

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
FARMINGTON, NEW MEXICO

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CASE NO. 1307

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SEPTEMBER 11, 1957  
DEARNLEY - MEIER & ASSOCIATES  
INCORPORATED  
GENERAL LAW REPORTERS  
ALBUQUERQUE - SANTE FE  
3-6691 2-2211



DEPARTMENT OF CONSTRUCTION OVERSIGHT

CONTRACTS REGISTER

WASHINGTON, DISTRICT OF COLUMBIA

REGISTER

REGISTER DATE

SPRING

APRIL 15, 1947

TIME 10:00 A.M.

| NAME           | REPRESENTING             | LOCATION         |
|----------------|--------------------------|------------------|
| McBride        | P. M. ... P.E.T.R.C.     | FARMINGTON, N.M. |
| Ewell H. Walsh | El Paso Nat Gas Prod. Co | Farmington, N.M. |
| Joe Egan       | ...                      | ...              |
| Gene Lewis     | ...                      | ...              |

ILLEGIBLE

BEFORE THE  
OIL CONSERVATION COMMISSION  
FARMINGTON, NEW MEXICO

IN THE MATTER OF:

Application of Pacific Northwest Pipeline Corporation for approval of several unorthodox gas well locations and non-standard gas drilling and proration units in the Blanco Mesaverde Gas Pool in San Juan and Rio Arriba Counties, New Mexico. Applicant, in the above-styled cause, seeks an order authorizing six unorthodox gas well locations and fifteen non-standard gas drilling and proration units in the San Juan 32-7 Unit in Township 31 North, Range 7 West, Township 32 North, Range 7 West, and Township 32 North, Range 6 West, Blanco Mesaverde Gas Pool, San Juan County, New Mexico. The subject application is occasioned by variations in the legal subdivision of the United States Public Land Surveys.

CASE 1307

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

MR. NUTTER: The next case is Case 1307.

MR. UTZ: Case 1307: Application of Pacific Northwest Pipeline Corporation for approval of several unorthodox gas well locations and non-standard gas drilling and proration units in the Blanco Mesaverde Gas Pool in San Juan and Rio Arriba Counties New Mexico

MR. GRAY: Mr. Examiner Richard Gray from Salt Lake City, Utah, Assistant General Attorney for Pacific Northwest Pipeline Corporation, appearing in behalf of the Company in this case.

We have one witness, Mr. Thomas A. Dugan.

MR. NUTTER: Will you stand to be sworn.

(Witness sworn.)

THOMAS A. DUGAN

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

DIRECT EXAMINATION

BY MR. GRAY:

Q Would you state your name for the record, please?

A Thomas A. Dugan.

Q By whom are you employed?

A Pacific Northwest Pipeline Corporation.

Q What is your position?

A I'm Division Superintendent.

Q Are you familiar with the San Juan 32-7 unit in Township Thirty-one north, Range seven west, Township Thirty-two north, Range six west in the Blanco Mesaverde Gas Pool, San Juan County New Mexico?

A I am.

Q Have you testified before the Commission's Examiners on previous occasions, Mr. Dugan?

A I have.

Q As an expert in previous --

A -- I have.

Q -- instances?

A Yes.

MR. GRAY: Will the witness be accepted without further qualifications?

MR. NUTTER: The witness is qualified.

Q (By Mr. Gray) Mr. Dugan, would you state in general the nature of the application of the Pacific Northwest in this case and proceed to give the reasons therefor?

