

MESS 6925: CARIBOU FOUR CORNERS, INC.
FOR TWO EXCEPTIONS TO RULE 306, SAN JUAN
COUNTY, NEW MEXICO

Inc.

Case No.

6925

Application

Transcripts

Small Exhibits

ETC



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

August 6, 1988

POST OFFICE BOX 8088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-9434

Re: CASE NO. 6925
ORDER NO. R-6422

Mr. Damon Weems
Attorney at Law
2901 East 20th Street
Farmington, New Mexico 87401

Applicant:

~~Caribou Four Corners, Inc.~~

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Division order recently entered in the subject case.

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD X
Artesia OCD X
Aztec OCD X

Other _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6925
Order No. R-6422

APPLICATION OF CARIBOU FOUR
CORNERS, INC. FOR TWO EXCEPTIONS
TO RULE 306, SAN JUAN COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 25, 1980,
at Santa Fe, New Mexico, before Examiner, Richard L. Stamets.

NOW, on this 5th day of August, 1980, the Division
Director, having considered the testimony, the record, and
the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

- (1) That due public notice having been given as required
by law, the Division has jurisdiction of this cause and the
subject matter thereof.
- (2) That the applicant, Caribou Four Corners, Inc., is the
owner and operator of two wells, being the Kirtland Wells
Nos. 1 and 2, located in Units A and B, respectively, of
Section 13, Township 29 North, Range 15 West, NMPN, San Juan
County, New Mexico.
- (3) That said wells are too far removed from a regular
gas gathering system and produce too little gas to justify
laying a line to said system at this time.
- (4) That said wells are relatively close to a local gas
distribution system which could handle a portion of the gas
produced, but only after costly treatment and on a severely
seasonally restricted basis only.
- (5) That pending further development by the drilling of
additional wells and the making of more gas available to justify

-2-

Case No. 6925
Order No. R-6422

laying a line to the nearest gas gathering system, the applicant proposes to install gas treating facilities at Wells Nos. 1 and 2 to remove all condensate and to also strip the gas of most of the natural gas liquids contained therein.

(6) That the aforesaid Kirtland Well No. 1 produces approximately 50 MCF per day of casinghead gas and from this, applicant expects to extract some 1.5 barrels of condensate and approximately 150 gallons of propane, and to consume approximately 35 MCF as fuel and shrinkage.

(7) That the aforesaid Kirtland Well No. 2 produces approximately 60 MCF per day of casinghead gas and from this, applicant expects to extract a slightly greater amount of condensate and propane and to consume a similar amount of gas as the No. 1 well.

(8) That the applicant would reinject the remaining residue gas into the wells except periodically when pressure problems would prevent doing so, and requests authority to flare the remaining gas when such pressure problems prevent reinjection into the wells.

(9) That the recovery of the additional volumes of liquids from the casinghead gas and the prospect of recycling the residue gas most of the time make the proposed system worthy of favorable consideration as in the interest of conservation and the prevention of waste.

(10) That the application should be approved.

IT IS THEREFORE ORDERED:

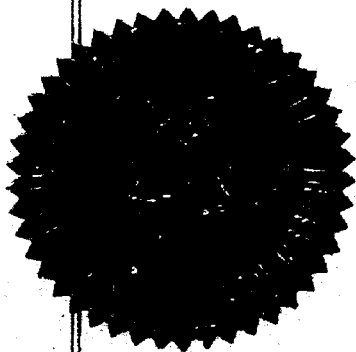
(1) That the applicant, Caribou Four Corners, Inc., is hereby authorized to install a liquid recovery system at each of its Kirtland Wells Nos. 1 and 2, located in Units A and B, respectively, of Section 13, Township 29 North, Range 15 West, NNPM, San Juan County, New Mexico, and to flare the residue gas from such liquid recovery facilities when pressure problems prevent reinjecting said gas back into the wells.

(2) That this authority shall become effective upon completion of installation of the liquid recovery systems as outlined at the hearing of this case.

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

-3-
Case No. 6925
Order No. R-6422

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY
Director

S E A L

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
25 June 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Caribou Four Corners,) CASE
Inc., for two exceptions to Rule 306,) 6925
San Juan County, New Mexico.)

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
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SALLY W. BOYD, C.S.R.

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Page

2

MR. STAMETS: We'll call next Case 6925.

MR. PADILLA: Application of Caribou
Four Corners, Inc., for two exceptions to Rule 306, San Juan
County, New Mexico.

MR. STAMETS: As I understand it, this
case was heard at the last Examiner Hearing and was readver-
tised.

Is there any additional testimony in Case

6925?

There being none, this case is taken

under advisement.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

Sally W. Boyd C.S.R.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6925
heard by me on 6-25 1980.

Richard L. Smith, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
25 June 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Caribou Four Corners,
Inc., for two exceptions to Rule 306,
San Juan County, New Mexico.

CASE
6925

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (805) 455-7409

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2
3 MR. PADILLA: Application of Caribou
4 Four Corners, Inc., for two exceptions to Rule 306, San Juan
5 County, New Mexico.

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12 under advisement.

13
14 (Hearing concluded.)
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SALLY W. BOYD, C.S.R.

Rt. 1 Box 191-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. _____, heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

GAS COMPANY OF NEW MEXICO

APR 21 1980

April 17, 1980

Caribou Four Corners, Inc.
219 Transwestern Life Bldg.
Billings, Montana 59101

Attention: Mr. Andy Morgan

Gentlemen:

On December 12, 1979, Gas Company of New Mexico tendered a proposed Gas Purchase Agreement to Caribou Four Corners pursuant to previous discussions and negotiations. In that proposal, Caribou would construct, install, maintain, and operate at its own expense all gathering or connecting lines and deliver gas to Gas Company's line at or near the NE/4 of Section 13, Township 29 North, Range 15 West, San Juan County, New Mexico.

Later you informed me of problems of securing right-of-way and requested an estimated cost if Gas Company installed the line and was reimbursed by Caribou. Our field personnel have furnished an estimate to connect the Kirkland Wells #1, #2, #3, #4, #6, and #8 to an interconnect of facilities at the location described above. That estimate, as of February 5, 1980, was:

#2, #6, and #8	5,200'	2" pipe	
#1	2,200'	2" pipe	
#4	1,100'	2" pipe	
#3	800'	2" pipe	
15,500' 2" pipe @ \$6.00 per ft.,			= \$ 93,000
if 6 well head metering stations @ \$2,500 ea.,			= \$ 20,000
			<u>\$113,000</u>

The \$113,000 does not include any right-of-way surveying, acquisition, or other costs that would be necessary to obtain and prepare the right-of-way for pipeline construction. The proposed right-of-way path appears to be difficult to obtain, quite rocky, and at some points in a congested residential area.

-2-

In addition, Gas Company would install, maintain, and operate, at no cost to you, a single measuring station and dehydration equipment at the point of interconnection.

If you would like to discuss this estimated cost or any other points, please contact me. Just for clarification this letter is an estimate of cost, not a proposal by us to install the line and is subject to change as construction costs would change from February 5, 1980.

Very truly yours,

GAS COMPANY OF NEW MEXICO

Charles W. Wilson

Charles W. Wilson
Gas Contracts Representative

CWW:crh

CHEMICAL & GEOLOGICAL LABORATORIES

P.O. Box 2794
Casper, Wyoming 82602

GAS ANALYSIS REPORT

For: Elledge Consulting
Company Caribou Four Corners, Inc. Date 3-25-80 Lab. No. 33705-1
Well No. Kirtland #1 Location _____
Field _____ Formation Cha Cha Gallup
County _____ Depth _____
State _____ Sampling point _____
Line pressure 40 psig; Sample pressure 36 psig; Temperature 84 ° F; Container number Elledge
Remarks Sampled March 20, 1980

Component	Mole % or Volume %	
Oxygen.....	0	
Nitrogen.....	0.91	
Carbon dioxide.....	0.92	
Hydrogen sulfide.....	*	
Methane.....	63.31	Gallons
Ethane.....	12.34	per MCF
Propane.....	12.63	3.465
Iso-butane.....	1.40	0.457
N-butane.....	5.36	1.686
Iso-pentane.....	1.34	0.489
N-pentane.....	1.50	0.542
Hexanes & higher.....	0.29	0.134
Total.....	100.00	6.773

GPM of pentanes & higher fraction 1.165
Gross btu/cu.-ft. @ 60° F. & 14.7 psia (dry basis) 1528
Specific gravity (calculated from analysis) 0.910
Specific gravity (measured) 0.910

Remarks: * H₂S negative to lead acetate paper.

