

CASE 4854: Application of DUGAN
PRODUCTION TO COMMINGLE GAS
PRODUCTION PRIOR TO METERING.

Case Number

4854

Application
Transcripts.

Small Exhibits

ETC.

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209 SIMMS BLDG., P.O. BOX 1012, PHONE 213-8891, ALBUQUERQUE, NEW MEXICO 87103
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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
OIL CONSERVATION COMMISSION CONFERENCE ROOM
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
November 29, 1972

IN THE MATTER OF:

Application of Dugan Production
Corporation to commingle gas
production prior to metering,
San Juan County, New Mexico

Case No. 14854

BEFORE: Richard L. Stamets
Examiner

TRANSCRIPT OF HEARING

1 MR. STAMETS: Case 4854. Application of Dugan
2 Production Corporation to commingle gas production prior to
3 metering, San Juan County, New Mexico. Call for appearances
4 in this case.

5 MR. DUGAN: Thomas A. Dugan, owner of Dugan Production
6 Corporation.

7 MR. STAMETS: Mr. Dugan, you were sworn in a previous
8 case. Let the record show Mr. Dugan was sworn in the previous
9 case and is still sworn.

10 MR. DUGAN: I have two exhibits. Exhibit 1 is just a
11 map showing the layout of the Raven area of pipeline and Exhibit
12 2 is a plot of the wells on the Pet, Inc. lease. Referring to
13 Exhibit 1, El Paso's gathering system ends in Section 35 of
14 Township 28 North, 14 West, and a private line was laid from
15 that point on to connect three wells in 1967. Two of these
16 wells have since been abandoned, and there is one well currently
17 producing through this system.

18 MR. STAMETS: Which well is that?

19 MR. DUGAN: That's the Gallup well in the Northwest of
20 Section 26, 28, 15 which is called the Pet, Inc. #1. Since that
21 time, we have developed some shallow production from the
22 pictured-cliff formation at a depth ranging from 550 to 700 feet,
23 and we are desirous to connect these wells to our gathering
24 system and install compression so that they may be produced.

25 Referring to Exhibit #2, these wells of the I.P.'s are

1 indicated on Exhibit 2 where they range from 667 mcf per day
2 calculated absolute open flow down to 55 mcf per day. The
3 shut-in pressures range from 98 psi to 130 psi. We plan to
4 install a two-stage compressor and produce with a small amount
5 of gases in this shallow reservoir, and we are requesting that
6 we not be required to meter gas from each individual well, each
7 individual pictured-cliff well. We will meter the gas from the
8 Gallup well that is still currently producing and the total gas
9 will be metered by El Paso at the exchange point in Section 35,
10 28 North, 14 West. That's the reason for it is the Commission
11 involved and the small amount of gas and the cost of metering,
12 of purchasing and maintaining metering equipment.

13 MR. STAMETS: How much gas do you anticipate being
14 produced from these four wells?

15 MR. DUGAN: Well, I'm anticipating that there is 50
16 million under each 160 acre tract there, which is roughly
17 \$15,000 worth of gas. That would be gross value of the gas; and
18 when you subtract royalties, operating costs, and completion
19 costs, why it brings it down to a fairly low net production, net
20 profits from the operation.

21 MR. STAMETS: How long did you figure it would take
22 you to produce reserves under these wells?

23 MR. DUGAN: Well, I hope that the wells will produce
24 at a fairly good rate; and by installing two-stage compression,
25 I plan to bring the pressures down to 10 lbs. or so, the well

1 head pressures; and I estimate three to four years. Hopefully,
2 we'll have, well, \$60,000 worth of gas, \$70,000 worth total.

3 MR. STAMETS: You have five wells in this little pool,
4 is that correct?

5 MR. DUGAN: Well, actually there are six wells. The
6 Pet, Inc. #4 is a pretty poor well. I doubt if I'll connect it
7 to the system. That's the one in the Northeast corner of 26.
8 The other wells I plan to connect to the system.

9 MR. STAMETS: What does a meter run cost?

10 MR. DUGAN: A meter run and meter temperature recorder
11 costs in the neighborhood of \$4,000.00.

12 MR. STAMETS: And you are calculating the gross value
13 of the gas at \$50,000?

14 MR. DUGAN: Yes.

15 MR. STAMETS: So if you had to buy meters and had no
16 recovery to the value, the meters would be more than the value
17 of the gas?

18 MR. DUGAN: Well, it's getting close, and then there
19 are some operating costs involved in operating the meters.

20 MR. STAMETS: You would have to operate these meters
21 yourself?

22 MR. DUGAN: Oh, yes. El Paso has refused to connect
23 the wells, which is obvious. They couldn't afford to lay out
24 there. Total gas, of course, is metered by El Paso at the
25 exchange point in Section 35, 28, 14.

1 MR. STAMETS: What is the ownership of the land that
2 these wells were located on?

3 MR. DUGAN: It's one basic lease that I own 100% at
4 this point, and it's all to the Navajo Reservation, which is
5 common royalty.

6 MR. STAMETS: So that's common Navajo?

7 MR. DUGAN: Yes.

8 MR. STAMETS: How will you estimate the gas coming
9 from each of the individual wells?

10 MR. DUGAN: I plan to have a portable meter of some
11 type that I can go around and periodically check the production
12 on a 24-hour basis from each well.

13 MR. STAMETS: How often do you propose to do this?

14 MR. DUGAN: Not very often. Once a year unless I have,
15 you know, unless there is some obvious problems out there, why,
16 I plan to do it just once a year.