A Pacific Northwest Pipeline Corporation is the operator of San Juan Unit 32-7 covering lands in Townships Thirty-Two and Thirty-one North, Range Seven West, San Juan County, New Mexico. Because of a variation in the legal sub-division, several sections in these Townships contain less than the prescribed six hundred forty acres. Pacific has devised a plan to establish fifteen non-standard gas proration units, so that the proposed Mesaverde Wells may be more equally spaced on the established sections, range and township lines and their legal subdivisions. Pacific is asking permission to take exception to Order R-128 D, Rule One, for the establishment of non-standard gas proration units, and we would like to offer this outline of the fifteen units as Exhibit One. We have divided the acreage in question up into as near equal proration units as possible and to as near as accepted three hundred and twenty acre spacing as possible without splitting forty acre tracts or lots. In conjunction with the non-standard gas proration units, we would like to take exception to Order R-110, Rule One-C as amended by Order R-397 and establish possibly six unorthodox locations that will be required because of the terrain in the area and because of the outline of the non-standard gas proration units. We would like to offer this topography map with

the units outlined on it and with our unorthodox locations in blue, and with the remaining locations as shown.

MR. NUTTER: Are you offering this as Exhibit Two?

A Exhibit Two, yes. Of the six locations, unorthodox locations, in blue, we have one of them staked, and that is what is legally described as the northeast quarter of the southeast quarter of Section Thirty-two, Township Thirty-one North, Range Seven West. That location at the present time has been constructed and we are preparing to move the rig in for drilling. The remaining locations were unorthodox locations; they were picked because of the terrain and trying to get the best spacing out of the existing proration units.

MR. GRAY: You might point out to the Examiner the one well completed in that area.

A We have set production casing on the well located in the southwest quarter of Section Four, Township Thirty-one North, Range Seven West; unorthodox location, although it's not shown on the map, is known as Unit Thirty-two dash Seven, Well Nineteen dash Four.

MR. UTZ: Where is the location of that well?

A The southwest quarter of Section Four, Thirty-one North Seven West.

MR. NUTTER: And the well that you have staked is the location directly northwest of the one?

A Yes, sir, that well is staked, and the location has been

constructed. Another factor that affected the spotting of the unorthodox location is that the proposed Navajo Dam will lie in the Pine River Valley up to an elevation of approximately sixty-one hundred feet. It would throw out any possible locations in the actual valley itself, and the terrain is extremely rough and rugged; and the banks on both sides of the Pine are very steep.

MR. GRAY: That's all.

MR. NUTTER: Does anyone have any questions of the witness?

(No response.)

Q (By Mr. Nutter) Mr. Dugan, in laying out these non-standard units, every effort was made to keep the size of the units as close to three hundred twenty acres as possible?

A Yes, sir, without splitting forty acre tracts or lots. Actually, the other, Exhibit One, shows the lots and tracts a lot better than the topography map.

Q And in marking the proposed locations of the wells, every effort was made to keep the wells in the orthodox locations, according to the rules, keeping in mind the size of the sections over which Pacific Northwest had no control?

A Yes, that and to equally -- attempt was made to equally space them out rather than to crowd them up in a close area.

Q As operator of the 32-7 Unit, has Pacific Northwest submitted this plan for dividing these units and staking of these units to the other operators in the unit?

A Yes, sir, we have.

Q Have they been agreeable?

A I believe we have -- I believe all but one operator has agreed to methods devised there; that would be Mizel.

Q Has that operator's objections covered any of the area that is included in these non-standard units?

A I don't believe he objected, to my knowledge; he just didn't agree. But it does cover land in some of the non-standard gas proration units as provided.

MR. GRAY: Those units are "H" and "I"?

A "H" and "I", yes, sir. If you would look on the other map, you'd see.

Q (By Mr. Nutter) Are they members of the unit? Is their acreage dedicated to the unit?

A I believe so, yes.

Q If they are not working interest owners of the unit, these wells will be drilled and proration and communitization will be necessary?

A I believe that would be true.

MR. GRAY: We'd have to communitize.

Q (By Mr. Nutter) Is an effort being made to communitize that acreage?

MR. GRAY: We have made an effort which has been unsuccessful -- not a forced pool under the statute, but we have attempted to negotiate with them to communitize; but we have been unsuccessful so far.

MR. RICHEY: R. N. Richey, Manager, Land Department, Pacific Northwest Pipeline Corporation.

MR. NUTTER: Mr. Richey.

