

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 1941
Order No. R-1655

APPLICATION OF JAL OIL COMPANY
FOR EXCEPTIONS TO VARIOUS PROVI-
SIONS OF ORDERS R-520, R-967, AND
R-1092-A FOR 3 WELLS IN THE JALMAT
GAS POOL, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 13, 1960, at Hobbs, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 15th day of April, 1960, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant is the owner and operator of the following-described wells in the Jalmat Gas Pool, Lea County, New Mexico:

Dyer Well No. 3, SE/4 NE/4 of Section 31,
Township 25 North, Range 37 East

Owens Well No. 1, SW/4 SW/4 of Section 21,
Township 25 South, Range 37 East

Watkins Well No. 2, SE/4 NE/4 of Section 35,
Township 24 South, Range 36 East.

(3) That according to the testimony presented, each of the above-described wells makes a considerable amount of water, the Dyer Well No. 3 approximately 35 barrels per day, the Owens Well No. 1 approximately 40 barrels per day, and the Watkins Well No. 2 approximately 250 barrels per day.

(4) That all of the above-described wells were the

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subject of an Examiner Hearing in Case No. 1779, heard October 7, 1959, after which hearing the said Dyer Well No. 3, which was subject to complete shut-in for being more than six times over-produced, was exempt from complete shut-in and the operator was permitted to make up this well's over-production by producing it at a monthly rate not to exceed 75% of the well's current allowable or at a rate not to exceed 75% of the well's average monthly allowable for the preceding six-month proration period, whichever was greater.

(5) That at the time of the said Examiner Hearing the said Owens Well No. 1 and the said Watkins Well No. 2 were substantially in balance. Since these two wells were not subject to shut-in for over-production, it was the opinion of the Commission that no relief was necessary.

(6) That the latest gas production figures show that the Owens Well No. 1 is under-produced rather than over-produced and thus it apparently needs no relief.

(7) That the said Watkins Well No. 2 is approximately twelve times over-produced and, under the provision of Order R-520 and Order R-967, is subject to complete shut-in until such time as it becomes less than six times over-produced.

(8) That due to liquid problems, the applicant should be permitted to produce the said Watkins Well No. 2 at a monthly rate not to exceed 75% of the well's current allowable, or at a monthly rate not to exceed 75% of the well's average monthly allowable for the preceding six-month proration period, whichever is greater.

(9) That due to liquid problems, the applicant seeks an order cancelling the over-production incurred by each of the subject wells and exempting these wells from the requirements of an Annual Deliverability Test. In addition, the applicant requests that these wells be exempt from prorationing as it is now practiced under the Jalmat Gas Pool rules.

(10) That the said Watkins Well No. 2, which makes a substantial amount of water, is being produced without a free-piston or pump-jack installation, even though applicant's experience with other wells in the same general area has been that such mechanical devices are useful in keeping water unloaded from well bores.

(11) That the water produced from the said Owens Well No. 1 is being lifted by means of a free-piston installation. Such an installation requires that the water be lifted by gas production, and if the gas allowable assigned to this well is insufficient to keep the water unloaded from the well, the operator could install a pump-jack to accomplish this purpose.

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(12) That a pump-jack has recently been installed in the said Dyer Well No. 3 and the evidence does not establish that this installation is inadequate to keep the water unloaded from this well.

(13) That a pump-jack installation operates independently of gas production and, from an engineering standpoint, there appears to be no reason why such an installation, if properly sized cannot keep the formation clear of water, while keeping the gas production at a level within the gas allowable assigned to the well.

(14) That the applicant has apparently made no study or investigation to determine where the water produced by the subject wells is coming from. Further, the applicant has apparently made no study to determine whether remedial work can be performed in order to shut off the water production.

(15) That the applicant has not made a study to determine whether or not it would be feasible to produce the wells in such a manner as to keep the formation clear of water and then re-inject the amount of produced gas which is in excess of the allowable assigned to well.

