

CASE 4298: Application of DUGAN
PRODUCTION CORP. FOR A NON-
STANDARD GAS PRORATION UNIT.

Case Number

4298

Application

Transcripts.

Small Exhibits

ETC.

dearnley-meier

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 21, 1970

EXAMINER HEARING

IN THE MATTER OF:

Application of Dugan Production
Corporation for a non-standard
gas proration unit, San Juan County,
New Mexico.

Case No. 4298

BEFORE: Elvis Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: Case 4298.

MR. HATCH: Case 4298. Application of Dugan Production Corporation for a non-standard gas proration unit, San Juan County, New Mexico.

MR. KELLAHIN: If the Examiner please, Jason Kellahin, Kellahin and Fox, Santa Fe, appearing for the Applicant.

I have one witness I would like to have sworn.

MR. UTZ: Any other appearances in this case?

MR. MORRIS: Yes, sir. I am Richard Morris of Montgomery, Federici, Andrews, Hannahs and Morris, Santa Fe, appearing for Pubco Petroleum Corporation.

(Witnesses sworn).

(Whereupon, Applicant's Exhibits A and B were marked for identification).

THOMAS A. DUGAN

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A Thomas A. Dugan.

Q By whom are you employed and in what position,

Mr. Dugan?

A I am president of Dugan Production Corporation.

Q Have you testified before the Oil Conservation Commission and made your qualifications as an engineer a matter of record?

A Yes, sir.

MR. KELLAHIN: Are the witness' qualifications acceptable?

MR. UTZ: Yes, they are.

Q (By Mr. Kellahin) Mr. Dugan, are you familiar with the application of Dugan Production Corporation in Case 4298?

A Yes, sir.

Q What is proposed by the Applicant in this case?

A We are asking for a non-standard gas proration unit or non-standard drill tract, since this area is not -- the Pictured Cliffs Formation is not prorated in this area.

Q Now, is this a designated gas pool?

A No, sir.

Q You say it is not prorated?

A No, sir.

Q Is there any production in the immediate vicinity of your proposed drilling site?

A Yes. Pubco has a well, the Russell Federal No. 2 that's shown on the plat, Exhibit A that we have.

Q That's Exhibit No. 1?

A One.

Q Now, what other information is shown on Exhibit No. 1?

MR. UTZ: Excuse me, Jason. That is called Exhibit A on this thing.

MR. KELLAHIN: I'm sorry, Exhibit A.

THE WITNESS: It shows the Cline Lease, which is the "B" acreage that has been leased by Dugan Production Corporation in yellow, and it shows Pubco's Federal Lease in the same area in green and also some state acreage that's owned by Pubco in Section 32 in green.

Q (By Mr. Kellahin) Now, is all of the yellow tract under lease to Dugan Production Corporation?

A Yes, it is.

Q Is that all under one basic lease?

A Yes, sir.

Q That's a fee lease?

A That's a fee lease. yes, sir.

Q How long has Dugan Production Corporation held that lease?

A Two or three months.

Q Had it been leased prior to that?

A Yes, sir.

Q To whom?

A Pubco.

Q Do you know how long Pubco held it?

A They held it for a number of years in the '50's and early '60's. It was dropped sometime in the early '60's and remained unleased until I leased it recently.

Q Now, at the time Pubco held that lease, had they drilled their No. 2 Well?

A Yes, sir. The No. 2 Well was drilled in 1954.

Q Now, have you made any effort, Mr. Dugan, to work out an arrangement for drilling on a standard unit of 160 acres with Pubco?

A Yes, sir. I have made verbal requests and also written requests to Pubco for a farm-out or to join in the drilling of the well or to trade acreage.

Q And what were the results of your efforts in that direction?

A They have all been negative.

Q So, now, what are you asking the Commission to do?

A I am asking that they grant a non-standard proration unit or drill tract that would include all of the Cline Lease as a first proposal, 171 acres.

MR. UTZ: Is that K-l-i-n-e?

THE WITNESS: C-l-i-n-e.

Q (By Mr. Kellahin) And your second alternative then?

A Would be to just include the 3, 40's in Section 33; two of the 40's are non-standard 40's. They are larger than 40 acres, which would give a unit of 131.93 acres.

Q And the acreage on the different unit is shown on Exhibit No. A; is that correct?

A The acreage shown on each individual tract is shown, which would have to be added up to make the total acreage, yes, sir.

Q Now, referring to what has been marked as Exhibit B, would you identify that exhibit?

A It's a history of the Pubco Well, location and the depth and some completion information. The well was spudded in 1954 and completed at that time and first delivered gas in 19 -- October 5, 1954, and then the second sheet is some production history from the well.

The well has made, to September 1, 1969, has made 978,089 MCF from a depth of 921 to 939 feet.

Q In your opinion, would a well located as is the Pubco No. 2 Well drain any of the acreage under the Cline Lease?

A Yes. We feel it has already.

Q And in order to protect the correlative rights of your company, as owner of the lease and Cline's, the lessors -- leasees, do you feel that it is necessary to drill a well on the Cline tract?

A Yes, I do.

Q Would that enable you and Mr. Cline to recover your just and equitable share of the gas underlying that tract, in your opinion?

