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BEFORE THE
OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

Santa Fe, New Mexico

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TRANSCRIPT OF PROCEEDINGS

CASE NO 680, 681, 682, 683

Regular Hearing

March 17, 1954

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

IN THE MATTER OF:

Application of Grover C. Conrad for approval of
unorthodox gas proration unit in the Jalco Gas Pool: } Case No. 680
W/2 E/2 20-26S-37E. }

Application of Grover C. Conrad for approval of
unorthodox gas proration unit in the Jalco Gas Pool: } Case No. 681
N/2 NW/4 21-26S-37E. }

Application of Grover C. Conrad for approval of
unorthodox gas proration unit in Jalco Gas Pool: } Case No. 682
S/2 NE/4 and E/2 SE/4 17-26S-36E. }

Application of Grover C. Conrad for approval of
unorthodox gas proration unit in the Jalco Gas Pool: } Case No. 683
E/2 W/2 17-26S-37E. }

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BEFORE: Edwin L. Mechem, Chairman
E. S. (Johnny) Walker, Member
R. R. Spurrier, Director and Secretary

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TRANSCRIPT OF PROCEEDINGS

MR. SPURRIER: The next case is Case 680. Can we save time by consolidating the next four cases?

MR. GIRAND: I would like to consolidate the next four cases because the subject matter of all of them is the same practically and I have talked to Mr. Howell there of El Paso and he has no objection to consolidating the four cases. That is 680, 681, 682, and

ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 105-106, EL CORTEZ BLDG.
PHONES 7-9645 AND 3-9546
ALBUQUERQUE, NEW MEXICO

683.

MR. SPURRIER: Go ahead.

MR. GIRAND: If the Commission please, in the consolidated cases of 680 and 681, 682 and 683, application of Grover C. Conrad for the approval of certain unorthodox proration units in the Jalco Pool, we do not have and do not propose to offer any testimony but we do want to offer in evidence certain exhibits and make a brief statement into the record.

(Marked Exhibit Number 1, Cases
680, 681, 682, and 683.)

MR. GIRAND: If the Commission please, the Grover Conrad owns the north half of the North West quarter of Section 21 upon which he has a gas well at the present time. He also owns the east half of the South East quarter and the south half of the North East quarter and the east half of the West half of Section 17. He owns the west half of the East half of Section 20. We propose to establish proration units as outlined there. An 80 acre unit in Section 21, two 160 acre units in Section 17, and one in Section 20.

MR. SPURRIER: What is the total of that acreage, Mr. Girand?

MR. GIRAND: 560 acres total acreage in the three Sections. The purpose for filing these applications are that the property is principally in the area delineated as the Rhodes storage area but was not a party to any of the unit agreements that were entered into between the El Paso Natural Gas and the Government and the State Land Office. The acreage surrounding or the acreage offsetting the north half of the North West quarter of 21 has a gas well on it at the present time, as does the acreage immediately to the east. We were unable to make any arrangement to unitize with either of the

two. We are confronted with the wording of your Order in Case 582 in which you provide that the rules of the Jalco Pool will not apply to the Rhodes storage area, but a search of the Commission's records failed to disclose any delineated area as the Rhodes area as far as I could find. So, I don't know whether we are properly before the Commission for proration units or not until the Commission so determines whether or not we have a Rhodes area defined by the Commission. We submit that we have two gas wells on the property now, it is foolish to go forward and drill additional wells until we do know whether or not the Commission is going to grant a proration unit. We do have a drilling obligation that has to be met and surely we can't afford to go and spend the money if we don't know whether the Commission is going to give us a proration unit in the area. We would like to submit our application in addition to the map.

MR. SPURRIER: Without objection, it will be admitted. Mr. Howell?

MR. HOWELL: We would like to introduce evidence in objection to this application.

R O B E R T F. E V A N S

the witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By: MR. HOWELL:

Q Will you state your name to the Commission?

A Robert F. Evans.

Q Where are you employed, Mr. Evans?

A In Jal, New Mexico with the gas company.

Q That is with El Paso Natural Gas Company?

A That is with El Paso Natural Gas in the gas engineering department.

Q Are you a graduate of a recognized College or University?

A Yes, sir, I have a B. S. Degree in geology from Texas Western College.

Q How long have you practiced geology?

A For a period over two years.

Q Of over two years? A Yes.

Q Where?

A At the place that I am presently employed.

Q At Jal, New Mexico? A Yes, sir.

Q Have you ever been qualified before the Commission here?

A No, sir.

MR. HOWELL: We submit the witness as an expert witness.

MR. SPURRIER: Yes, sir.

Q Mr. Evans, have you made certain maps or platss concerning the area under consideration here?

A Yes, sir, I have a structural contour map of the Yates and top of the Yates which I would like to use and I would like to submit two isobaric maps at this time.

Q Let's take the structural contour map at the top of the Yates, will you mark that Exhibit 1?

(Marked Exhibits 1, 2, and 3, for identification.)

Q Referring to El Paso Natural Gas Company's Exhibit 1, which is on the board, will you tell the Commission what the purple outlined area represents there?

A The purple outlined area represents the unit area.