17 MR. STAMETS: Will you be in the field often enough to
18 determine that all of the wells are producing in order to allocate
19 the monthly production?

20 MR. DUGAN: Well, of course, the only real check we'll
21 have is what we are actually producing and selling to El Paso;
22 and if that varies by a great amount, then we'll start doing some
23 checking; but if it doesn't, why we won't. Of course, we'll have
24 to take some tests at the outstart to determine ratio between the
25 wells so that we can allocate the gas from the start.

1 MR. STAMETS: And you would have no objection to
2 submitting copies of your portable meter tests to the Commission
3 when you got these things?

4 MR. DUGAN: No, sir.

5 MR. STAMETS: If your application were denied and you
6 would have to meter these wells individually, what would the
7 outcome of this be?

8 MR. DUGAN: Well, I know that I couldn't buy any
9 equipment, so I'd start looking around for some second-hand
10 stuff; and then if I can find that at a low enough cost, I'd
11 probably go ahead. So I'm not going to buy new equipment.

12 MR. STAMETS: Have you priced second-hand equipment
13 as yet?

14 MR. DUGAN: No, I haven't.

15 MR. STAMETS: Is this pool fully developed at this
16 time?

17 MR. DUGAN: Well, probably not. I think there is some
18 other locations on my lease and possibly a few, one or two, on
19 off-set leases, but I doubt that they'd ever be drilled.

20 MR. STAMETS: Have you potentialled any of these wells
21 to see what they would make at this 10 lb. pressure?

22 MR. DUGAN: I produced the #2 well for about two weeks
23 and it looks like it would probably make 50 or 60 mcf a day.
24 That's the one in the Northeast quarter of 46, you know, for
25 extended rate.

1 MR. STAMETS: Is that about average?

2 MR. DUGAN: No, I think some of the other wells will
3 be better than that.

4 MR. STAMETS: What do you expect the most to be, a
5 hundred mcf per day?

6 MR. DUGAN: Yes. I hope to make a half million a day
7 from all the wells. That's the way I've sized the compressor.

8 MR. STAMETS: Is this pool named?

9 MR. DUGAN: No.

10 MR. STAMETS: Would you propose a name for it if -

11 MR. DUGAN: No, I haven't proposed one. I don't know
12 whether the State has or not.

13 MR. STAMETS: Do you have a name that you think should
14 be put on there?

15 MR. DUGAN: How about "Poorboy Fissure"?

16 MR. STAMETS: Poorboy Fissure. Are there any other
17 questions of this witness? You may be excused. Any statements
18 in this case? Case 4654 will be taken under advisement.

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PAGE

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STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss.

I, JANET RUSSELL, a 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.

Janet Russell
COURT REPORTER

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 4854 heard by me on Nov. 29, 1972.
Richard W. Hammett, Examiner
New Mexico Oil Conservation Commission

dearnley, meier & mc cormick reporting service inc.

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
Wednesday, November 1, 1972

EXAMINER HEARING

IN THE MATTER OF:

Application of Dugan Production
Corporation to commingle gas
production prior to metering, San
Juan County, New Mexico.

Case No. 4854

BEFORE: Elvis A. Utz,
Examiner

TRANSCRIPT OF HEARING

dearnley, meier & mc cormick reporting service, inc.

209 SIMMS BLOC., P.O. BOX 1092, PHONE 243-8691, ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLOC., EAST ALBUQUERQUE, NEW MEXICO 87108

1 MR. UTZ: Case 4854, the application of Dugan
2 Production Corporation to commingle gas production prior to
3 metering, San Juan County, New Mexico. I had a telephone call
4 from Mr. Dugan this morning and he got stuck out in the field
5 last night too late to get here and so he asked for a
6 continuance and it will be continued to November 29th, 1972.

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12 STATE OF NEW MEXICO)
13) ss
14 COUNTY OF BERNALILLO)

15 I, JOHN DE LA ROSA, Court Reporter, in and for the County
16 of Bernalillo, State of New Mexico, do hereby certify that the
17 foregoing and attached Transcript of Hearing before the New
18 Mexico Oil Conservation Commission was reported by me; and that
19 the same is a true and correct record of the said proceedings
20 to the best of my knowledge, skill and ability.

21 John De La Rosa
22 COURT REPORTER

23 I do hereby certify that the foregoing is
24 a complete record of the proceedings in
25 the Examiner hearing of Case No. 4854
heard by me on 11/17/72 at 10:22 am
Examiner
New Mexico Oil Conservation Commission

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date NOVEMBER 1, 1972TIME: 9 A.M.

NAME	REPRESENTING	LOCATION
KEN L. PETERS	TEXACO INC.	HOBBS, N.M.
Thomas H. Hoover	Texaco	Hobbs, N.M.
KENNETH W. HARBIN	TEXACO INC.	MIDLAND, TEXAS
Richard S. Morris	Montgomery et al.	Santa Fe
Leon M. Sargent	Dalport Oil Corp	Dallas, Tex
Bob Rusty	Dalport	Roswell
James D. Burke	Harding Oil Co.	Roswell
Roy C. Williamson Jr.	Sipes, Williamson & Runyan Representing Harding Oil Co.	Midland
Richard F. Spencer	Spencer & Norton	Midland
James C. Jester	Harding Oil Co.	Dallas
W. T. Taylor	Dalport Oil Corp	Dallas
St. Haining	EPNG	Santa Fe
Brian Haining	Ref	Santa Fe
Ken S. Dinkum	RW Byram	SF Austin

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NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE , NEW MEXICO

Hearing Date NOVEMBER 1, 1972 TIME: 9 A.M.