A Well, it's a little late start, but I guess it's a good time as any.

Q Shall we say recover your share of the remaining gas?

A Yes.

Q That would be your testimony?

A Yes, sir.

Q Were Exhibits A and B prepared by you or under your supervision?

A Yes, sir.

MR. KELLAHIN: At this time I would like to offer in evidence Exhibits A and B.

MR. UTZ: Without objection, Exhibits A and B will be entered into the record of this case.

MR. KELLAHIN: Do you have anything to add, Mr. Dugan?

THE WITNESS: No, I don't believe so at this time.

MR. KELLAHIN: That completes the examination of the witness.

MR. UTZ: Questions of the witness?

CROSS EXAMINATION

BY MR. MORRIS:

Q Mr. Dugan, you have shown on your Exhibit A that the northeast quarter of the southeast quarter of Section 33 is a Pubco Petroleum Corporation Lease: is that correct?

A Yes, sir.

Q Who is the royalty owner under that lease?

A It's federal lease.

Q How many acres are in that? Is that a full

40?

A Yes, that's 40 acres; yes, sir. There's over 2,500 in the base lease.

Q Is it your opinion that all of the acreage included within your proposed non-standard spacing units here that you propose are productive of gas from the Pictured Cliffs Formation?

A Yes, I believe so.

Q Have you prepared any exhibits showing the structure or the geology of this particular area?

A No, sir. We studied it. We haven't prepared an exhibit.

Q Upon what do you base your opinion that the entire acreage that you propose to include within a spacing unit is productive from the Pictured Cliffs?

A On our study.

Q What was your study based on, Mr. Dugan?

A It was based on the wells that have been drilled in the area and the history of production from the Russell Federal 2 and knowledge of the Pictured Cliffs in San Juan Basin.

Q Would your study show generally that this entire acreage would be underlaine with gas in the Pictured Cliffs Formation?

A What do you mean by this "entire area?"

Q Well, let's say all of Section 33.

A Probably not all of Section 33; no, sir.

Q How have you established any cut-off points in your study of the geology of this area?

A Well, the -- with the existing information, probably feel that down-dip that would become wet.

Q Which way is down-dip?

A To the northeast.

Q That would be the northeast part of Section 33?

A Yes. I don't think I would want to drill a well in the northeast quarter.

Q Do you believe that all of your acreage there, the 40 acres being the northwest of the southeast quarter of 33, that all of that is productive?

A Northwest of the southeast?

Q That's your full 40 acre tract there?

A Yes. We believe so at this time.

Q Is it reasonably probable that the 40 acres under lease by Pubco there in the northeast of the southeast also is presumably productive of Pictured Cliffs at the present time?

A Presumably, I would say getting close to what we think would be the edge. It's some question to that in my mind.

MR. MORRIS: That's all I have.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Dugan, you said you made some overtures to Pubco in regard to a working agreement in regard to the northeast of the southeast of Section 33?

A Yes, sir, both verbally and written.

Q And what was their response?

A No.

Q They just didn't want to go?

A Yes.

Q Didn't want to join in?

A No. Didn't want to farm-out; didn't want to trade, either.

Q Did they make any kind of an offer?

A Yes, I guess they did. They indicated that they would sign their acreage if they would not have to pay any money and coming back in for a fourth interest after the well paid out. In other words, they wanted a free ride.

Q Did they offer you any risk factor?

A No.

Q They just wanted you to foot the bill for the well and then give them a quarter interest after pay-out with no risk?

A Yes.

Q No interest on the money, either?

A That's right; yes.

Q Now, I note on your Exhibit A that there are a few dry holes in the area.

A Yes, sir.

Q I presume you are familiar with these wells?

A Yes, sir.

Q Take the Williams 1 Well in Section 34; what's the data on that?

A It was drilled in, I think 1926, and was found to be non-commercial at that time.

Q That wouldn't necessarily mean much now, would it?

A No, but I would probably agree with them.

Q Would you? All right. Let's look at the No. 4 Well in the northeast of Section 4.

A That was drilled by Pubco in 1955.

Q Do you know anything about it? Is it dry?

A They plugged it. It's plugged. It never was completed. I would frankly believe that that well could be made to be a producer with more modern techniques.

Q Was any gas on DST?

A No. They set pipe presumably on top of the Pictured Cliffs and cable tooled in and there was no reported gas.

Q Well, that's the closest wells to your area; is that right?

A Yes, sir.

Q Is that the only dry hole in the area?

A There's some on down in the lower part of Section 4.

Q That would be a little farther west?

A And in 9.

Q The one in the lower part of Section 4 on that Pubco tract there?

A Yes. That was drilled through the Mesa Verde, completed as a Mesa Verde Gas Well. It's old twin mounds Mesa Verde Gas Pool.

Q Yes.

A It performed real well for a short time and then ceased to produce and was plugged back and made an oil well in the Menafée zone of the Mesa Verde and produced as an oil well for a while, a few years, and then was plugged and abandoned..

Q How about the Pictured Cliffs? Was it tested?

A I am not positive whether it was DST on it or not.

Q What's the current status of the Russell No. 2?

A It's producing.

Q Still is producing?