Q Is that the Rhodes unit area? A Yes, sir.

Q What does the green section or portion of the map indicate?

A That is the State unitized section within the unitized area.

Q Is that unitized under an agreement with the State of New Mexico whereby from the surface to a depth of 4,000 feet it is dedicated to this storage project?

A Yes, sir, that is correct.

Q Now, the orange colored portions of the map represent what?

A That represents the rest of the unitized area with various other persons.

Q And have you shown on that map the existing well locations that are on the unit? A Yes, sir, I have.

Q Refer first to the State Section Number 16, what wells are presently located on that State Section?

A That is the State Y-1 and the State A-1.

Q I believe Mr. Bernard has figures on the production on that rather than you having them, does he not?

A Yes, sir, that is correct.

Q Do you know whether those two wells are used as input wells?

A Yes, sir, to my knowledge, they are used both for input and withdrawal.

Q All right, now indicate, if you will, the location on the map of the acreage described in Case Number 680 which is the west half of the East half of Section 20.

A That is this area here.

Q That is the--

A (Interrupting) Marked in red.

Q That is the area as shown on your plate which corresponds

with the purple area on Conrad Exhibit?

A Yes, sir, that is correct.

Q And has a well been drilled on that at the present time?

A No, sir, it has not.

Q Refer to the area described in Case Number 681, the north half of the North West quarter of Section 21 and point that location out.

A That is in this area here striped in red.

Q Has a well been drilled on that particular tract there?

A Yes, sir, it has.

Q With reference to that well, have you made any tests or examinations concerning that particular well?

A I made an examination in regards to its position structurally and what it was producing from.

Q Did you reach a conclusion as to the formation from which it is producing?

A Yes, sir, it is producing from an upper sand section in the Yates formation.

Q Generally, what is the production of gas from this Rhodes area, the Rhodes unit area?

A The general production is from the sand phases within the Yates which lies in the middle portion of this Township extending somewhat up to the North West corner and extending to the South East corner.

Q We will come back to that in a minute and let's locate the acreage that is described in Case Number 682. That is the south half of the North East quarter and the East half of the South East quarter of Section 17. Will you indicate that?

A That is this portion here striped in red.

Q Is there any well located on that now?

A No, sir.

Q Now, referring to Case 683, will you indicate the location of the East half of the West half of Section 17?

A That is this area here striped in red corresponding with the yellow.

Q Is there a well located on that at the present time?

A Yes, sir, there is.

Q Now, the Rhodes area generally is used, I believe, as a storage area under the Rhodes unit agreement with the Federal Government and with the State of New Mexico, is that correct?

A Yes, sir, that is correct.

Q What is the general geology which makes it possible to use that as a storage area, will you briefly outline the facts, the physical facts which make it possible to use that as a separate storage reservoir?

A Yes, sir. We have a structural high position in through here, through Section 16 and we have a low area in this vicinity here. We also have a high area over here, however we have a lithologic change within the Yates where the sand limes up to the North East.

Q Well now, in that north east portion there, what is it that minimizes any migration of gas in that particular area?

A The lack of porosity and permeability in that direction limits the migrate of gas in that direction.

Q Up to the north is there any factor that limits the migration of gas in that direction?

A Yes, sir. It is a physical factor of an evidence water drive in the North West Section that is migrating south easterly.

Q Does the water there act as a seal to seal the gas and prevent it from escaping to the north?

A Yes, sir, it does.

Q What about the west side, what physical facts there tend to make that a separate storage reservoir?

A Well, you have two factors to consider there. You have a low area structurally, also you have a lithologic change to the west in that it limes up, losing its porosity and permeability.

Q So, that the migration is stopped by the lack of porosity and permeability rather than the water drive that existed to the north?

A Yes, sir, that is correct.

Q Now, to the south, what factor is there?

A To the South West Section, we still have the condition existing of liming up, losing porosity and permeability. To the south east, at approximately a mile and a half into Winkler County, Texas, you will have a north easterly, south westerly trending fall along in this area. That is right north of the North Scarborough Field which tends to prevent the migration any further south.

Q Is that area reasonable effective and efficient as a storage area for gas?

A Yes, sir. It is reasonably effective.

Q How long has it been so used?

A Since 1945, I believe.

Q Let's take a look at this Exhibit 2, will you state to the Commission what the El Paso Natural Gas Exhibit 2 discloses and

reveals?

A Exhibit Number 2 is an isobaric map contoured on bottom pressures obtained approximately in the period of May of 1951. It is contoured on 25 pound contours with the exception between the 8 and 900 foot line which lies in here. We have a depressive area around this particular well, that is a reflection of withdrawal and I left out the contours in that particular area because it would necessitate using of six contour lines which would tend to clutter up the map and is not necessarily important.

Q Where is the point of the highest bottom hole pressure?

A The point of the highest bottom hole pressure is in this North Western Section.

Q To what do you attribute that?

A I attribute that to the water drive, mainly. Possibly to some injection from this area and a lack of permeability causing a decline in this direction more rapidly than over in here.

Q What other input wells are located on the area other than the two wells in the State Section which you have pointed out?