[illegible]



OIL CONSERVATION COMMISSION

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

December 19, 1972

GOVERNOR
BRUCE KING
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMijo
MEMBER

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

Mr. Thomas A. Dugan
Dugan Production Corporation
Post Office Box 234
Farmington, New Mexico 87401

Re: Case No. 4854
Order No. R-4453
Applicant:
Dugan Production Corp.

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. 4854
Order No. R-4453

APPLICATION OF DUGAN PRODUCTION
CORPORATION TO COMMINGLE GAS
PRODUCTION PRIOR TO METERING,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 29, 1972, at Santa Fe, New Mexico, before Examiner Richard L. Stamets

NOW, on this 19th day of December, 1972, 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 operator of the Pet. Inc. lease in Sections 25, 26, 35, and 36, Township 28 North, Range 15 West, NMPM, San Juan County, New Mexico.

(3) That the applicant has completed 6 wells on said lease in a non-prorated undesignated Pictured Cliffs Pool, and one well in the Ojo-Gallup Pool, and is the sole operator in said pools.

(4) That the applicant proposes to install a low pressure pipeline system to gather the production from said wells, and to compress the production for sale into a high pressure pipeline.

(5) That the applicant seeks authority to commingle the gas produced from the aforesaid Pictured Cliffs gas wells, to meter the Gallup gas production, and to combine it with the Pictured Cliffs production for sale through a single sales meter, determining the total Pictured Cliffs gas production by means of subtraction, with allocation to the individual wells on the basis of periodic well tests.

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Case No. 4854
Order No. R-4453

(6) That gas reserves under the Pet. Inc. lease in the aforesaid Pictured Cliffs gas pool are of a low marginal nature and that to require metering of the production from the Pictured Cliffs wells could seriously affect the practicability of the proposed project.

(7) That the ownership of all wells in each of the aforesaid two gas pools is common throughout, including working interest, royalty interest, and overriding royalty interest.

(8) That approval of the application will permit the production of gas which might not otherwise be recovered and will not harm correlative rights nor cause waste.

IT IS THEREFORE ORDERED:

(1) That the applicant, Dugan Production Corporation, is hereby authorized to commingle, prior to measurement, the Pictured Cliffs gas production from its wells on the Pet. Inc. lease, in Sections 25, 26, 35, and 36, Township 28 North, Range 15 West, NMPM, San Juan County, New Mexico.

(2) That the applicant is further authorized to commingle the production of its Pet. Inc. lease Well No. 1 located in Unit D of Section 26 of said Township and Range, Ojo-Gallup Pool, San Juan County, New Mexico, after metering, with the commingled Pictured Cliffs Pool production.

(3) That the commingled production shall be metered, the metered production from the Ojo-Gallup Pool subtracted, and the remainder allocated to the individual wells in accordance with the most recent well tests required under (4) below.

(4) That within 30 days after the date of connection of any Pictured Cliffs Pool well to the applicant's Pet. Inc. lease commingled gathering system, and during the months of April and October, thereafter, the operator shall conduct a productivity test on said well. The test shall be conducted in a manner approved by the supervisor of the Commission's Aztec district office and shall be under conditions closely approximating normal production conditions.

PROVIDED HOWEVER, that the Secretary-Director of the Commission may approve an extension of the test period when an application for the same has been received and the evidence indicates that such extension is warranted.

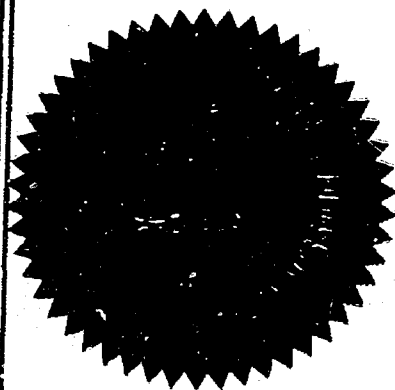
(5) Copies of all productivity tests required under (4) above shall be submitted to the Commission's Aztec district office.

-3-

Case No. 4854
Order No. R-4453

(6) 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.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Bruce King
BRUCE KING, Chairman

Alex J. Arrijo
ALEX J. ARRIJO, Member

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

dr/

DOCKET: EXAMINER HEARING - WEDNESDAY - NOVEMBER 29, 1972

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

The following cases will be heard before Richard L. Stamets, Examiner, or Elvis A. Utz, Alternate Examiner:

CASE 4854: (Continued from the November 1, 1972 Examiner Hearing)

Application of Dugan Production Corporation to commingle gas production prior to metering, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle gas produced from wells located in Sections 25, 26, 35, and 36, Township 28 North, Range 15 West, undesignated Pictured Cliffs gas pool, San Juan County, New Mexico, prior to metering said gas, as an exception to Rule 403 of the Commission Rules and Regulations.

CASE 4860: (Continued from the November 14, 1972 Examiner Hearing)

Application of Craig Folsom for an unorthodox oil well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a well to test the Queen formation at an unorthodox oil well location 1340 feet from the South line and 1300 feet from the East line of Section 12, Township 13 South, Range 31 East, Caprock-Queen Pool, Chaves County, New Mexico.