A Yes. It's on this second page there, the production history for the last nine years or so.

Q It's producing at the rate of about 180 or 90 MCF a day?

A Yes. A little less. Of course, it's a pretty amazing well in that it's made right around a billion from 900 feet.

Q I noted that.

A Not too many wells that good at that depth.

Q In your opinion, this is a stratigraphic trap it is producing from?

A Yes, sir.

Q According to your studies, and I am sure you must have contoured the Pictured Cliffs, do you have any subsea data that you could state as to where this well is producing from, from a subsea datum, where you think the water is at subsea?

A I have another man here that could probably fill you in on that, if you want him to testify.

Q I think it might be well to have that in the record, don't you think, George?

MR. HATCH: Yes.

MR. UTZ: Mouthpiece agrees with me.

THE WITNESS: We will have him testify, then, here in a little bit.

MR. UTZ: All right. Are there other questions of the witness?

MR. McGRATH: P. T. McGrath, U. S. G. S. I was just wondering, Pubco's No. 2 is a dedicated acreage, the southwest quarter of Section 33.

THE WITNESS: I am sure it is.

MR. McGRATH: It would have to be, wouldn't it?

THE WITNESS: I didn't look that up.

MR. McGRATH: You have 160 acre spacing, I

believe?

THE WITNESS: They asked for 320 at one time and it was denied. I noted that.

MR. UTZ: I feel that it is. However, our records would show and I don't know at this time.

THE WITNESS: I am sure it is.

MR. MORRIS: I can say for the record, I have a copy before me of the acreage dedicated to the Pubco Well and it is the southwest quarter of Section 33, being 168.59 acres.

MR. McGRATH: Thanks.

MR. UTZ: Are there other questions? The witness may be excused.

(Witness excused).

MR. KELLAHIN: Don Mitchell.

DON MITCHELL

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A Don Mitchell.

Q What business are you engaged in, Mr. Mitchell?

A I am employed as geologist for Dugan Production Corporation.

Q Have you ever testified before the Oil Conservation Commission?

A No, sir, I have not.

Q For the benefit of the Examiner, would you briefly outline your education and your experience as a geologist?

A I attended the University of New Mexico from 1946 to 1950; graduated with a Bachelor of Science Degree in geology and have been engaged in the oil and gas industry since 1952.

Q Where have you worked in connection with the oil and gas industry?

A I have worked in the San Juan Basin from 1952 to 1960. From 1960 to 1966 I was in El Paso, Texas, in the reservoir engineering department of El Paso Natural Gas Company. From 1966 to '68 I was in Amarillo, Texas, working Anadarko Basin as area geologist for El Paso Natural and was transferred back to Farmington by them approximately a year and a half ago.

Q Subsequent to that time, have you been employed by Dugan Production Corporation?

A No, sir, I had not.

Q I mean subsequent to moving back to Farmington you were employed by Dugan and are now employed by Dugan?

A Yes, sir, I am at the present time. When I moved back to Farmington, I was still with El Paso Natural.

Q Are you familiar with the application that's been filed by Dugan Production Corporation?

A Yes, sir, I am.

Q Have you made a study of the area involved in this application?

A Yes, sir, I have.

MR. KELLAHIN: Are the witness' qualifications acceptable?

MR. UTZ: I feel the witness has been around the San Juan Basin a long time to have escaped being a witness before the Commission. He is qualified.

Q (By Mr. Kellahin) Mr. Mitchell, on the basis of your study of the area involved in the application before the Commission at this time, did you attempt to delineate the boundaries of the Pictured Cliffs, the productive area of the Pictured Cliffs Formation?

A Yes, sir, I have.

Q What are the results of your study?

A Well, I feel that the production from the Russell Federal is a combination of a structural and stratigraphic trap and that there are numerous locations other than what Mr. Dugan is applying for that could be drilled to test this undesignated pool.

Q You mean other than the dry holes that have already been drilled?

A Yes, sir.

Q Do you think they could be drilled with reasonable anticipation of production?

A Yes, sir, I do.

Q You heard the Examiner's questions in regard to the subsea datum on the Russell Federal No. 2. Do you have that information?

A I couldn't give you a datum as such where I feel the gas-water contact would be. As Mr. Dugan has testified, the general dip is to the north and east. It would be somewhere, I would presume, along the western edge of Section 34. There is a well in Section 35 that is not shown on the plat and I believe that that's definitely wet.

Q Do you feel that the cut-off point on the productive limits in this area are in Section 34 or to

the east, is that what you mean?

A My opinion would be that the cut-off would trend generally northwest-southwest through the western edge of Section 34.

Q Now, in your opinion, would the northwest of the southeast be productive of gas from the Pictured Cliffs in Section 33?

A Yes, sir.

Q And how about the southeast of the southeast?

A Yes, sir, I believe the majority of it would, I feel, be approaching the limit.

Q Now, how about the other two tracts in there, the southwest of the southeast and the northwest of the northeast of Section 4?

A I feel that there's very good possibility they are productive.

Q Now, you heard Mr. Dugan's testimony that in his opinion the Cline acreage has already suffered drainage on account of productions from the Pubco Well No. 2.

Do you agree with that?

A Yes, sir, I concur.

