

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
MARCH 22, 1961

IN THE MATTER OF

CASE 2226: Application of Pan American Petroleum Corpora- :
tion for a non-standard oil proration unit and :
an unorthodox oil well location. Applicant, in :
the above-styled cause, seeks the establishment :
of a 51.86-acre non-standard oil proration unit :
in the Cha Cha-Gallup Oil Pool, San Juan County, :
New Mexico, consisting of Lots 9 and 10 of Sec- :
tion 17, plus the remaining acreage in the SE/4 :
of said Section 17 which lies South of the mid- :
channel of the San Juan River, Township 29 :
North, Range 14 West. Applicant seeks approval :
of an unorthodox oil well location in said pool :
at a point 310 feet from the South line and 2030 :
feet from the East line of said Section 17 which :
would serve as the unit well for the proposed :
non-standard proration unit. :
: :

BEFORE:

Elvis A. Utz, Examiner.

T R A N S C R I P T O F P R O C E E D I N G S

MR. UTZ: Case 2226.

MR. MORRIS: Application of Pan American Petroleum Cor-
poration for a non-standard oil proration unit and an unorthodox
oil well location.

MR. NEWMAN: Kirk Newman of Atwood & Malone in Roswell,
New Mexico, representing the applicant, and we have one witness to

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be sworn.

(Witness sworn)

G. W. EATON, JR.,

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

DIRECT EXAMINATION

BY MR. NEWMAN:

Q Would you state your name and your employment?

A G. W. Eaton, Jr., senior petroleum engineer for Pan American Petroleum Corporation in Farmington, New Mexico.

Q Have you previously testified before this Commission?

A Yes, sir, I have.

MR. NEWMAN: Are the witness' qualifications acceptable?

MR. UTZ: He's qualified.

Q (By Mr. Newman) Would you state briefly the purpose of this application?

A This application is to obtain an unorthodox well location, and a non-standard unit in the northwest end of the Cha Cha-Gallup Pool where the northern boundary of the Navajo Indian Reservation is bounded by the San Juan River. It is Pan American's desire to fully develop its property in the Cha Cha-Gallup Pool on the Navajo Reservation. In order to do so in this section of irregular lots where the Reservation boundary is defined by the San Juan River, it's impossible to form orthodox proration units. The non-standard location or unorthodox location is occasioned by the fact that the



flood plain of the River covers quite an area in that part of the Reservation and the location is set so that it will be on high ground, not subject to flooding.

Q Will you refer to the plat, which will be offered as Exhibit 1, and state what is shown on that plat, and the various symbols?

(Whereupon, Pan American's Exhibit No. 1 was marked for identification.)

A Pan American's Exhibit No. 1 is a map of the northern -- northwest portion of the Cha Cha-Gallup Oil Pool in San Juan County, New Mexico. The contour lines shown on Exhibit No. 1 are isopach lines depicting pay thickness in the Cha Cha-Gallup sand. The contour interval is two feet toward the northern boundary of the Navajo Indian Reservation. I call your attention to the fact that a certain portion of the acreage in the southeast quarter of Section 17 is colored in red. That is the non-standard unit which is the subject of Case 2226. Note further, the acreage in the southwest quarter of Section 16, which is bounded by a red line. This is a non-standard unit which was granted under New Mexico Oil Conservation Commission Order R-1867.

The yellow arrows in Section 16 and in Section 18, Township 29 North, Range 14 West point to unorthodox locations which were granted under Order R-1867.

Q What is the acreage in the unorthodox unit?

A The acreage requested in this unorthodox unit is all of



that portion of the southeast quarter of Section 17 lying within the Navajo Indian Reservation. It totals 51.86 acres. The green dot on that tract, that is depicted as the unorthodox unit, is the unorthodox location to which this non-standard unit will be dedicated.

Q Referring to your isopach map and the information in this area, is it reasonable to assume and is it your assumption that the entire unorthodox unit will be productive?

A Yes, sir. I believe that the isopach map together with the well completions in the area show that the entire unit will be productive of oil from the Cha Cha-Gallup Pool. You'll note that there are completed oil wells on three sides of the requested unorthodox unit.

Q Is it your opinion that with this unorthodox location and the other existing wells that the entire unit will be adequately drained?

A Yes, sir, I do.

Q Would you state whether the ownership of the acreage surrounding this unorthodox unit is both working interest and royalty?

A The stippled acreage on this map is all on the Navajo Indian Reservation, and is under lease to Pan American Petroleum Corporation. That acreage lies to the west, to the south, and to the east of the unorthodox unit and location.

Q The royalty is all owned by the Navajo Tribe?

A Yes, sir, that is correct.



(Whereupon, Pan American's Exhibit No. 2 was marked for identification)

Q Would you now refer for more detail concerning the unorthodox location of the well on the unit to the plat and Report Form that we will refer to as Exhibit 2, and state what's shown there?