A I am afraid that I won't be able to answer that. I am not that well acquainted.

Q Are there certain input wells located in the northern portions that you do know of?

A I believe that this Number 4-B is one of the major input wells.

Q What does your platf reveal as to change in pressures as between the two input wells located on the State Section and the area in which the proposed unorthodox units are asked?

A It indicates that the--

Q Where is the highest pressure?

A The highest pressure is in this area here.

Q Surrounding the two input wells?

A Yes, sir.

MR. SPURRIER: In Section 16?

A In Section 16.

Q In Section 16. Does the pressure then decline substantially as you go to the west toward the location of the proposed unorthodox units?

A Yes, sir, that is correct. It declines in this direction.

Q Do the contours there show the decline at 25 pound intervals, I believe you stated?

A Yes, sir, that is correct.

Q In your opinion, what effect would the drilling of two additional wells, as proposed here, have upon any gas which has been injected into that State Section?

A It is my opinion that wells drilled here and here would receive a portion of the gas that is injected in this area here.

Q The gas would migrate from the input wells over to the western edge of the unit and then be produced out of those wells?

A Yes, sir, that is correct.

Q What about the well which exists over at the western line there, the most western most well shown on the map?

A This one here?

Q Yes.

A I believe that it is in the present flow, range of flow of our injection system on these two wells.

Q Do you have records of any pressure surveys which have been

made or does Mr. Bernard have that?

A Mr. Bernard has that.

Q He has that. At what depth is the pay from the Yates and the Seven Rivers in this area?

A The pay is at approximately 3,000 feet plus or minus 150 feet.

Q There are a number of wells shown on the southerly portion of that unit area. Do you know what those wells are?

A Yes, sir, they are oil wells.

Q From what formations are they producing?

A They are producing from the same formations.

Q From the Yates and Seven Rivers?

A Yates and Seven Rivers formations.

Q What wells are located over there in Section 17 in addition to the one which has been drilled by Mr. Conrad?

A We have a Texas Company well up in this area that was plugged as a dry hole. We have another Texas Company well in this area that was also plugged as a dry hole and we have the Baker and Taylor Moberly Number 1 which is.

Q When was it completed?

A I am not certain as to the date but I believe, approximately 1951.

Q 19 when?

A 1951.

Q Do you have the figures on that Baker Moberly well or does Mr. Bernard?

A Mr. Bernard has those figures.

Q The Exhibit 3 represents what?

A That is an isobaric map also, contoured on bottom hole

pressures obtained during the period of October, 1953. It is contoured on 100 foot contours due to the difference in pressures at that time. One hundred pound, excuse me.

Q One hundred pound contours? A Yes, sir.

Q And how does that date compare with the date at which Exhibit 2 was made? A It compares--

Q (Interrupting) What was the date of Exhibit 2?

A It was May of 1951.

Q May of 1951? A Yes, sir.

Q And this Exhibit 3 then shows October--

A (Interrupting) 1953.

Q (Continuing)--of 1953. What changes in pressures are revealed by that map?

A We still have approximately the same high pressure that we have up here in this area and in this area here we have gained approximately a hundred and fifty pounds pressure.

Q What about the pressure over there in Section 17, where the new well is proposed? How much has that been increased in that period of time?

A That has been increased approximately the same number of pounds.

Q That is about a hundred and fifty pounds?

A Approximately one hundred fifty pounds bottom hole pressure.

Q What does that increase in pressure in that area indicate to you?

A That indicates to me that the injection of gas on the two injection wells in the State acreage Section 16 has migrated westerly into Section 17 as well as other areas.

Q With reference to this one well, which is located in Section 21 which has been completed by Mr. Conrad, is it your opinion that that well has separation from the other production in the area?

A Yes, sir. In my opinion it is separated causing a local high in this area. As was indicated on our structural map, we had a slight nosing effect in this area.

Q Will you lift the map up and show that on Exhibit Number 1?

A Exhibit Number 1 shows a slight nosing effect in this area. Also the well is producing from the upper sand member of the Yates formation. That sand member pinches out north of here but extends south of here. In my opinion, the gas is a small pocket of gas in a sand reservoir confined to this nose in that particular sand section.

Q Refer again to the Exhibit 3 and tell us if there is any data with reference to pressure there which confirms that opinion.

A Yes, sir. We have a pressure on that well of 1266 pounds which is considerably higher than anything else in the field and is higher than anything since we have taken over the storage areas in 1945.

Q Do you know what the pressures were in the field when the original wells were drilled in that Rhodes area?

A I can only give you an approximate figure of 1200 pounds.

Q Approximately 1200 pounds. Do you know what the pressures were in 1945 when the storage project began?

A They were approximately 600 pounds, between 600 and 700 pounds.

Q What are they now, what have they been built up to now?

A On an average about 950 pounds.

Q In your opinion, would the allocation of an unorthodox proration, the drilling of two additional wells and the production of gas from the existing wells which have been drilled by Mr. Conrad result in draining gas from the State Section 16?

A Yes, sir, in part, it would drain gas from that area.

Q Would it continue to do so as long as gas was injected into Section 16?