Q Do you have anything else to add to your discussion of this pool?

A Not at the present time.

MR. KELLAHIN: That's all I have of the witness,
Mr. Utz.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Mitchell, when you speak of cut-off along the western edge of Section 34, you mean that you feel it's waterflooded out at that point or the permeability is too low to produce or what?

A I believe being down-dip that the water saturations are exceedingly high.

Q Does that go along with the lowering of the permeability?

A I really have no opinion on the permeability.

Q Does the Russell Well produce any water that you know of?

A To my knowledge, for all practical purposes, no.

Q They don't have a -- any -- I can't think what you call them -- producing mechanism on them to lift water out of the well bore?

A Not to my knowledge, no, sir.

MR. UTZ: Are there other questions of Mr.

Mitchell? He may be excused.

(Witness excused).

MR. KELLAHIN: That's all we have, Mr. Utz.

MR. UTZ: Other testimony? Statements?

MR. McGRATH: P. T. McGrath, U. S. G. S. in Farmington. I feel that we would have to object to this application because of the fact that a standard unit would be the southeast quarter of Section 33, which would include 40 acres of federal land.

If this application is approved, the Federal Government will lose the royalty under this 40 acres.

MR. UTZ: Federal Government has been getting royalty for sometime on that other 160, hasn't it?

MR. McGRATH: I know.

MR. KELLAHIN: May I ask Mr. McGrath a question, if he is willing to submit to it? Mr. McGrath, have you made any demand from Pubco for the development of that acreage?

MR. McGRATH: No, sir. So far there has been no reason to.

MR. UTZ: Been holding this 2,500 acres on one well: is that right?

MR. McGRATH: Right, which is fine. They pay a dollar per year acreage rental on it.

MR. UTZ: Other statements?

MR. MORRIS: Yes, sir. Mr. Examiner, Pubco feels duty not only to protect its own position in here, but to protect the position of its royalty owner and therefore, is objecting to the non-standard units. I would say at this time that Pubco has no -- would not oppose a forced pooling application brought by Mr. Dugan to pool the entire southeast quarter of Section 33, providing a reasonable risk factor was requested.

I believe only in this manner would the correlative rights of all operators and royalty owners be protected in that area. A denial of the application, of course, would be without prejudice to Mr. Dugan's right to apply for forced pooling of this quarter section.

MR. KELLAHIN: If the Examiner please, I will add to the testimony that has been made by Mr. Dugan as to his efforts to obtain the cooperation of Pubco.

I think it's pretty clear that Pubco basically does not want a well drilled on this tract, being now confronted with the problem, they are willing apparently to have Mr. Dugan bring a forced pooling action; but, they

didn't offer to turn their acreage over to him with the carried interest with any kind of penalty clause, which they could have done.

In order to protect himself and his royalty owner, Mr. Duqan has filed this application and he has filed it in the alternative, basically he would like to dedicate all of the acreage under the Cline Lease to the well and we feel this is proper in view of the refusal of Pubco to join him in a well or farm out its acreage to him.

In the alternative, however, if the Commission feels this is not proper, we do ask that the acreage located on the Cline Lease in the Section 33 be dedicated to the well. Under either of these alternatives, we do not feel that the correlative rights of any individual will be impaired in anyway.

There has been no effort made to ever develop the federal acreage on this lease other than in Section 33, other than the one well that has been drilled by Pubco, so we submit that the correlative rights of the parties would be properly protected by granting the application and dedication of all the acreage in the Cline Lease to the well.

MR. UTZ: Other statements?

MR. HATCH: I have a question. Mr. Morris, you stated that Pubco would not oppose a forced pooling application. Do you have the authority to say whether they contemplate voluntary agreement of any type at this time?

MR. MORRIS: I have no authority in that regard. I don't know. I think it would be only fair and candid to state, I think Pubco would take a non-consent position under a forced pooling order and be a carried interest under the standard type orders that the Commission enters and as I say, we would have no objection to that type of order being entered so long as the risk factor is reasonable one.

MR. UTZ: By "reasonable risk factor" -- -- you are familiar with the type of forced pooling orders. You consider the Commission's forced pooling orders previously reasonable?

MR. MORRIS: Yes, sir, in this area.

MR. KELLAHIN: What type of risk factor was involved in that, may I ask, fifty percent?

MR. MORRIS: I don't believe the Commission has ever entered an order in the San Juan Basin with a risk factor higher than twenty-five percent.

MR. UTZ: The Examiner would like to recall Mr. Mitchell and Mr. Dugan -- you may sit where you are -- for one or two more questions, which I should have asked you and forgot at this point.

THOMAS A. DUGAN

recalled as a witness, testified as follows:

CROSS EXAMINATION (Cont.)

BY MR. UTZ:

Q The pink dots shown in your yellow acreage, Mr. Dugan, is that where you intend to drill your wells?

A Well, yes. Our No. 1 location on the Cline Lease would be in the south 40 acres. The other would be in our No. 2 location.

Q That would be in lot 2 of Section 4 would be your No. 2 location?

A That would be our No. 1. You know, if we had the right to drill any place on the lease we would drill there.

Q I see.

A Barring the privilege of doing that, our No. 2 location would be in lot 2 of Section 23.