*unit
\$30,000
on the
#1:
propose
to strip
liquids
process
liquid
can remove
about 35
MCF as
fuel and
remainder
would be sent
down the annulus
would recover
50 gals propane
1.5 MCF as
@ 40° F
100% vol*

CASE NO. 6925

Exhibit Five

CHEMICAL & GEOLOGICAL LABORATORIES

P.O. Box 2794
Casper, Wyoming 82602

GAS ANALYSIS REPORT

For: Elledge Consulting
Company Caribou Four Corners, Inc. Date 3-25-80 Lab. No. 33705-2
Well No. Kirtland #2 Location _____
Field _____ Formation Cha Cha Gallup
County _____ Depth _____
State _____ Sampling point _____
Line pressure 40 psig; Sample pressure 40 psig; Temperature 80 ° F; Container number Elledge
Remarks Sampled March 20, 1980

Component	Mole % or Volume %	
Oxygen	0	
Nitrogen	1.12	
Carbon dioxide	1.16	
Hydrogen sulfide	*	
Methane	68.11	Gallons
Ethane	11.95	per MCF
Propane	11.19	3.070
Iso-butane	1.16	0.378
N-butane	3.98	1.252
Iso-pentane	0.69	0.252
N-pentane	0.47	0.170
Hexanes & higher	0.17	0.078
Total	100.00	5.200

GPM of pentanes & higher fraction 0.500
Gross btu/cu. ft. @60° F. & 14.7 psia (dry basis) 1406
Specific gravity (calculated from analysis) 0.838
Specific gravity (measured) 0.841

Remarks: * H₂S negative to lead acetate paper.

6925

Exhibit Six

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
4 June 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Caribou Four Corners,
Inc., for two exceptions to Rule 306,
San Juan County, New Mexico.

CASE
6925

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

Damon Weems, Esq.
2901 East 20th Street
Farmington, New Mexico 87401

SALLY W. BOYD, C.S.J.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I N D E X

DENNY FOUST

Direct Examination by Mr. Weems

3

Cross Examination by Mr. Nutter

12

E X H I B I T S

Applicant Exhibit One, Plat

4

Applicant Exhibit Two, Plat

5

Applicant Exhibit Three, Aerial Photo

5

Applicant Exhibit Four, Letter

8

Applicant Exhibit Five, Gas Analysis

9

Applicant Exhibit Six, Gas Analysis

9

MR. NUTTER: Call Case 6925, which is in the matter of the application of Caribou Four Corners, Inc., for two exceptions to Rule 306, San Juan County, New Mexico.

Now I'll make my spiel about how New Mexican made the fatal error in the ad, and that we'll have to continue and re-advertise this case on June 25th, but if you wish to present your testimony today, you may, Mr. Weems, and we'll withhold any order until after we reopen the case.

MR. WEEMS: Thank you, Mr. Examiner. We will submit our testimony. We will have one witness and possibly two if the Examiner would like to have an explanation of the device which we wish to use on this particular well, but at this point one witness will be Mr. Foust.

MR. NUTTER: Okay, please proceed.

MR. WEEMS: And I'm Damon Weems on behalf of the applicant, Caribou Four Corners, Incorporated.

DENNY FOUST

being called as a witness and having been previously sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. WEEMS:

Q.

Would you please state your name for the

record.

A. My name is Denny Foust.

Q. Are you still under oath and have you been previously accepted as an expert in Case 6924, just previously heard?

A. Yes, sir.

MR. WEEMS: We tender Mr. Foust as an expert.

MR. NUTTER: Mr. Foust is qualified.

Q. Are you familiar with the application involved here?

A. Yes, sir.

Q. Would you please explain the application?

A. Okay. This application concerns two Gallup oil wells which are flowing and producing gas in addition to the oil. They are located in the northeast quarter of Section 13, 29 North, 15 West.

The Kirtland No. 1, which is shown on Exhibit Number One, started production in July of 1979. From that time until the present it has flowed approximately 50 barrels of oil and produced 50 Mcf of gas per day.

The Kirtland No. 2, which is located in the west half of the northeast quarter, Section 13, 29 north, 15 west, started producing in November of 1979. It

has produced since that date approximately 60 barrels of oil and 60 Mcf of gas per day.

This is shown on Exhibit Number Two.

Caribou, in addition to these two wells, has completed two other wells, which are just now starting production and we have no gas production information on them.

Exhibit Number Three is an aerial photo of the area we are discussing, which is the unincorporated Village of Kirtland, New Mexico. The four completed wells by Caribou Four Corners are shown in red and the wells are labeled No. 1, 2, 3, and 4.

Q Does Exhibit Number Three show the proposed locations?

A Yes. Exhibit Number Three also shows three additional locations which will be drilled by Caribou Four Corners this year in yellow.

MR. NUTTER: Are the two wells that we discussed in Case Number 6924 among these?

A Yes, sir.

MR. NUTTER: That you're talking about here?

A They are the number Six and Seven, shown on the yellow.

Q Is No. 5 shown on the yellow?

A Yes.

Q And is it a legal location?

A Yes.

MR. NUTTER: Go ahead.

A In addition to Caribou's interest in the area, there will in all probability be three additional wells drilled, which are shown in gold, and these are the property of S and I Oil Company, an independent from Farmington.

MR. NUTTER: What's the scale on your aerial photo here, Mr. Foust?

A That map, which is courtesy of Gas Company of New Mexico, is 1/600th.

MR. NUTTER: One inch equals 600 feet?

A It's located over there on the legend. I believe.

Q Does Exhibit Number Three show the gathering line by El Paso Natural Gas?

A No. What we have marked on there is a possible point to the north where we might join a gathering line by El Paso. You will see it hand-printed if you go north of the highway.

MR. NUTTER: Up El Paso Road?

Q Would you show that to him, please?

A Yes.

MR. NUTTER: Is that the nearest point that El Paso comes to here?

MR. WEEMS: Yes.

MR. NUTTER: And this El Paso Road, where it says "2-inch El Paso", what does that mean? This is proposed laterals, I suppose.

A It's a portion of Gas Company of New Mexico's distribution system, which we'll talk about.

MR. NUTTER: Oh, I see.

Q Is the nearest gathering system the system that you have just described and shown to the Examiner on Exhibit Three?

A Yes, sir. It's located in Section 6 of 29, 14, and although this is not a great distance away from our currently existing gas production, there would be some difficulty in crossing the 4-lane highway 550, and with the unproven and undetermined reserves which currently exist, El Paso would not consider coming to get the gas.

Q Have you explored other sources of tying into distribution or gathering systems?

A We have negotiated with the Gas Company of New Mexico through their parent company, Southern Union.

The possibility of selling this gas into their Kirtland distribution system. This has presented a number of difficulties due to costs and the materials costs are shown in Exhibit Number Four, in a letter from Gas Company of New Mexico to our office, and this would be the materials only amounts to \$113,000 and the right-of-way and the laying of the line would probably triple this figure.

Q Could you give the Examiner some background on the right-of-way problems in this area?

A We have some split surface and mineral owners in this area and also some extreme animosity from a few individuals who are residents, so we would anticipate extreme difficulty in obtaining any right-of-ways.

In addition, to go into the Kirtland distribution system of Gas Company of New Mexico, this is a closed system with very limited capacity. It does not have a pressure link to Farmington, so it is limited to the town of Kirtland itself. So they would have a limited ability to take gas.

Q In your opinion would this ability be limited by seasonal fluctuations?

A I think it would be greatly limited by seasonal fluctuations.

Q Would you please describe that to the

Examiner?

A. Well, just based on gas usage. In the winter you would use sufficient gas to take all the gas we could produce, but in the warmer months you would not use that gas, and there is nothing -- or no apparent method of disposing of the gas during the warm months.

Q. Would you please describe Exhibit Five?

A. Okay. Proceeding with trying to find some alternative, gas analysis on the two wells in question which are shown in Exhibits Five and Six, indicates that we have a large percentage of strippable liquids, so Caribou is proposing to prevent and cut down on the amount of gas flared. We would like to strip the natural gas liquids if a continuing exception to Rule 306 is granted. We will --

Q. First of all, will you explain the process of stripping these liquids?

A. We will be using a compressor system and a complex skid-mounted unit, which would strip the gas liquids worth approximately \$140 a day from the 50 Mcf per day production. We would recover about 150 gallons of propane per day, and in addition we would recover about a barrel and a half of condensate.

MR. NUTTER: Now you said from the 50 Mcf. That would be just from Kirtland No. 1 Well alone.

A Yes.

MR. NUTTER: And the other well is making 60 Mcf. Is it fairly much equivalent in the same amount of liquids?

A Yes, they are very similar. We're looking at 11.19 percent propane as compared to 12.63 on this gas analysis, and it's 3.07 gallons per Mcf compared to 3.465.

