Case Number

4249

Application

Trascripts

Small Exhibits

ETC.

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

EXAMINER HEARING

IN THE MATTER OF:

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

Case No. 4249

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

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

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

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

With that introduction I will proceed with this witness.

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

GERALD B. MURRELL,

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

DIRECT EXAMINATION

BY MR. COOLEY:

Q Will you state your full name, please?

A Gerald B. Murrell.

Q By whom are you employed?

A Tenneco Oil Company.

Q And where do you reside?

A In Denver, Colorado.

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

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

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

A As Petroleum Engineer.

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

A Five years.

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

MR. UTZ: Yes.

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

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

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

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

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

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

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

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

A Yes, sir, he does.

Q And does he approve of that location?

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

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

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

Q Would it be necessary for trucks carrying away

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

A Yes, sir, it would.

Q Is this the purpose for your off-lease?

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

Q And would not require crossing the river?

A Yes, sir.

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

A Yes, sir, he does.

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

A Right. He has.

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

CROSS-EXAMINATION

BY MR. UTZ:

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

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

to answer that a little better than I.

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

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

MR. COOLEY: Mr. Jones, please.

CARL S. JONES,

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

DIRECT EXAMINATION

BY MR. COOLEY:

Q Will you state your name, please?

A Carl S. Jones.

Q By whom are you employed?

A Tenneco Oil Company.

Q Where do you reside?

A Denver, Colorado.

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

A Drilling Engineer.

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

A Yes, sir, it will.

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

A Yes, sir, it will.

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

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

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

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

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

A This is an exhibit showing the approximate distance

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

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

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

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

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

A That is true.

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

A I believe this is correct.

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

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

the southeast quarter of Section 11.

Q And what is that distance?

A 2410 feet.

Q What is the next nearest well?

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

Q And what is that distance?

A 2575 feet.

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

A I'm not too sure of that.

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

A Yes, sir.

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

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

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

CROSS-EXAMINATION

BY MR. UTZ:

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

A Yes, sir, this is my understanding.

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

A None to my knowledge.

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

A Yes, sir, that's correct.

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

A Yes, sir, we will.

Q Particular reference to the sort of trash going --

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

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

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

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

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

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

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

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

THE WITNESS: Not the off-lease storage.

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

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

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

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

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

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

THE WITNESS: Yes, sir.

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

THE WITNESS: Yes.

MR. UTZ: Would that line be buried?

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

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

I N D E X

EXHIBIT	MARKED	OFFERED AND ADMITTED
Applicant's 1, 2, 3	2	13

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, Wayne Flores, Court Reporter in and for the County of BErnalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

Wayne Flores
Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 4269, heard by me on 9/12, 1969.

Examiner
New Mexico Oil Conservation Commission

OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

GOVERNOR
DAVID F. CARGO
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

November 10, 1969

Mr. Jack Cooley
Burr & Cooley
Attorneys at Law
152 Petroleum Center Building
Farmington, New Mexico 87401

Re: Case No. 4249
Order No. R-3822-A
Applicant:
Tenneco Oil Company

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x
Artesia OCC
Aztec OCC x

Other

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 4249
Order No. R-3822-A

APPLICATION OF TENNECO OIL COMPANY
FOR AMENDMENT OF ORDER NO. R-3822
AND OFF-LEASE STORAGE, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 5, 1969, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 10th day of November, 1969, the Commission, a quorum being present, 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 Commission has jurisdiction of this cause and the subject matter thereof.

(2) That Order No. R-3822, dated September 4, 1969, pooled all mineral interests, whatever they may be, in the Basin-Dakota Gas Pool underlying the N/2 of Section 11, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico, to form a 320-acre gas proration unit to be dedicated to a well to be drilled at an unorthodox gas well location 2250 feet from the North line and 600 feet from the East line of said Section 11.

(3) That said Order No. R-3822 designated Tenneco Oil Company as the operator of said well and unit.

(4) That the applicant, Tenneco Oil Company, now seeks amendment of said Order No. R-3822 to permit the drilling of the

above-described well at a point 2390 feet from the North line and 275 feet from the East line of said Section 11.

(5) That the applicant further seeks authority to transport, prior to measurement, to another lease for storage the liquid hydrocarbons produced by the subject well.

(6) That certain interested persons have objected to the surface location authorized by said Order No. R-3822 as being too close to certain buildings.

(7) That the proposed new location was chosen in order to provide the maximum feasible distance from homes, buildings, highways, and railroad, and should be approved in order to prevent waste and protect correlative rights.

(8) That the proposed new location is situated upon an island in the Animas River and in order to ease transportation problems, the applicant should be authorized to transport, prior to measurement, to another lease for storage the liquid hydrocarbons produced by the subject well.

IT IS THEREFORE ORDERED:

(1) That Order (1) of Order No. R-3822 is hereby amended to read in its entirety as follows:

"(1) That all mineral interests, whatever they may be, in the Basin-Dakota Gas Pool underlying the N/2 of Section 11, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a 320-acre gas proration unit to be dedicated to a well to be drilled at an unorthodox gas well location 2390 feet from the North line and 275 feet from the East line of said Section 11.

"That the applicant is hereby authorized to transport for off-lease storage and prior to measurement, the liquid hydrocarbons produced by the above-described well to a tank battery to be located 1500 feet from the South line and 820 feet from the East line of the aforesaid Section 11, provided that there shall be no intercommunication of the handling, separating, treating, or storage facilities of the liquid hydrocarbons from the subject well with those of any other well."