Q Will either location be standard --

A Yes, sir.

Q -- under Rule 104?

A Yes, sir.

Q Now, in the alternative ---

MR. HATCH: Excuse me just a minute. If you are speaking of non-standard units, I am not sure that you have a standard location. Do you have a footage location that you could give us?

THE WITNESS: Yes. I think the rule would be 790 feet from the outer limits of the proration unit which would be orthodox location.

We would have an orthodox location; yes, sir.

Q (By Mr. Utz) Orthodox for standard unit?

A Yes, sir.

Q Does that answer your question?

MR. HATCH: Yes.

Q (By Mr. Utz) Now, you ask for an alternative or 120 acre non-standard unit in the southeast quarter of 33. Let me ask you this. If you drill the well on that unit, then it would be at your second choice location?

A Yes, sir.

Q And if that well was a producing well, would you then drill a second well on your other 40?

A We wouldn't be able to. I don't believe. Would

we? I mean, first off, we couldn't force pool Pubco and I don't think they are going to join us; so, that 40 wouldn't be producing.

MR. UTZ: Are there any other questions for the witness?

MR. MORRIS: Just a comment, Mr. Examiner. It's not tremendously significant, but to make the record clear, Mr. Dugan's preferred location in Section 4, there's no way that that can be a standard or orthodox location under any kind of rules because it would appear that the well is not spotted right in the center of that 40 and the 40 being only 1320 feet square, bound to be closer than 660 feet to the outer boundaries of that particular lot 2.

Secondly, I believe Mr. Dugan expressed there at the very end that he would have no way of force pooling Pubco to get that lot 2 in Section 4 committed to a pro-ration unit. I think that is a misstatement because if he brought a forced pooling case with respect to the northeast quarter of Section 4, there again Pubco could have no objection to it and he could drill a well.

THE WITNESS: I thought you had to have fifty percent of the acreage to force pool?

MR. MORRIS: No.

THE WITNESS: I am not planning on it anyway. I don't want to quit carrying for a quarter, let alone three-quarters.

MR. UTZ: In other words, what your opinion really is, you feel your 40 acres is too small to make it another 120, wasn't it?

THE WITNESS: Yes, it sure is.

MR. HATCH: I have one other question. Mr. Dugan, I believe you said that your impression that Pubco, at one time, asked for 320 acres --

THE WITNESS: Yes.

MR. HATCH: -- be dedicated to that well?

THE WITNESS: I think that's right.

MR. HATCH: Are you familiar with that, Mr. Morris?

MR. MORRIS: No, I am not.

THE WITNESS: That was back in the '50's, some time. But going through the records, I noted that some place.

MR. HATCH: You don't recall the reason it was denied?

THE WITNESS: No.

MR. UTZ: The witness may be excused.

(Witness excused).

MR. UTZ: No further statements? The case will be taken under advisement.

We will take a coffee break.

(Whereupon, a short recess was taken).

I N D E X

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E X H I B I T S

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Glenda Burks
Notary Public

March 12, 1973

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 429 F heard by me on 1-27-60.

[Signature], Examiner
New Mexico Oil Conservation Commission



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

P. O. BOX 2088 - SANTA FE

87801

GOVERNOR
DAVID F. CARGO
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMijo
MEMBER

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

February 18, 1970

Mr. Jason Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: Case No. 4298
Order No. R-3921
Applicant:
DUGAN PRODUCTION CORPORATION

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 Mr. Richard Morris and Mr. Phil McGrath

Case 298

Heard 1-21-80

Rec. 1-22-70.

This case was opposed by
Purbo thru X examination &
a statement (no testimony)
Facts:

1. Purbo would not volun-
tarily contribute to the
well in SWSE-33 or
consent to forced pooling
until the hearing & then
in a statement at the end of
the hearing.
2. The Purbo Russell well has
produced 979,000 cu ft gas
from the SE SW 7-33. in approx.
10 yrs.
3. Dugan has opportunity
to get a well to recover
the gas on his lease
(Clino) in sec. 4 NW NE
sec. 9.
4. This will not be a large
pool. 2 wells - 3 at most.
In view of above I recommend
Dugan be granted the 660
acre NWU as requested
so that he may drill in
the NW NE-4, rather than
offset the Purbo well.

Shirley J. [Signature]

**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. 4298
Order No. R-3921**

**APPLICATION OF DUGAN PRODUCTION CORPORATION
FOR A NON-STANDARD GAS PRORATION UNIT, SAN
JUAN COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 21, 1970, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 18th day of February, 1970, 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, Dugan Production Corporation, is the owner and operator of the 171.15-acre Cline Lease comprising the NW/4 SE/4 and the S/2 SE/4 of Section 33, Township 30 North, Range 14 West, and the NW/4 NE/4 of Section 4, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico.

(3) That the applicant seeks approval of a 171.15-acre non-standard gas proration unit comprising all of the above-described acreage to be dedicated to a well to be drilled in either the SW/4 SE/4 of said Section 33 or the NW/4 NE/4 of said Section 4 to an undesignated Pictured Cliffs gas pool.

