

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
July 6, 1961

EXAMINER HEARING

Case 2329

July 6, 1961

TRANSCRIPT OF HEARING

Gilbert, appearing on behalf of the Applicant. We have two witnesses to be sworn.

(Witnesses sworn.)

J. E. ROBINSON, J R., called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. WHITE:

Q State your name, please.

A J. E. Robinson, Jr.

Q By whom are you employed and in what capacity?

A Texaco Inc., as a Petroleum Engineer.

Q Have you previously testified before the Oil Conservation Commission?

A Yes, I have.

Q Have your qualifications been accepted?

A Yes, they have.

Q Are you familiar with the subject application?

A Yes, I am.

Q What does Texaco seek in this application?

A We are asking for an unorthodox well location for the Blanco-Mesaverde dual completion approval on a conventional slimhole completion using casing strings consisting of 4-1/2 and 2-7/8 inch casing and a temporary non-standard proration unit covering lands covered by our L. M. Barton lease.

Q You are seeking merely a temporary non-standard prora-

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tion unit?

A We are attempting to secure a unitization agreement with the other operator within the west half of Section 12. We have reason to believe it will be consummated within six months, and we are requesting a six-month temporary N.S.P. that will permit Texaco to sell its gas. We are hooked up to a gas line.

Q Would you state the location of the well.

A The location of the well is 1850 feet from the north line and 1650 feet from the west line of Section 12, Township 30 North, Range 12 West, San Juan County, New Mexico.

Q Has this well been studded in?

A Yes, and it is currently being drilled.

Q Is this well an orthodox well insofar as the Dakota zone is concerned?

A Yes.

Q Is it an orthodox well as to the Blanco-Mesaverde?

A No. It's unorthodox to the Mesaverde. Rules for the Blanco-Mesaverde require the well to be located either in the northeast or southwest quarter of the Section and this well is being drilled in the northwest Section -- quarter of the Section.

Q It is unorthodox as to quarters but not to lines?

A That is correct.

Q Why does Texaco not drill in the southwest quarter of the Section where the well would otherwise be an orthodox location?



A Our principal zone that we are drilling for is the Basin-Dakota. There is another Basin-Dakota well located in the same section, that being Southwest production Case Standard No. 1. It is located 1470 feet from the south line and 1525 from the east line. Now, if we drilled our well in the southwest quarter of the Section, it would permit both of the zones to be orthodox which would actually be drilling on spacing less than 160 acres for the Basin-Dakota, and we are moving the well up in the northwest quarter of the Section to permit the Basin-Dakota completion to be located in a position that will provide more efficient drainage for the Dakota reservoir.

Q What is the estimated cost of this dual completion?

A The estimated cost is \$99,770.

Q What is the estimated cost of a single completion Blanco-Mesaverde well?

A The estimated cost drilling a single Mesaverde well that would be orthodox is \$60,500. However, a single Mesaverde well would be unprofitable and we could not drill it.

Q Can you tell us the estimated cost as to the drilling of a single well in the Dakotas?

A The estimated cost of a Dakota completion is \$85,700.

Q And a proposed dual well would accomplish what savings?

A Approximately \$46,500.

Q Refer to your diagramatic sketch, Exhibit 2, and explain that, please.



A I might offer Exhibit Number 1 here and point out a few well locations on it before I go on to Exhibit 2.

Exhibit 1 shows Texaco's acreage as outlined by the yellow border. We have 160 acres fee lease, L. M. Borden, and then we have a 40 acre Federal lease which is located in the northeast quarter of the northwest quarter of the Section. In Section 12, Southwest Productions has a Basin-Dakota well and then over in Section 7, there is another Basin-Dakota well, the Southwest Production Hall Number 1; and then down in Section 18, there are two other Basin-Dakota wells, one of which is located in the northeast quarter of the Section, and the other one is located in the southwest quarter of the Section.

These are the only Dakota wells that are located within these nine Sections as shown on the plat. There are only two Blanco-Mesaverde wells. They are located up in Section 6. They belong to El Paso and both of these wells are at unorthodox locations.

The other well completions in the area are from the Aztec-Pictured Cliffs.

The plat also shows the names and addresses of all offset operators.

Q Refer to Exhibit 2 and explain it, please.