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

ALEX J. ARMIJO, Member

A. L. PORTER, Jr., Member & Secretary

esr/

42~~48~~
Heard 11-5-69
Rec. 11-5-69

Grand Dennco can amend-
ment to R-3822 as follows:
1. Change the well location from
2250/N & 600/E to 2390/N-275/
Lines 4 sec. 11. This is nec-
because of the fence hazard of 36
ga in the City limits of Bartl-
lington.
2. Allow the liquids to be
stored on the ~~the~~ lease N/2
of sec 11 at a point 1500/S,
820/E of sec. 6. This is
desirable because the abo
well is being drilled on
island in the Canadian
river & recovery of liquids
would be difficult.

Thos G. [illegible]

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 4186
Order No. R-3822

APPLICATION OF TENNECO OIL COMPANY
FOR COMPULSORY POOLING AND AN UNOR-
THODOX GAS WELL LOCATION, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 27, 1969, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 4th day of September, 1969, the Commission, a quorum being present, 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 Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Tenneco Oil Company, seeks an order pooling all mineral interests in the Basin-Dakota Gas Pool underlying the N/2 of Section 11, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico, said acreage to be dedicated to a well to be drilled at an unorthodox gas well location 2250 feet from the North line and 600 feet from the East line of said Section 11.

(3) That the applicant has the right to drill and proposes to drill a well at said location in the N/2 of said Section 11 to the Basin-Dakota Gas Pool.

(4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

(5) That the proposed location is within the city limits of the City of Farmington, has been chosen because it provides the maximum distance from homes, buildings, highways, and railroads, and should be approved to prevent waste and protect correlative rights.

(6) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, all mineral interests, whatever they may be, in the Basin-Dakota Gas Pool underlying the N/2 of said Section 11, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico, should be pooled to form a 320-acre gas proration unit to be dedicated to a well to be drilled at an unorthodox gas well location 2250 feet from the North line and 600 feet from the East line of said Section 11.

(7) That the applicant should be designated the operator of the subject well and unit.

(8) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(9) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 25% thereof as a reasonable charge for the risk involved in the drilling of the well.

(10) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that said actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(11) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(12) That $50.00 per month should be fixed as a reasonable charge for supervision for the subject well; that the operator

should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(13) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Basin-Dakota Gas Pool underlying the N/2 of Section 11, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a 320-acre gas proration unit to be dedicated to a well to be drilled at an unorthodox gas well location 2250 feet from the North line and 600 feet from the East line of said Section 11.

(2) That Tenneco Oil Company is hereby designated the operator of the subject well and unit.

(3) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs within 30 days following the date of this order.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs within 30 days following completion of the well; that if no objection to the actual well costs is received by the Commission, and the Commission has not objected

within 60 days following completion of the well, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 30 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 25% of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That $50.00 per month is hereby fixed as a reasonable charge for supervision for the subject well; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

ALEX J. ARMIJO, Member

A. L. PORTER, Jr., Member & Secretary

esr/

Docket No. 30-69

DOCKET: EXAMINER HEARING - WEDNESDAY - NOVEMBER 5, 1969

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

The following cases will be heard before Elvis A. Utz, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 4243: Application of Mobil Oil Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Vacuum-Upper Pennsylvanian Pool and the Vacuum-Middle Pennsylvanian Pool in the wellbore of its Bridges State Well No. 121 located in Unit L of Section 13, Township 17 South, Range 34 East, Lea County, New Mexico.

CASE 4244: Application of Gulf Oil Corporation for an amendment to Order No. R-1084, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-1084 to permit the simultaneous dedication of the 480-acre non-standard gas proration unit established by said order to its H. T. Mattern (NCT-E) Wells No. 10 and 11 located, respectively, 660 feet from the South line and 1980 feet from the West line of Section 1 and 1980 feet from the East line and 660 feet from the North line of Section 12, both in Township 22 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico. Applicant further seeks authority to produce the allowable assigned to said unit from either of the aforesaid wells in any proportion.

CASE 3889: In the matter of Case No. 3889 being reopened pursuant to the provisions of Order No. R-3585, which order established 160-acre spacing units and 160-acre proportional factors of 4.77 for the Middle Allison-Pennsylvanian Pool, Lea and Roosevelt Counties, New Mexico, for a period of one year. All interested parties may appear and show cause why said pool should not be developed on less than 160-acre spacing and why the 160-acre proportional factor of 4.77 should or should not be retained.

CASE 4245: Application of Texas Pacific Oil Company, Inc., for several non-standard gas proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the dedication and rededication of certain acreage and the establishment of the following non-standard gas proration units in Townships 22 and 23 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico:

A 160-acre unit comprising the W/2 SE/4 and the E/2 SW/4 of Section 8, Township 22 South, Range 36 East, to be dedicated to the State "A" a/c-2 Well No. 56 located in Unit J of said Section 8;

A 200-acre unit comprising the NW/4 and the NW/4 SW/4 of Section 11, Township 22 South, Range 36 East, to be dedicated to the State "A" a/c-2 Well No. 42 located in Unit E of said Section 11;

A 280-acre unit comprising the SE/4, S/2 SW/4, and the NE/4 SW/4 of Section 11, Township 22 South, Range 36 East, to be dedicated to the State"A" a/c-2 Well No. 36 located in Unit M of said Section 11;