(16) That according to the applicant's testimony as to the recoverable reserves underlying the tracts dedicated to each of the subject wells, the applicant should be willing to perform the remedial work necessary to alleviate these water problems, or to install such mechanical installations as are necessary to keep the formation clear of water, since such work would apparently be economically feasible.

(17) That 160 acres is dedicated to the said Dyer Well No. 3, 80 acres is dedicated to the said Owens Well No. 1, and 40 acres is dedicated to the said Watkins Well No. 2, so that even in the event that the production from one or more of these wells is lost due to water encroachment, which event should not occur if the operator makes every effort to prevent it, there should be no ultimate loss of gas from the Jalmat Gas Pool, inasmuch as one well in this Pool will efficiently and economically drain 640 acres, and the gas underlying the tracts dedicated to each of the subject wells presumably would be produced from offset wells.

(18) That in regard to certain of the applicant's wells, a re-dedication of acreage would be feasible and could result in an increase of the per well allowable.

(19) That to cancel the over-production which the subject wells have thus far incurred would impair the correlative rights of other operators in the Jalmat Gas Pool, and to permit any well to consistently produce more gas than is assigned as an

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allowable to such well in accordance with the proration formula for the pool would impair the correlative rights of other operators in the pool.

(20) That since the allowable assigned to wells in the Jalmat Gas Pool is dependent in part upon a well's calculated deliverability as determined by an Annual Deliverability Test, the subject wells should not be exempt from such test. Presumably the reason for the applicant's request that the subject wells be exempt from Deliverability Test is so that they will not have to be shut-in prior to the pre-flow period. This shut-in period can and should be dispensed with by allowing the applicant to use the highest of the shut-in pressures of the four nearest wells in the Jalmat Gas Pool in taking the Deliverability Test on each of the subject wells.

(21) That the applicant has failed to establish any compelling reason why the Commission should exempt the subject wells from gas prorationing, an action which would be a radical departure from present Commission policy and which would have far-reaching effects.

IT IS THEREFORE ORDERED:

(1) That the application of Jal Oil Company for an order exempting the following-described wells in the Jalmat Gas Pool from gas prorationing, and for an order cancelling the over-production incurred by each of the said wells and exempting them from deliverability tests be and the same is hereby denied:

Dyer Well No. 3, SE/4 NE/4 of Section 31,
Township 25 South, Range 37 East

Owens Well No. 1, SW/4 SW/4 of Section 21,
Township 25 South, Range 37 East

Watkins Well No. 2, SE/4 NE/4 of Section 35,
Township 24 South, Range 36 East

all in Lea County, New Mexico.

(2) That the operator be and the same is hereby authorized to compensate for the over-production incurred by the said Watkins Well No. 2 by producing it at a monthly rate not to exceed 75% of the well's current allowable or at a monthly rate not to exceed 75% of the well's average monthly allowable for the preceding six-month proration period, whichever is greater.

(3) That in taking the Annual Deliverability Test on each of the above-described wells, the operator be and the

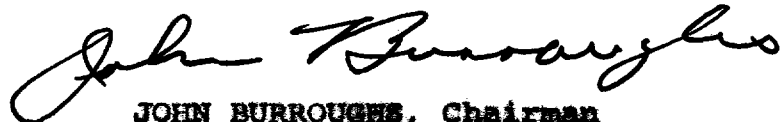
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same is hereby authorized to use the highest of the shut-in pressures of the four nearest wells in the Jalmat Gas Pool.

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



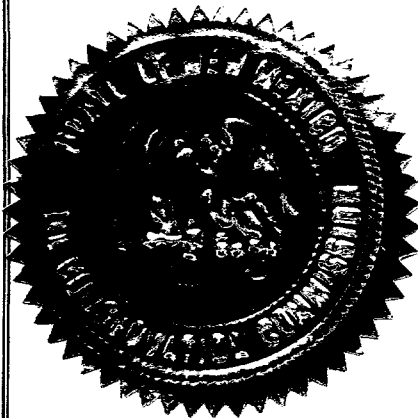
JOHN BURROUGHS, Chairman



MURRAY E. MORGAN, Member



A. L. PORTER, Jr., Member & Secretary



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