A Yes, sir, that is my opinion.

Q Do you think there is any difference between the well located in Section 21, the existing well and the others, the existing well in the west and the two proposed wells?

A In my opinion, there is a difference between this well in Section 21 and the one in Section 17.

Q Can you tell definitely whether the well in Section 21 is draining Section 16 at this time?

A No, sir, I can not.

Q What is necessary to do to make those determinations?

A I should think that the area would have to be shut in over a period to allow the area to stabilize running bottom hole pressures through the area before an accurate picture could be obtained.

Q Is such survey under way now?

A Yes, sir, it is my understanding it is.

Q You are not conducting it though?

A No, sir, I am not.

MR. HOWELL: That is all.

CROSS EXAMINATION

By: MR. GIRAND:

ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 105-106, EL CORTEZ BLDG.
PHONES 7-9645 AND 3-9546
ALBUQUERQUE, NEW MEXICO

Q Mr. Evans, the information you had from which you prepared the maps marked Exhibits 1, 2, and 3, that information was information that the Company has had at all times since you have been with the Company, is that right? A Yes, sir.

Q It has been available to the Company at all times?

A It has been available in as far as--

Q (Interrupting) Well, has it been available to the Company in the last year?

A Well, a portion of it hasn't.

Q The information of the two Conrad wells that were completed in 1953 and 1954 is the only addition that you have made?

A That is the only addition, yes, sir.

Q The pressures that the Number 2 Conrad well in the north half of the North West quarter of 21 is entirely different from any of the pressures in the storage area, isn't that right?

A Yes, sir, that is right.

Q The Conrad Well Number 1 in the south east of the North West of 17? A 17, yes, sir.

Q How does the pressure in that well relate to the pressure in the other wells from which you are taking gas?

A It relates quite well or very close.

Q It is practically identical with the Taylor Well, the Baker Taylor Well in the east half of the South West quarter of 17, isn't it?

A Yes, sir, there is some pressure differential.

Q How much? A 90 pounds.

Q And you are taking gas from the Baker Taylor well?

A I am not qualified to answer that.

Q You do not know? A I don't know.

Q Do you know whether or not the Company has a connection with either of the two Conrad wells at this time?

A No, sir. I am not qualified.

Q Without a connection with those two wells or to those two wells, there will be no change in their pressure unless by instance the gas migrates over and increases under those two holes?

A Yes, sir, that is correct.

Q Do you know whether or not either one of the Conrad wells have been produced?

A No, sir, I don't know.

MR. GIRAND: I believe that is all.

MR. SPURRIER: We will take a short recess.

(RECESS)

MR. SPURRIER: The meeting will come to order.

F R E D G. B E R N A R D

the witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By: MR. HOWELL:

Q Will you state your name for the record?

A Fred G. Bernard.

Q Are you employed by El Paso Natural Gas Company?

A I am.

Q In what capacity?

A As a gas engineer.

Q Have you ever testified before the Commission?

A No, I haven't.

Q What school or college have you graduated from?

A Texas College of Arts and Industry with a Bachelor of Science in Petroleum and Natural Gas Engineering.

Q When was that? A 1949.

Q Since that time have you been practicing as an engineer?

A I have.

Q Where?

A At Jal, New Mexico with El Paso Natural Gas.

Q We submit the witness as a qualified expert.

MR. SPURRIER: We accept the qualifications.

Q Mr. Bernard, tell the Commission what, if any, studies you have made with reference to the pressure history on this Rhodes area?

A All of these bottom hole pressure surveys, the two isobaric maps, we have drawn and selected here have been conducted by our department. They are run quarterly in the area. A copy of all pressures together with the volumes that have been injected and withdrawn from the area are furnished both to the Commission and to the State Land Commissioner quarterly.

Q Mr. Evans testified approximately to some pressure figures with reference to the Rhodes area, do you have some more exact figures?

A According to our records the original reservoir pressure as of December 29, was 1460 pounds.

Q That was in December of 1929? A That is correct.

Q What was the pressure at the time the storage project began?

A The first injection was commenced in April of 1945 and the pressure prior to that time was 557 pounds average for the area.

Q Then, what is it now?

A The average pressure on the area as of October, when this isobaric was drawn October, 1953, was 924 pounds.

Q Well now, when the pressure dropped generally from 1400 pounds to 500 pounds or 550 pounds, did that indicate that a large part of the gas under this area had been withdrawn?

A That is correct. It did indicate that.

Q What does the increase in pressure show, that the gas has again been placed in the formation? A That is true.

Q Do you have the figures on the input and withdrawals from the two wells located on the State Section 16?

A I have.

Q Would you give the Commission a summary of the cumulative input and cumulative withdrawals?

A On the State A lease, cumulative injection is 607,782 MCF. The cumulative withdrawal is 456,046 MCF. State Y-1 cumulative injection is 923,279 MCF. Cumulative withdrawal is 754,464 MCF.

Q Well, how much is the total volume of gas that has been injected in those two wells in excess of that which has been withdrawn?

A I will have to figure that up, Mr. Howell. As of what date?

Q As of the cumulative totals?