A Exhibit 2 is a schematic diagrammatic sketch of our proposed dual completion. The well is presently being drilled and we have set and cemented our surface pipe at the present time. We

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drilled a 13-3/4 inch hole to 311 feet. We cemented ten 3/4 inch casings at this depth and the cement was circulated to the surface of the ground after we went out from under 10-3/4 inch casing we are drilling and will drill a 9-7/8 hole to 4700 feet. At 4700 feet, we'll reduce the hole size to 6-3/4 inch and drill down to T.D. of 6700 feet. We will then cement dual strings 4-1/2 and 2-7/8 inch casing. The 4-1/2 inch casing will be cemented on the bottom. We will cement down around the shoe and it is estimated we will bring the top of the cement back to 5300 feet. We will have a stage tool in our 4-1/2 inch casing and we will space cement at 4-1/2 through the stage tool at 4900. We'll bring back the cement to a calculated top of 3590 feet about the Mesaverde and then we will also have a stage tool set at 2250, and we will cement off the Pictured Cliffs and protect the Pictured Cliffs formation since it is productive in the area.

We will produce our Dakota through the 4-1/2 inch casing. It will be perforated in a conventional manner and we will run a string of tubing in the 4-1/2 inch casing to produce our Dakota through.

Now, the Mesaverde formation will be perforated again and we will produce the Mesaverde through the 2-7/8 casing.

Q Have you got a calculated number of sacks of cement that you intend to use?

A No. We will wait until the well is drilled, after we have studied logs and then will calculate the amount of cement



needed. We will throw in safety factors that will bring our cement well above the Dakota and we are estimating that we will bring our top of the cement through the second stage to approximately 200 feet above the top of the Mesaverde.

Q Will you run centralizers and turbolizers?

A Yes, sir. Through our 4-1/2, through the Dakota formation. We will have these centralizers run on every joint, one per joint, to 200 feet above the top of the formation, and then on the Mesaverde, 2-7/8, we'll use turbolizers located on each joint throughout the Mesaverde through a height of 200 feet above the top of the Mesaverde.

Q What are the pressures of these joints?

A 2380 psi, approximately. In the Mesaverde, it will be in the neighborhood of 1050 pounds.

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

A Yes.

MR. WHITE: We offer Exhibits 1, 2 and 3.

MR. NUTTER: Exhibits 1, 2 and 3 will be entered in evidence.

Q (By Mr. White) Does that conclude your testimony.

A Yes, it does.

MR. NUTTER: Are there any questions of the witness?

MR. MORRIS: Yes.

I might ask to what effect this other witness will



testify.

MR. WHITE: As to what effort Texaco made to communitize the area.

MR. MORRIS: I have no questions of Mr. Robinson.

MR. VERITY: I don't believe I entered an appearance on behalf of Southwest Production Company and Tidewater, who own the lease on the southwest quarter of the southwest quarter, Section 12, and Southwest Production Company who owns all of the lease of Section 12.

CROSS EXAMINATION

BY MR. VERITY:

Q Mr. Robinson, if I understand you, you say you only want a temporary non-standard proration unit?

A That's correct.

Q For a period of six months?

A Yes.

Q Then, you anticipate that the 320 acre proration unit that has heretofore been established by the Commission for both the Mesaverde and the Dakota Gas Pool are properly spaced?

A Would you repeat that question again.

Q You make no complaint as to the 320 acres being on a 320 acre spacing?

A No.

Q You think it should be spaced on 320 acre spacing?

A I cannot agree that the Dakota should be spaced on 320



acres, but that's not the point.

Q Let's pin it down. You think it should be less than 320 acres?

A No, I don't.

Q You agree with the spacing?

A Yes.

Q But not less than 320?

A Yes.

Q You would agree that the other 160 acres of acreage within the west half of Section 12 should participate in this drilling completion and production from this well, right?

A Yes, if the acreage is dedicated to the well, they should certainly participate in the drilling of the well.

Q And anyone who desired to participate in the Dakota formation possibly and doesn't believe that the Mesaverde will make a well there should have a right in participating in all the Dakota wells from the west half of Section 12?

A I'm afraid I can't answer your question on that particular point. We are drilling a dual well and if an operator would participate in one zone, then I should think that he should participate in the other zones, also, but if an operator would like to only participate in one zone, I can't answer that. That would have to be answered by our manager.

Q Well, you are proposing that down line aways everyone comes in and shares on their acreage pro rata on the cost of



drilling and completion of the well?

A That's correct.

Q Don't you think being equitable that they also be allowed to obtain their share of the gas of the pool from the initial date of the completion of the well?

A If we had a non-standard unit here, of course, we would only have a half-allowable, and this is a temporary request that would permit Texaco to have a ready sale in case they should secure an early connection.

Q Don't you think people that own other acreage should also be entitled to sell their gas from initial production out of that well?

A If they participate in the unit, yes.

