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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. 2014
Order No. R-1744

APPLICATION OF JAL OIL COMPANY
AND OLSEN OILS, INC., FOR A
REVISION OF THE JALMAT GAS POOL
RULES TO CREATE A CATEGORY OF
"DISTRESS" WELLS WHICH WOULD BE
EXEMPT FROM GAS PRORATION.

MOTION FOR RECONSIDERATION

COMES NOW the Jal Oil Company and Olsen Oils, Inc., and file this their Application for the Commission to reconsider Case No. 2014, wherein the Commission issued their Order No. R-1744 denying the Application filed by Applicants proposing certain Rules which would prevent premature abandonment of gas wells in the Jalmat Gas Pool, Lea County, New Mexico, and for cause would show:

1. That the Order entered by the Commission is contrary to the evidence introduced at the hearing thereon and is not supported by any substantial evidence, only conjectures and opinions, and is not based on any material facts from which support can be given to the findings.

2. Applicants particularly except to the last sentence in Finding (4), for the reason that the proposed Rules did not provide for unrestricted production of gas, nor is it feasible for the Commission to determine that gas wells classified as "distress wells," under the proposed Rules, could actually drain a larger area than that dedicated to the well.

3. Applicants especially except to the last sentence appearing in Finding (5) and state that the record is silent as to any evidence which would support such a finding.

4. Applicants except to the last sentence in Finding (6), wherein the Commission found:

"But particularly where, as in the Jalmat Gas Pool, the drilling density has been on units considerably smaller in size than the area that one gas well can efficiently drain, all or most of such otherwise producible gas, if any there be, will be produced from other wells in the pool."
(Underscoring added)

for the reason that the evidence is clear and convincing that at the time the subject wells were shut-in under Order No. 967, now Order No. R-1670, they were shut-in for the reason of overproduction, and after being shut-in for prolonged periods were incapable of being brought back to their prior production level.

5. Applicants particularly except to Finding (7), for the reason that same is not supported by any evidence introduced at the hearing and for the further reason that the uncontroverted testimony of the witnesses appearing at the hearing was to the effect that the Commission could control the production of oil and gas under its powers and the failure to adopt the Rule leaves the Commission powerless to prevent the finding they made in the last sentence, wherein they said:

"Economic realities dictate that at some point every well must be abandoned, even though from the standpoint of physical factors considerable amounts of oil or gas are left under the tract dedicated to the well, this despite any action that the Commission might or might not take."
(Underscoring added)

6. Applicants except to Finding (8) for the reason that in said finding the Commission recognizes that the gas remaining under the tract dedicated to the well shut-in would be produced by offsetting wells, if the well with the water problem is plugged and abandoned or if remedial work on it proves to be unsuccessful. This finding, in itself, recognizes an unwarranted and unauthorized drainage of reserves under an operator's tract by offsetting operators, due to the Commission failing to adopt Rules and Regulations which would guarantee unto each operator the right to produce the reserve underlying his tract. In this connection, it was definitely established that the subject wells, due to their age, method of completion, and condition, were not suitable for exploratory remedial work and that the chance of successful remedial work was very slight. The Commission, in making this finding, has overlooked the fact that the producing intervals in a well, or wells within the Jalmat Gas Pool, have vertical limits from the top of the Tensill Formation to a point one hundred feet above the base of the Seven Rivers Formation, including all of the Yates Formation. The reworking and recompleting of a well requires the operator to abandon the particular producing interval in which the well is being produced and seek production in some other producing interval within the vertical limits of the pool. When this is done, the gas remaining in the interval in which the well had been completed, due to work-over or recompletion, becomes entirely cemented off or lost, and this factor has been entirely ignored by the Commission in adopting this finding.

7. Applicants especially except to Finding (9), for the reason that said finding, in the first place, is inconsistent in its own statement, and, in the second place, finds that this Commission cannot control the production of gas, except through the shutting in of gas wells making water in such amounts as cannot be equitably prorated under the present proration rule requiring deliverability tests.

WHEREFORE, Applicants pray that this Commission take and reconsider the Application for the adoption of the proposed Rules, in light of true conservation and the protection of reserves, prevention of premature abandonment of wells, and unwarranted waste of natural resources.

Respectfully submitted,

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