MR. NUTTER: Go ahead.

A It will be necessary to put a unit on each well and these units, as they're designed, would use approximately 35 Mcf per day as an energy source in the process, and then we would attempt to reinject the residue down the annulus.

MR. NUTTER: Would the unit have sufficient pressure that this residue gas could be injected under the mechanism you'd be using for the stripping?

A Yes. We're looking at an operating pressure of 250 to 300 pounds, but based on this pressure problem it might be necessary to periodically flare this residue.

And in addition, this unit could be converted to electricity should a gas hookup become available and all the processed gas could be sold at approximately a 1000 BTU per Mcf.

Q Mr. Foust, you stated that there could be the possibility of needing to flare occasionally using this device on both wells.

A Yes, sir, I did.

Q Is that why you've asked for the exception to the no-flare rule?

A Yes, that is the reason.

Q Further, have you asked for the exception to the no-flare rule so that you would not have to burn all of the casinghead gas in this situation?

A Currently we are flaring all the casinghead gas and we would like to conserve this gas by the proposed method and eliminate the majority of the flaring.

Q Did you prepare these exhibits or are the exhibits part of the business records with which you are custodian and are familiar in regard to this application?

A Yes, sir.

MR. WEEMS: I move the admission of Exhibits One through Six.

MR. NUTTER: Caribou's Exhibits One through Six will be admitted in evidence.

Q Mr. Foust, in your opinion would the granting of the application be in the interest of conserva-

tion, prevention of waste, and protection of correlative rights?

A Yes, sir.

MR. WEEMS: I have no further questions of the witness.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Foust, now as I understand it, you would -- is this just a hypothetical proposal of something you might do, or is this a firm proposal that Caribou would install these liquid recovery facilities on these wells?

A I have the engineer who designed this unit with me today. He represents Steelwell Manufacturing of Farmington, and we're prepared to initiate construction on this unit if we get approval for this extension of the flaring.

Q Now are you talking about installing one of these units on each of these wells?

A Yes, sir.

Q And what is the cost of the unit on a well?

A The cost of a unit will run installed approximately \$30,000.

Q \$30,000 per well, right?

A Yes, sir.

Q Okay, now as I understand it, you propose to strip the liquids and to recover what again now out of -- we're talking about the one that makes 50 Mcf per day.

A Yes.

Q You'd recover --

A Approximately 150 gallons of propane.

Q Okay.

A And about a barrel and a half of distillate.

Q And you would consume about 35 Mcf of

gas?

A Yes.

Q So this leaves you with 15 Mcf of gas and this is the gas that would occasionally be flared, I presume.

A Yes.

Q OR are you talking about the -- you'd occasionally have to flare the entire 50?

A No, we're talking about the residue gas being occasionally flared.

Q And if you're not flaring it, you'd reinject it down the annulus?

A That's what we --

Q And where would it go?

A. Would go down the wellbore and help maintain our pressure and continue our flow of our wells, hopefully.

Q. Well, would it be injected while the well is being produced?

A. Yes.

Q. It would just go down and come right back up, wouldn't it?

Wouldn't even go into the formation, would it?

A. That is one of the difficulties I see with this and my engineer says that it can be done, so --

Q. It doesn't look like it would stay down there long enough to get enriched again, just making the round trip, but you'd hope to recover 150 gallons of propane and 1.5 barrels of distillate.

What's this propane worth?

A. It's worth approximately 40 cents a gallon.

Q. And the distillate is worth what at the barrel?

A. Oh, I'd say as a rough figure \$40.00. Somewhere in that range very closely now.

Q. So right now we're talking about the well making 50 Mcf of gas may be worth \$100 at \$2.00 an

Mcf.

A. Right.

Q. And you'd recover about \$60 worth of propane and \$60 worth of distillate and flare 15 Mcf of gas.

A. Yes, sir.

Q. But you have to pay for \$30,000 unit.

A. Yes.

Q. How about operating costs for the thing?

A. The operating costs are supposed to be negligible. The unit can be serviced by the pumper as he checks the well each day.

Q. Does it have an engine on it among other things?

A. Yes.

Q. And this engine is where the 35 Mcf --

A. Yes.

Q. -- of gas is going as fuel for that engine.

A. Yes, with about 10 percent shrinkage.

Q. For these liquids that you're recovering?

A. Yes.

Q. Now, what are you doing with the gas at the present time?

A. The gas is being flared.

Q. But that's on a temporary permit --

A. Yes.

Q. -- that's about to expire. Now, we have a number of other locations. You've got three yellow dots on your map and three gold dots on the map. Would this help if all of these wells were drilled and all produced 50 to 60 Mcf a day, could a gathering system be constructed and gas carted up there to El Paso's gathering system?

A. That's why I've indicated that these wells could possibly be on line by the end of 1980 and we could possibly justify a gas gathering system, but we'll still have the ability to convert these units to electricity at that time and sell 1000 BTU gas.

Q. Are you talking about selling it to El Paso or selling it to GasCo?

A. I'm talking about selling it El Paso if indeed we can justify a gathering line.

Q. How far is that gathering point up there from --

A. From that intersection?

Q. -- where State Highway 49 crosses here?

A. I think -- is that the main intersection down there in town?

Q. Yeah, that's the main intersection, I think.

A. Yeah, that would be 2 miles.

Q. 2 miles up there.

A. The difficulty is crossing Highway 550, which is the 4-lane highway.

Q. Now you said El Paso had indicated they weren't interested in gathering this gas. They weren't interested in gathering it when you had two wells or --

A. Two wells. That's all I've talked to them at this time.

Q. You haven't talked to them about further development there.

A. Yes, sir.

Q. When they would be interested in coming down to get it?

A. Yes.

Q. Will your wells Nos. 6 and 7 be drilled in the near future?

A. Hopefully we'll be able to complete those wells before September 1st.

Q. How about No. 5?

A. No. 5, I've already -- the surface casing is set and I'm --

Q. It's drilling now.

A. -- waiting on a rotary rig.

Q And when will S and I drill their three gold wells?

A They have drilled one well and they're currently in the process of completing that.

Q Which one is it?

A Clear to the west, and the one that's to the south.

Q Okay, that's now being completed.

A Uh-huh.

And what kind of well this turns out could also help some of these reserve estimates for the gas; may give us a key to what kind of reservoir we really have, whether it's a new reservoir or whether we're indeed an extension of the old Northwest Cha-Cha Field or what we're living off of.

Q Okay, now you have your Nos. 1 and 2 completed and they're on production. One went on production last July and one went on production last November, and I think you stated the Nos. 3 and 4 had recently gone on production.

A Yes.

Q How much gas do those wells make?

A Just started the No. 4 yesterday and I haven't got information on that. We had difficulty getting an electrical hookup in there.

Q So you don't have any potential test on the well?

A Not at this time.

Q Does it look like it's going to be as good as the No. 1 and 2?

A I think it will be very similar to the 1 and 2.

Q And how about the No. 3 Well?

A The No. 3 makes a very substantial amount of water and I'm very pessimistic about the amount of gas that will be made there.

Q Yeah, it may have a short life then.

A Yes.

Q If it's already in the water.

A Yes.

Q Well, that's where you'd have to go the furthest to hook it up, anyway. It's the most isolated of the wells from each other.

A Right.

MR. NUTTER: Are there any other questions of Mr. Foust? He may be excused.

MR. WEEMS: Mr. Examiner, if I may just emphasize one further point.

MR. NUTTER: Yes, sir.

MR. WEEMS: Denny, would you please describe problems that we have had in securing right-of-way for an electrical line to hook up No. 4 and put it on production?

A. Well, we've been held up there for about three and a half months due to the fact that we had split surface and mineral estate and the electrical company in Farmington, New Mexico, which services the Kirtland area, will not string an electrical line without specific right-of-way agreements from the surface owner.

Q. And since the ownership is split the surface owners are not very sympathetic to getting the mineral owners minerals hooked up?

A. Well, I'd say unsympathetic would be --

MR. NUTTER: Are there any further questions of Mr. Foust? He may be excused.

Do you have anything further, Mr. Weems?

MR. WEEMS: No, Mr. Examiner, thank you.

MR. NUTTER: Does anyone have anything they wish to offer in Case Number 6925?

If not, we will continue the case to June the 25th and re-advertise the case.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd C.S.R.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6925
heard by me on 6/4 1980.

