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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 5, 1969

EXAMINER HEARING

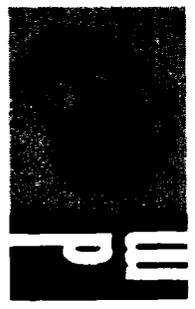
IN THE MATTER OF:

Application of Tenneco Oil
Company for amendment of Order
No. R-3822 and off-lease
storage, San Juan County, New
Mexico.

Case No. 4249

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING



MR. HATCH: Case 4249. Application of Tenneco Oil Company for amendment of Order No. R-3822 and off-lease storage, San Juan County, New Mexico.

MR. COOLEY: William J. Cooley, with the firm of Burr and Cooley, Farmington, New Mexico, appearing on behalf of the applicant. We have two witnesses we would like to have sworn.

(Witnesses sworn)

(Whereupon, Applicant's Exhibits 1, 2 and 3 were marked for identification)

MR. UTZ: This is one of the few offshore drilling cases.

MR. COOLEY: Briefly, by way of introductory remarks, I would like to review for the Examiner what has previously taken place with respect to the selection of the drill site for the north half of Section 11, Township 29 North, Range 13 West, San Juan County, New Mexico with respect to a Dakota Well.

The vast majority of the acreage in the north half of Section 11 is within the City limits of the City of Farmington and highly developed either by residential properties, or by business sites, highways and railroad right-of-ways.

The extreme southeastern corner of the proration unit is outside the City limits, and is intersected by the Animas River. The applicant initially proposed that the unit well be located 2250 feet from the north line and 600 feet from the east line in a very narrow strip between the railroad right-of-way and the north bank of the Animas River. And in Order R-3822 this location was approved at the time of issuance of that order. No objection had been made to that location by any party.

Almost immediately after issuance of the order, the City of Farmington advised that even though the well site was three feet outside the City limits, it was nevertheless nearer than 200 feet to a building located within the City limits, and they weren't sure of their legal grounds, but they were going to use every avenue including the filing of a lawsuit for an injunction against the applicant in drilling of this well unless we consented to moving it. Likewise, the surface owner, C. R. Irwin objected to the location because he felt it adversely affected the value of his property.

And we have thus applied to the Commission for an alternative unorthodox location, being 2390 feet from the north line and 275 feet from the east line of Section 11.

With that introduction I will proceed with this witness.

MR. UTZ: Any other appearances in this case? You may proceed.

GERALD B. MURRELL,

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

DIRECT EXAMINATION

BY MR. COOLEY:

Q Will you state your full name, please?

A Gerald B. Murrell.

Q By whom are you employed?

A Tenneco Oil Company.

Q And where do you reside?

A In Denver, Colorado.

MR. UTZ: how do you spell that last name?

THE WITNESS: M-u-r-r-e-l-l.

Q (By Mr. Cooley) In what capacity are you employed by Tenneco?

A As Petroleum Engineer.

Q How long have you been engaged in that type of activity?

A Five years.

MR. COOLEY: Will the Examiner accept this gentleman's qualifications as an expert in the field of petroleum engineering?

MR. UTZ: Yes.

Q (By Mr. Cooley) Mr. Murrell, would you briefly explain to the Examiner, Mr. Irwin's objection to the original unorthodox location that was approved by the Commission?

A Yes, sir. In Exhibit 1, marked 1 here, this is the original location plat showing the original location as unorthodox location as approved by the Commission.

This map is a little out of scale. The location itself, the distance calls -- thirty-three feet from the bank of the Animas River and fifteen feet from the Farmington City limits is not quite correct. The right-of-way as shown here for the Denver-Rio Grande Railroad, is actually a hundred feet in width, being fifty feet inside the center line of the railroad.

Mr. Irwin's objections were that it had been previously announced, publicly, that the Denver-Rio Grande Railroad would abandon its right-of-way. He felt, as an adjacent land owner, that this property would come back to him and that by our drilling this close to the right-of-way,

that this would -- he would suffer damages, approximating \$40,000 from loss of value since the right-of-way fronts on U. S. Highway 550.