A Exhibit 2 is a copy of Commission Form C-128, which was prepared by the surveyor to schematically show the terrain conditions which necessitated the unorthodox location. The standard location in the southwest of the southeast of Section 17 falls in the San Juan River channel. Moving a hundred fifty feet south, which is the maximum distance which might be moved under the Cha-Cha-Gallup Pool rules and still be an orthodox location, puts the location immediately on the bank of the San Juan River. The location, as shown on Exhibit 2, the Form C-128, is one hundred twenty feet south of the cutback of the San Juan River. You'll note that immediately to the west of the unorthodox location there was a marshy piece of ground approximately a hundred and twenty to one hundred thirty feet west of the location, and slightly greater distance to the east is an Indian dwelling.

Q Is this location such that you will have room to keep your mud pits and so on out of the stream and have a place for them without unduly interfering with the use of the surface?

A Yes. That is really the point in moving the location one hundred twenty feet south of the cutback of the River. That's so



that the rig and the derrick can be laid down in that direction, and so that the mud pits and the slush pits and the drilling pits, reserve pits can be located south of the location to avoid any contamination of the San Juan River.

(Whereupon, Pan American's Exhibit No. 3 was marked for identification.)

Q Would you now refer to the third plat, which will be offered as Exhibit 3, and state what that shows?

A Exhibit 3 is a daily plat showing the acreage which will be dedicated to the Navajo Tribal "G" No. 2, which is the well that is the subject of this application. This Exhibit No. 3 shows that the non-standard unit will consist of 51.86 acres, being all of the acreage in the southeast quarter of Section 17, lying within the Navajo Indian Reservation. That acreage, to be specific, consists of Lot 9, containing 18.31 acres; Lot 10, containing 25.30 acres, and the south half of the San Juan River channel lying immediately north of Lots 9 and 10, containing 8.25 acres.

Q Mr. Eaton, will the granting of this application in any way cause waste?

A No, sir, it will not.

Q Could the granting of this application in any way adversely affect correlative rights?

A No, sir.

Q Were these Exhibits prepared by you or under your direction?



A Only Exhibit No. 1 was actually prepared by me. Exhibit No. 2 was prepared by Mr. Eckelhoff, the surveyor. Exhibit No. 3 was prepared by Pan American Title Survey Department from the official general land office plat, applying to this particular area.

MR. NEWMAN: We would like to offer these Exhibits in evidence.

MR. UTZ: Without objection, Exhibits 1, 2 and 3 will be entered into the record.

(Whereupon, Pan American's Exhibits Nos. 1, 2 and 3 were received in evidence.)

MR. NEWMAN: That's all the direct.

MR. UTZ: Are there questions of the witness?

MR. PAYNE: Yes.

CROSS-EXAMINATION

BY MR. PAYNE:

Q Mr. Eaton, looking at this from the standpoint of orderly development in this entire area, what is dedicated to the well in the southwest of the southwest of 17?

A 80 acres.

Q The south half of the southwest quarter?

A Yes, sir.

Q Now, does Pan America contemplate drilling a well in the northwest of the southwest?

A I have so recommended. I expect that action will be



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taken on that recommendation this week.

Q Is it correct, Mr. Eaton, that there's some problem of communitizing Indian land with State land?

A There's some problem involved.

Q So that in the east half of Section 17, it may be that Pubco and Pan American will not be able to communitize there to form any sort of standard unit?

A In the east half of Section 17?

Q Yes, sir. Section 16, rather. I'm sorry.

A Let me say something else about Section 16, now. At the same time when I recommended development of the remaining acreage in Section 17, being -- it's hard to describe this.

MR. NEWMAN: Everything else but the south half of the southwest?

A Yes, and Lots 3, 4 and 5 in the remaining south half of the River channel. I also recommended development of the Navajo acreage in the southeast quarter of Section 16, the Navajo acreage contained in Lots 8 and 9 of Section 18. That's all.

Q (By Mr. Payne) Mr. Eaton, how do your leases read, do they say that they are to the mid-point of the channel?

A Yes, sir.

Q Do you have any State leases in this area?

A No, sir.

Q As I understand it, the State says that the lease doesn't



extend to the south half of the channel, as far as they're concerned, their half?

A I understand that there are -- is a question about the ownership of the north half of the River channel. The only thing that I do know is that the Indians claim the south half of the River channel.

Q In any event, Pan American is not claiming the north half?

A No, sir.

MR. PAYNE: Thank you.

MR. UTZ: Any other questions?

MR. MORRIS: No questions.

BY MR. UTZ:

Q This pool currently is operating under a temporary order, is that correct?

A That is correct.

Q So you will have a unit here actually less than a standard unit --

A Yes, sir.

Q -- under the temporary order?

A Yes, sir.

MR. UTZ: Any other questions of the witness? If not, the witness may be excused.

(Witness excused)

MR. UTZ: Any statement in this case? The case will be taken under advisement, and the hearing is adjourned.

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