

at CASE 6142: ATLANTIC RICHFIELD
COMPANY FOR COMPULSORY POOLING, *pany*
RIO ARriba COUNTY, NEW MEXICO

Case Number

6142

Application

Transcripts.

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 8, 1978

EXAMINER HEARING

IN THE MATTER OF:

Application of Atlantic Richfield Company
for compulsory pooling, Rio Arriba County,
New Mexico.

CASES
6142 &
6143

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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1 MR. NUTTER: We will call next Case Number 6142.

2 MS. TESCHENDORF: Case 6142, application of Atlantic
3 Richfield Company for compulsory pooling, Rio Arriba County,
4 New Mexico.

5 MR. EATON: Paul Eaton of the firm of Hinkle, Cox,
6 Eaton, Coffield and Hensley, representing Atlantic Richfield
7 Company.

8 We have two witnesses, Mr. Nutter. We would also
9 ask that Case 6143 be consolidated just for the purposes of
10 the hearing.

11 MR. NUTTER: We will call now Case Number 6143.

12 MS. TESCHENDORF: Case 6143, application of Atlantic
13 Richfield Company for compulsory pooling, Rio Arriba County,
14 New Mexico.

15 MR. NUTTER: These cases are similar and involve
16 similar land, is that it, Mr. Eaton?

17 MR. EATON: Yes, sir.

18 MR. NUTTER: Case Numbers 6142 and 6143 will be
19 consolidated for purpose of testimony.

20 MR. LOPEZ: If it please the Examiner, my name is
21 Owen Lopez with the Montgomery law firm in Santa Fe, New Mexico
22 appearing on behalf of Odessa Natural Corporation. At this
23 point I would like to register our objection for the record
24 that Odessa Natural Corporation whose interests are sought to
25 be compulsory pooled in the two applications was not given

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1 specific notice of this application but we did make ourselves
2 aware of it through the advertisement of the cases and we
3 concur in their being consolidated.

4 MR. NUTTER: Thank you.

5 MR. LOPEZ: I don't know but I trust that we will
6 have at least one witness but I would like to hear the pro-
7 ponent's case.

8 MR. NUTTER: And you are appearing in both cases,
9 is that it?

10 MR. LOPEZ: That is correct.

11 MR. NUTTER: Will you proceed, Mr. Eaton? Have
12 your witnesses stand and be sworn, please.

13 (THEREUPON, the witnesses were duly sworn.)
14

15 LINDA MASSEY

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

18 DIRECT EXAMINATION

19 BY MR. EATON:

20 Q Would you please state your name, by whom you are
21 employed and in what capacity?

22 A Linda Massey, I'm a Landman for Atlantic Richfield
23 Company in Denver, Colorado.

24 Q Mrs. Massey, have you testified before this Com-
25 mission in the past?

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1 A No, I have not.

2 Q Would you please give us your educational background
 3 and your work background?

4 A Yes, sir, I graduated from the University of Southern
 5 California in 1969 with a BA in mathematics and I furthered
 6 my education at Southern Methodist University and received
 7 an MBA from their graduate school of business. I then joined
 8 Atlantic Richfield Company in September of 1972 as a Landman
 9 and was transferred to Denver, Colorado in February of 1973
 10 where I have spent the past five years in all capacities of
 11 land work, both field and office, and have spent considerable
 12 time in various areas up around this, including this area
 13 today.

14 Q Mrs. Massey, are you familiar with the applications
 15 in these two cases?

16 A Yes, I am.

17 Q Essentially what does Atlantic Richfield seek by
 18 the two applications?

19 A Atlantic wishes to pool all mineral interests in
 20 each of the three hundred and twenty acres indicated around
 21 our proposed wells, namely the east half of Section 29 and the
 22 west half of Section 33 in Township 24 North, Range 3 West,
 23 Rio Arriba County, for gas only from the Dakota formation.

24 Q All right, now, Mrs. Massey, please refer to what
 25 has been marked for identification as Exhibit Number One and

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1 state what this exhibit is intended to show?

2 A This exhibit in part shows Atlantic's acreage posi-
3 tion in the area. Our full working interest acreage is
4 indicated in red and our partial working interest acreage is
5 indicated in yellow and Odessa Natural's acreage is in blue.
6 The green arrows indicate our two proposed locations under
7 these applications, the Chacon Federal No. 2 Well in the north-
8 west quarter of Section 33 and the Chacon Federal No. 3 Well
9 in the southeast quarter of Section 29.