CASE 4857: (Continued to November 29, 1972 Examiner Hearing)

Application of Perry R. Bass for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location for his Big Eddy Well No. 7 located 660 feet from the South line and 1980 feet from the East line of Section 19, Township 20 South, Range 31 East, Maroon Cliffs-Morrow Gas Pool, Eddy County, New Mexico, with the E/2 of said Section 19 to be dedicated to the well.

CASE 4866: Application of Roger C. Hanks for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water in the Devonian formation through perforations between 13,000 to 13,300 feet in his Graham Well No. 1 located in Unit F of Section 29, Township 16 South, Range 36 East, East Shoe Bar-Devonian Pool, Lea County, New Mexico.

CASE 4867: Application of Superior Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 7, Township 23 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to a

(Case 4867 continued from page 1)

well to be drilled 810 feet from the South line and 1980 feet from the West line of said Section 7. Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

CASE 4868: Application of The Wiser Oil Company for a 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 Drinkard formation through its Downes "D" Well No. 1 located in Unit K of Section 32, Township 21 South, Range 37 East, Drinkard Pool, Lea County, New Mexico.

CASE 4869: Application of Claude C. Kennedy for the amendment of Order No. R-4263 and for the revocation of Commission Order NSL-586, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-4263 to require that all wells drilled within the Lone Pine Dakota "D" Unit be drilled on locations no closer than 330 feet from the boundary of the quarter-quarter section in which any such well is located, and to prohibit the transfer of allowable to any well located closer than 1320 feet from the outer boundary of the unit area. Applicant further requests the revocation of Commission Order No. NSL-586 dated November 1, 1972, which order authorized Tenneco Oil Company to drill its proposed Lone Pine Dakota "D" Unit No. 29 well at a location 2300 feet from the South line and 1450 feet from the West line of Section 8, Township 17 North, Range 8 West, Lone Pine-Dakota "D" Oil Pool, McKinley County, New Mexico.

CASE 4835: (Continued and readvertised)

Application of Texas Oil & Gas Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface of the ground down to and including the Pennsylvanian formation underlying the S/2 of Section 13, Township 22 South, Range 26 East, South Carlsbad Field area, Eddy County, New Mexico, to be dedicated to a well to be drilled 660 feet from the South line and 1980 feet from the East line of said Section 13. Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

CASE 4870: Application of Sun Oil Company for an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its proposed U. D. Sawyer Well No. 10 at an unorthodox location 986 feet from the South line and 1000.5 feet from the East line of Section 27, Township 9 South, Range 36 East, Crossroads-Devonian Pool, Lea County, New Mexico.

CASE 4871: Application of Samedan Oil Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Langlie-Mattix "B-4" Penrose (Queen) Unit Area, comprising 240 acres, more or less, of Federal lands in Sections 17 and 18, Township 23 South, Range 37 East, Lea County, New Mexico.

CASE 4872: Application of Samedan Oil Corporation for a 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 Queen formation through two wells in its Langlie-Mattix "B-4" Unit Area, Langlie-Mattix Pool, Lea County, New Mexico.

CASE 4862: (Continued and readvertised)

Application of Adobe Oil Company for a non-standard gas proration unit and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 520-acre non-standard gas proration unit comprising the NE/4, SE/4, E/2 SW/4, N/2 NW/4, and SE/4 NW/4 of Section 11, Township 23 South, Range 24 East, Rock Tank-Upper Morrow and Rock Tank-Lower Morrow Gas Pools, Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South line and 330 feet from the East line of said Section 11.

CASE 4863: (Continued and readvertised)

Application of C & K Petroleum Inc. for an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be located 660 feet from the South and West lines, or in the alternative, 990 feet from the South line and 660 feet from the West line of Section 18, Township 18 South, Range 26 East, West Atoka-Morrow Gas Pool, Eddy County, New Mexico, to be dedicated to a standard proration unit comprising the S/2 of said Section 18.

CASE 4873: Application of Mountain States Petroleum Corporation for gas prorationing, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the institution of gas prorationing in the West Atoka-Morrow Gas Pool, Eddy County, New Mexico.

DOCKET: EXAMINER HEARING - WEDNESDAY - NOVEMBER 1, 1972

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

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

CASE 4835: (Continued from the September 27, 1972, Examiner Hearing)

Application of Texas Oil & Gas Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface of the ground down to and including the Pennsylvanian formation underlying the S/2 of Section 13, Township 22 South, Range 26 East, South Carlsbad Field area, Eddy County, New Mexico, to be dedicated to a well to be drilled 1980 feet from the South and East lines of said Section 13. Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

CASE 4849: Application of Harding Oil Company for pool creation, special rules therefor, and discovery allowable, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new pool for the production of oil from the Atoka formation for its Shipp Well No. 4 located in Unit I of Section 11, Township 17 South, Range 37 East, Lea County, New Mexico, and the promulgation of special rules therefor, including a provision for 80-acre spacing and proration units. Applicant further seeks the assignment of a discovery allowable of approximately 58,310 barrels of oil to said well.

CASE 4850: Application of Dalport Oil Corporation for amendment of pool rules, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Rule 2 (a) and Rule 7 of the special rules governing the Double L-Queen Associated Pool, Chaves County, New Mexico, to increase the size of a standard gas well proration unit from 160 acres to 320 acres and a corresponding increase in the gas allowable.