A 200-acre unit comprising the N/2 NE/4, the SE/4 NE/4, and the NE/4 NW/4 of Section 15 and the SE/4 SW/4 of Section 10, Township 23 South, Range 36 East, to be dedicated to the State "A" a/c-1 Well No. 31 located in Unit H of said Section 15;

A 160-acre unit comprising the S/2 NW/4, SW/4 NE/4 and the NW/4 NW/4 of Section 15, Township 23 South, Range 36 East, to be dedicated to the State "A" a/c-1 Well No. 33 located in Unit F of said Section 15;

A 240-acre unit comprising the SW/4 of Section 3 and the N/2 NW/4 of Section 10, Township 23 South, Range 36 East, to be dedicated to the State "A" a/c-1 Well No. 35 located in Unit L of said Section 3;

A 160-acre unit comprising the S/2 NW/4 and N/2 SW/4 of Section 10, Township 23 South, Range 36 East, to be dedicated to the State "A" a/c-1 Well No. 37 located in Unit F of said Section 10.

CASE 4246: Application of Humble Oil & Refining 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 San Andres formation in the perforated interval from 3860 feet to 4020 feet in its New Mexico "S" State Well No. 26 located in Unit L of Section 2, Township 22 South, Range 37 East, South Eunice-San Andres Pool, Lea County, New Mexico.

CASE 3928: (Reopened)

In the matter of Case No. 3928 being reopened pursuant to the provisions of Order No. R-3586, which order established 80-acre spacing units for the East Shoe Bar-Devonian, Lea County, New Mexico, for a period of one year. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.

CASE 4247: Application of J. J. Travis for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the North Shugart Queen Unit Area comprising 520 acres, more or less, of federal lands in Sections 20, 21, and 28, Township 18 South, Range 31 East, Shugart (Yates-Seven Rivers-Queen-Grayburg) Pool, Eddy County, New Mexico.

CASE 4248: Application of J. J. Travis for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in his North Shugart Queen Unit Area by the injection of water into the Queen formation through nine wells at orthodox and unorthodox locations in Sections 20 and 21, Township 18 South, Range 31 East, Shugart (Yates-Seven Rivers-Queen-Grayburg) Pool, Eddy County, New Mexico. Applicant further seeks a procedure whereby additional injection wells at orthodox and unorthdox locations may be approved administratively.

CASE 4249: Application of Tenneco Oil Company for amendment of Order No. R-3822 and off-lease storage, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks amendment of Order No. R-3822, which order pooled all mineral interests in the Basin-Dakota Gas Pool underlying the N/2 of Section 11, Township 29 North, Range 13 West, San Juan County, New Mexico, to form a 320-acre gas proration unit dedicated to a well to be drilled at an unorthodox location 2250 feet from the North line and 600 feet from the East line of said Section 11. Applicant now seeks amendment of said order to permit the drilling of said well at a point 2390 feet from the North line and 275 feet from the East line of said Section 11. Applicant further seeks authority to transport, prior to measurement, to another lease for storage the liquid hydrocarbons produced by the subject well.

CASE 3455: (Reopened):

In the matter of Case No. 3455 being reopened pursuant to the provisions of Order No. R-3565-B, which order, among other things, established 320-acre spacing units for the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, for a period of three years. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.

CASE 4250: Application of McCrary & Franklin for waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Grayburg and Lovington sands through their Shipley Well No. 2 located in Unit K of Section 3, Township 17 South, Range 29 East, Square Lake Pool, Eddy County, New Mexico.

CASE 4251: Application of Kersey & Company for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Queen formation through its Welch Well No. 2 located in Unit G of Section 4 and its Welch Well No. 4 located in Unit C of Section 4, both in Township 19 South, Range 31 East, Shugart Pool, Eddy County, New Mexico.

CASE 4220: (Continued from the October 8, 1969, Examiner Hearing)