A Those I gave you? I get 330,543 MCF net storage.

Q When was the last injection in the State Section 16?

A The last injection that I have was in January, no, on the entire section, the last injection was December of 1953.

Q When was the last withdrawal from the State?

A The last I have recorded is January, 1954.

Q And is that area shut in now?

A There is some withdrawal being made, I understand at this time.

Q Do you know whether or not the Company is connected with any of the wells in Section 21 or Section 17, that is shown on the map?

A Yes, sir, we are connected to the Baker and Taylor Moberly 1 in the south west of the South East of 17.

Q That is a well which is located in the South East quarter of 17?

A That is true.

Q And do you have any records as to the production of that well?

A Yes, sir, I have.

Q What does that well produce now? What is it presently producing?

A Well, it was just put on production in January of this year and it was reported to the Commission that it produced during the month of January, 306 barrels of oil and 678 MCF of gas, that was reported to the Commission. However, from our gas purchase figures, we purchased from Baker and Taylor Atho lease during the month of, 29,790 MCF, during the month of January.

Q What ^{is} ~~the~~ approximate ratio of gas-oil as to that well?

A Using their reported oil production and our actual takes, it gives the ratio of 97,353 cubic feet per barrel.

Q Is that well located within the boundaries of the Jalco Gas Pool?

A It is. It also is located within the boundaries of the Rhodes unit area.

Q In your opinion, does the well in Section 17 that Mr. Conrad has completed, does that well offer the prospect of draining

State Section 16, if permitted to produce?

A It does.

Q And what about the well in Section 21 that has been completed?

A From the tests that our office has conducted on that well, I consider that it is isolated from the storage area.

Q With reference to the two proposed wells, in your opinion, would the completion of those wells and the granting of an unorthodox proration allowable result in draining Section 16?

A Yes, it would.

Q Are you conducting, at the present time, any surveys in that area?

A Yes, sir, our quarterly bottom hole pressure survey will be conducted the first part of April.

Q Will the results of that survey give you more accurate information as to the effect of the two wells that have been completed by Mr. Conrad?

A Yes, sir, it will, due to the fact that this survey we plan to shut the entire area in for a period of approximately two weeks to obtain stabilization through out the reservoir. It will give a more accurate picture of the pressures in the reservoir and communications.

MR. HOWELL: Take the witness.

CROSS EXAMINATION

By: MR. GIRAND:

Q Mr. Bernard, as far as the Conrad wells are concerned, you have them shut in now, do you not?

A Sir, we have nothing to do with the Conrad wells. We can't shut them in.

Q I understand you have nothing to do with them. Mr. Bernard, in the repressuring or the input of gas in the area there, through how many input wells, three?

A No, sir, there are a total of 12.

Q 12 input wells, you have placed in to the storage area 320,551 MCF more than you have withdrawn, is that correct?

A I believe, Mr. Girand, that figure was only for the State lease, Section 16.

Q I understood you gave that two figures, both for the 16 and for the Statewide, is that right?

A That was for the State A and the State Y wells.

Q State Y. That didn't take into consideration the other nine wells, the input wells?

A No, sir, it did not.

Q You don't have an actual figure of how much gas would return to the area there?

A I do.

Q You do have that total?

A Yes.

Q Do you have the total of the cumulative withdrawal from the entire area?

A I do.

Q Would you give those figures to the Commission, please?

A The total cumulative storage in the Rhodes area as of February 1st, 1954 is 20,734,148 MCF.

Q Do your records reflect the withdrawals?

A That is net storage.

Q That is net storage?

A Yes, they reflect withdrawals.

Q How much has been withdrawn from the area up to the same time?

A Be a total of 12,115,914 MCF accumulative withdrawal.

Q In arriving at that figure, is that from the wells that you have designated as input and withdrawal wells or has that taken into the consideration the oil wells that are producing gas with oil?

A That is taking into consideration, all wells operated by El Paso Krupt Moberly C Three well which we consider to drain our storage project, that is all.

Q Is it your opinion that the production of the two Conrad wells will drain the State acreage there, State 16?

A Yes, sir, that is my opinion.

Q Is it also your opinion that the gas in place was entirely exhausted under the Conrad property prior to the time of the creation of the Rhodes storage area?

A No, sir.

Q By the same token, won't the wells operated by El Paso drain the Conrad area if the Conrad area is not allowed to produce and the El Paso wells are allowed to continue to produce?

A I don't see how they can drain it sir, when our injection offsets our withdrawal.

Q Well, figured on down through the years, Mr. Bernard, and a complete exhaustion of the pool for the area, wouldn't it be your testimony that whatever gas happens to be under the Conrad property would be drained by your wells, would it not?

A Well, that gets into economics.

Q Well, it may be economics to you but it seems very funny to me that our wells can drain your gas and your wells can't drain ours.

MR. GIRAND: That is all.

MR. HOWELL: Nothing further.

MR. SPURRIER: If no further questions the witness may be excused.

(Witness excused.)

MR. SPURRIER: Mr. Macey.