(4) That in the alternative, the applicant seeks approval of a 131.93-acre non-standard gas proration unit comprising the

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CASE No. 4298

Order No. R-3921

NW/4 SE/4 and the S/2 SE/4 of said Section 33 to be dedicated to a well to be drilled in the SW/4 SE/4 of said Section 33.

(5) That a standard gas proration unit in the subject pool would consist of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the United States Public Land Surveys.

(6) That negotiations to voluntarily form a standard unit comprising the SE/4 of said Section 33 have been unsuccessful.

(7) That the unorthodox size and shape of the proposed 171.15-acre non-standard unit is due to a variation in the legal subdivision of the United States Public Land Surveys and to the configuration of the lease held by the applicant.

(8) That the entire non-standard gas proration unit described above in Finding No. (3) may reasonably be presumed to be productive of gas from the Pictured Cliffs formation.

(9) That the non-standard gas proration unit described above in Finding No. (3) can be efficiently and economically drained and developed by a well located approximately in the center of either the SW/4 SE/4 of said Section 33 or the NW/4 NE/4 of said Section 4.

(10) That approval of the 171.15-acre non-standard gas proration unit as requested by the applicant will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject undesignated Pictured Cliffs gas pool and prevent the economic loss caused by the drilling of unnecessary wells, will avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights, provided the applicant or any other owner of mineral interests in either the SE/4 of said Section 33 or the NE/4 of said Section 4 are allowed a reasonable time in which to bring a case before the Commission for the compulsory pooling of all mineral interests in either of said quarter sections.

IT IS THEREFORE ORDERED:

(1) That a 171.15-acre non-standard gas proration unit in an undesignated Pictured Cliffs gas pool comprising the NW/4 SE/4 and the S/2 SE/4 of Section 33, Township 30 North, Range 14 West,

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and the NW/4 NE/4 of Section 4, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico, is hereby established and dedicated to a well to be drilled within 25 feet of the center of either the SW/4 SE/4 of said Section 33 or the NW/4 NE/4 of said Section 4;

PROVIDED HOWEVER, that the above shall be without prejudice to the right of either the applicant or any other owner of mineral interests in either the SE/4 of said Section 33 or the NE/4 of said Section 4 to bring a case before the Commission for the compulsory pooling of all mineral interests in either of said quarter sections, provided said compulsory pooling case is brought within 30 days from the date of this order.

(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/

Docket No. 3-70

DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 21, 1970

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

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

- CASE 4295: Application of Texaco, Inc., for waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Delaware formation through the Cotton Draw Unit Well No. 13, formerly the Continental Oil Company State Z-16 Well No. 1, located in Unit G of Section 16, Township 25 South, Range 12 East, Paduca-Deleware Pool, Lea County, New Mexico.
- CASE 4296: Application of S. P. Yates for a pressure maintenance project expansion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand the S. P. Yates West McMillan Anderson Pressure Maintenance Project, authorized by Order No. R-3852, by the injection of water into the Queen formation through one additional well, the Anderson Well No. 3 located 2310 feet from the East line and 990 feet from the South line of Section 11, Township 20 South, Range 26 East, West McMillan-Seven Rivers-Queen Pool, Eddy County, New Mexico.
- CASE 4297: Application of Anadarko Production Company for lease commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Langlie-Mattix production from the Langlie-Mattix Penrose Sand Unit Tracts 2, 16, and 28, comprising, respectively, the W/2 NW/4 of Section 23, the SW/4 SW/4 of Section 23, and the S/2 NW/4 and SW/4 of Section 28, Township 22 South, Range 37 East, Lea County, New Mexico, with Langlie-Mattix production from other tracts in said unit, allocating the production to each of said Tracts 2, 16 and 28 on the basis of monthly well tests.
- CASE 4298: Application of Dugan Production Corporation for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 171.15 acre non-standard gas proration unit comprising the NW/4 SE/4, S/2 SE/4 of Section 33, Township 30 North, Range 14 West, and the NW/4 NE/4 of Section 4, Township 29 North, Range 14 West, to be dedicated to a well to be drilled to an undesignated Pictured Cliffs gas pool in either the SW/4 SE/4 of said Section 33 or the NW/4 NE/4 of said Section 4. In the alternative applicant seeks approval of a 131.93 acre non-standard proration unit comprising the NW/4 SE/4 and the S/2 SE/4 of said Section 33 to be dedicated to said well in the SW/4 SE/4 of said Section 33.

CASE 4299: Application of Texas Pacific Oil Company, Inc., for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the consolidation of two existing non-standard gas proration units into one 240-acre non-standard unit comprising the N/2 NW/4 and the NE/4 of Section 8, Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to be dedicated to its State "A" a/c-2 Wells Nos. 43 and 49, located in Units H and C, respectively, of said Section 8. Applicant further seeks to produce the allowable assigned to said unit from either of the aforesaid wells in any proportion.

CASE 4300: Application of Texas American Oil Corporation for the creation of a new gas pool and for special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Atoka gas pool for its Todd #26 Federal Well No. 1 located 1980 feet from the North and East lines of Section 26, Township 23 South, Range 31 East, Eddy County, New Mexico, and for the promulgation of special rules therefor, including a provision for 640-acre spacing units.