CASE 4843: (Continued from the October 17, 1972, Examiner Hearing)

Application of Dalport Oil Corporation for designation of a special gas area and special rules therefor, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Southeast Chaves Queen G. Area comprising all of Townships 12 and 13 South, Ranges 30 and 31 East, Township 14 South, Ranges 29, 30 and 31 East, and Township 15 South, Ranges 29 and 30 East.

Applicant further seeks the promulgation of special rules for said area including a provision for 320-acre spacing for gas

wells, location of gas wells in conformance with the Southeast New Mexico 320-acre gas well location rules, and classification of wells as gas wells at a gas-liquid ratio of 30,000 or more. Oil wells in said area would be governed by the statewide rules.

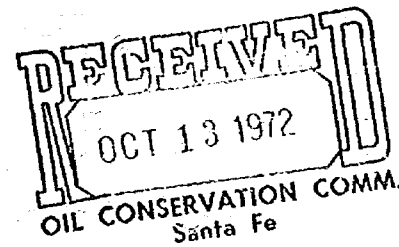
CASE 4851: Application of Texaco Inc. for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a unit area comprising 1400 acres, more or less, of state lands in Sections 1, 2, 11, and 12, Township 18 South, Range 34 East, Lea County, New Mexico.

CASE 4852: Application of Texaco Inc. for a pressure maintenance project and special rules therefor, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to institute a pressure maintenance project in the Vacuum Grayburg-San Andres Pool by the injection of water through 8 wells at orthodox and unorthodox locations in Sections 1 and 2, Township 18 South, Range 34 East, Lea County, New Mexico. Applicant further seeks authority to drill 8 producing wells within the boundaries of said project at unorthodox locations and the assignment of a bonus allowable to said project.

CASE 4853: Application of El Paso Natural Gas Company for amendment of gas well testing procedures, San Juan Basin, New Mexico. Applicant, in the above-styled cause, seeks the amendment of the gas well testing procedures for the San Juan Basin, New Mexico, promulgated by Order No. R-333-F, as amended, to remove the requirement for annual deliverability and shut-in pressure tests for marginal wells.

CASE 4854: Application of Dugan Production Corporation to commingle gas production prior to metering, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle gas produced from wells located in Sections 25, 26, 35, and 36, Township 28 North, Range 15 West, undesignated Pictured Cliffs gas pool, San Juan County, New Mexico, prior to metering said gas, as an exception to Rule 403 of the Commission Rules and Regulations.

Drawer 1857
Roswell, New Mexico 88201



October 10, 1972

Dugan Production Corporation
P. O. Box 234
Farmington, New Mexico 87401

Re: Navajo Tribal lease
14-20-603-2015

1022
file core 4854

Gentlemen:

Your letter of September 26, 1972 requests approval to commingle all gas from lease Navajo tribal 14-20-603-2015 in secs. 25, 26, 35, and 36, T. 28 N., R. 15 W., San Juan County, New Mexico.

As set forth in your letter, all wells would be produced into your Raven Area Pipeline, a compressor set and the gas transported to El Paso's pipeline in the NW $\frac{1}{4}$ sec. 35, T. 28 N., R. 14 W. where all gas would be metered. Gas that is metered at the one Gallup well would be subtracted from the total and the remainder allocated back to the Pictured Cliffs wells based on individual tests.

Your request is hereby approved subject to like approval by the New Mexico Oil Conservation Commission.

Sincerely yours,

(ORIG. SIGNED BY N. O. FREDERICK)

N. O. FREDERICK
Area Oil and Gas Supervisor

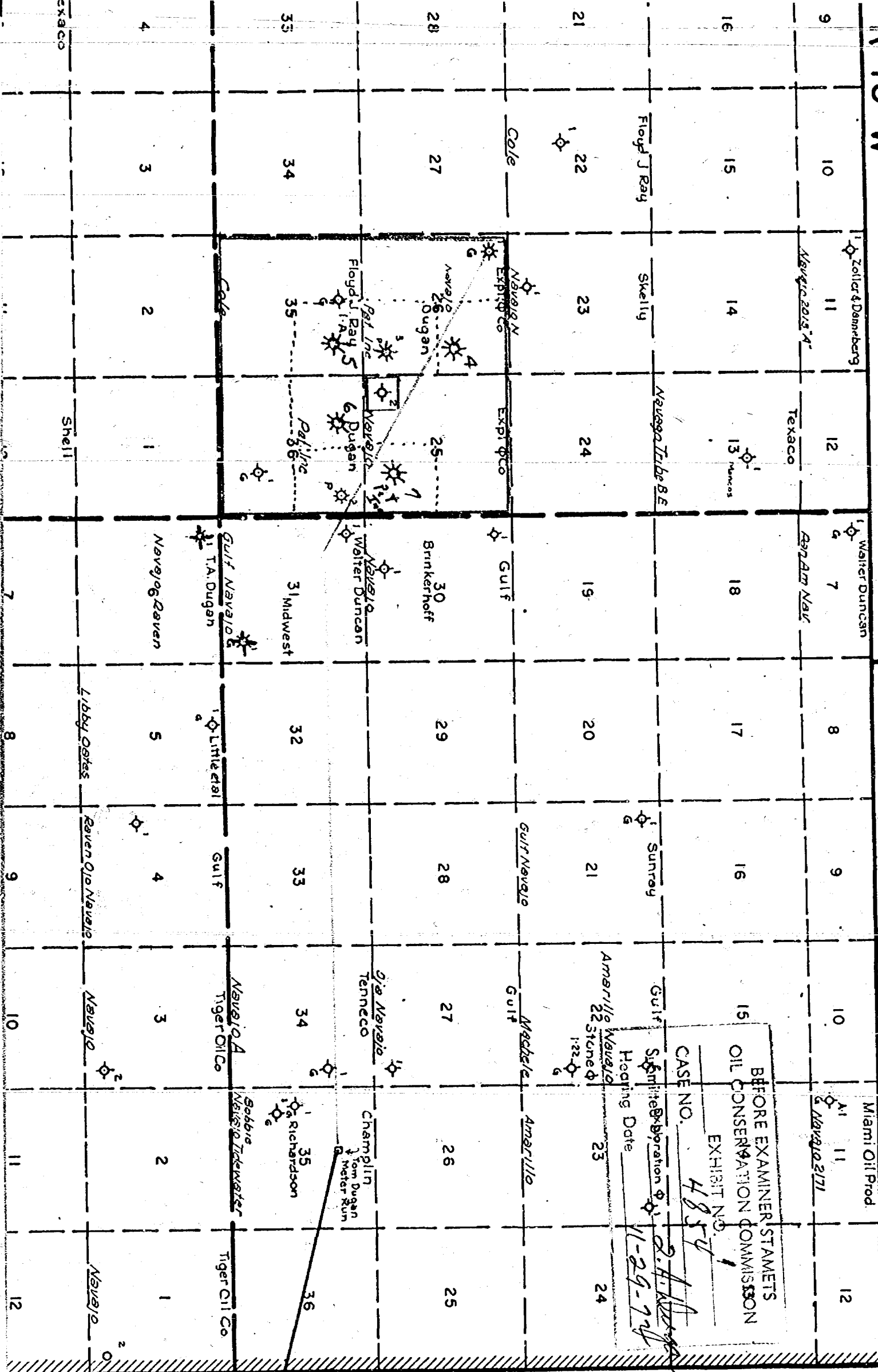
cc:
NMOCC, Santa Fe ✓
Farmington
Accounts
File