MR. MACEY: I notice a discrepancy in one of the Exhibits. I notice on Mr. Girand's Exhibit, this may take an answer out of Mr. Girand, I notice that you have deleted this area from the unit boundary, El Paso has it in.

MR. SPURRIER: Deleted what Bill?

MR. MACEY: This area being the south west quarter of the North West quarter of Section 23 and the South West quarter of Section 23. On Mr. Girand's Exhibit, it is shown as being outside the unit area. On El Paso's, it is inside the unit area. It is not apparently contributive. I would like to know how come the discrepancy.

MR. GIRAND: I can't answer that. I had Mr. Charles Miller of Hobbs, an engineer go to the U. S. G. S. Office at Hobbs and run the outlines of the proposed Rhodes storage area as represented to the Government. I did not check his work and relied on it to that extent because over on this side didn't come into the picture involved here.

MR. SPURRIER: Mr. Howell, can you enlighten us?

MR. HOWELL: I certainly can't. I don't know about Mr. Evans.

MR. EVANS: I took information from the files.

MR. MACEY: It may be immaterial in the Case but what I am trying to figure out is, we do not have any records in our office,

at laest to my knowledge, of what the Rhodes unit area, what the terms of that unit are. We don't know whether anybody can join it if they are not already in it. We don't know if the unit could be expanded or contracted. We don't know what the status of it is.

MR. HOWELL: We will certainly furnish that information.

MR. SPURRIER: What agency of the State approved this unit?

MR. HOWELL: Land Commissioner.

MR. SPURRIER: In 1945?

MR. GIRAND: The Land Commissioner approved Section 16 and accepted an individual agreement on that one area. As to the Government, there is no record of it in the Oil Conservation Commission Office.

MR. HOWELL: That is correct. I want to make it clear on that, the overall area was submitted to and approved by the United States Geological Survey. The agreement with reference to Section 16 was approved by the Land Commissioner and the State Land committed to a unit agreement. It covered that State Section 16.

MR. SPURRIER: But it has never been brought before the Oil Commission?

MR. HOWELL: Not to my knowledge. I can't answer that question. I just don't know.

MR. SPURRIER: I think we had better continue this case, is that all right with both counsel?

MR. GIRAND: I am in this position, my client has to start a well or lose the balance of his lease.

MR. SPURRIER: Another well, by when?

MR. GIRAND: The 19th. We have asked for 30 days, I don't

know whether we are going to get it or not. We can't afford to drill a gas well or any kind of well unless we know we are going to have a unit allowable. The El Paso claims they are making certain studies, I don't contest that or deny it but the first unit agreement with the Government started in 1944, I believe, isn't that right, Mr. Howell?

MR. HOWELL: 1945. It was signed in 1945.

MR. GIRAND: Then, the one with the State was about 1947 or 1948?

MR. SPURRIER: The State being who?

MR. GIRAND: The State of New Mexico.

MR. HOWELL: The State Land--

MR. GIRAND: They have had ample time to get their block together and their unit together and to ask for a 30 day delay at this late period to come in here and jeopardize our rights, I don't think they are entitled to it.

MR. HOWELL: When did you acquire your lease, Mr. Girand?

MR. GIRAND: I am sorry, I don't have that information. It is a farm out.

MR. HOWELL: It was quite recently, within the last six months.

MR. GIRAND: That, I don't know. I do know that they have had it long enough to complete two wells.

MR. HOWELL: I would like --

MR. GIRAND: (Interrupting) And I will furnish that information to the Commission.

MR. SPURRIER: Do so.

MR. HOWELL: I would like to make a brief statement, that

this is an application for an unorthodox location in a variance to a rule and it would seem that exceptions should not be granted unless the public interest is served by the exception.

MR. SPURRIER: At this moment, all I can do is recommend that the Commission take it under advisement, and see what the file shows.

MR. HOWELL: I would like to make one other brief statement. It would appear that insofar as the South East quarter of Section 17 is concerned, that there is a well on there which could quite properly be classified as a gas well. That is that Baker and Taylor Moberly Number 1, which shows a gas-oil ratio of approximately 97,000 to 1 and is located within the limits of gas pool. Certainly there would be two gas wells in effect producing from the same quarter section if this be granted, that acreage in that quarter section would be attributable to two wells. Further than that, and the statement that it seems that the burden is upon the proponent to justify the exception, that is all we have.

MR. SPURRIER: Do you have anything further, Mr. Girand?

MR. GIRAND: Only this, of course, we have talked gas rules up here for years, it seems like but my interpretation of Rule 582 in Case 582, being the Jalco Rules only requires applicant, where he has an unorthodox acreage allotment, he can either come to this Commission with consent from the adjacent owners to his pooling arrangement and in that manner, he would not be forced to a hearing or he can file application and after notice and hearing, the Commission can act on it. Now, as to what evidence of need, what requirements on the part of the applicant other than just to file his application, your Rules don't make any statement whatever. We

have shown by the map and by the maps of the El Paso that we can't unitize with property already dedicated to the Rhodes area. We can't unitize with the Texas Company or the Baker Taylor property here, so, the only way we can fully utilize our acreage, is in the matter we have set out here. The proposed well will be located in the 40 of the North East quarter of 17 and will not be in the same 160 acres subdivision as the Baker Taylor Well, Mr. Howell. It is our position that all we have got to do is show some cause why we need a location and need our acreage allotment as we have made it. I think we have done that by showing the position our property is located, where it is located.