[Signature], Examiner
Oil Conservation Division

Docket No. 17-80

Dockets Nos. 20-80 and 21-80 are tentatively set for July 9 and 23, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 25, 1980

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 6891: (Readvertised)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Midwest Refining Company, United States Fidelity & Guaranty Company, and all other interested parties to appear and show cause why the State Well No. 1 located in Unit A of Section 16, Township 33 South, Range 14 West, Hidalgo County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6929: Application of Consolidated Oil & Gas, Inc. for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blanco Mesaverde and Basin-Dakota production in the wellbore of its NCRA Well No. 1-E located in Unit G of Section 22, Township 26 North, Range 7 West, by using the Dakota gas for gas lift of Mesaverde liquids after metering on the surface.

CASE 6930: Application of Amoco Production Company for an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Empire South Deep Unit Well No. 21 to be drilled 660 feet from the North and East lines of Section 36, Township 17 South, Range 28 East, the E/2 of said Section 36 to be dedicated to the well.

CASE 6931: Application of H. L. Harvey for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Aztec-Fruitland and Bloomfield-Farmington production in the wellbore of his Jones Well No. 3 located in Unit B of Section 13, Township 29 North, Range 11 West.

CASE 6917: (Continued from June 4, 1980, Examiner Hearing)

Application of Yates Petroleum Corporation for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination for its Goat Roper "LP" Com. Well No. 1 located in Unit P of Section 30, Township 17 South, Range 26 East.

CASE 6932: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its State "JM" Well No. 2, a Morrow test to be drilled 660 feet from the South and East lines of Section 25, Township 18 South, Range 24 East, the S/2 of said Section 25 to be dedicated to the well.

CASE 6933: Application of Yates Petroleum Corporation for two compulsory poolings, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying two 320-acre proration units, being the N/2 and the S/2 of Section 2, Township 19 South, Range 25 East, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a charge for risk involved in drilling said wells.

CASE 6934: Application of Coronado Exploration Corporation for three compulsory poolings, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying three 40-acre proration units, being the NW/4 SE/4 of Section 6, the NE/4 SE/4 of Section 28, and the SW/4 NW/4 of Section 33, all in Township 11 South, Range 28 East, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a charge for risk involved in drilling said wells.

CASE 6901: (Continued from May 21, 1980, Examiner Hearing)

Application of Harvey E. Yates Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp thru Mississippian formations underlying the E/2 of Section 19, Township 14 South, Range 36 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

- CASE 6935:** Application of Dugan Production Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Basin-Dakota and undesignated Gallup production in the wellbore of its June Joy Well No. 2 located in Unit B of Section 25, Township 24 North, Range 10 West.
- CASE 6936:** Application of Dugan Production Corporation for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the S/2 of Section 26, Township 30 North, Range 14 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 6916:** (Continued from June 4, 1980, Examiner Hearing)
- Application of Petro-Lewia Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of the Drinkard and Blinberry production in the wellbore of its State DC Well No. 1, a quadruple completion located in Unit F of Section 19, Township 21 South, Range 37 East.
- CASE 6937:** Application of R. N. Hillin for an unorthodox location and dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of his DWV Well No. 4 to produce gas from the Wolfcamp and Morrow formations thru tubing and the annulus, respectively. Applicant further seeks approval of the unorthodox location of said well in the Wolfcamp and Pennsylvanian formations at a point 800 feet from the South line and 2000 feet from the East line of Section 34, Township 19 South, Range 28 East.
- CASE 6938:** Application of Anadarko Production Company for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Dalport Federal Well No. 1 660 feet from the South and West lines of Section 20, Township 13 South, Range 31 East, Southeast Chaves Queen Gas Area, the W/2 of said Section 20 to be dedicated to the well.
- CASE 6939:** Application of Anadarko Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests at a depth from 2400 feet to 5000 feet below the surface, Turkey Track Field, underlying the NE/4 SE/4 of Section 10, Township 19 South, Range 29 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 6940:** Application of Adobe Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through the Wolfcamp formation underlying the NW/4 SE/4 for oil and the SE/4 for gas, Section 23, Township 20 South, Range 38 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 6941:** Application of Ellwade Corporation for a non-standard gas proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 129.52-acre non-standard gas proration unit comprising the W/2 of partial Section 33, Township 26 South, Range 30 East, Ross Draw-Wolfcamp area, to be dedicated to its Ross Draw Well No. 1 located in Unit C of said Section 33.
- CASE 6942:** Application of Benson-Montin-Greer Drilling Corporation for amendment of Order No. R-2565-B, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Rule 2 of the Special Pool Rules for the West Puerto Chiquito-Mancos Oil Pool as promulgated by Order No. R-2565-B to provide that all 320-acre spacing and proration units in said pool would comprise either the W/2 or the E/2 of a governmental section, provided however, that one injection well would have dedicated thereto the N/2 of Section 1, Township 24 North, Range 1 West, and also that the short 400-acre sections on the South side of Township 27 North, Range 1 West, would each comprise a single spacing unit.
- CASE 6943:** Application of Benson-Montin-Greer Drilling Corporation for a unit agreement, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the East Puerto Chiquito-Mancos Unit Area, comprising 9,769 acres, more or less, of Federal, Indian, and fee lands in Townships 26 and 27 North, Ranges 1 East and 1 West.

- CASE 6944:** Application of Benson-Montin-Greer Drilling Corporation for a pressure maintenance project, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project by the injection of gas, air, LPG, water, or chemicals into the Mancos formation thru 7 wells on its East Puerto Chiquito-Mancos Unit Area.
- CASE 6945:** Application of ARCO Oil and Gas Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Yates-Seven Rivers formation in the interval from 3550 feet to 4000 feet in its Fletcher Well No. 4 in Unit J of Section 27, Township 20 South, Range 34 East, Lynch Field.
- CASE 6946:** Application of Knox Industries, Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be recompleted in the Morrow formation at a point 1980 feet from the North line and 660 feet from the East line of Section 1, Township 19 South, Range 34 East, the N/2 of said Section 1 to be dedicated to the well.
- CASE 6947:** Application of Knox Industries, Inc. for pool contraction and creation and an NGPA determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order deleting certain lands from the La Rica-Morrow Gas Pool and creating a new gas pool from said lands together with a determination that applicant's NM State Well No. 1 located in Unit F of Section 2, Township 19 South, Range 34 East, has discovered a new onshore reservoir pursuant to Section 102 of the NGPA.
- CASE 6948:** Application of Maralo, Inc. for dual completions and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) and simultaneous dedication in the Jalmat Pool of four wells in its Jalmat Yates Unit to produce oil from, and later on to inject water into, its Yates formation waterflood, and to produce oil from the Seven Rivers formation from two of the wells, the Nos. 19 and 20 located in Units C and D and to produce gas from the Seven Rivers from the other two wells, the Nos. 25 and 31 located in Units F and K, all in Section 18, Township 25 South, Range 37 East.
- CASE 6949:** Application of Grace Petroleum Corporation for four compulsory poolings, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Escrito-Gallup Pool underlying four 80-acre proration units, being the E/2 NE/4, the S/2 NW/4, and the W/2 NW/4 of Section 28, and the W/2 SE/4 of Section 29, all in Township 24 North, Range 7 West, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a charge for risk involved in drilling said wells.
- CASE 6950:** Application of Bass Enterprises Production Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow test well to be drilled 660 feet from the North line and 1980 feet from the East line of Section 4, Township 25 South, Range 31 East, the E/2 of said Section 4 to be dedicated to the well.
- CASE 6951:** Application of Bass Enterprises Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the E/2 of Section 21, Township 22 South, Range 30 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 6952:** Application of Exxon Corporation for a non-standard gas proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 378.11-acre non-standard gas proration unit comprising Lots 1 and 2 and the N/2 NE/4 of Section 31, and Lots 1, 2, 3, 4, and the N/2 N/2 of Section 32, all in Township 26 South, Range 26 East, Morrow formation, to be dedicated to its Milepost Federal Com 2 Well No. 1 located in Unit A of said Section 31.
- CASE 6925:** (Readvertised)
- Application of Caribou Four Corners, Inc. for two exceptions to Rule 306, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 306 of the Division Rules and Regulations to permit the permanent flaring of gas from its Kirtland Wells Nos. 1 and 2, located in Units A and B, respectively, of Section 13, Township 29 North, Range 15 West.

CASE 6914: (Continued from June 4, 1980, Examiner Hearing)

Application of Wilson Oil Company for a non-standard proration unit and unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the S/2 of Section 29, Township 20 South, Range 36 East, North Osado-Morrow Gas Pool, to be dedicated to its State JD Well No. 1 at an unorthodox location 1650 feet from the South line and 1980 feet from the West line of said Section 29.

CASE 6896: (This case will be continued to the July 9, 1980, Examiner Hearing)

Application of John E. Schalk for a non-standard gas proration unit and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Blanco Mesaverde gas proration unit comprising the NE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to his Gulf Well No. 2 to be drilled at an unorthodox location 1925 feet from the North line and 790 feet from the East line of said Section 8.