DOCKET MAILED

Date *10-18-72*

R-15-W

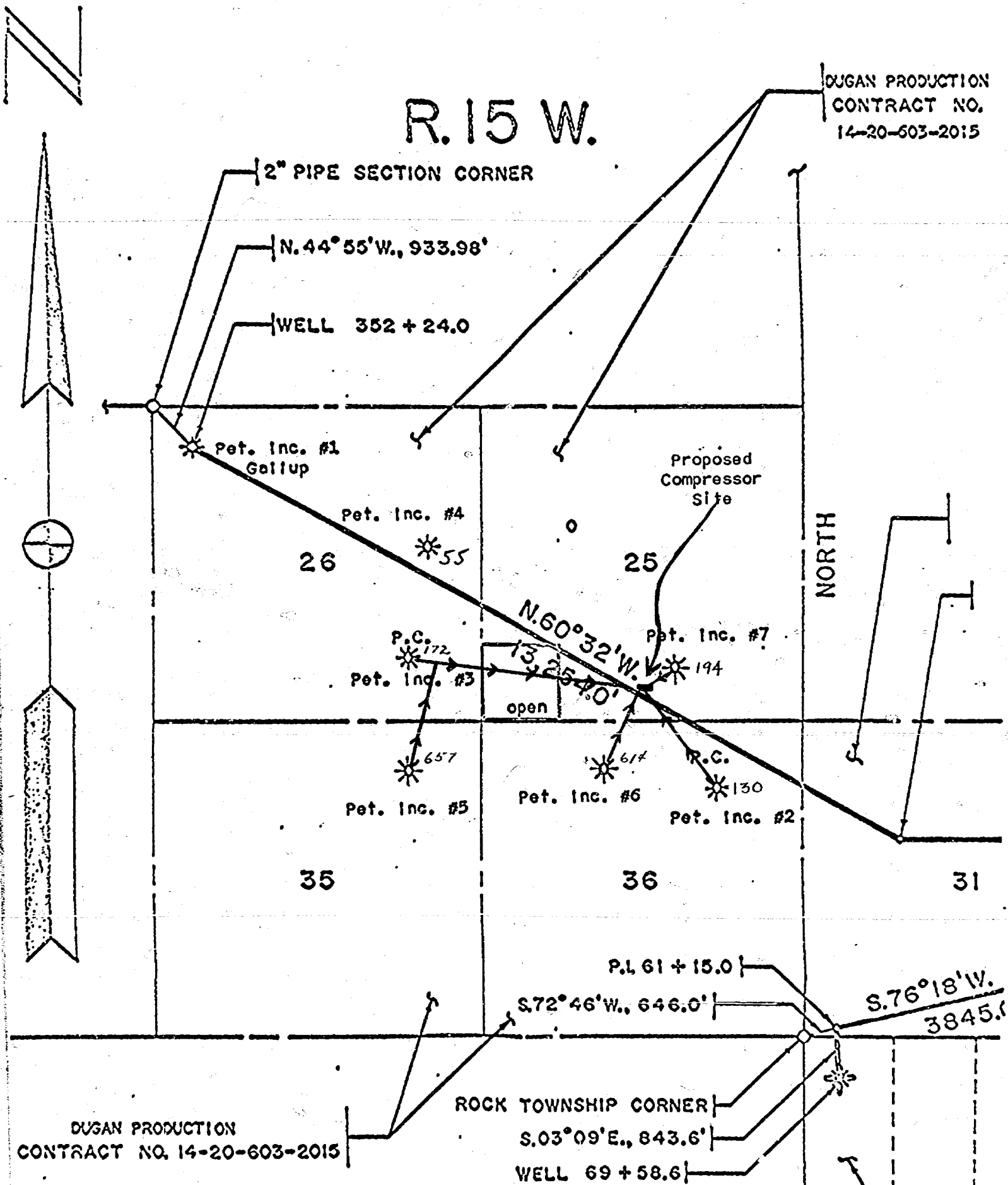
R-14-W



BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
CASE NO. 4854
EXHIBIT NO. 1
Hearing Date 11-29-74
Submitter's Signature [Signature]
Hearing Date 11-29-74