MR. SPURRIER: Any one else?

MR. HOWELL: One question, I would like to ask Mr. Girand. That well obligation has been extended to the 19th of April, hasn't it?

MR. GIRAND: I don't know for sure, was he supposed to notify me?

MR. HOWELL: He has notified me of that fact.

MR. MACEY: Mr. Girand, if the Rules of the Jalco Gas Pool say that none of the provisions of the order pertain to the Rhodes storage area and if this outline is the Rhodes storage area, how can you come in here and apply for an exception to the Rule that doesn't apply to your property because it is inside the storage area?

MR. GIRAND: I can only say this, that under Administrative Law, I believe this Commission is bound by the record as to what they know the Rhodes storage area to be. All this Commission has

before it is Section 16 and I think that you have got another 160 acre tract of, somewhere else in there, about 800 acres involved in that agreement, I believe. The Commission can not take this, that this is the Rhodes storage area as recognized by this Commission. They can this, but the Commission has not defined either one of them. Like I told the Commission at the outset, I didn't know whether I was in the Rhodes area or in the Jalco Pool.

MR. SPURRIER: Or both.

MR. GIRAND: Under your interpretation because you have never delineated the Rhodes area.

MR. HOWELL: Of course, if they are not, then the Statewide Rule would apply, if they are not within the Jalco Pool, the Statewide Rule which requires the same thing would apply.

MR. MACEY: Is it your position, Mr. Girand, your position that the Commission did know there existed a Rhodes Federal unit area?

MR. GIRAND: I am not able to advise what the Commission knows or doesn't know.

MR. MACEY: I grant you that. This file does make some reference to the sum acreage known as the federal unit. In fact, it is outlined in here, there is a map here in the file.

MR. GIRAND: Has the Commission entered any Order? I haven't been able to find it, whereby they established that Order as the Rhodes.

MR. MACEY: Is there anything in the Rules that says they have to?

MR. GIRAND: No, then why refer to it and delete it from the Jalco Pool Rules?

MR. MACEY: That is not the point.

MR. GIRAND: You can't set me out and say I am not in anything.

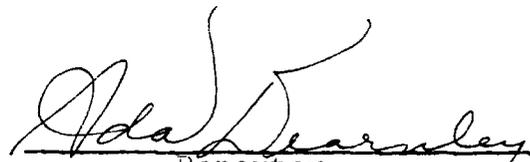
MR. MACEY: I am not saying you are not in anything. I am trying to find out how this Commission could possibly resolve this problem.

(Discussion off the record.)

MR. SPURRIER: We will continue this case to the definite date, or at least I will recommend that to the Commission, of April 13th at nine o'clock in this Hall.

C E R T I F I C A T E

I, ADA DEARNLEY, Court Reporter do hereby certify that the foregoing and attached transcript of proceedings in the matter of Cases 680, 681, 682, and 683, were taken by me on March 17, 1954, that the same is a true and correct record to the best of my knowledge, skill and ability.


Reporter

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
at
Santa Fe, New Mexico

Transcript of Hearing in
Case Nos. 680, 681, 682
and 683
Continued.

April 13, 1954

Regular Hearing.

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

IN THE MATTER OF:)

Application of Grover C. Conrad for approval of) Case No. 680
unorthodox gas proration unit in the Jalco Gas Pool:)
W/2 E/2 20-26S-37E.)

Application of Grover C. Conrad for approval of)
unorthodox gas proration unit in the Jalco Gas Pool:) Case No. 681
N/2 NW/4 21-26S-37E.)

Application of Grover C. Conrad for approval of)
unorthodox gas proration unit in Jalco Gas Pool:) Case No. 682
S/2 NE/4 and E/2 SE/4 17-26S-36E.)

Application of Grover C. Conrad for approval of)
unorthodox gas proration unit in the Jalco Gas Pool:) Case No. 683
E/2 W/2 17-26S-37E.)

* * * * *

- REGISTER -

NAME	REPRESENTING	LOCATION
W. D. Girand, Jr.	Grover Conrad	Hobbs, New Mexico
J. W. Eaulch	El Paso Natural Gas	Jal, New Mexico
R. T. Wright	El Paso Natural Gas	Jal, New Mexico
R. L. Hamblin	El Paso Natural Gas	El Paso, Texas
F. Norman Woodruff	El Paso Natural Gas	Houston, Texas
R. F. Montgomery	O. C. C.	Hobbs, New Mexico
Fred G. Bernard	El Paso Natural Gas	Jal, New Mexico
Jerry C. Zink	El Paso Natural Gas	Jal, New Mexico
S. J. Stanley	O. C. C.	Hobbs, New Mexico

TRANSCRIPT OF PROCEEDINGS

MR. SPURRIER: Meeting will come to order.