10 Q Mrs. Massey, I note that there is a dashed line, a
11 heavy dashed line, a line just to the east of Section 29?

12 A Yes.

13 Q What does that line represent?

14 A The acreage within the dotted area on the map is
15 the Lindrith Unit, El Paso Natural Gas Company, operator and
16 is simply indicated as this unit to the east of our acreage.
17 It's not pertinent, however, to this application.

18 Q Now I note that on this Exhibit One there appears
19 to be some production statistics. Did you have anything to
20 do with that information?

21 A No, sir, I did not.

22 Q Will another witness be testifying with respect to
23 that?

24 A Yes, sir.

25 Q Mrs. Massey, could you relate what has been done to

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1 get Odessa Natural Corporation to join in the drilling of these
 2 two wells?

3 A Yes, sir, we have sent Odessa Natural joint operating
 4 agreements and our AFE for each of the two proposed wells and
 5 they have declined to join us on the basis of gas only for
 6 the Dakota formation in these two areas.

7 Q And as a consequence of their declining to join
 8 Atlantic Richfield that your company filed these applications
 9 for compulsory pooling?

10 A Yes, they did.

11 Q Does Atlantic Richfield Company propose to be the
 12 operator of these wells?

13 A Yes, sir, Atlantic proposes to be operator on both
 14 of these wells since the acreage on which the wells will be
 15 drilled is one hundred percent Atlantic owned acreage.

16 Q As to the land information reflected on Exhibit One,
 17 Mrs. Massey, was the exhibit prepared by you or under your
 18 supervision?

19 A Yes, sir, it was.

20 MR. EATON: I have no further questions of Mrs.
 21 Massey, Mr. Nutter.

22 CROSS EXAMINATION

23 BY MR. NUTTER:

24 Q Mrs. Massey, you said that you had sent joint opera-
 25 ting agreements and AFE's to Odessa Natural, what was the

1 response there from them?

2 A Well, sir, we have several proposals and counter-
3 proposals since my initial sending of the operating agreements.
4 Odessa has proposed to us that they be operator of these wells,
5 they do not object to the wells being drilled. We have
6 indicated, especially in Section 29 where in that east half of
7 Section 29 we own seventy-five percent of the working interest
8 and that the wells are proposed on our acreage and that we be
9 the operator. We had made a counter offer also that if they
10 wish to drill the well and complete it then in the event of
11 its being an oil well they would have no interest, we would
12 take over as operator, in the event of its being a gas well we
13 would still take over as operator but they would have drilled
14 and completed the well to their satisfaction.

15 Q Now judging from the map here, you have seventy-
16 five percent of the acreage in the proposed unit in Section 29
17 and fifty percent of the acreage in the proposed unit in
18 Section 33?

19 A Yes, sir, that is correct.

20 Q And I presume by filing this application for com-
21 pulsory pooling for these two units that in the event that
22 Odessa Natural should not join you in the drilling of the
23 well that you would carry them as a working interest owner?

24 A Yes, sir, we would.

25 MR. NUTTER: Are there any further questions of

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1 Mrs. Massey?

2 CROSS EXAMINATION

3 BY MR. LOPEZ:

4 Q Mrs. Massey, I note on your Exhibit One, perhaps
5 there are other exhibits that other witnesses propose to intro-
6 duce, but do you have any exhibits that show the extent of
7 the boundaries of the Chacon-Dakota Associated Pool?

8 A We have other structure and isopach maps which were
9 not prepared under my direction but another witness will
10 testify to them.

11 MR. NUTTER: And will the pool boundaries be on
12 those exhibits?

13 A Yes, sir, they would.

14 MR. NUTTER: Is that important, Mr. Lopez?

15 MR. EATON: Well, Mr. Examiner, we have an exhibit
16 that will show--

17 MR. NUTTER: You will show the pool boundaries?

18 MR. EATON: We will show the pool boundaries.

19 Q (Mr. Lopez continuing.) Also are you familiar with
20 the cost information with respect to your proposed wells,
21 the AFE's?

22 A I'm familiar with it but we have another witness
23 who will testify further on that question.

24 Q On your C-102, your notice of intent to drill, what
25 was your acreage dedication on that form, do you know?

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1 A I couldn't say, I'm sorry, I don't have the appli-
2 cations with me. I couldn't honestly tell you.