CASE 4301: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Robert T. Smith and all other interested persons to appear and show cause why the following Robert T. Smith wells located in Section 32, Township 20 North, Range 9 West, McKinley County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program:

State Well No. 1 located 487 feet from the North line and 990 feet from the East line;

State "A" Well No. 1 located 400 feet from the North line and 990 feet from the East line;

State Well No. 3 located 330 feet from the North line and 330 feet from the West line;

State Well No. 6 located 220 feet from the North line and 1485 feet from the East line;

State Well No. 6-Y located approximately 5 feet West of the above-described Well No. 6;

State Well No. 8 located 1155 feet from the North line and 2475 feet from the East line.

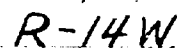
N. M. O.C.C. CASE NO. 4298

OIL CONSERVATION

1-1-1 EXHIBIT NO. 11

CASE NO. _____

EXHIBIT "A"



☒ PUBCO PETROLEUM CORPORATION LEASES

DUGAN PRODUCTION CORPORATION
N.M. OCC CASE NO. 4298
January 21, 1970

EXHIBIT "B"

Pubco Petroleum Corporation
Russell Federal No. 2
500' fsl, 1688' fwl
Section 33, T30N, R14W
San Juan County, New Mexico

Elevation: 5443' GL
Total Depth: 3512'
PBD: 1070'

Undesignated Pictured Cliffs

Spudded: May 22, 1954
Completed: June, 7, 1954
Date of First Delivery: October 5, 1954

Casing: 10 3/4" @ 204' w/200 sx.
5 1/2" @ 1070' w/110 sx.

Perforated Interval: 921' - 939' (18')

Original Test: SIPC 307 psi - 12 days
IP 1739 MCF/D after 3 hrs.

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
APP EXHIBIT NO. B
CASE NO. 4298

PRODUCTION HISTORY

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
Cumulative Production to First of January	462987	539535	586082	635330	664481
January	8036	6357	-----	-----	572
February	7465	5453	-----	671	-----
March	8201	1858	336	3782	2602
April	7023	7434	6461	6673	7655
May	6766	8090	2344	5856	8162
June	3924	7490	7954	2153	2330
July	5645	1337	4097	2055	1893
August	4708	6474	3232	3850	7753
September	5185	2033	4269	4111	8055
October	6472	-----	6669	-----	5768
November	6434	-----	6737	-----	1499
December	6689	21	7149	-----	-----
Annual Production	76548	46547	49248	29151	46289
	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
Cumulative Production to First of January	710770	770533	834435	892584	951880
January	50	2880	3070	4706	3573
February	-----	4675	3859	5360	1124
March	1737	5987	6333	5275	3382
April	5918	5387	5819	5880	3641
May	5771	4600	6164	4220	4000
June	7137	6839	4189	3951	2880
July	7025	5965	3013	5556	3738
August	6206	6481	5189	5656	3871
September	6996	4901	6160	5512	30
October	6675	5424	6093	4661	
November	5962	4266	3894	3825	
December	6286	6497	4366	4694	
Annual Production	59763	63902	58149	59296	

3871 = 187 mcf
30

Cumulative Production to September 1, 1969 = 978,089 MCF

DEC 21 1969

JASON W. KELLAHIN
ROBERT E. FOX

KELLAHIN AND FOX
ATTORNEYS AT LAW
54 1/2 EAST SAN FRANCISCO STREET
POST OFFICE BOX 1769
SANTA FE, NEW MEXICO 87501

TELEPHONE 982-4315
AREA CODE 505

December 23, 1969

Case 4298

New Mexico Oil Conservation
Commission
P. O. Box 2088
Santa Fe, New Mexico

Re: DUGAN PRODUCTION CORPORATION

Gentlemen:

Enclosed find application for hearing with regard to
Dugan Production Corporation. We would like to have
this hearing set for January 21, 1970, if possible.

Thank you.

Very truly yours,

Jason W. Kellahin
Jason W. Kellahin

jwk;jh

Encls. as stated. Original & 2 copies

DOCKET MAILED

Date 1-9-70

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

APPLICATION OF DUGAN
PRODUCTION CORPORATION FOR
AN ORDER APPROVING A NON-
STANDARD DRILLING AND PRORATION
UNIT, UNDESIGNATED PICTURED CLIFFS
POOL, SAN JUAN COUNTY, NEW MEXICO

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A P P L I C A T I O N

Comes now Dugan Production Corporation and applies to the Oil Conservation Commission of New Mexico for the approval of a non-standard gas proration unit for the production of gas from the Pictured Cliffs formation in an undesignated Pictured Cliffs Pool, San Juan County, New Mexico, consisting of the NW $\frac{1}{4}$ SE $\frac{1}{4}$, and Lots 1 and 2, (S $\frac{1}{2}$ SE $\frac{1}{4}$) of Section 33, Township 30 North, Range 14 West, N.M.P.M., and Lot 2 (NW $\frac{1}{4}$ NE $\frac{1}{4}$) of Section 4, Township 29 North, Range 14 West, N.M.P.M., San Juan County, New Mexico, consisting of 171.15 acres, more or less, or in the alternative, a non-standard gas proration unit composed of the NW $\frac{1}{4}$ SE $\frac{1}{4}$, and Lots 1 and 2 (S $\frac{1}{2}$ SE $\frac{1}{4}$) of Section 33, Township 30 North, Range 14 West, N.M.P.M., consisting of 131.93 acres, more or less, and in support thereof would show the Commission:

1. Applicant is the owner of the right to drill for, develop and produce from the Pictured Cliffs formation in either of the above-described non-standard gas proration units.