He has approximately fifteen hundred feet of frontage there or would have, and a depth of, roughly, a hundred and fifty feet between the edge of the highway and the bank of the Animas River.

Therefore, he was extremely upset that the possibility of this frontage, well being drilled on his frontage, which would devalue same.

Q Does Mr. Irwin also own the island in the Animas River shown on the plat marked Exhibit 2?

A Yes, sir, he does.

Q And does he approve of that location?

A Yes, sir, he has approved of that location, as has the City of Farmington.

Q Does the plat marked Exhibit 2, also show the proposed off-lease storage that is requested in this application in the event the unorthodox location is approved?

A Yes, sir. In the lower center part of Exhibit 2 of the plat this is a proposed tank battery site off-lease facility for this particular well.

Q Would it be necessary for trucks carrying away

liquid produced from the well, to cross the Animas River on each trip, in order to remove those fluids, if the tank battery were immediately adjacent to the well?

A Yes, sir, it would.

Q Is this the purpose for your off-lease?

A Yes, sir, that's correct. It's more readily accessible to existing roads.

Q And would not require crossing the river?

A Yes, sir.

Q And does Mr. Irwin also own the surface and minerals with respect to the south half of Section 11, where the proposed tank battery will be?

A Yes, sir, he does.

Q Has he approved of the location of the tank battery at that site?

A Right. He has.

MR. COOLEY: I have no further questions of this witness.

CROSS-EXAMINATION

BY MR. UTZ:

Q Now, what about flooding of this island, is that a danger?

A This has been considered, yes, sir, and I think steps will probably be taken. I think Mr. Jones may be able

to answer that a little better than I.

MR. COOLEY: Our next witness, Mr. Examiner, will testify concerning the surface elevation or the likelihood of flooding and what will be done, and so forth.

MR. UTZ: Any other questions of the witness?
Witness may be excused.

MR. COOLEY: Mr. Jones, please.

CARL S. JONES,

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

DIRECT EXAMINATION

BY MR. COOLEY:

Q Will you state your name, please?

A Carl S. Jones.

Q By whom are you employed?

A Tenneco Oil Company.

Q Where do you reside?

A Denver, Colorado.

Q In what capacity are you employed by Tenneco Drilling Company?

A Drilling Engineer.

Q Would it be your responsibility to supervise the drilling of the proposed well?

A Yes, sir, it will.

Q Have you considered the aspects of flooding of the island on which the well will be located?

A Yes, sir, it will.

Q Have you considered the aspects of flooding of the island on which the well will be located?

A Yes, sir. We feel at this time of the year, the flooding possibility is very minimum and we will take precautions in the event that the well is completed as a producer that it will protect the wellhead. The water in certain years has come up, I believe, two foot. Just looking at the island, about two foot high on the island. The movement of the water is slow through this area, so it's not going to be -- it's not a rapid movement of water, but we will take precautions.

Q Do you propose to build dikes or dams that will divert the water away from the wellhead?

A We would probably build some sort of a dike, maybe put a dam around it to protect it.

Q Mr. Jones, I hand you what has been marked as Exhibit 3 and ask you to please explain the significance of this exhibit.

A This is an exhibit showing the approximate distance

from the proposed location to the nearest Dakota wells and also to the City limits of Farmington.

Q The proposed location is unorthodox with respect to the fact that it moves nearer to the southeast corner of Section 11, of the north half of Section 11, then would be permitted by the general rules.

Does this move bring the well within a closer distance to offsetting wells, than would be permitted by general pool rules?

A Yes. I believe it does bring the well closer. But there is no geological reason that we are doing this. We are doing this simply because of the closeness to the City limits of Farmington and to protect the surface rights of Mr. Irwin. It is the only reason we are moving this location. There is no geological reason for this.

Q In your opinion, you do not gain any geological advantage by this movement?

A That is true.

Q Are all the wells shown in this plat, of approximate equal productivity?