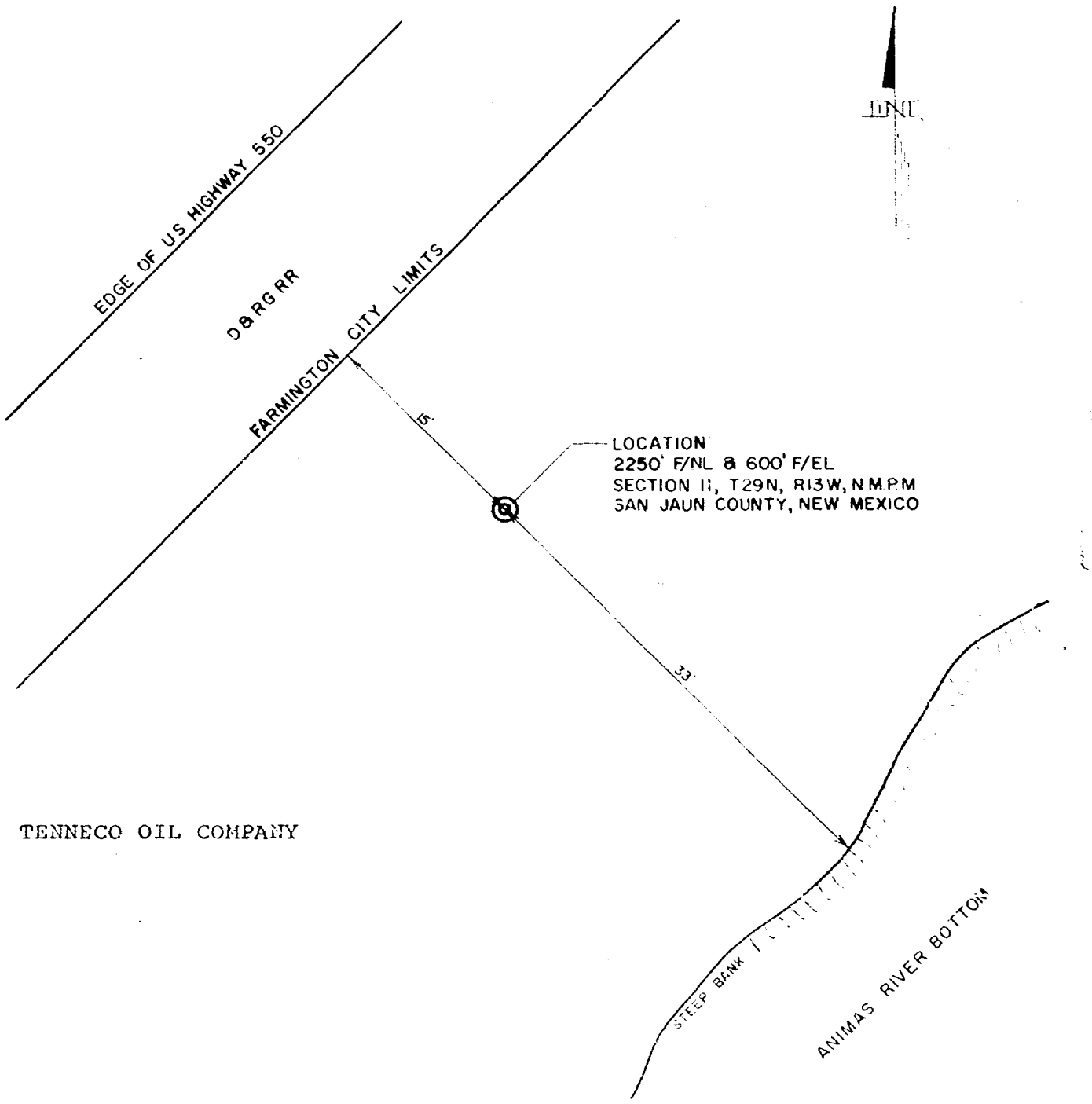
In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit E. P. Campbell, and all other interested parties to appear and show cause why the E. P. Campbell Christmas Well No. 1 located in Unit C of Section 6, Township 23 South, Range 36 East, Jalmat Pool, Lea County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

ROBERT H. ERNST

ERNST ENGINEERING CO.

NEW MEXICO & COLORADO

P. O. BOX 177 DURANGO, COLORADO 81302



TENNECO OIL COMPANY

This is to certify that the above plat was prepared from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my knowledge and belief.