Q You anticipated at one juncture that you desired that they participate in the unit and pay their cost of drilling of the well?

A Yes, sir. We believe to communitize with other operators or swap acreage for force pooling, but we'll eventually end up with 320 acres.

Q You are aware of the fact that you could get a force pooling order?

A Yes.

Q If people refused to participate?

A Yes.

Q With a force pooling order, you could make an early

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connection of this well, also, couldn't you?

A Yes, I would think so.

Q Doesn't it follow, then, that it's unnecessary to have a non-standard unit?

A Well, our only point here is that we're actually promoting the money for the drilling of this well. Since the unit isn't communitized, we stand the sole risk of all money involved here. If we obtain a ^{dry} ~~drill~~ hole, Texaco, I'm sure, will pay the full 100% of the ^{dry} ~~drill~~ hole.

Now, with the risk involved, I think that we're not asking for anything out of the ordinary in requesting a temporary N.S.P. in order that we may start selling our gas.

Q Well, are you aware of the fact that the law now provides that under force pooling you can be compensated for risk involved up to 50% factor?

A Yes, sir, I am aware of that.

Q Well, that is only way, then, really, that you could obtain any relief for the risk involved if it's going to be -- it could be dry on 160 acres the same as 320?

A That's correct. We probably will never use the N.S.P. unless we hit a ^{snail} ~~snail~~ in our communitization effort.

Q In other words, it's actually going to be kind of a leverage and lead pipe to use on the other people in the west half?

A Yes. We'd like to get these people in as soon as pos-

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sible.

MR. VERITY: I believe that's all.

REDIRECT EXAMINATION

BY MR. WHITE:

Q If this were communitized at the present time, then they'd get their proportionate share of the initial production, would they not?

A That is correct.

Q Do you have anything further?

A No.

MR. WHITE: That's all.

CROSS EXAMINATION

BY MR. UTZ:

Q If this unit is approved, you'll only receive 160 acre allowable?

A That's correct; half-allowable.

Q Would you explain why you drill a well with a non-standard Mesaverde well?

A The well would be unprofitable as a single Mesaverde well. There are no Mesaverde wells in the immediate vicinity of this well. However, there are Basin-Dakota wells, a single Basin-Dakota well would be profitable in 12, in the area -- there is a well located in the southwest quarter of the southeast quarter of Section 12.

Now, if we drilled our well Number 1 at an orthodox



location, we would have to drill at a location located within the northeast quarter of the southwest quarter. If we drilled here, our well would be located less than a half mile from Southwest Production Standard Number 1, a Dakota well, and we would be drilling on acreage closer than 100 acres, less than 160 acres. We are moving this well at the present location to more uniformly drain the Dakota reservoir.

Q In other words, to get away from the Southwest well?

A That's correct.

Q How about the northeast quarter of the northwest quarter which shows the Texaco lease. Is there some communitization problem there?

A No. There will be no problem at all there.

Q Why didn't you include that 40 in this unit, then?

A In the initial unit?

Q Yes.

A I am not completely familiar with the work that our land department does. However, it's my understanding that if we communitize this 40 with the 160, we'd have a 200 acre unit and then we'd have to make a new contract at any time that the other acreage comes in to form a standard unit.

Q You're not doing it now in order to save one contract?

A That's right.

MR. UTZ: That's all.

MR. WHITE: Mr. Neal can go into that in a little more



detail.

MR. NUTTER: Are there any further questions of the witness?

MR. VERITY: I have a couple of questions.

REXCROSS EXAMINATION

BY MR. VERITY:

Q Mr. Robinson, if you drill the Mesaverde and it's non-profitable, from the standpoint of the cost of dual completion and the cost of completing in the Mesaverde, do you anticipate that you should stand all of the cost and everybody else should participate irrespective of whether they wanted to drill it or not?

A Let me answer your question this way, Mr. Verity: Pro- bably the operators in the west half of the Section will not be required to be force pooled. I am quite sure if we have a prolific well, that all operators will eagerly want to join in on the well. I do not believe that unless they are force pooled that there would be any risk involved, any repayment for the risk involved. Now, if we get a Mesaverde well that will not pay out the cost of the dual completion, I can't answer your question. If we could demand that the operators come in on the prolific zone but yet deny becoming an owner in the Mesaverde --

Q Well, you have testified, I believe, that this is rather poor. You anticipate a poor section of the Mesaverde?

A That's correct.



Q And it is poorly covered?

A Yes.

Q It might also be true that these would be quite poor and not even pay the cost of the dual completion?