CASE 6487: (Continued from April 23, 1980, Examiner Hearing)

Application of El Paso Natural Gas Company for approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its Shell E State Com Well No. 2 located in Unit N of Section 6, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
4 June 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Caribou Four Corners,)
Inc., for two exceptions to Rule 306,) CASE
San Juan County, New Mexico.) 6925

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

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I N D E X

DENNY FOUST

Direct Examination by Mr. Weems	3
Cross Examination by Mr. Nutter	12

E X H I B I T S

Applicant Exhibit One, Plat	4
Applicant Exhibit Two, Plat	5
Applicant Exhibit Three, Aerial Photo	5
Applicant Exhibit Four, Letter	8
Applicant Exhibit Five, Gas Analysis	9
Applicant Exhibit Six, Gas Analysis	9

MR. NUTTER: Call Case 6925, which is in the matter of the application of Caribou Four Corners, Inc., for two exceptions to Rule 306, San Juan County, New Mexico.

Now I'll make my spial about how New Mexican made the fatal error in the ad, and that we'll have to continue and re-advertise this case on June 25th, but if you wish to present your testimony today, you may, Mr. Weems, and we'll withhold any order until after we reopen the case.

MR. WEEMS: Thank you, Mr. Examiner.

We will submit our testimony. We will have one witness and possibly two if the Examiner would like to have an explanation of the device which we wish to use on this particular well, but at this point one witness will be Mr. Foust.

MR. NUTTER: Okay, please proceed.

MR. WEEMS: And I'm Damon Weems on behalf of the applicant, Caribou Four Corners, Incorporated.

DENNY FOUST

being called as a witness and having been previously sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. WEEMS:

Q

Would you please state your name for the

record.

A. My name is Denny Foust.

Q. Are you still under oath and have you been previously accepted as an expert in Case 6924, just previously heard?

A. Yes, sir.

MR. WEEMS: We tender Mr. Foust as an expert.

MR. NUTTER: Mr. Foust is qualified.

Q. Are you familiar with the application involved here?

A. Yes, sir.

Q. Would you please explain the application?

A. Okay. This application concerns two Gallup oil wells which are flowing and producing gas in addition to the oil. They are located in the northeast quarter of Section 13, 29 North, 15 West.

The Kirtland No. 1, which is shown on Exhibit Number One, started production in July of 1979. From that time until the present it has flowed approximately 50 barrels of oil and produced 50 Mcf of gas per day.

The Kirtland No. 2, which is located in the west half of the northeast quarter, Section 13, 29 north, 15 west, started producing in November of 1979. It

has produced since that date approximately 60 barrels of oil and 60 Mcf of gas per day.

This is shown on Exhibit Number Two.

Caribou, in addition to these two wells, has completed two other wells, which are just now starting production and we have no gas production information on them.

Exhibit Number Three is an aerial photo of the area we are discussing, which is the unincorporated Village of Kirtland, New Mexico. The four completed wells by Caribou Four Corners are shown in red and the wells are labeled No. 1, 2, 3, and 4.

Q Does Exhibit Number Three show the proposed locations?

A Yes. Exhibit Number Three also shows three additional locations which will be drilled by Caribou Four Corners this year in yellow.

MR. NUTTER: Are the two wells that we discussed in Case Number 6924 among these?

A Yes, sir.

MR. NUTTER: That you're talking about here?

A They are the number Six and Seven, shown on the yellow.

Q Is No. 5 shown on the yellow?

A Yes.

Q And is it a legal location?

A Yes.

MR. NUTTER: Go ahead.

A In addition to Caribou's interest in the area, there will in all probability be three additional wells drilled, which are shown in gold, and these are the property of S and I Oil Company, an independent from Farmington.

MR. NUTTER: What's the scale on your aerial photo here, Mr. Foust?

A That map, which is courtesy of Gas Company of New Mexico, is 1/600th.

MR. NUTTER: One inch equals 600 feet?

A It's located over there on the legend. I believe.

Q Does Exhibit Number Three show the gathering line by El Paso Natural Gas?

A No. What we have marked on there is a possible point to the north where we might join a gathering line by El Paso. You will see it hand-printed if you go north of the highway.

MR. NUTTER: Up El Paso Road?

Q Would you show that to him, please?

A Yes.

MR. NUTTER: Is that the nearest point that El Paso comes to here?

MR. WEEMS: Yes.

MR. NUTTER: And this El Paso Road, where it says "2-inch El Paso", what does that mean? This is proposed laterals, I suppose.

A It's a portion of Gas Company of New Mexico's distribution system, which we'll talk about.

MR. NUTTER: Oh, I see.

Q Is the nearest gathering system the system that you have just described and shown to the Examiner on Exhibit Three?

A Yes, sir. It's located in Section 6 of 29, 14, and although this is not a great distance away from our currently existing gas production, there would be some difficulty in crossing the 4-lane highway 550, and with the unproven and undetermined reserves which currently exist, El Paso would not consider coming to get the gas.

Q Have you explored other sources of tying into distribution or gathering systems?

A We have negotiated with the Gas Company of New Mexico through their parent company, Southern Union.

The possibility of selling this gas into their Kirtland distribution system. This has presented a number of difficulties due to costs and the materials costs are shown in Exhibit Number Four, in a letter from Gas Company of New Mexico to our office, and this would be the materials only amounts to \$113,000 and the right-of-way and the laying of the line would probably triple this figure.

Q Could you give the Examiner some background on the right-of-way problems in this area?

A We have some split surface and mineral owners in this area and also some extreme animosity from a few individuals who are residents, so we would anticipate extreme difficulty in obtaining any right-of-ways.

In addition, to go into the Kirtland distribution system of Gas Company of New Mexico, this is a closed system with very limited capacity. It does not have a pressure link to Farmington, so it is limited to the town of Kirtland itself. So they would have a limited ability to take gas.

Q In your opinion would this ability be limited by seasonal fluctuations?

A I think it would be greatly limited by seasonal fluctuations.

Q Would you please describe that to the

Examiner?

A Well, just based on gas usage. In the winter you would use sufficient gas to take all the gas we could produce, but in the warmer months you would not use that gas, and there is nothing -- or no apparent method of disposing of the gas during the warm months.

Q Would you please describe Exhibit Five?

A Okay. Proceeding with trying to find some alternative, gas analysis on the two wells in question which are shown in Exhibits Five and Six, indicates that we have a large percentage of strippable liquids, so Caribou is proposing to prevent and cut down on the amount of gas flared. We would like to strip the natural gas liquids if a continuing exception to Rule 306 is granted.

We will --

Q First of all, will you explain the process of stripping these liquids?

A We will be using a compressor system and a complex skid-mounted unit, which would strip the gas liquids worth approximately \$140 a day from the 50 Mcf per day production. We would recover about 150 gallons of propane per day, and in addition we would recover about a barrel and a half of condensate.

MR. NUTTER: Now you said from the 50 Mcf. That would be just from Kirtland No. 1 Well alone.

A. Yes.

MR. NUTTER: And the other well is making 60 Mcf. Is it fairly much equivalent in the same amount of liquids?

A. Yes, they are very similar. We're looking at 11.19 percent propane as compared to 12.63 on this gas analysis, and it's 3.07 gallons per Mcf compared to 3.465.

MR. NUTTER: Go ahead.

A. It will be necessary to put a unit on each well and these units, as they're designed, would use approximately 35 Mcf per day as an energy source in the process, and then we would attempt to reinject the residue down the annulus.

MR. NUTTER: Would the unit have sufficient pressure that this residue gas could be injected under the mechanism you'd be using for the stripping?

A. Yes. We're looking at an operating pressure of 250 to 300 pounds, but based on this pressure problem it might be necessary to periodically flare this residue.

And in addition, this unit could be converted to electricity should a gas hookup become available and all the processed gas could be sold at approximately a 1000 BTU per Mcf.

Q Mr. Foust, you stated that there could be the possibility of needing to flare occasionally using this device on both wells.

A Yes, sir, I did.

Q Is that why you've asked for the exception to the no-flare rule?

A Yes, that is the reason.

Q Further, have you asked for the exception to the no-flare rule so that you would not have to burn all of the casinghead gas in this situation?

A Currently we are flaring all the casinghead gas and we would like to conserve this gas by the proposed method and eliminate the majority of the flaring.

Q Did you prepare these exhibits or are the exhibits part of the business records with which you are custodian and are familiar in regard to this application?

A Yes, sir.

MR. WEEMS: I move the admission of Exhibits One through Six.

MR. NUTTER: Caribou's Exhibits One through Six will be admitted in evidence.

