Q I want to be sure I understand you. You are not seeking approval of 320 acre units in this hearing?

MR. RUSSELL: I would like approval of 320 acre unit at this hearing if possible.

MR. KITTS: You have not concluded your agreement with Stanolind on the pooling?

MR. RUSSELL: No, the agreement has not been executed at this time.

MR. KELAHLIN: I have one other question from Mr. Watson.
By MR. KELAHLIN:

Q In computing your deliverability, why didn't you use the New Mexico pressure base? You used, as I understood, the 14.5 as

pressure base?

A That is primarily the base upon which your gas, what we were paid for.

Q I didn't understand you.

A That is the pressure base at which you received payment for your gas.

Q Are you aware of the fact that the pressure base normally used is 15.025?

A Yes, sir.

Q Did you correct it to that figure?

A No, sir, I did not.

Q Could you do so now?

A I believe I could. Slide rule, 1,861,000 cubic feet.

MR. KELAHLIN: That is all, thank you.

By MR. REIDER:

Q Would you repeat?

A 1,861,000 cubic feet.

Q Can you explain the underproduction as of February?

A The underproduction as of February. Just a minute, let me check the proration schedule.

Q It amounts to 38,956,000.

A That is up to when?

Q That was up to January 1st.

A It must have made up a little in February because January 31 it is 28,520,000. For that I don't have an explanation.

Q Do you feel that the well could adequately make its allowable on 320 acres?

A Yes, sir, I do.

MR. MACEY: Anyone else have any questions of the witness? Does anyone have anything further in this case?

MR. KELAHLIN: I would like to make a statement in behalf

of Continental. Continental is opposed to this application for the reason we have previously stated, and briefly I would like to review them.

We feel that the Commission in adopting the spacing regulation governing the amount of acreage that can be dedicated to a well, adopted a rule for which they should grant an exception only after strong showing of actual need for such an exception. Certainly we don't feel that such a need has been shown in this case. Continental owns the offsetting acreage and would be affected by the production from this well. I would like to point out that there is no testimony in the record to show that the western portion of this proposed unit, in particular the northwest quarter, is reasonably productive of gas. No testimony was offered on that point at all. We feel that the Commission should adhere to its Rule 5a in the Jalmat Pool Rules and abide by this spacing regulation.

Otherwise correlative rights are going to be damaged. That was the purpose for which the rule was adopted. My question in regard to Continental's location, Continental having a well in the east half of the northeast quarter and owning the east half of the northeast quarter and the west half of the northwest quarter being non-contiguous acreage, would not be subject to a creation of a unit under the present rules, but the witness has testified that this will drain the acreage up in the northwest quarter of their proposed unit. Certainly the Continental wells will likewise drain the acreage in the northwest quarter of the unit.

It would be just another exception. I brought it out not to show that Continental intends to apply for such a thing, but to show the point to which these things can be carried. We don't

think it is appropriate for the Commission to entertain an application such as this under the circumstances.

MR. MACEY: Anyone else?

A I would like to go a little further on the productivity of the west half of the north half of Section 11. Cities Service drilled a well in 1950, State 1 "Y". They have a drillstem test that was taken, incidentally it is plugged and abandoned, that was taken from 3138 to 3225. It was open one hour and forty-five minutes, had gas to surface in three minutes and flowed at the rate of 427 m.c.f. per day. They also recovered 160 foot of sulphur water. The flow pressure was from 200 pounds and 20 minutes shut in pressure 875 pounds. I believe that pressure, as far as the pressure concerned is normal for the area at this time and at that time. The top of the Yates was at 3083 which is about approximately 50 foot of the Yates that did not test. I believe that with due regard to Cities Service, I believe the well could be made to produce Yates gas in that particular well, or well drilled in that area.

That looks to me like it would substantiate production on that side since we do have our Cooper 1 to the south of it which is productive.

MR. MACEY: Anyone else? The witness may be excused.

(Witness excused.)

MR. TOWNSEND: Stanolind, as has been said, owns the northwest of the northwest. We have entered into this proposed agreement subject to the outcome of this hearing. We think that there is nothing to preclude the Commission in the event that it sees fit to grant a unit in excess of 160 acres. We think that there is nothing to preclude the Commission from granting 320 rather than

280. For that reason we are naturally in favor of the application. I should not say the application, but with the proponents here.

MR. MACEY: Anyone else have anything further in this case? If not we will take the case under advisement.

C E R T I F I C A T E

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings in the matter of Case No. 835, were taken by me on March 16, 1955; that the same is a true and correct record to the best of my knowledge, skill and ability.


Reporter

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
Santa Fe, New Mexico
February 17, 1955

TRANSCRIPT OF PROCEEDINGS
CASE NO. 835
Regular Hearing

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

IN THE MATTER OF:

The 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-23 and
directing R. Olsen Oil Company to reduce the size
of the non-standard gas proration unit permitted
therein to conform to provisions of Paragraph 3 of
Rule 5(a) of the Special Rules and Regulations for
the Jalmat Gas Pool, as set forth in Order R-520;
the resulting proration unit to consist of NE/4 of
Section 11, Township 24 South, Range 36 East, Lea
County, New Mexico.

Case No.
835

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 835.

(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 regard-
ing 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 pool rules contained in Order R-520. Any application which does not meet these requirements for administrative approval must be heard after notice of 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 3735' -- 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. RUSSELL: If the Commission please, Jack Russell, Roswell, appearing on behalf of R. Olsen Oil Company in Case 835. I would like to advise the Commission that after reviewing the original application and the information currently on hand, we are of the opinion that at present we do not have sufficient accurate information to determine whether or not the well will make the allowable, if granted. We would like to make some back pressure tests, and in the event those tests confirm the original thought that it would make the full allowable, we would like to present that to the Commission next month. In the event it does not, we will abandon our position under it. I would like to request that the Commission continue Case 835 until next month.

MR. MACEY: Mr. Russell, I think you are aware of the fact that it would call for a suspension of allowable on March 1st -- Not suspension, but reduction.

MR. RUSSELL: Yes, sir, that is right, reduction.

MR. MACEY: I wonder how your offset operators feel about it. Would you agree to a temporary reduction allowable?

MR. RUSSELL: Yes, sir. We realize that we would be in the position of a cut for the month of March.

MR. KELLAHIN: Jason Kellahin, Continental. We have no objection to the continuance.

MR. MACEY: Is there objection to the continuance from anyone? If not, we will continue Case 835 until the March 16th hearing.

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, 1954.

Ada Dearnley
 Notary Public, Court Reporter

My Commission Expires:

June 19, 1955