T 28 N

RAVEN AREA PIPELINE SHALLOW PICTURED CLIFFS PROJECT



- Proposed Pictured Cliffs Locations
- 657 CAOF - MCFPD
- Proposed Pictured Cliffs Gathering System

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

EXHIBIT NO. 2

CASE NO.

Submitted by

Hearing Date

4954
A. Dugan
11-29-72

Memo

From
EMERY ARNOLD

To
George -

Please Set this For
hearing NOV 2 IF
Possibly - Thanks -

Emery

THOMAS A. DUGAN
President
Home 325-5694

JIM JACOBS
Vice-President
Home 325-8353

DUGAN PRODUCTION CORP.

709 Bloomfield Road Telephone 325-0238
Post Office Box 234 Area Code 505
FARMINGTON, NEW MEXICO
87401

September 26, 1972

Mr. Emery Arnold
Oil Conservation Commission
1000 Rio Brazos Road
Aztec, New Mexico 87410

Case 4854



Dear Emery:

We have developed a shallow Pictured Cliffs gas sand on our Pet. Inc. lease, which comprises most of Sections 25, 26, 35, and 36 in Township 28 North, Range 15 West, San Juan County, New Mexico. The producing sand in the Pictured Cliffs formation is thin - 10' to 15' thick, at a depth of 575' to 650' - and the wellhead shut-in surface pressure is 131 psig. The wells should produce 25 to 100 MCF/day against 35 psi backpressure.

We presently have two wells completed in the sand and propose to drill an additional four or five wells, set a compressor, and deplete the gas that is in this Pictured Cliffs reservoir. We are enclosing a plat showing the present wells and the proposed wells.

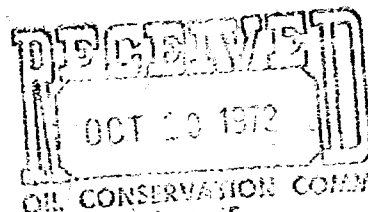
El Paso Natural Gas Company will not connect the wells to their system because of the small reserves. Because of the low bottom-hole pressure and the small amount of net sand, the recoverable gas will be much less than other Pictured Cliffs reservoirs, so it will be imperative that we develop this prospect with the lowest possible investment.

We are asking permission to produce the wells into our Raven Area Pipeline without metering the gas from the individual wells. The cost of metering the wells individually would jeopardize the economics of this project. We will meter the gas from Pet. Inc. #1, which is a Gallup completion, and the total gas will be metered where we sell it to El Paso, five miles from lease in the NW/4 Section 35, Township 28 North, Range 14 West. We will be able to allocate total Pictured Cliffs gas back to the lease and divide it among the wells by individual well tests that could be run annually.