Q Mr. Foust, in your opinion would the granting of the application be in the interest of conserva-

tion, prevention of waste, and protection of correlative rights?

A

Yes, sir.

MR. WEEMS: I have no further questions of the witness.

CROSS EXAMINATION

BY MR. NUTTER:

Q

Mr. Foust, now as I understand it, you would -- is this just a hypothetical proposal of something you might do, or is this a firm proposal that Caribou would install these liquid recovery facilities on these wells?

A

I have the engineer who designed this unit with me today. He represents Steelwell Manufacturing of Farmington, and we're prepared to initiate construction on this unit if we get approval for this extension of the flaring.

Q

Now are you talking about installing one of these units on each of these wells?

A

Yes, sir.

Q

And what is the cost of the unit on a well?

A

The cost of a unit will run installed approximately \$30,000.

Q

\$30,000 per well, right?

A Yes, sir.

Q Okay, now as I understand it, you propose to strip the liquids and to recover what again now out of -- we're talking about the one that makes 50 MCF per day.

A Yes.

Q You'd recover --

A Approximately 150 gallons of propane.

Q Okay.

A And about a barrel and a half of distillate.

Q And you would consume about 35 MCF of gas?

A Yes.

Q So this leaves you with 15 MCF of gas and this is the gas that would occasionally be flared, I presume.

A Yes.

Q Or are you talking about the -- you'd occasionally have to flare the entire 50?

A No, we're talking about the residue gas being occasionally flared.

Q And if you're not flaring it, you'd reinject it down the annulus?

A That's what we --

Q And where would it go?

~~_____~~

~~_____~~

~~_____~~

~~_____~~

~~_____~~

1 there long enough to get around with that and the
2 round trip, but you'd have to make the return of the
pane and 1.3 barrels of distillate.

Whale with no more oil
This would amount to 1.3 barrels of

gallon.

And the reaction to that would be 1.3

barrel?

Yes, the way it is, the reaction would be

~~_____~~ is that, but that would be 1.3

barrels of oil, the reaction would be 1.3

~~_____~~ is that, but that would be 1.3 barrels of oil, the reaction would be 1.3

Mcf.

A Right.

Q And you'd recover about \$60 worth of propane and \$60 worth of distillate and flare 15 Mcf of gas.

A Yes, sir.

Q But you have to pay for \$30,000 unit.

A Yes.

Q How about operating costs for the thing?

A The operating costs are supposed to be negligible. The unit can be serviced by the pumper as he checks the well each day.

Q Does it have an engine on it among other things?

A Yes.

Q And this engine is where the 35 Mcf --

A Yes.

Q -- of gas is going as fuel for that engine.

A Yes, with about 10 percent shrinkage.

Q For these liquids that you're recovering?

A Yes.

Q Now, what are you doing with the gas at the present time?

A The gas is being flared.

Q But that's on a temporary permit --

A. Yes.

Q. -- that's about to expire. Now, we have a number of other locations. You've got three yellow dots on your map and three gold dots on the map. Would this help if all of these wells were drilled and all produced 50 to 60 Mcf a day, could a gathering system be constructed and gas carted up there to El Paso's gathering system?

A. That's why I've indicated that these wells could possibly be on line by the end of 1980 and we could possibly justify a gas gathering system, but we'll still have the ability to convert these units to electricity at that time and sell 1000 BTU gas.

Q. Are you talking about selling it to El Paso or selling it to GasCo?

A. I'm talking about selling it El Paso if indeed we can justify a gathering line.

Q. How far is that gathering point up there from --

A. From that intersection?

Q. -- where State Highway 49 crosses here?

A. I think -- is that the main intersection down there in town?

Q. Yeah, that's the main intersection, I think.

A Yeah, that would be 2 miles.

Q 2 miles up there.

A The difficulty is crossing Highway 550, which is the 4-lane highway.

Q Now you said El Paso had indicated they weren't interested in gathering this gas. They weren't interested in gathering it when you had two wells or --

A Two wells. That's all I've talked to them at this time.

Q You haven't talked to them about further development there.

A Yes, sir.

Q When they would be interested in coming down to get it?

A Yes.

Q Will your wells Nos. 6 and 7 be drilled in the near future?

A Hopefully we'll be able to complete those wells before September 1st.

Q How about No. 5?

A No. 5, I've already -- the surface casing is set and I'm --

Q It's drilling now.

A -- waiting on a rotary rig.

Q And when will S and I drill their three gold wells?

A They have drilled one well and they're currently in the process of completing that.

Q Which one is it?

A Clear to the west, and the one that's to the south.

Q Okay, that's now being completed.

A Uh-huh.

And what kind of well this turns out could also help some of these reserve estimates for the gas; may give us a key to what kind of reservoir we really have, whether it's a new reservoir or whether we're indeed an extension of the old Northwest Cha-Cha Field or what we're living off of.

Q Okay, now you have your Nos. 1 and 2 completed and they're on production. One went on production last July and one went on production last November, and I think you stated the Nos. 3 and 4 had recently gone on production.

A Yes.

Q How much gas do those wells make?

A Just started the No. 4 yesterday and I haven't got information on that. We had difficulty getting an electrical hookup in there.

Q So you don't have any potential test on the well?

A Not at this time.

Q Does it look like it's going to be as good as the No. 1 and 2?

A I think it will be very similar to the 1 and 2.

Q And how about the No. 3 Well?

A The No. 3 makes a very substantial amount of water and I'm very pessimistic about the amount of gas that will be made there.

Q Yeah, it may have a short life then.

A Yes.

Q If it's already in the water.

A Yes.

Q Well, that's where you'd have to go the furthest to hook it up, anyway. It's the most isolated of the wells from each other.

A Right.

MR. NUTTER: Are there any other questions of Mr. Foust? He may be excused.

MR. WEEMS: Mr. Examiner, if I may just emphasize one further point.

MR. NUTTER: Yes, sir.

MR. WEEMS: Denny, would you please describe problems that we have had in securing right-of-way for an electrical line to hook up No. 4 and put it on production?

A Well, we've been held up there for about three and a half months due to the fact that we had split surface and mineral estate and the electrical company in Farmington, New Mexico, which services the Kirtland area, will not string an electrical line without specific right-of-way agreements from the surface owner.

Q And since the ownership is split the surface owners are not very sympathetic to getting the mineral owners minerals hooked up?

A Well, I'd say unsympathetic would be --

MR. NUTTER: Are there any further questions of Mr. Foust? He may be excused.

Do You have anything further, Mr. Weems?

MR. WEEMS: No, Mr. Examiner, thank you.

MR. NUTTER: Does anyone have anything they wish to offer in Case Number 6925?

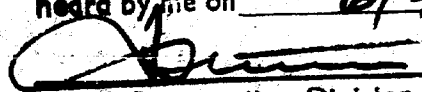
If not, we will continue the case to June the 25th and re-advertise the case.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6925 heard by me on 6/4 1980.

 Examiner
Oil Conservation Division

Docket No. 17-80

Dockets Nos. 19-80 and 20-80 are tentatively set for June 25 and July 9, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - THURSDAY - JUNE 5, 1980

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 6927: Application of Doyle Hartman for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 24, Township 17 South, Range 28 East, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South and West lines of said Section 24. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 6928: Application of ARCO Oil and Gas Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 24, Township 17 South, Range 28 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

Docket No. 16-80

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 4, 1980

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

CASE 6803: (Continued from April 23, 1980, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit KP20C Associates, Hartford Accident and Indemnity Company, and all other interested parties to appear and show cause why its Monsanto State H Well No. 1 located in Unit E of Section 2, Township 30 North, Range 16 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6906: Application of Amoco Production Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its South Mattix Unit Well No. 39 located in Unit G of Section 15, Township 24 South, Range 37 East, to produce oil from the Fowler-Upper Yaso and Fowler-Drinkard Pools thru parallel strings of tubing.

CASE 6907: Application of Amoco Production Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Myers B Federal Well No. 28 located in Unit M of Section 9, Township 24 South, Range 37 East, to produce gas from the Jalmat and Langlie Mattix Pools thru parallel strings of tubing.

CASE 6908: Application of Estoril Producing Corporation for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Curry State Well No. 1, a Pennsylvanian test to be drilled 660 feet from the North and East lines of Section 22, Township 23 South, Range 34 East, Antelope Ridge Field, the N/2 of said Section 22 to be dedicated to the well.

CASE 6909: Application of El Paso Natural Gas Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Basin-Dakota and Largo-Gallup production in the wellbore of its Rincon Unit Well No. 164 located in Unit L of Section 2, Township 26 North, Range 7 West.