Robert H. Ernst
N. Mex. PE & LS 2463

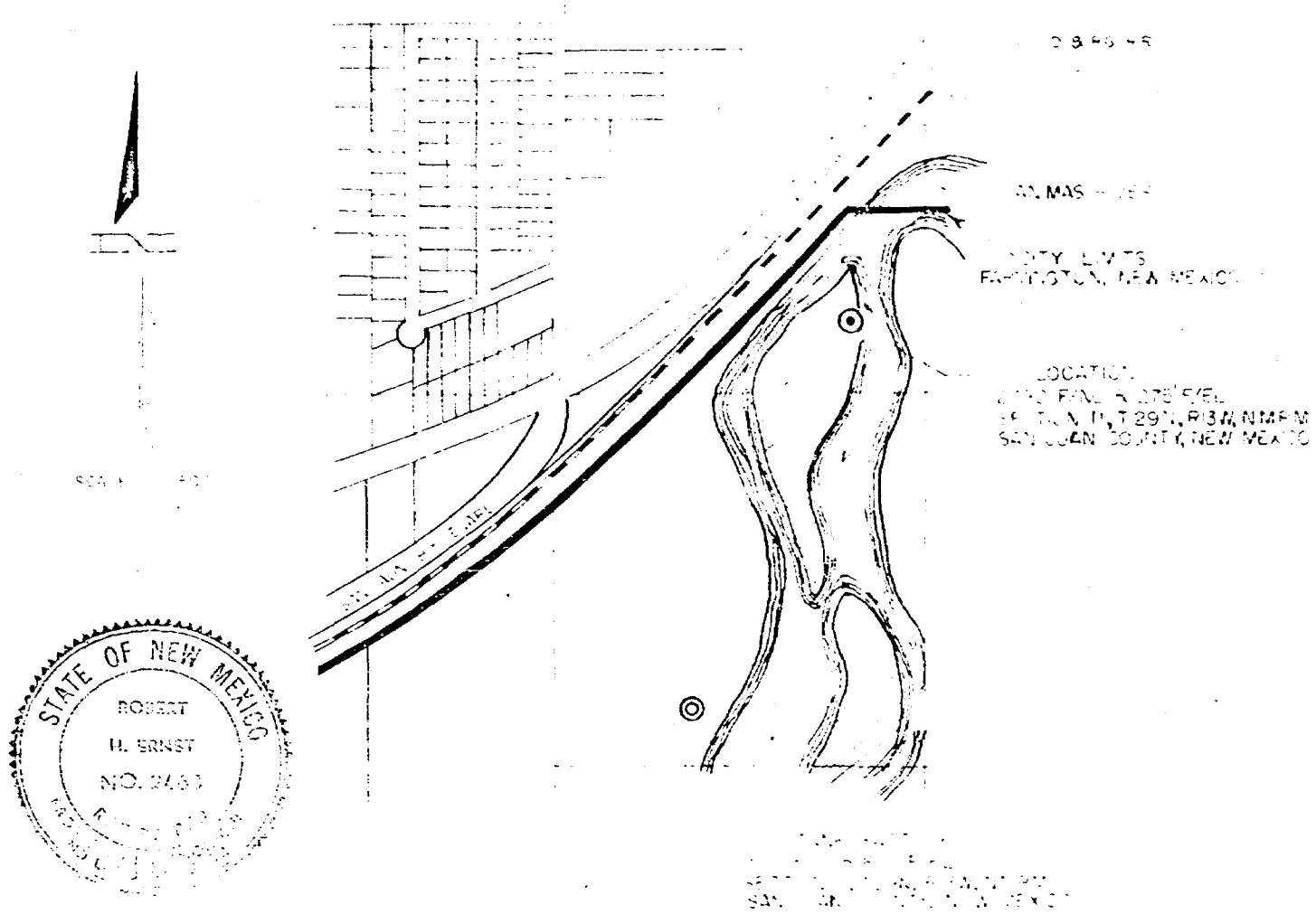
Ernst Engineering Co.
Durango, Colorado

STATE OF NEW MEXICO
ROBERT
H. ERNST
NO. 2463
REGISTERED
PROFESSIONAL ENGINEER
AND LAND SURVEYOR

5 May 1967

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
EXHIBIT NO. 1
CASE NO. 4249

ERNST ENGINEERING CO.



STATE OF NEW MEXICO
ROBERT
H. ERNST
NO. 2463

24 September 1969

Terneco Oil Company
Suite 1200, Lincoln Tower Building
Denver, Colorado 80202

WELL AND TANK BATTERY LOCATION:

Section 11, T 29 N, R 13 W., N.M.P.M., San Juan County, New Mexico

This is to certify that the above plat was prepared from field notes of actual surveys made by me or under my supervision and that the same are true and correct to the best of my knowledge and belief.

Robert H. Ernst, N.M.P.E. & L.S.
New Mexico Reg. No. 2463

Exhibit "E"

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
EXHIBIT NO. 2
CASE NO. 4249

2

BURR & COOLEY
ATTORNEYS AND COUNSELORS AT LAW
SUITE 152 PETROLEUM CENTER BUILDING
FARMINGTON, NEW MEXICO
87401

JOEL B. BURR, JR.
WM. J. COOLEY

TELEPHONE 325-1702
AREA CODE 505

10 30 4 SP

October 3, 1969

Case 4249

OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
P. O. Box 2088
Santa Fe, New Mexico

Gentlemen:

Forwarded herewith are original and three copies of Application of Tenneco Oil Company for an alternative unorthodox gas well location, and for authority to construct and use off-lease storage facilities for liquids produced therefrom. We request that this Application be set down for hearing at the Commission's earliest convenience.

The City of Farmington and the surface owner, C. R. Irvin, are being notified of this Application by carbon copies of this letter and the subject Application.

Very truly yours,

BURR & COOLEY

By William J. Cooley Jr.
William J. Cooley

WJC:jjh
Enclosures

cc: Mr. C. R. Irvin
2705 E. Main
Farmington, New Mexico

cc: City of Farmington
800 Municipal Drive
Farmington, New Mexico 87401

DOCKET MAILED
Date 10-24-69

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF TENNECO OIL COMPANY FOR AN ALTERNATIVE UNORTHODOX GAS WELL LOCATION IN THE BASIN-DAKOTA GAS POOL, SAN JUAN COUNTY, NEW MEXICO, AND FOR AUTHORITY TO CONSTRUCT AND USE OFF-LEASE STORAGE FACILITIES FOR LIQUIDS PRODUCED THEREFROM.	)	CASE NO. 4249

A P P L I C A T I O N

COMES NOW the Applicant in the above styled and numbered cause, by and through its attorneys, BURR & COOLEY, 152 Petroleum Center Building, Farmington, New Mexico,, and would show the Commission as follows:

1. That heretofore, on July 7, 1969, the Applicant made Application to the Oil Conservation Commission for an unorthodox gas well location in the Basin-Dakota Gas Pool at a point 2250 feet from the north line and 600 feet from the east line of Section 11, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico, and that in connection with said Application the Applicant advised the Commission that it proposed to form a drilling and proration unit in the Basin-Dakota Gas Pool comprising the North Half of said Section 11, and further that all of said proposed drilling and proration unit was situated within the limits of the City of Farmington, New Mexico, with the exception of a small tract lying south and east of the Denver & Rio Grande Western Railroad Company right-of-way. The Commission was further informed with respect to said Application that it was not feasible to drill within the limits of the City of Farmington for the reasonable

fact that said portion of the proposed unit is highly developed for commercial and residential uses. It was also pointed out that the drilling location proposed in the previous Application was bounded closely on the south by the Animas River, thus making the most feasible location for the proposed well between the south line of the railroad right-of-way and the north bank of the Animas River.