MR. RICHEY: These particular owners who are under discussion have been invited to join the unit; they have not accepted the invitation. That is the San Juan 32-7 unit. They have not been asked to communitize and drill any of the wells which may be drilled on their property. That is, Pacific Northwest is not ready, at this particular time, to drill those particular locations; and, normally, we do not form communitizations until we are ready to drill. That will come in the future.

MR. NUTTER: What Pacific is requesting here today is a tentative -- is approval of the non-standard units on the tentative basis that when you get ready to drill the well, the communitization will be obtained?

MR. RICHEY: That is correct. The non-standard proration units we request are not tentative, however. An over-all plan must be made in order to develop the unit. We can't develop or get irregular drilling units now and for a portion of the unit and end up with some that are too large or too small later. An over-all plan must be adopted at this time so in the future we can proceed with orderly development.

MR. NUTTER: I believe the Commission in this case would have to enter an order on these particular non-standard units, subject to a communitization for those two particular units, the

"H" and the "I", the ones involved in non-dedicated acreage.

MR. RICHEY: Yes.

MR. GRAY: Parts of those.

Q (By Mr. Nutter) Which is the acreage that is not a part of the unit agreement?

A (By Mr. Dugan) Mr. Mizel owns the south half of the south half of Section Three, Township Thirty-one North Seven West, and also the northeast quarter of the southwest quarter of of Section Three. It's this quarter right here (indicating).

Q Marked as Tract Number Twenty-six on Exhibit Number One.

MR. GRAY: It would be the south half of the southeast quarter and the east half of the southwest quarter of Section Three, Thirty-one North, Seven West.

Q (By Mr. Nutter) Mr. Dugan, the Commission will in all probability have to enter an order, as I said before, establishing these two particular non-standard units, being numbers "H" and "I" on the Exhibits, subject to communitization. If wells are drilled on those units without the communitization, the allowables would have to be reduced in accordance with the acreage that is not included within the units.

A Yes, sir.

MR. NUTTER: Does anyone have any questions of Mr. Dugan?

MR. ARNOLD: I have.

MR. NUTTER: Mr. Arnold.

Q (By Mr. Arnold) Mr. Dugan, I think you said these six

non-standard or unorthodox locations have not been surveyed?

A One of the six has been surveyed.

Q Did you anticipate that you'd have to seek administrative approval on the exact location at such time as they are staked?

A No, I did not. I mean, provided --

Q --It seems to me --

A -- provided the application is approved as stated.

Q It seems to me, from a legal standpoint, it might be a little difficult to prove a location when you don't have the footage on the location.

MR. NUTTER: I think Mr. Arnold has a good point. What is the location of these non-standard locations?

A Well, as just stated, we have staked one of the six, which is four hundred feet from the east line and two hundred and twenty-five feet from the south line of Section Five, Township Thirty-one North, Range Seven West, which actually is the legal description of that would be the northeast quarter of the southeast quarter of Section Five --

MR. NUTTER: You said two hundred twenty-five feet from the south line, or twenty-two fifty?

A Excuse me. Two thousand two hundred and twenty-five feet.

MR. UTZ: Two thousand two hundred fifty feet?

A That's a mistake. It's -- two thousand two hundred and twenty-five is the actual footage.

MR. UTZ: The footage, I think, shown on Exhibit Two is

an error?

A Yes.

MR. GRAY: Apparently an error by twenty-five feet.

Q (By Mr. Nutter) What is the location of the other unorthodox locations?

A The other unorthodox locations have not been staked. However, we can give you the tentative quarter section in which they would be located.

Q I wonder if you would read into the record the quarter-quarter sections into which each one of those wells would be located?

A All right. In Tract "M" the proposed location will be in the northeast quarter of the southeast quarter of Section Eight, Township Thirty-two North, Range Eight West -- I mean Seven West, excuse me -- Township Thirty-two North, Range Seven West.

Q That's in Unit "M"?