CASE 6886: (Continued from May 21, 1980, Examiner Hearing)

Application of Aminoil USA, Inc. for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 10, Township 24 South, Range 28 East, to be dedicated to a well to be drilled at an unorthodox location 2080 feet from the South line and 1773 feet from the East line of said Section 10. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6910: Application of Grace Petroleum Corporation for four compulsory poolings, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Gallup formation underlying four 40-acre proration units, being the SE/4 NE/4, the SE/4 NW/4, and the NW/4 NW/4 of Section 28, and the SW/4 SE/4 of Section 29, all in Township 24 North, Range 7 West, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a charge for risk involved in drilling said wells.

CASE 6911: Application of Grace Petroleum Corporation for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Gallup formation underlying the NE/4 NW/4 of Section 11, Township 23 North, Range 7 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 6912: Application of Southland Royalty Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its State "14" Comm. Well No. 1 located in Unit E of Section 14, Township 19 South, Range 29 East, Turkey Track Field, to produce gas from the Morrow and Atoka formations thru tubing and the casing-tubing annulus, respectively.

CASE 6913: Application of Kerr-McGee Corporation for an unorthodox well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its State F Well No. 14 to be drilled 1310 feet from the North line and 1330 feet from the West line of Section 2, Township 8 South, Range 33 East, Chaveroo-San Andres Pool.

CASE 6914: Application of Wilson Oil Company for a non-standard proration unit and unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the S/2 of Section 29, Township 20 South, Range 36 East, North Osudo-Morrow Gas Pool, to be dedicated to its State JD Well No. 1 at an unorthodox location 1650 feet from the South line and 1980 feet from the West line of said Section 29.

CASE 6915: Application of Jake L. Hamon for a non-standard gas proration unit and an unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the S/2 of Section 8, Township 20 South, Range 36 East, North Osudo-Morrow Gas Pool, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South line and 1980 feet from the West line of said Section 8.

CASE 6916: Application of Petro-Lewis Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of the Drinkard and Blinberry production in the wellbore of its State DC Well No. 1, a quadruple completion located in Unit F of Section 19, Township 21 South, Range 37 East.

CASE 6917: Application of Yates Petroleum Corporation for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination for its Goat Roper "LP" Com. Well No. 1 located in Unit P of Section 30, Township 17 South, Range 26 East.

CASE 6918: Application of Yates Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Upper Penn and Morrow gas production in the wellbore of its Kennedy "JQ" Com. Well No. 1 located in Unit H of Section 33, Township 17 South, Range 26 East, Kennedy Farms Field.

CASE 6919: Application of Yates Petroleum Corporation for downhole commingling or consolidation of two pools, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Wolfcamp and Penn gas production in the wellbore of its Anderson State "CS" Com. Well No. 1-Y located in Unit G of Section 14, and its Fordinkus State "HZ" Com. Well No. 1 located in Unit G of Section 22, both in Township 18 South, Range 24 East, or, in the alternative, the consolidation of the Fordinkus-Cisco Gas Pool and the Penasco Draw Permo-Penn Gas Pool into one Permo-Penn gas pool to include the above-described wells.

- CASE 6920:** Application of Yates Petroleum Corporation for a dual completion and unorthodox well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its 5 Mile Draw Federal Well No. 1 to produce from the Pennsylvanian and Abo formations thru the tubing and casing-tubing annulus, respectively; applicant also seeks approval for the unorthodox location of said well in the Abo formation 800 feet from the South line and 2100 feet from the East line of Section 34, Township 6 South, Range 25 East, the SE/4 of the section to be dedicated to the well.
- CASE 6903:** (Continued from May 21, 1980, Examiner Hearing)
Application of Harvey E. Yates Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Pennsylvanian-Mississippian test well to be drilled 660 feet from the South line and 990 feet from the East line of Section 33, Township 13 South, Range 36 East, the S/2 of said Section 33 to be dedicated to the well.
- CASE 6904:** (Continued from May 21, 1980, Examiner Hearing)
Application of Harvey E. Yates Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the McDonald Unit Area, comprising 1,440 acres, more or less, of fee lands in Townships 13 and 14 South, Range 36 East.
- CASE 6921:** Application of Harvey E. Yates Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp-Mississippian formations underlying the S/2 of Section 33, Township 13 South, Range 36 East, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South and East lines of Section 33. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 6922:** Application of Harvey E. Yates Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp-Pennsylvanian formations underlying the E/2 of Section 24, Township 18 South, Range 28 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6923:** Application of Harvey E. Yates Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Cayton-Austin Unit Area, comprising 960 acres, more or less, of State and fee lands in Township 14 South, Range 36 East.
- CASE 6924:** Application of Caribou Four Corners, Inc. for two unorthodox oil well locations, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of two wells to be drilled, the first being 860 feet from the North line and 2090 feet from the West line, and the second being 910 feet from the North line and 395 feet from the West line, both in Section 13, Township 29 North, Range 15 West, Cha Cha-Gallup Oil Pool, the E/2 and the W/2, respectively, of the NW/4 of said Section 12 to be dedicated to the wells.
- CASE 6925:** Application of Caribou Four Corners, Inc. for two exceptions to Rule 306, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 306 of the Division Rules and Regulations to permit the permanent flaring of gas from its Kirtland Wells Nos. 1 and 2, located in Units A and B, respectively, of Section 13, Township 29 North, Range 15 West.
- CASE 6889:** (Readvertised)
Application of Belco Petroleum Corporation for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill a well, the surface location of which is 1980 feet from the North line and 920 feet from the West line of Section 36, Township 22 South, Range 30 East, in such a manner as to bottom it at an unorthodox location within 660 feet of a point 1320 feet from the North line and 2640 feet from the West line of said Section 36 in the Morrow formation, the N/2 of said Section 36 to be dedicated to the well.
- CASE 6896:** (Continued from May 21, 1980, Examiner Hearing)
Application of John E. Schalk for a non-standard gas proration unit and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Blanco Mesaverde gas proration unit comprising the NE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to his Gulf Well No. 2 to be drilled at an unorthodox location 1925 feet from the North line and 790 feet from the East line of said Section 8.

CASE 6926: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, contracting vertical limits, and extending horizontal limits of certain pools in Chaves, Eddy, and Lea Counties, New Mexico:

(a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Pennsylvanian production and designated as the Arkansas Junction-Pennsylvanian Pool. The discovery well is Rex Alcorn Bobbi Well No. 1Y located in Unit J of Section 20, Township 18 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 36 EAST, NMPM
Section 20: SE/4

(b) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the Avalon-Delaware Pool. The discovery well is MWJ Producing Company State GW Well No. 1 located in Unit K of Section 36, Township 20 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 36: SW/4

(c) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the East Burton-Delaware Pool. The discovery well is J. C. Williamson TOG Federal Well No. 1 located in Unit F of Section 16, Township 20 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM
Section 16: NW/4

(d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Dog Canyon-Strawn Gas Pool. The discovery well is Harvey E. Yates Company Gates Federal Deep Well No. 1 located in Unit P of Section 6, Township 17 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 6: S/2

(e) CREATE a new pool in Chaves County, New Mexico, classified as an oil pool for San Andres production and designated as the South Double L-San Andres Pool. The discovery well is McClellan Oil Corporation Mark Federal Well No. 1 located in Unit I of Section 30, Township 15 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 15 SOUTH, RANGE 30 EAST, NMPM
Section 30: SE/4

(f) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Grayburg production and designated as the Empire-Grayburg Gas Pool. The discovery well is Carl A. Schellinger West Federal Well No. 1 located in Unit G of Section 14, Township 17 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM
Section 14: NE/4

(g) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the North Hume-Morrow Gas Pool. The discovery well is Bass Enterprises Production Company Bass 36 State Well No. 1 located in Unit E of Section 36, Township 15 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 15 SOUTH, RANGE 34 EAST, NMPM
Section 36: W/2

(h) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the Lusk-Atoka Gas Pool. The discovery well is Phillips Petroleum Company Lusk Deep Unit A Com Well No. 13 located in Unit K of Section 18, Township 19 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 18: S/2

(i) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Milepost-Morrow Gas Pool. The discovery well is Exxon Corporation Scheidt Federal Well No. 1 located in Unit L of Section 30, Township 26 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 26 SOUTH, RANGE 25 EAST, NMPM
Section 36: N/2 N/2 and Lots, 1, 2,
3, and 4

TOWNSHIP 26 SOUTH, RANGE 26 EAST, NMPM
Section 30: S/2
Section 31: N/2 NW/4 and Lots 3 and 4

(j) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Turkey Track-Atoka Gas Pool. The discovery well is Tenneco Oil Company State HL 11 Well No. 1 located in Unit N of Section 11, Township 19 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 10: E/2
Section 11: S/2

(k) CONTRACT the vertical limits of the East Grama Ridge-Bone Springs Pool to the interval from 10,472 feet to 10,900 feet as found on the type log for the Getty Oil Company State 35 Well No. 1 located in Unit K of Section 35, Township 21 South, Range 34 East, NMPM, and redesignate said pool as the East Grama Ridge-Lower Bone Springs Pool.