2. On February 26, 1969, the Applicant, acting through its attorneys, notified the City of Farmington that it proposed to drill the subject well in that portion of the unit lying south and east of the railroad right-of-way, without specifying the exact proposed location of said well, and requested advice as to whether it would be necessary to obtain permission from the City of Farmington prior to drilling the proposed well, a copy of which letter is attached hereto as Exhibit "A".

3. On February 27, 1969, Applicant's attorneys received a response to their letter to the City of Farmington advising that that portion of the proposed unit which lies south and east of the railroad right-of-way is outside the corporate limits of the City of Farmington, and that consequently no location permits would be required from the City of Farmington. A copy of this letter is attached hereto as Exhibit "B".

4. The aforementioned Application was assigned Case No. 4186 by the Commission and was presented to and heard by an Examiner for the Commission on August 27, 1969, at which time no objection to the proposed Application was voiced.

5. On August 29, 1969, attorneys for Applicant received a complaint from C. R. Irvin, 2705 E. Main, Farmington, New Mexico,

the surface owner of the property on which the proposed unorthodox location was situated, to the effect that drilling of the well at that location would cause surface damage in the amount of approximately $40,000.00 by virtue of the fact that it would destroy the value of the property as a commercial lot. It was the suggestion of Mr. Irvin that the proposed well be drilled on waste lands which are situated on an island in the Animas River. Mr. Irvin also advised that the City of Farmington would object to the drilling of the well at the approved unorthodox location despite the fact that it was outside the City Limits for the reason that the location was closer than 200 feet to an existing building belonging to Mr. Irvin within the City Limits.

6. On September 2, 1969, Applicant's attorneys wrote the City Attorney for the City of Farmington explaining the situation and requesting verification of the City's position with respect to this matter, a copy of which letter is attached hereto as Exhibit "C".

7. On September 4, 1969, Applicant's attorneys received a reply from the City Attorney, which made it clear that although the well was to be drilled outside the City Limits, the City would not approve of it being drilled within 200 feet of a building located inside the City Limits, and further that the City "may wish to join the landowner in seeking to enjoin the drilling and operation of the well." A copy of this letter is attached hereto as Exhibit "D".

8. That in view of the belated opposition voiced by both the landowner and the City of Farmington to the unorthodox location originally proposed by the Applicant and approved by the Commission in Order No. R-3822, Applicant proposed to relocate the proposed

unorthodox well at a point 2390 feet from the north line and 275 feet from the east line of said Section 11, which point is on an island in the Animas River and is not objectionable either to the surface owner or to the City of Farmington. That approval of the alternate unorthodox location hereinabove proposed will not cause waste nor adversely effect the correlative rights of any owner in the Basin-Dakota Gas Pool.

9. That in the event the above proposed alternative unorthodox well location is approved, Applicant proposes to construct an off-lease tank battery in which to store all liquid hydrocarbons produced from the subject well at a point 1500 feet from the south line and 820 feet from the east line of said Section 11, which location is on the northwest side of the Animas River, and thus more readily accessible to existing roads.

10. That a certified plat of the proposed alternate unorthodox well location and the proposed off-lease tank battery is attached hereto as Exhibit "E".

WHEREFORE, Applicant prays that the above proposed alternative unorthodox gas well location in the Basin-Dakota Gas Pool, San Juan County, New Mexico, and the off-lease storage for said well be authorized and approved by the Commission.

Respectfully submitted,

TENNECO OIL COMPANY by its attorneys,
BURR & COOLEY

152 Petroleum Center Building
Farmington, New Mexico 87401

1885-C

Case 4249

February 26, 1969

CITY OF FARMINGTON
800 Municipal Drive
Farmington, New Mexico 87401

Attention: Mr. Morris Franks

Gentlemen:

Our client, Tenneco Oil Company, is preparing to drill an exploratory well for oil and gas, which well will be located in that portion of the SE/4 of the NE/4 of Section 11, Township 29 North, Range 13 West, N.M.P.M., which lies south and east of the Denver & Rio Grande Railroad right-of-way.

Please advise whether that portion of the SE/4 of the NE/4 of Section 11 which lies south and east of the railroad right-of-way is located within the city limits of the City of Farmington, New Mexico, and further advise whether it is necessary to obtain permission from the city zoning commission prior to drilling the proposed well.

Very truly yours,

BURR & COOLEY

By
William J. Cooley

WJC:jjh

Exhibit "A"

City Council:
WILLIAM A. HALL
J. B. RATCLIFF
FRANCIS A. REILLY
MARLO WEBB

BOYD F. SCOTT
Mayor

Case 4249

City of Farmington

Energy Capital of the Southwest

P. O. BOX 900
FARMINGTON, NEW MEXICO 87401

February 27, 1969

Burr & Cooley
Attorneys and Counselors at Law
Suite 152
Petroleum Center Building
Farmington, New Mexico 87401

Gentlemen:

In answer to your letter of February 26 concerning proposed drilling by Tenneco in the $SE\frac{1}{4}NE\frac{1}{4}$, Section 11, Township 29 North, Range 13 West, the area South and East of the Denver & Rio Grande Western Railroad right of way lies outside the corporate limits of the City of Farmington. Due to this location no permits are required from the City.

Very truly yours,

Morris W. Franks
City Planner

MWF:ew

Exhibit "B"

Case 11249 C.