3 Q You are familiar with Order R-5353-B which established
4 the special rules for the Chacon-Dakota Pool?

5 A Not specifically as R-5353-B.

6 Q Well, let me ask you this question: Would you agree
7 with me that the two locations are within a one-mile radius
8 of the Chacon-Dakota Pool and should be according to Commission
9 Rule 104-A B classified as development wells?

10 A Yes, sir, I am aware that they are within one mile
11 of existing production.

12 MR. LOPEZ: No further questions.

13 MR. NUTTER: Are there any further questions of the
14 witness? She may be excused.

15
16 L. J. GOW

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

19 DIRECT EXAMINATION

20 BY MR. EATON:

21 Q Would you please state your name, by whom you are
22 employed and in what capacity?

23 A My name is L. J. Gow and I am employed by Atlantic
24 Richfield Company as an Operations Analytical Engineer.

25 Q Mr. Gow, where do you office?

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1 A In Denver, Colorado.

2 Q Have you testified before this Commission in the
3 past?

4 A No, sir.

5 Q Would you please state your educational history and
6 your work background?

7 A Yes, sir. I graduated from Louisiana Tech University
8 in 1972 with a Bachelor of Science degree in Petroleum
9 Engineering and beginning in 1972 I went to work for Atlantic
10 Richfield as an Operations Engineer in Lafayette, Louisiana.
11 My duties there included reservoir engineering work, produc-
12 tion engineering and field work. From there, in 1974 to 1978,
13 also working for Atlantic Richfield, Operations and Analytical
14 Engineer in Denver, Colorado. My work duties there being
15 primarily in the San Juan Basin, including reservoir studies,
16 economic evaluations and production engineering.

17 Q Mr. Gow, are you a member of any professional
18 societies or associations?

19 A Presently I am a member of the Society of Petroleum
20 Engineers, the AIME and two honorary societies, the Tau Beta
21 Phi Engineering Society, the Phi Epsilon Tau Honorary Petro-
22 leum Engineering Society.

23 MR. EATON: Are the witness' qualifications satis-
24 factory?

25 MR. NUTTER: Yes, they are.

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1 Q (Mr. Eaton continuing.) Mr. Gow, are you familiar
2 with the area involved in the hearing?

3 A Yes, sir.

4 Q What will your testimony cover?

5 A My testimony will cover with respect to our applica-
6 tion for pooling the interest in our wells, proposed locations
7 Numbers 2 and 3 for gas only. We will be discussing a struc-
8 ture map, two isopach maps, some gas and oil production
9 history and gas-oil ratio history and I will also be discuss-
10 ing well cost, risk numbers and cost for supervision and
11 operations.

12 Q All right, please refer to what has been marked for
13 identification as Exhibit Two and state what that exhibit
14 portrays?

15 A Exhibit Two is a structure map and it generally
16 covers the area of Township 23 North, 24 North, and Range 3
17 West. On this map you will note that in the Chacon-Dakota
18 field area we have the solid dots are the producing wells and
19 the open or not filled in dots are the proposed locations for
20 the drilling wells.

21 Our contour horizon for the structure map is the
22 base of the Greenhorn or right on top of the Dakota. Our con-
23 tour intervals for this map are twenty-five feet.

24 I would like to note on this structure map and on
25 the next two exhibits, Three and Four, that there is a drafting

1 error on the date. It should be 2-1-78 instead of '77.

2 We can see from the structure map that the dip is
3 generally to the north and we believe that our proposed loca-
4 tion in the northwest quarter of Section 33, Township 24 North,
5 Range 3 West and our location in the No. 3 Well in the south-
6 east quarter of Section 29, Township 24 North, Range 3 West
7 are in the same geological horizon as the wells which are pro-
8 ducing to the south in the Chacon-Dakota field.

9 Q All right, would you next refer to Exhibit Three
10 and state what that exhibit is intended to show?

11 A Exhibit Three is a gross sand isopach map, again it
12 is of the same general area of the structure map, being
13 Townships 23 North and 24 North, Ranges 3 West. The contour
14 horizon is the Dakota A zone. Again we have indicated the
15 producing wells in the same manner with filled in dots, the
16 proposed locations the open dots. We have also colored in in
17 pink the two tracts involved in our application. Our contour
18 interval for the map is five feet and for our proposed loca-
19 tions, Chacon Federal No. 2 and No. 3 we are mapping approxi-
20 mately fifty feet for the Dakota A zone which is one of the
21 two productive Dakota zones in the Chacon-Dakota field.