MR. GIRAND: W. E. Girand on behalf of Grover C. Conrad. It

was my understanding 680 through 683 were consolidated at the last hearing and can be treated as one case, and in that connection, we would like to advise the Commission that we are now under contract with the El Paso Natural Gas for the sale of these leases, and in light of that we would like to continue the cases for the time being until an appropriate order can be proposed to the Commission. I don't feel like taking any activity in the matter with the contract of oil pending with the El Paso at the present time.

MR. SPURRIER: Is there objection to counsel's motion? Mr. Hamblin.

MR. HAMBLIN: Hamblin with the El Paso Natural Gas Company. We would like to withdraw our objection to the finding of unorthodox locations and join in with Mr. Girand in asking for the unorthodox location.

MR. SPURRIER: Seems to be no reason to continue the case then. We take it under advisement until we hear from you.

MR. HAMBLIN: We would like to withdraw our motion to continue in light of the statement of El Paso and submit the matter on the record as it stands.

MR. MACEY: Mr. Spurrier, there is the point, under the rules, if you are going to put those units in the storage area, they are not subject to the rules of the Jalco Pool. And, therefore, we couldn't write an order approving an unorthodox unit using a rule that doesn't apply to the storage area. If you are going to put them in the unit area or the storage area, there is no reason for an unorthodox unit, is there?

MR. HAMBLIN: Yes, there is. We do intend to commit them, part of them are within all but 80 acres. We would like to commit

them to the Rhodes Storage Reservoir. We do have a reason for getting the order because under the terms of the Format agreement it is necessary to drill a well on each legal well's spacing. In other words, we have to drill a well and have all the acreage committed to a legal well spacing before we earn rights under the acreage. If we do not get an unorthodox location, we will probably have to drill three additional wells which would be unnecessary, any way would be used in the Rhodes Storage Reservoir. Probably, any more drilled, any more drilled now will be unnecessary also.

MR. SPURRIER: Mr. Girand.

MR. GIRAND: I just want to corroborate that fact. As I understand it, the acreage that would be subject to being committed to the area would you not necessarily have to be, and if the El Paso wanted to go ahead and have the units created as applied for, then at a later time decided to commit them to the unit, they could or could not as a policy, isn't that right, Norman?

MR. WOODRUFF: That is correct.

MR. GIRAND: That is what I understood.

MR. SPURRIER: Does it occur to you that the acreage will either come under the Jalco Pool Rules, or else El Paso will ask for a hearing before this Commission to approve that unit? Both, either it's present size or the enlarged acreage.

MR. HAMBLIN: That is correct. In connection, checking up on it, I find the Oil Conservation Commission on June 23, 1948 in Case No. 140, Order 172, moved the Rhodes state unit.

MR. SPURRIER: State unit?

MR. HAMBLIN: Yes.

MR. SPURRIER: Which consists of how many acres?

MR. HAMBLIN: Actually I think it is 800 acres.

MR. SPURRIER: I think it is too, but I think you should include that whole area, as any other unit. And before this acreage can be included as part of the unit, it will be necessary to have a hearing.

MR. MACEY: Why can't we, if the Commission wants to go ahead-- this is off the record.

MR. SPURRIER: Off the record.

(Discussion off the record.)

MR. WOODRUFF: It is El Paso's intention to try to clean up house in the Rhodes Storage Area. At such time as this is accomplished, it is obvious it will be to the advantage of the Commission to be acquainted with the operation of the Rhodes Storage Unit and we will at that time come before the Commission and give full hearing on this operation.

MR. SPURRIER: Well, I think Mr. Girand's proposal to go ahead and issue an order for the units and then take up the unit agreement is the proper order and that is what I will recommend to the Commission. Anyone have anything else?

MR. GIRAND: I promised the Commission I would furnish them a copy of the Format agreement under which the applicant was operating at the last hearing, and if you want it in the record I will offer it at this time, otherwise --

MR. MACEY: I don't see any reason.

MR. SPURRIER: I think we will just do without it.

MR. GIRAND: I don't want to encumber the record.

MR. HAMBLIN: We have one question, whether on the record or off the record, we don't care. They have gone ahead and made a test

of the Rhodes Storage Unit reservoir and pressures. We had said we would do it the last time and present it this time for hearing. We wonder if the Commission would like to have that information available at this time.

MR. SPURRIER: As far as I am concerned, no.

MR. HAMBLIN: I think it might be adviseable to put that all in one case.

MR. GIRAND: At one time. I think that would be better also.

MR. SPURRIER: You will make application for a hearing for approval of the unit area after we issue the order for the proration unit.

MR. HAMBLIN: Yes, sir, and after we are able to get all the acreage we can committed we will come in and make application.

MR. SPURRIER: Off the record.

(Discussion off the record.)

MR. SPURRIER: Anything else?

(Discussion off the record.)

MR. SPURRIER: If there is nothing further we will take the case under advisement and I will recommend to the Commission what I already said for the record. Meeting is adjourned.

C E R T I F I C A T E

I, MARIANNA MEIER, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings in the matter of Cases 680, 681, 682, and 683, were taken by me on April 13, 1954, that the same is a true and correct record to the best of my knowledge, skill and ability.

Marianna Meier
Reporter