A Yes, sir. In Unit "J" we have proposed unorthodox location which will also be in the northeast quarter of the southeast quarter of Section Two, Township Thirty-one North, Range Seven West. In "I" we have a proposed non-standard location in the northeast quarter of the southeast quarter of Section Three, Township Thirty-one North, Range Seven West, and Five, we have the actual footage already on record -- I mean in Block "F" Section Five; and in Block "E" the proposed unorthodox locations will be located somewhere in the northwest quarter of the southwest quarter of Section Five, Township Thirty-one North, Range Seven West; and

in Block "C" the proposed location will be, unorthodox location will be, located somewhere in the northwest quarter of the southeast quarter of Section Seven, Township Thirty-one North, Range Seven West.

Q Mr. Dugan, in the actual staking of these locations, assuming that the Commission authorizes the locations to be in the quarter-quarter section as outlined, would the actual staking be in accordance with Rule One Zero Four "B", Sub-paragraph Two, of the Rules and Regulations of the Oil Conservation Commission, that is, that a gas well in Rio Arriba, San Juan or Sandoval Counties -- it would be Rule 104, Paragraph "D", Sub-paragraph Two -- requiring that a well be located nine hundred ninety feet from the outer boundaries of the tract, provided, however, a tolerance of plus or minus two feet would be permissible, provided further no well would be drilled one hundred thirty feet to any quarter-quarter section to subdivision line?

A Nine hundred ninety feet from the tract. Is that what it says?

Q Yes, sir. Being the one hundred sixty acre tract. Would it be possible to stake the locations in accordance with those requirements?

A I gave you a quarter-quarter location there which will be on a forty acre tract within a forty acre tract, so it will not be possible to stake it nine hundred ninety feet from the boundaries of that quarter-quarter.

MR. UTZ: Mr. Dugan, any deviation from the quarter-quarter sections which you have given us will be for topographical reasons, will it not?

A With the exception of one of these locations, I feel that we will have to or can stake it within that quarter-quarter.

Q (By Mr. Nutter) There would be no deviation from the quarter-quarter?

A With the exception of possibly Block "E" which doesn't leave much of a choice; and when we get around to working on that location, I really don't know which is the most desirable place to put it.

MR. ARNOLD: Mr. Dugan, don't you think it might be wise to ask exception in this hearing for that portion of the rule which states a well be located on the northeast or southeast corner of a section and handle by administrative order each location as it is staked?

A For all practical purposes, I believe that would accomplish what we wish to accomplish.

MR. NUTTER: Mr. Dugan, would any exception be required to the provision of Rule 104 that a well cannot be drilled closer than one hundred thirty feet to a quarter-quarter section line?

A No, sir, I don't believe so at this time.

Q And if such is necessary, it will be on account of topographical reasons?

A That's right.

Q An application for administrative relief would be made?

A Yes, sir.

MR. NUTTER: Does anyone else have any questions of the witness?

(No response.)

MR. NUTTER: If not, the witness may be excused.

(Witness excused.)

MR. NUTTER: Does anyone have anything further in Case 1307?

(No Response.)

Would you like to enter these Exhibits?

A Yes, sir.

MR. NUTTER: Without objection, Exhibits One and Two will be entered in Case 1307.

(Whereupon the documents were entered in evidence.)

MR. NUTTER: Is there anything else in Case 1307? If not, we will take the case under advisement and the hearing is adjourned.

REPORTER'S CERTIFICATE

I, J. CALVIN BEVELL, do hereby certify that the foregoing and attached Transcript of Proceedings, pages numbered two through fourteen, were reported by me in Stenotype at the time and place aforesaid; that the same was reduced to typewritten transcript by me and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

I FURTHER CERTIFY that I am not employed by or related to any attorney or party of interest in this matter; and further, that I have no financial interest in the outcome thereof.

DATED this 19th day of September, 1957, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

*J. Calvin Bevell*  
J. CALVIN BEVELL, COURT REPORTER

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1307 heard by me on 9-11, 1957.

*Harold A. Tuttle* Examiner  
New Mexico Oil Conservation Commission