22 MR. NUTTER: Mr. Gow, let me ask you at this point,
23 where is the well that the Commission recently gave the excep-
24 tion to the Chacon-Dakota pool and classified it as--

25 A Yes, sir.

1 MR. NUTTER: You have a temporary classification as
2 a gas well?

3 A Mr. Examiner, it is in the northwest quarter of
4 Section 32 and is named the Odessa Natural--I'm sorry, it is
5 the Arco Little Federal No. 1 operated by Odessa Natural
6 Corporation.

7 MR. NUTTER: That is the well in the northwest of
8 32 there?

9 A Yes, sir.

10 MR. NUTTER: And it is my understanding that the
11 ratio has not gone up as had been expected on the well?

12 A Thus far.

13 MR. NUTTER: And it is more likely to be an oil well
14 for at least a longer period of time than anticipated, is that
15 right?

16 A Under present conditions.

17 MR. NUTTER: Okay, go ahead.

18 Q (Mr. Eaton continuing.) Do you have anything else
19 to say with respect to Exhibit Three?

20 A No, sir.

21 Q All right, now, would you refer to Exhibit Four and
22 state what that Exhibit shows?

23 A Exhibit Four is also a gross sand isopach of the
24 same general area of discussion. Our contour horizon is the
25 Dakota B zone. We have again marked out or highlighted the

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1 areas concerned in the application in pink. Our contour
2 horizon for this map is two feet for each contour line and in
3 the Dakota B zone we are mapping approximately nine to ten
4 feet for our proposed locations 2 and 3.

5 Q Okay, now, Mr. Gow, on Exhibit One to which Mrs.
6 Massey testified, there are some production statistics. Would
7 you refer back to that exhibit and state what that exhibit is
8 intended to show with respect to production?

9 A Yes, sir. On Exhibit One we have listed on our
10 legend on the bottom of the exhibit two trains of data, the
11 first initial potential train and then the production statis-
12 tics. We have listed by each of the producing wells in the
13 field these two items of data for an initial potential noted
14 as IP by each well. We will be giving the daily oil and the
15 daily gas which was reported. Production statistics will be
16 giving the monthly oil and the monthly gas and then the gas-
17 oil ratio derived from those two production statistics.

18 The purpose of tabulating all of these statistics,
19 Mr. Examiner, was so that we could at a glance see what the
20 GOR's were for the various wells in the field, to also see
21 what the initial potentials were for these wells and what
22 they are presently--well, these production statistics are for
23 the month of November for clarification.

24 Q What is happening to the GOR's on these wells?

25 A I would like to go to Exhibit Number Five and in

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1 detail show some of the production histories and GOR histories
2 for these wells.

3 Q All right. Exhibit Five is several sheets, is that
4 right?

5 A Yes, sir.

6 Q All right, go ahead.

7 A The purpose of Exhibit Five, Mr. Examiner, is to
8 give a more detailed look at the oil production and gas pro-
9 duction and GOR history of wells which are nearby our pro-
10 posed locations, Chacon Federal No. 2 and No. 3.

11 The first well of Exhibit Number Five is the Odessa
12 Natural Corporation Chacon Jicarilla D No. 1 which is in the
13 southeast quarter of Section 15, 23 North, 3 West. Looking
14 down the page you can see that under the GOR column, beginning
15 in April of 1976 when I believe the well was first put on
16 pipeline sales, we had a gas-oil ratio of seven thousand seven
17 hundred and seventy-nine and then a little over twelve
18 thousand to twenty-four thousand, then twenty-seven and a half
19 thousand then on up over and above thirty thousand, which
20 is the break over for the pool rules of going from an oil well
21 to a gas well, so in a period of about four and a half months
22 or so when the well became classified as a gas well.

23 Turning to the second page of Exhibit Number Five,
24 the well being discussed is the Odessa Natural Corporation
25 Chacon Jicarilla D No. 2 Well which is located in the south-

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1 east quarter of Section 16, Township 23 North, Range 3 West.
2 Here again I believe the well was put on pipeline sales in
3 approximately April of 1976 where the indicated gas-oil ratio
4 for the period is a little over ten thousand to one. From
5 there it increased to thirty-one thousand to one. Now you
6 will note that in the next periods from June, July, and August
7 the gas-oil ratio has decreased. I believe this is because
8 there are some adjustments in producing methods which caused
9 that to decrease because in September following that period
10 the gas-oil ratio increased back up to thirty thousand again
11 into the gas well classification area.