2. All of the described acreage in Section 4, Township 29 North, Range 14 West, and Section 33, Township 30 North, Range 14 West, is held in common ownership, and under one lease.

3. Applicant has proposed to communitize its acreage with that located in the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of said Section 33, but has been unable to obtain a communitization agreement, or an exchange of acreage.

4. Unless applicant is granted approval of a non-standard gas proration unit, consisting of 171.15 acres, or in the alternative, a non-standard gas proration unit consisting of 131.93 acres, as proposed herein, it will be denied its right to obtain its just and equitable share of the gas underlying its lands.

5. Approval of the application will result in the recovery of gas that probably would not otherwise be recovered, will prevent waste, and correlative rights of the other owners in the area will be protected.

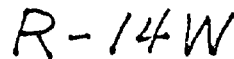
WHEREFORE applicant prays that his matter be set for hearing before the Commission, or before the Commission's duly appointed examiner, and that after notice and hearing as required by law, the Commission enter its order approving a non-standard gas proration unit for Pictured Cliffs production, as prayed for.

Respectfully submitted,

DUGAN PRODUCTION CORP.

BY Jason W. Kellahin
Kellahin & Fox
P. O. Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT



Co. 4298

DRAFT

GMH/esr

January 23, 1970

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. 4298

Order No. R-3921

APPLICATION OF DUGAN PRODUCTION CORPORATION
FOR A NON-STANDARD GAS PRORATION UNIT, SAN
JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 21, 19670, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this January day of January, 19670, 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, Dugan Production Corporation, ^{the 171.15-acre Cline Lease} is the owner and operator of ^{and the} ~~the Cline Lease~~ comprising the NW/4 SE/4, S/2 SE/4 of Section 33, Township 30 North, Range 14 West, and the NW/4 NE/4 of Section 4, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico.

(3) That the applicant seeks approval of a 171.15-acre non-standard gas proration unit comprising all of the above-described acreage to be dedicated to a well to be drilled to ~~an undesignated Pictured Cliffs gas pool~~ in either the SW/4 SE/4 of said Section 33 or the NW/4 NE/4 of said Section 4 ^{to an undesignated Pictured Cliffs gas pool.}

(4) That in the alternative, the applicant seeks approval of a 131.93-acre non-standard gas proration unit comprising the NW/4 SE/4 and the S/2 SE/4 of said Section 33 to be dedicated to a well to be drilled in the SW/4 SE/4 of said Section 33.

(5) That a standard gas proration unit in the subject pool would consist of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the United States Public Land Surveys.

(7) That the unorthodox size and shape of the proposed non-standard unit is due to a variation in the legal subdivision of the United States Public Land Surveys and to the configuration of the lease held by the applicant.

(8) That the entire non-standard gas proration unit described above in Finding No. (3) may reasonably be presumed to be productive of gas from the Pictured Cliffs formation.

(9) That the non-standard gas proration unit described above in Finding No. (3) can be efficiently and economically drained and developed by a well located approximately in the center of either the SW/4 SE/4 of said Section 33 or the NW/4 NE/4 of said Section 4.

(10) That approval of the 171.15-acre non-standard gas proration unit as requested by the applicant will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject undesignated Pictured Cliffs gas pool, will prevent the economic loss caused by the drilling of unnecessary wells, will avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights, provided the applicant or any other owner of mineral

(6) That negotiations to voluntarily form a standard gas proration unit comprising the SE/4 of said Section 33 have been unsuccessful.

interests in either the SE/4 of said Section 33 or the NE/4 of said Section 4 are ~~not prejudiced from bringing~~ *allowed a reasonable time in which to bring* a case before the Commission for the compulsory pooling of all mineral interests in either of said quarter sections.

IT IS THEREFORE ORDERED:

(1) That ~~a~~ *the* 171.15-acre non-standard gas proration unit in an undesignated Pictured Cliffs gas pool comprising the NW/4 SE/4 *and* S/2 SE/4 of Section 33, Township 30 North, Range 14 West, and the NW/4 NE/4 of Section 4, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico, is hereby established and dedicated to a well to be drilled within 25 feet of the center of either ~~the~~ *the* SW/4 SE/4 of said Section 33 or the NW/4 NE/4 of said Section 4;

PROVIDED HOWEVER, that the above shall be without prejudice to the right of either the applicant or any other owner~~s~~ of mineral interests in either the SE/4 of said Section 33 or the NE/4 of said Section 4 to bring a case before the Commission for the compulsory pooling of all mineral interests in either of said quarter sections, *provided said compulsory pooling case is brought within 30 days from the date of this order.*

(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.

CASE 4299: Application of TEXAS
PACIFIC FOR A NON-STANDARD GAS
PRORATION UNIT, LEA COUNTY.