(l) EXTEND the Airstrip-Upper Bone Springs Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Section 25: W/2 SW/4
Section 26: SE/4

(m) EXTEND the Atoka-Yeso Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 33: NW/4 and N/2 S/2

(n) EXTEND the Brunson-Fusselman Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 8: SE/4

(o) EXTEND the Buckeye-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM
Section 9: NW/4

(p) EXTEND the Burton Flat-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM
Section 13: W/2
Section 14: E/2

(q) EXTEND the Catclaw Draw-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM
Section 34: S/2

TOWNSHIP 21 SOUTH, RANGE 25 EAST, NMPM
Section 2: Lots 1 through 8

(r) EXTEND the Chaveroo-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 32 EAST, NMPM
Section 34: NE/4

TOWNSHIP 8 SOUTH, RANGE 32 EAST, NMPM
Section 3: SW/4

- (a) EXTEND the Cinta Roja-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 35 EAST, NMPM
Section 4: All

- (t) EXTEND the South Corbin-Strawn Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM
Section 29: N/2
Section 30: N/2

- (u) EXTEND the South Corbin-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM
Section 28: W/2

- (v) EXTEND the Crooked Creek-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM
Section 8: S/2

- (w) EXTEND the South Empire-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 17: All

- (x) EXTEND the East Grama Ridge-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM
Section 12: W/2

- (y) EXTEND the Hat Mesa-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM
Section 10: W/2

- (z) EXTEND the Henshaw Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 30 EAST, NMPM
Section 11: SW/4 SW/4
Section 14: S/2 and W/2 NW/4
Section 15: E/2 SE/4

- (aa) EXTEND the Hobbs-Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPM
Section 4: SE/4

- (bb) EXTEND the Indian Flats-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM
Section 2: N/2 NE/4

- (cc) EXTEND the South Kemnitz Atoka-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM
Section 29: W/2

- (dd) EXTEND the Logan Draw-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM
Section 19: N/2 NE/4 and SE/4 NE/4

- (ee) EXTEND the Middle Lynch Yates-Seven Rivers Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM
Section 21: E/2 SW/4

(ff) EXTEND the Penasco Draw San Andres-Yeso Associated Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM
Section 31: SW/4

(gg) EXTEND the East Red Lake Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM
Section 25: S/2 S/2
Section 26: S/2 SE/4 and SE/4 SW/4
Section 36: N/2 NW/4

(hh) EXTEND the North Shugart-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
Section 17: S/2

(ii) EXTEND the Tomahawk-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 31 EAST, NMPM
Section 25: SE/4

(jj) EXTEND the Turkey Track Seven Rivers-Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 9: E/2 NE/4

(kk) EXTEND the North Vacuum-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM
Section 17: NW/4

(ll) EXTEND the Winchester-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 3: All

(mm) EXTEND the Winchester-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 30: W/2

Docket No. 16-80

DOCKET: EXAMINER HEARING - THURSDAY - JUNE 19, 1980

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- ALLOWABLE:
- (1) Consideration of the allowable production of gas for July, 1980, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
 - (2) Consideration of the allowable production of gas for July, 1980, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

APPLICATION OF CARIBOU FOUR
CORNERS, INC., for an EXCEPTION
TO NO FLARE RULE 306 which is
located in SECTION 13,
TOWNSHIP 29 NORTH, RANGE 15 WEST
N.M.P.M., SAN JUAN COUNTY, NEW MEXICO
in the W/2 of the NE/4 of said Section,
Township and Range


Case No. 6925

APPLICATION FOR EXCEPTION TO NO FLARE RULE 306

Applicant, Caribou Four Corners, Inc., by and through its
attorney, Damon L. Weems, respectfully requests an exception to No
Flare Rule 306 stating as grounds therefore:

1. The well located in the above-referenced Section,
Township and Range is capable of producing fifty (50) mcf of casing
head gas on a daily basis.
2. The well cannot be economically produced without
flaring such casing head gas.
3. There is no market for such casing head gas.
4. Applicant has endeavored to obtain a pipeline tie-in
with Southern Union Gas Company with no success.

Respectfully submitted.


Damon L. Weems
Attorney for Caribou Four Corners, Inc.
2901 East 20th Street
Farmington, New Mexico 87401
327-4469

Handwritten:
Hwy 11. B
Gallup formation

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

APPLICATION OF CARIBOU FOUR
CORNERS, INC., for an EXCEPTION
TO NO FLARE RULE 306 which is
located in SECTION 13,
TOWNSHIP 29 NORTH, RANGE 15 WEST
N.M.P.M., SAN JUAN COUNTY, NEW MEXICO
in the E/2 of the NE/4 of said Section,
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Case No. 6925

APPLICATION FOR EXCEPTION TO NO FLARE RULE 306

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attorney, Damon L. Weems, respectfully requests an exception to No
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Respectfully submitted.


Damon L. Weems
Attorney for Caribou Four Corners, Inc.
2901 East 20th Street
Farmington, New Mexico 87401
327-4469

11 1A 11 2B
Memo

From

FLORENE DAVIDSON
ADMINISTRATIVE SECRETARY

To

Called in by Hamon Weems

5/14/80
Caribou Four Corners, Inc.
Exception to No-Flare Rule
306

Kirtland Well #2

W/2 NE/4 13-29N-15W

San Juan County

OIL CONSERVATION COMMISSION-SANTA FE

Memo

From

FLORENE DAVIDSON
ADMINISTRATIVE SECRETARY

To

Called in by Hamon Weems
5/14/80

Caribou Four Corners, Inc.

Exception to No-Flare Rule 306

E/2 NE/4 13-29N-15W

Kirtland Well #1

San Juan County

OIL CONSERVATION COMMISSION-SANTA FE

ROUGH

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6925

Order No. R-6422

APPLICATION OF CARIBOU FOUR
CORNERS, INC., FOR TWO EXCEPTIONS
TO RULE 306, SAN JUAN COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 25,
19 80, at Santa Fe, New Mexico, before Examiner Richard L. Stamets

NOW, on this _____ day of August, 19 80, the
Division Director, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, Caribou Four Corners, Inc., is the
owner and operator of two wells, being the Kirtland Wells Nos. 1
and 2, located in Units A and B, respectively, of Section 13,
Township 29 North, Range 15 West, NMPM, San Juan County, New Mexico.

(3) That said wells are too far removed from a regular gas gathering system ^{and produce too little gas} to justify laying a line to ^{said system} at this time.

(4) That said wells are relatively close to a local gas distribution system which could handle a portion of the gas produced, but only after costly treatment and on a severely seasonally restricted basis only.

(5) That pending further development by the drilling of additional wells and the making of more gas available to justify laying a line to the nearest gas gathering system, the applicant proposes to install gas treating facilities at Wells Nos. 1 and 2 to remove all condensate and to also strip the gas of most of the natural gas liquids contained therein.

(6) That the aforesaid Kirtland Well No. 1 produces approximately 50 MCF per day of casinghead gas and from this, applicant expects to extract some 1.5 barrels of condensate and approximately 150 gallons of propane, ^{and to consume} ~~consuming~~ approximately 35 MCF as fuel and shrinkage.

(7) That the aforesaid Kirtland Well No. 2 produces approximately 60 MCF per day of casinghead gas and from this, applicant expects to extract a ^{slightly greater} ~~similar~~ amount of condensate and propane and to consume a similar amount of gas as the No. 1 well.

(8) That the applicant would reinject the remaining residue gas into the wells except periodically when pressure problems would prevent doing so, and requests authority to flare the remaining gas when such pressure problems prevent reinjection into the wells.

(9) That the recovery of the additional volumes of liquids from the casinghead gas and the prospect of recycling the residue gas most of the time make the proposed system worthy of favorable consideration as in the interest of conservation and the prevention of waste.

(10) That the application should be approved.

IT IS THEREFORE ORDERED:

(1) That the applicant, Caribou Four Corners, Inc., is hereby authorized to install a liquid recovery system at each of its Kirtland Wells Nos. 1 and 2, located in Units A and B, respectively, of Section 13, Township 29 North, Range 15 West, NMPM, San Juan County, New Mexico, and to flare the residue gas from such liquid recovery facilities when pressure problems prevent reinjecting said gas back into the wells.

(2) That this authority shall become effective upon completion of installation of the liquid recovery systems as outlined at the hearing of this case.

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.