A No. We believe it will pay the cost of the dual completion over the price of just a single completion.

Q But you must admit that they might not produce that much gas out of the Mesaverde?

A Yes, sir. The Basin-Dakota might not produce enough to pay it.

Q Since it is a poor section, it's anticipated you can certainly see why someone else might not want to spend money on it.

MR. WHITE: Mr. Verity has been asking a lot of argumentative questions. I have not objected. He has also asked a lot of hypothetical questions such as if it is possible that this would be such a poor zone that it might not even pay out the cost of the dual. I have no objection to that irregular questioning if he has testimony that it will not pay.

MR. VERITY: I will withdraw the question.

I have no further questions.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Robinson, the well is off-pattern as far as the Mesaverde is concerned. However, it is on the same pattern as



the nearest Mesaverde well.

A That is correct, Mr. Nutter. We don't show it, but about three or four miles north of the subject location, there are a number of wells that are drilled in the northwest southeast quarter of the Section.

Q There is a Blanco-Mesaverde Pool where all of the wells are off-pattern?

A That is correct.

MR. NUTTER: Are there any further questions of Mr. Robinson?

If not, he may be excused.

(Witness excused.)

MR. WHITE: We will call Mr. Neal R. Wood.

N E A L R. W O O D, called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. WHITE:

Q Would you state your name, please.

A Neal R. Wood.

Q By whom are you employed and in what capacity?

A Texaco Inc, land man.

Q Have you previously testified before the Commission or one of its Examiners?

A No, I have not.

Q Will you state briefly your educational background and



professional qualifications?

A I am a college graduate. I have had twenty years' experience in the oil industry.

Q Are you acquainted with the subject application?

A Yes, I am.

MR. WHITE: Are the witness' qualifications acceptable?

MR. NUTTER: Yes, sir.

Q (By Mr. White) Will you state what Texaco efforts have been to communitize the adjoining acreage in this area?

A We contacted all the other operators within the west half and Pan American has declined to join.

Q What operators have you contacted?

A Tidewater, Southwest Production and Pan American.

MR. NUTTER: Describe the acreage each of these operators owns, please.

Q (By Mr. White) Refer to the Exhibit.

A Pan Am owns the northwest quarter of the southwest quarter and the southeast of the southwest. Tidewater and Southwest Production own an undivided interest in the southwest of 12.

MR. NUTTER: Thank you.

Q (By Mr. White) Has Pan Am agreed to join?

A Pan Am has declined to join and has indicated preference to exchange properties elsewhere.

Q What is the situation as to Southwest and Tidewater?

A Both indicated that they would join subject to accept-

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able A.F.E. agreement.

Q Have you contacted the U.S.G.S. in regard to communitizing the 40 acre Federal lease?

A Yes, we have. Mr. Anderson indicated that we could communitize those after drilling of the well.

Q When do you anticipate the various agreements will be completed?

A We feel like it should be completed within six months.

Q Do you have any further testimony at this time?

A No.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Wood, the L. M. Barton lease is a fee lease, is that correct?

A That's correct.

Q Of course, your 40 acres in the northwest, northeast of 12, is a Federal lease?

A Yes.

Q How about the Pan Am lease?

A Pan Am 1 of the 40 is a Federal and one is a fee lease.

Q Which is which, please?

A I believe the northwest northwest is a Federal and the southeast southwest is a fee lease.

Q How about the Tidewater, Southwest?

A That is a fee lease.



MR. NUTTER: Are there any further questions of Mr. Wood?

CROSS EXAMINATION

BY MR. VERITY:

Q If I understand you, you have testified both Southwest and Tidewater are willing to join in drilling completion of this well on a reasonable basis?

A Yes. Mr. Hill advised me of that earlier, that subject to some question about our A.F.E.; and Tidewater advised likewise that they would be agreeable.

MR. VERITY: That's all.

MR. NUTTER: Are there any further questions of the witness?

The witness may be excused.

(Witness excused.)

MR. McGRATH: I am Mr. P. T. McGrath, U. S. G. S. We object to the granting of this non-standard proration unit because of the fact that these two Federal tracts are in there, and if it's granted and the well produces, we have no way of getting government royalties other than by forcing them to drill another well. It can be communitized even later and be retroactive with the completion of the well and everybody would get their share.

MR. NUTTER: In other words, the U. S. G. S. position is that if a communitization were approved later it, it would be retroactive?



MR. McGRATH: As of the date of completion, or any other date before production starts. If you grant this non-standard unit and the well is produced, then we get nothing out of the Federal tract.

MR. NUTTER: Is there anything further they wish to offer?