September 2, 1969

Mr. Lavor Burnham, Esq.
City Attorney
City Hall, 800 Municipal Drive
Farmington, New Mexico

Dear Mr. Burnham:

Our firm represents Tenneco Oil Company, which is immediately prepared to drill an exploratory well for oil and gas 2250 feet from the north line and 600 feet from the east line of Section 11, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico. The above mentioned well location is immediately south and east of the Denver & Rio Grande Western Railroad right-of-way.

On February 26, 1969, we addressed a letter to Mr. Morris Franks in the City Engineering Department advising him that our client was preparing to drill the subject well and inquiring as to whether it would be necessary to obtain permission from the City Zoning Commission prior to doing so. On February 27, 1969, Mr. Franks replied to our letter advising us that the proposed well site is outside the corporate limits of the City of Farmington and that no location permits would be required from the City of Farmington.

As a result of recent telephone conversations with you, I gained the impression that you at least had some doubt as to whether the Farmington ordinances might possibly have some extra territorial application inasmuch as the proposed well location is less than 200 feet from an existing building situated within the limits of the City of Farmington.

Our client will be spending between $80,000.00 and $100,000.00 in the drilling and completion of the subject well, which once drilled of course cannot be moved, and they certainly want to avoid any possible conflict with the City of Farmington concerning the same. Accordingly, we would appreciate a statement of the City's position with respect to this matter before proceeding further with the drilling of said well.

Very truly yours,

BURR & COOLEY

By
William J. Cooley

cc: Mayor Boyd F. Scott
cc: City Manager C. M. Woodbury

Exhibit "C"

LA VOR W. BURNHAM
CITY ATTORNEY AND COUNSELLOR AT LAW
ROOM 101, MUNICIPAL BUILDING
FARMINGTON, NEW MEXICO
87401

TELEPHONE 325-1981

POST OFFICE BOX 900

September 4, 1969

Case 4249

Burr and Cooley,
Attorneys at Law,
Suite 152, Petroleum Center Bldg.,
Farmington, N. M. 87401.

Attn: Mr. Jack Cooley, Attorney

Gentlemen:

Re: Tenneco Oil Company Drilling Location

In reply to your letter of September 2nd, 1969, I concur with Mr. Franks' former opinion that since the location of the drilling site is outside of the corporate limits that no drilling permit is required from the City, nor would any zoning change be required. I do not contend that either the zoning ordinance or the drilling ordinance have extra territorial jurisdiction.

There is, however, another problem involved in the location. As I understand it, the drilling location is on the railroad right-of-way but it is outside of the City. However, it is within 200 feet of a building which is loacted within the City. Since the drilling will effect property within the City, I believe the City does have some interest in seeing that the safety provisions contined in the ordinance are complied with. This is on the basis of the fact that the ordinance is merely a re-statement of general good drilling practices rather than a matter of extra territorial jurisdiction as might be applied to an interpretation of the ordinance and in the event that the safety provisions are ignored, the City may wish to join the landowner in seeking to enjoin the drilling and operation of the well.

Such action would be one in the nature of abating a nuisance, rather than strict enforcement of the ordinance. Whether such action might, or would be contemplated on the part of the City, would be a policy decision and could only be made by the Mayor and City Council on the recommendation of the City Manager. This is not strictly a purely legal matter, action on which would be taken solely by this office.

Very truly yours,

LaVor W. Burnham

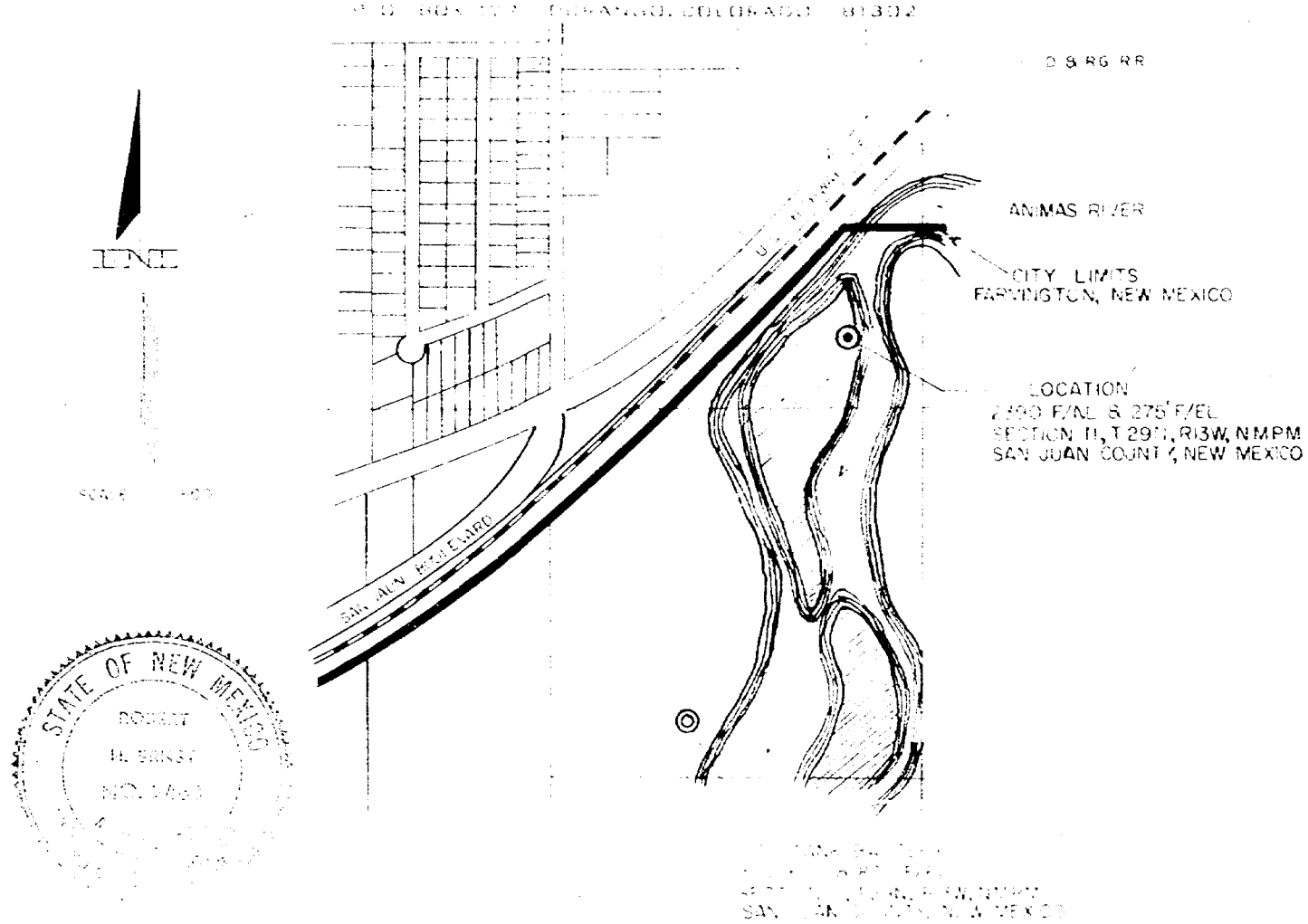
LaVor W. Burnham,
City Attorney.