Sincerely,

Thomas A. Dugan
Thomas A. Dugan

dw
enc. 1

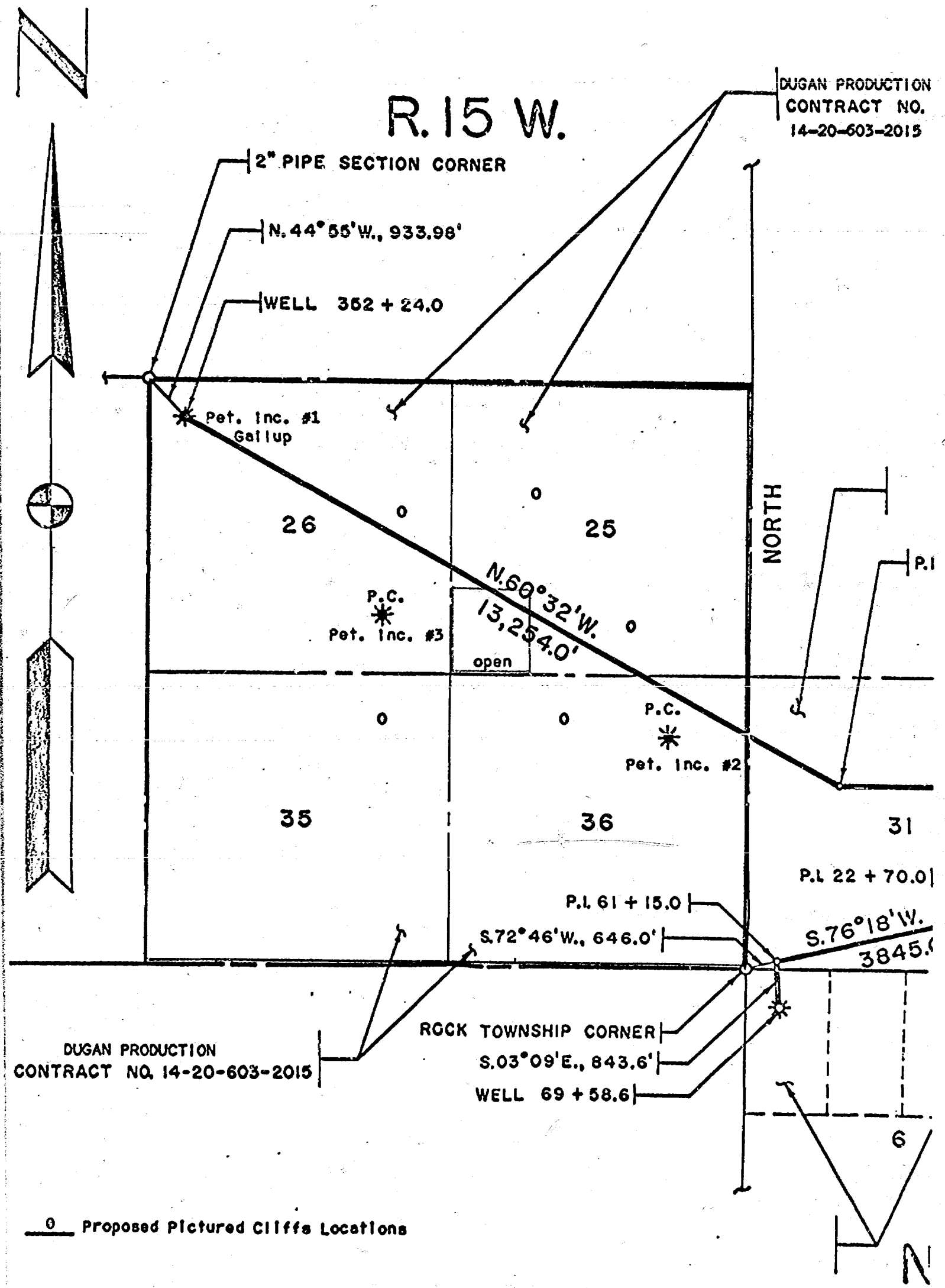


DOCKET MAILED DOCKET MAILED

Date 11-17-72 Date 10-18-72

Case 4854

RAVEN AREA PIPELINE SHALLOW PICTURED CLIFFS PROJECT



DRAFT

RLS/dr

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. 4854

APPLICATION OF DUGAN PRODUCTION
CORPORATION TO COMMINGLE GAS
PRODUCTION PRIOR TO METERING,
SAN JUAN COUNTY, NEW MEXICO.

Order No. R-4453

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 29, 1972, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of December, 1972, 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 operator of the Pet. Inc. lease in Sections 25, 26, 35, and 36, Township 28 North, Range 15 West, NMPM, San Juan County, New Mexico.

(3) That the applicant has completed 6 wells on said lease ^{and one well in the Ojo - Gallup Pool} in a non-prorated undesignated Pictured Cliffs Pool, and is the sole operator in said pools.

(4) That the applicant proposes to install a low pressure pipeline system to gather the production from said wells, and to compress the production for sale into a high pressure pipeline.

(5) That the applicant seeks authority to commingle the gas produced from the aforesaid Pictured Cliffs gas wells, to meter the Gallup gas production, and to combine it with the Pictured Cliffs production for sale through a single sales meter, determining the total Pictured Cliffs gas production by means of subtraction, with allocation to the individual wells on the basis of periodic well tests.

tests.

(6) That gas reserves under the Pet. Inc. lease in ^{the aforesaid} said Pictured Cliffs gas pool are of a low marginal nature and that to require metering of the production from the Pictured Cliffs wells could seriously affect the practicability of the proposed project.

(7) That the ownership of all wells in each of the aforesaid two gas pools is common throughout, including working interest, royalty interest, and over-

(6) That approval of the application will permit the production of gas which might not otherwise be recovered and will not harm correlative rights nor cause waste.

IT IS THEREFORE ORDERED:

(1) That the applicant, Dugan Production Corporation, is hereby authorized to commingle, prior to measurement, the ^{Pictured Cliffs gas} production from its wells on the Pet. Inc. lease, in Sections 25, 26, 35, and 36, Township 28 North, Range 15 West, NMPM, ~~Undesignated Pictured Cliffs Pool~~, San Juan County, New Mexico.

(3)(2) That the commingled production shall be metered, and from the Ojo - Gallup Pool subtracted, and the remainder allocated to the individual wells in accordance with the most recent well tests required under (3) below.

That the
(2) Applicant is further authorized to commingle ~~and return~~ the production of its Pet. Inc. lease Well No 1 located in unit D of section 26 of said township and range, Ojo - Gallup Pool, ~~in~~ San Juan County, New Mexico, after metering, with the commingled Pictured Cliffs Pool production.

-3-

Case No. 4854
Order No. R-

Pitard Cliffs

Pool
(6) That within 30 days after the date of connection of any well to the applicant's Pet. Inc. lease commingled gathering system, and during the months of April and October, thereafter, the operator shall conduct a productivity test on said well. The test shall be conducted in a manner approved by the supervisor of the Commission's Aztec district office and shall be under conditions closely approximating normal production conditions.

PROVIDED HOWEVER, that the Secretary-Director of the Commission may approve an extension of the test period when an application for the same has been received and the evidence indicates that such extension is warranted.

(4) Copies of all productivity tests required under (3) above shall be submitted to the Commission's Aztec district office.

(5) 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 4855: APPLICATION OF GULF OIL
FOR DOWNHOLE COMMINGLING, LEA
COUNTY, NEW MEXICO.