MR. MORRIS: Mr. Examiner, I have a communication here from Mr. Alex Clark, Jr. of Pan American Petroleum Corporation that reads as follows:

"Reference Case Number 2329. Examiner Hearing Docket July 6, 1961, which in part covers Texaco Ins.'s application for a non-standard Mesaverde and Dakota proration unit to consist of 160 acres being the W/2 of the NW/4, SE/4 of the NW/4 and the NE/4 of the SW/4 Section 12, Township 30 North, Range 12 West, San Juan County, New Mexico. Pan American Petroleum Corporation would usually object to a 160 acre non-standard proration unit for these horizons, however, in Case 2329 we have been advised by Texaco that the necessity of an early approval of a non-standard unit pending final negotiation of a standard unit exists due to an expiring lease held by Texaco and further that they intend to ask at the Hearing for only a temporary order which will permit them to drill and produce their well with a recommendation to the Commission that the order be left open so that ultimately a standard 320 acre proration unit can be formed in the W/2 of Section 12, Township 30 North, Range 12 West. In view of this

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together with the fact that Pan American is currently negotiating with Texaco regarding the formation of a 320 acre unit, Pan American Petroleum Corporation, as an operator of leases within the W/2 of Section 12, Township 30 North, Range 12 West, has no objection to the formation of the proposed non-standard unit for the Dakota and Mesaverde horizons on a temporary basis with the order to be left open to ultimately provide for a standard 320 acre unit in the W/2 of Section 12, Township 30 North, Range 12 West. Please read this wire into the record of the Hearing."

MR. NUTTER: Is there anything further in this Case?

MR. VERITY: I have no evidence to put on. I have some comments I would like to make.

MR. NUTTER: Please make those comments.

MR. VERITY: We don't object for Tidewater or Southwest Production. We make no objection to this unorthodox location. We think the witness testified that it does promote the general recovery of gas in the area to allow the unorthodox Mesaverde location that they have requested. We do object to their application for a non-standard proration unit. We think it would not serve any purpose and that, as a matter of fact, it would be the other operators in the west half, the lease owners, and for that matter, royalty owners in the west half would be deprived of gas that should be produced from the well and everyone admits they should participate in.

We would like to point out that the evidence in this



case is to the effect that both Tidewater and Southwest Production Company have agreed to participate in the well. Well, I'll come back to that in a moment.

We would have no objection whatsoever to the Commission allowing this well to be given full allowable from the date of its completion pending the ultimate communitization of the entire area on an agreed basis, if possible, which we think is possible; and if not possible, on a ^{five}~~fourth~~-pooling basis so that everyone who owned acreage in the west half would get a full allowable from the date of the first completion of the well.

It seems to me it certainly would be within the purview of this Commission to allow it to be completed on a full 320 acre basis from the start even if all the mechanical details with regard to the agreement concerning the participation has not been worked out.

One other thing, I think that as a matter of law in this case provided in 65-314-B of the New Mexico Statute that they are not entitled to relief here requested with regard to the non-standard proration unit because they have acknowledged and admitted that Tidewater and Southwest Production Company are agree-able to joining in the well and yet they still asked that we be set aside as far as any recovery from you minerals are concerned during the period of six months, and this is just a little bit bad of what they might call bad if they asked that it be permanent. They are not entitled to relief as long as we have agreed

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to participate in the well.

MR. NUTTER: Thank you.

Mr. White, what is the expiration date of the L. M. Barton lease?

MR. WHITE: In June, June 28th.

MR. ROBINSON: June 28, 1961, we have to be drilling by that date.

MR. NUTTER: You are drilling?

MR. ROBINSON: We were drilling by that date.

MR. VERITY: Is there any reason why they can't be given a full allowable in this well?

MR. MORRIS: There is no assurance of that that I can see, that the acreage would have been force pooled because you might get assurance you would bring such an application, but we could give no assurance that it would be granted. It would necessarily depend upon the facts brought out at a Hearing on that matter. For that reason I would -- it would seem to me to preclude the granting of a full allowable.

MR. VERITY: How about on the basis that all the acreage in the west half be dedicated to the well retroactive, or in the alternative, that the allowable be reduced. I can appreciate the problems with regard to producing their well, and --

MR. MORRIS: We couldn't allow the acreage to be dedicated to the well if, in fact, it might turn out later that the acreage might not be dedicated. I see relatively insurmountable

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problems here. I feel the Commission will arrive at some equitable result on this, however.

MR. NUTTER: Are there any further questions in Case 2329?

The case will be taken under advisement.

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