BEFORE THE OIL CONSERVATION COMMISSION,

STATE OF NEW MEXICO.

APPLICATION OF OLSEN OILS, INC. FOR AN EXCEPTION TO RULE 10 OF ORDER NO. R-967 AND FOR THE ASSIGNMENT OF MINIMUM ALLOWABLE TO ITS COOPER B #2 GAS WELL LOCATED IN THE NE¼NW¼ OF SECTION 14, TOWNSHIP 24 SOUTH, RANGE 36 EAST, JALMAT GAS POOL AND FOR RELIEF FROM A THREATENED SHUT IN.	)	CASE NO._____

COMES NOW the Olsen Oils, Inc., a New Mexico corporation, with principal office in Jal, Lea County, New Mexico, and files this its Application for an exception to Rule 10, Order No. R-967 and for the Commission to assign a minimum allowable to its Cooper B #2 and for cause would show:

1. Applicant is the owner and operator of the gas well known as the Cooper B #2 located in the NE¼NW¼ of Section 14, Township 24 South, Range 36 East, in the Jalmat Gas Pool.

2. That the Cooper B #2 has previously been designated as a marginal gas well and has been operated under said classification.

3. That in connection with the production of gas from said well, the operator is required to produce large

quantities of water and production is obtained by the use of a free floating piston and without this method of production being used, the well would be incapable of producing gas due to the encroachment of the water. That with the continued build up of water, it is anticipated that the operator will have to install a pump jack in the immediate future in order to lift the continuous increasing flow of water and produce gas from said well.

4. Applicant would show that after the classification of said well as a marginal well the El Paso Natural Gas Company reduced their line pressures considerably in the lines to which said well was connected and by reason thereof, the well was capable of producing into the El Paso line gas in excess of the fixed allowable. However, this condition was not the only condition existing which caused the over-production. During recent months the allowables assigned to marginal wells within the Jalmat Gas Pool were so reduced that the production of gas by the methods employed by the applicant could not keep from over-producing.

5. Applicant states that in its opinion enormous gas reserves are located under the acreage assigned to the

Cooper B #2 well and that if applicant is required to shut in said well for any period of time, the encroachment of the water will destroy the well and require the applicant to prematurely abandon.

6. Applicant would further show the Commission that on January 29, 1958, the Commission entered its Order No. 1092 A in Case No. 1327. That said Order has been under attack of the Courts in the State of New Mexico by many operators within the affected gas pools. That on July 1, 1958, the Jalmat Gas Pool proration formula was changed and the Commission, on its own motion, found it necessary to delay for approximately one year before attempting to reclassify the gas wells under the new proration formula. That, thereafter, in the month of June, 1959, the Commission reclassified approximately 118 gas wells, including applicant's and advised applicant that said Cooper B #2 was no longer a marginal gas well and had over-produced more than six times its allowable. Thereafter, by Memo No. 13-59, the Commission notified all operators that unless Applications were filed seeking relief from this Commission,

all of the 118 wells would be shut in as of September 1, 1959. That Order No. R-967 provides under Rule 6-C as follows:

> "The Commission may assign minimum allowables in order to prevent the premature abandonment of wells."

The Order further provides, under Rule 10:

> "The Commission may allow over-production to be made up at a lesser rate than would be the case if the well were completely shut in upon a showing at public hearing after due notice that complete shut in of the well would result in material damage to the well."

7. Applicant states that in order for applicant to protect its gas reserves, the encroaching water must be produced from its well to prevent the killing of the same. The exact amount of water that will be required to be produced in order to stablize a flow of gas from said well cannot be definitely ascertained at this time. However, applicant believes and states to the Commission that if the Commission will allow a 120 day producing period, applicant will report to this Commission the minimum amount of water required to be produced in order to prevent the killing of the well and yet allow its continued production.

Applicant will advise the Commission as soon as possible, the total flow of gas that will be produced under such production method.

8. The Commission being charged with the conservation of oil and gas and the protection of correlative rights adopted the rules and regulations above quoted to insure relief to an operator situated as the applicant. In light of its declared policy, the Commission should enter an Order covering applicant's Cooper B #2 well authorizing applicant to continue to produce the same for a period of 120 days and then report to this Commission the data necessary for this Commission to enter an Order establishing a minimum allowable for this well. However, if applicant is wrong in its interpretation of the meaning and intent of the Commission in its quoted Rule 6, then applicant believes that the Commission should allow applicant to make up its over-production over an extended period whereby applicant could continue to produce its well employing the methods presently being employed.

9. The Commission, on numerous occasions, has seen fit in the handling of production of oil to disregard

fixed allowables where production was made by secondary recovery methods. Applicant believes and so states to the Commission that the methods employed by it in the producing of gas from its well, Cooper B#2, is a secondary recovery method and designed to obtain the ultimate production of gas underlying the acreage assigned to said well.

WHEREFORE, applicant prays:

(1) That the Commission enter an Order allowing applicant to produce its well employing the methods presently used for a period of 120 days requiring applicant to keep a record of its production of both gas and water and to establish within said period insofar as it is capable of doing so, the minimum amount of water required to be produced in order to produce gas.

(2) And, the Commission further provide that the control of production on applicant's well be under the direct supervision of the Hobbs Office granting unto the Director of the Hobbs Office the right to notify the producer the determined amount of water to be produced or allowed to be produced based on production reports should it be

determined that the water is encroaching at a greater rate than is established through the 120 day testing period.

(3) That the Commission fix a minimum allowable for the Cooper B #2 gas well located in the Jalmat Gas Pool as provided by Rule 6 of Order R-967.

(4) And, in the alternative, that the Commission enter its Order authorizing applicant to make up its allowable over such extended period of time as will allow applicant to continue the production of gas through the methods presently employed to such an extent as to maintain said well as a gas well.

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