

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 19, 1956

IN THE MATTER OF:

CASE NO. 1039

TRANSCRIPT OF PROCEEDINGS

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
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Application of Tide Water Associated Oil)
Company for an order granting an exception)
to Rule 5 (a) of the Special Rules and Regula-)
tions for the Eumont Gas Pool as set forth in)
Order R-520 in establishment of a 113.4-acre)
non-standard gas proration unit, Eumont Gas)
Pool, Lea County, New Mexico.)
)

Applicant, in the above-styled cause, seeks an)
order granting a 113.4-acre non-standard gas)
proration unit in the Eumont Gas Pool comprising)
the SW/4 SW/4 of Section 7 and the N/2 NW/4 of)
Section 18, Township 21 South, Range 37 East,)
Eumont Gas Pool, Lea County, New Mexico.)
Applicant proposes to dedicate said acreage to)
a well which shall be designated Tide Water)
Associated Oil Company State "AF" Well No. 1,)
said well to be located in the center of the NE/4)
NW/4 of Section 18, Township 21 South, Range 37)
East, Eumont Gas Pool, Lea County, New Mexico.)
-----)

Case No. 1039

BEFORE:

Warren W. Mankin, Examiner

TRANSCRIPT OF HEARING

EXAMINER MANKIN: The next case is 1039, the application of Tide Water Associated Oil Company for an order granting an exception to Rule 5 (a), Eumont Gas Pool, for a non-standard unit in the Eumont Gas Pool.

MR. HOLLOWAY: I am J. B. Holloway, an employee of Tide Water Associated Oil Company, and I will represent them here.

J. B. HOLLOWAY

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

MR. HOLLOWAY: I shall follow very closely what I stated in the application, that Tide Water Associated Oil Company is the owner of State oil and gas Lease No. B-11,300, covering the NE/4 NW/4 of Section 18-21S-37E, which contains 40 acres. It is also the owner of State Lease No. E-1057, covering the SW/4 SW/4 of Section 7-21S-37E, which contains 36.69 acres. El Paso Natural Gas Company is the owner of gas rights under State Lease No. B-1167, covering the NW/4 NW/4 of Section 18-21S-37E, which contains 36.71 acres. These added together total 113.4 acres, that we are proposing to have formed into a non-standard gas proration unit. Tide Water Associated Oil Company and El Paso Natural Gas Company have, subject to the approval of the Oil Conservation Commission, agreed to communitize these three leases and to dedicate the acreage in same to a well which shall be designated Tide Water Associated Oil Company State "AF" Well No. 1, the location of which shall be in the center of the NE/4 NW/4 of Section 18-21S-37E. There are no wells on the proposed acreage which are completed within or producing from the vertical limits of the Eumont Gas Pool. We have found it to be impractical to pool the SW/4 SW/4 of Section 7-21S-37E with other acreage within the section to form a standard unit. Non-standard units have previously been approved for acreage within Section 7-21S-37E as follows: F. J. Danglade has a 157-acre unit, consisting of the S/2 NW/4 and E/2 SW/4. A 160-acre non-standard unit has been approved for Claude E. Aikman, and it is comprised of the S/2 NE/4 and the N/2 SE/4. Then the S/2 SE/4 of Section 7 and the W/2 SW/4 of Section 8 has been approved as a non-standard 160-acre unit for Neville G. Penrose, Inc. The NE/4 of Section 18, the section to the South, has also been approved as a non-standard proration unit for Neville G. Penrose, Inc. We have attached a plat which shows the location of the