A I believe this is correct.

Q What is the nearest well being crowded by the proposed location?

A It should be the Pioneer-Farmington Calm No. 1 in

the southeast quarter of Section 11.

Q And what is that distance?

A 2410 feet.

Q What is the next nearest well?

A It looks like the Pan-Am Burham, Burnam Calm No. 1.

Q And what is that distance?

A 2575 feet.

Q What is the closest permissible distance for two orthodox gas wells in the Basin Dakota Gas Pools? Theoretically, hypothetically, how close can two wells be legally located with respect to each other in the pool?

A I'm not too sure of that.

Q I will ask the Commission to take administrative notice of the fact that it is permissible to drill within 790 feet of the line and, hypothetically, two wells in this pool could be within 1580 feet, is that correct, of each other?

A Yes, sir.

Q In your opinion, Mr. Jones, will the proposed well effectively and economically drain the north half of Section 11?

A Yes, sir. It is my opinion that it will effectively drain the north half of Section 11.

MR. COOLEY: I have no further questions of this witness.

CROSS-EXAMINATION

BY MR. UTZ:

Q Mr. Jones, the Animas River does have plenty of floods, does it not?

A Yes, sir, this is my understanding.

Q There is no dams between there and Colorado to restrict the flow of flash floods, is there?

A None to my knowledge.

Q Now, you will have this in mind when you protect the wellheads?

A Yes, sir, that's correct.

Q I think this point is valid in that I don't think the Commissioner would want to approve a location and end up having the oil head knocked off in the middle of a flooding river and you will build dams high enough to take care of this?

A Yes, sir, we will.

Q Particular reference to the sort of trash going --

A Yes, barricades, dams to protect the well. There is a lot of vegetation on this island and it doesn't look like the water has come across this island at any rapid pace.

The water level looks to me, like the highest it's been is about two feet and this is just looking at the trees and talking to the people that live there and these farmers say that's about what it has been.

MR. UTZ: Any other questions of the witness? You may be excused. Any other statements?

MR. COOLEY: Mr. Examiner, at this time I offer Exhibits 1, 2 and 3 in this case.

MR. UTZ: Without objection, 1, 2 and 3 will be entered into this case.

(Whereupon, Applicant's Exhibits 1, 2 and 3 were admitted into evidence.)

MR. COOLEY: I would call to the Examiner's attention that Order R-3822 which approved the previous unorthodox location at a point 2250 feet from the north line and 600 feet from the east line of Section 11, also force-pooled the north half of Section 11. And the force pooling portion of that Order, reference was made to the previous unorthodox location. And in the event this application is approved, it would be our request that the previous order be amended by the new order to the extent that the well referred in the forced-pooling portion of that order, would be properly situated.

MR. UTZ: Now, the off-lease storage portion of that was not mentioned in the 3822, was it?

THE WITNESS: Not the off-lease storage.

MR. COOLEY: It can all be done in one order.

THE WITNESS: We feel we have presented good cause under Rule 309 for off-lease storage, and have made the proper arrangements with respect to the ownership of that ground to situate our storage there. And, of course, the cause of the complaint, the reason for it is simply that it would be necessary for a crude oil hauler to cross the river every time he came to empty the tanks, if the battery is located adjacent to the well.

Whereas, if it's located at the proposed location, the adjacent road will permit the driver to go directly to the well without crossing the river.

MR. UTZ: Mr. Jones, how high above the normal water level is this island?

THE WITNESS: Roughly, five feet at this time, right now, I would say.

MR. UTZ: And it's your intention to run the combined streams from the wellhead to the tank battery, and separate at that point?

THE WITNESS: Yes, sir.

MR. UTZ: In effect then, it would follow that the combined stream would be moved off-lease without being metered?

THE WITNESS: Yes.

MR. UTZ: Would that line be buried?

THE WITNESS: Yes, sir, we plan to bury that line.

MR. UTZ: Any other questions? Witness may be excused. Any statements? Case will be taken under advisement.

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