LWB:RS
cc: Mayor, City Manager and City Engineer
Mr. C. R. Irvin

Exhibit "D"

Case 4249

ERNST ENGINEERING CO.



STATE OF NEW MEXICO
ROBERT
H. ERNST
NO. 2463

24 September 1969

Terneco Oil Company
Suite 1200, Lincoln Tower Building
Denver, Colorado 80202

WELL AND TANK BATTERY LOCATION:

Section 11, T 29 N, R 13 W., N.M.P.M., San Juan County, New Mexico

This is to certify that the above plat was prepared from field notes of actual surveys made by me or under my supervision and that the same are true and correct to the best of my knowledge and belief.

Robert H. Ernst, R.P.E. & L.S.
New Mexico Reg. No. 2463

Exhibit "E"

DRAFT

GMH/esr
11-7-69

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 4249

Order No. R-3822-A

APPLICATION OF TENNECO OIL COMPANY
FOR AMENDMENT OF ORDER NO. R-3822
AND OFF-LEASE STORAGE, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 5, 1969, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this_____day of November, 1969, the Commission, a quorum being present, 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 Commission has jurisdiction of this cause and the subject matter thereof.

(2) That Order No. R-3822, dated September 4, 1969, pooled all mineral interests, whatever they may be, in the Basin-Dakota Gas Pool underlying the N/2 of Section 11, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico, to form a 320-acre gas proration unit to be dedicated to a well to be drilled at an unorthodox gas well location 2250 feet from the North line and 600 feet feom the East line of said Section 11.

(3) That said Order No. R-3822 designated Tenneco Oil Company as the operator of said well and unit.

(4) That the applicant, Tenneco Oil Company, now seeks amendment of said Order No. R-3822 to permit the drilling of the

above-described well at a point 2390 feet from the North line and 275 feet from the East line of said Section 11.

(5) That the applicant further seeks authority to transport, prior to measurement, to another lease for storage the liquid hydrocarbons produced by the subject well.

(6) That certain interested persons have objected to the surface location authorized by said Order No. R-3822 as being too close to certain buildings.

(7) That the proposed new location was chosen in order to provide the maximum feasible distance from homes, buildings, highways, and railroad, and should be approved in order to prevent waste and protect correlative rights.

(8) That the proposed new location is situated upon an island in the Animas River and in order to ease transportation problems, the applicant should be authorized to transport, prior to measurement, to another lease for storage the liquid hydrocarbons produced by the subject well.

IT IS THEREFORE ORDERED:

(1) That Order (1) of Order No. R-3822 is hereby amended to read in its entirety as follows:

"(1) That all mineral interests, whatever they may be, in the Basin-Dakota Gas Pool underlying the N/2 of Section 11, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a 320-acre gas proration unit to be dedicated to a well to be drilled at an unorthodox gas well location 2390 feet from the North line and 275 feet from the East line of said Section 11.

(2) That the applicant is hereby authorized to transport for off-lease storage and prior to measurement, the liquid hydrocarbons produced by the above-described well to a tank

battery to be located 1500 feet from the South line and 820 feet from the East line of the aforesaid Section 11, provided that there shall be no intercommunication of the handling, separating, treating, or storage facilities of the liquid hydrocarbons from the subject well with those of any other well."

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

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

CASE 4250: Application of McCRARY & FRANKLIN FOR A WATERFLOOD PROJECT, EDDY COUNTY, N. MEX.