proposed unit, and the proposed well, and the surrounding tracts. All of the acreage in the proposed unit is within the horizontal limits of the Eumont Gas Pool, and is reasonably presumed to be productive of gas from that pool. We feel that Tide Water Associated Oil Company and El Paso Natural Gas Company will be deprived of a fair opportunity to recover their just and equitable share of the natural gas in the Eumont Gas Pool unless the proposed non-standard proration unit is formed, and unless the acreage therein is assigned to Tide Water Associated Oil Company's proposed State "AF" Well No. 1. We believe that the creation of the proposed non-standard proration unit and the assignment of the acreage therein to the above mentioned well is in the interest of conservation and will protect correlative rights. I would like to add also that an examination of the plat will show that E. G. Rodman has a 40-acre well directly to the North of the unit which is located in the NW/4 SW/4. Mr. Rodman was invited to participate in the proposed unit, but inasmuch as he had a well producing from the vertical limits of this field, why he was not interested and didn't elect to join so we were reduced to the 113-acre unit that we are proposing here. And we don't feel that we have any other means of providing sufficient acreage to justify or pay out a well on any unit smaller than we have proposed. At the time we filed this application we also filed an application or permit to drill State "AF" Well No. 1, which I understand has not been started, pending the ruling of the Commission on the proposed unit. That's all of the testimony.

MR. MANKIN: Mr. Holloway, you indicated that Mr. Rodman had a well on a 40-acre unit or approximately a 40-acre unit, just north of the proposed unit here.

A. Yes, sir.

MR. MANKIN: I was trying to find that on our gas schedule, was just wondering if that definitely is included within the vertical limits of the Eumont Gas Pool?

A. Mr. Examiner, that is carried on the oil proration schedule in the Penrose-Skelly Field. It has an allowable of two barrels a day and I believe the indicated gas-oil ratio is some 237,000 feet of gas per barrel and I understand from

actual reports filed that the well is producing something on the order of 16 million feet of gas per month. So naturally it was a poor trade for him to make.

MR. MANKIN: The actual well in question, is it completed in the Queen?

A. In the Queen, yes, sir. Just a moment, if I can find this I will show it to you. It is on record.

MR. MANKIN: I was just trying to find it, that is the reason I asked the question.

A. Yes, sir. I think you can see it here-----272,000-1 ratio.

MR. MANKIN: So very likely the redelineation of the Penrose-Skelly Field is in order now--the Queen being taken out and then would come under the Eumont and then would be subject to a 40-acre allowable only.

A. I would think that that would be applicable to----

MR. MANKIN: So that will take care of itself. Is there further question of the witness in this case? The well has not been started?

A. No, sir.

MR. NUTTER: This communitization between El Paso and Tide Water is completed for all practical purposes, just pending the outcome of this hearing, is that correct?

A. With this one reservation. I don't think--these are State Leases--- and I don't think the instrument has yet been presented to the parties of the State that are necessary to approve it. But the instrument--we have had previous pooling agreements on the same form.

MR. NUTTER: It is the policy of this Commission to withhold approval until the communitization has been effected. I presume you are willing to wait for the communitization before this order is----

A. Oh yes, sure. That would also include the approval of the State.

MR. GURLEY: And we would like to have that as soon as possible, sir. It is my understanding that the communitization agreement has been executed, just subject to the approval of the State, is that correct?

A. And the Oil Conservation Commission. There would be no purpose in pooling it otherwise.

MR. GURLEY: Do you have an instrument, an executed instrument?

A. No, sir, not with me.

MR. GURLEY: Well, I mean, is there an executed instrument?

A. Yes, sir, there is. A deal has been made between---

MR. GURLEY: We would like to have a copy of that.

A. Tide Water and El Paso.

MR. MANKIN: For the purpose of the record then, if the Commission sees fit to approve the order in question, the allowable will be tied in with the effective communitization of the working interests concerned.

A. Yes, sir, thats right.

MR. MANKIN: Anything further in this case? You had no exhibit which you wished to present, did you Mr. Holloway?

A. Only the one that was attached to my application, of which I am going to have five copies made for you. Now, I might ask you there, you do not need additional copies of the application?

MR. MANKIN: Instead of the five copies, Mr. Holloway, why don't you attach a copy from the copy of the application which you have and we will mark that

as Exhibit 1, is that satisfactory to you and that will be adequate. Now, do you wish to enter what we have marked as Exhibit 1 as evidence in this case?

A. Yes, sir.

MR. MANKIN: Is there objection to entering Exhibit 1 in this case? If not it will be so entered. We will take the case under advisement.

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

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

Dated this 20th day of April, 1956.

Joan Hadley