12 MR. NUTTER: It looks like that May of 1977 might
13 be kind of a fluke, doesn't it?

14 A Yes, sir.

15 Turning to the third page of Exhibit Number Five
16 we will be discussing the Dave M. Thomas, Jr. Chacon Jicarilla
17 Apache D No. 3 Well which is located in the northwest quarter
18 of Section 15, Township 23 North, Range 3 West. The pipeline
19 sales on this well appear to have begun in November of 1976.
20 Looking down the GOR column for this well we start out at
21 eight thousand, increase to almost fourteen thousand, over
22 sixteen and then to twenty-three, twenty-two, seven, twenty-
23 five and then in May to almost forty-seven thousand, so a
24 period of six to seven months for reclassification of this
25 well as a gas well.

1 Turning now to the next page of Exhibit Number Five,
2 we will be discussing the Dave M. Thomas, Jr. Chacon Jicarilla
3 Apache D No. 5 Well. This well is in the northwest quarter of
4 Section 16, Township 23 North, Range 3 West. It appears that
5 the well went on pipeline sales in January of 1977. Looking
6 down your gas-oil ratio column on your far right, we begin
7 at ninety-three hundred to just under eight thousand in
8 February, then to almost nineteen thousand, twenty thousand,
9 twenty-three, twenty-two and then thirty thousand in July, so
10 in a period of about seven months to go from the initial gas--
11 excuse me, oil classification to gas classification.

12 Turning to the next page of Exhibit Number Five, the
13 Odessa Natural Corporation Chacon Jicarilla D No. 8 Well is
14 in the northwest quarter of Section 9, Township 23 North,
15 Range 3 West. Looking at the gas-oil ratio column for this
16 well, it looks like it went on pipeline sales in January of
17 1977 where it had an initial gas-oil ratio of eighteen
18 thousand, then apparently leveling off between twenty-five
19 thousand and twenty-nine thousand and then in May to thirty-
20 one thousand. So within a period of four to five months
21 achieving gas well classification.

22 Our next and last page of Exhibit Number Five, the
23 Odessa Natural Corporation Jicarilla Joint Venture KD No. 1
24 Well. It is in the southeast quarter of Section 4, Township
25 23 North, Range 3 West. It appeared to have only one month

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1 of pipeline sales for this well in December of 1977. However,
2 as the gas-oil ratio is already eighteen thousand and would
3 have reason to believe or believe it to be reasonable that it
4 will increase within several months to the thirty thousand to
5 one ratio that will cause it to be reclassified as a gas well.

6 Turning to the last page of Exhibit Number Five, the
7 well discussion is the Odessa Natural Corporation Arco Little
8 Federal No. 1 Well which is located in the northwest quarter
9 of Section 32, Township 24 North, Range 3 West. The pipeline
10 sales appear to have occurred beginning in October of 1977.
11 We had a gas-oil ratio of a little over twelve hundred to
12 twenty-eight in November to a little over twenty-three hundred
13 in December.

14 We would like to note on Exhibit Number One, Mr.
15 Examiner, under the production statistics for that well that
16 it had an initial potential of two hundred and seventy-two
17 barrels of oil and eleven hundred and forty MCF per day. This
18 initial potential would be similar and is similar to the gas
19 wells which we have just discussed which are further to the
20 south in the Chacon-Dakota field. For example, the Odessa
21 Natural Chacon Jicarilla D No. 8 Well in the northwest quarter
22 of 29 had an initial potential of ninety barrels of oil per
23 day, twenty-two hundred--

24 MR. NUTTER: Which well are you talking about?

25 A This is the well in the northwest quarter of Section

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1 9.

2 MR. NUTTER: Oh, you said 29.

3 A I'm sorry, the northwest quarter of Section 9.

4 MR. NUTTER: Okay.

5 A The No. 8 Well operated by Odessa Natural Corpora-
6 tion had an initial potential of ninety barrels per day and
7 twenty-two hundred seventy MCF per day.

8 Moving over to Section 10, to the east, the No. 2
9 Well had an initial potential of eighty-eight barrels of oil
10 per day , ten twenty MCF per day.

11 Moving to the south to the wells discussed in
12 Exhibit Number Five in Section 16, the two wells are classified
13 as gas wells, the Dave Thomas D No. 5 in the northwest quarter
14 of Section 16 had an initial potential of sixty barrels of
15 oil per day, seven hundred and twenty MCF per day and in the
16 southeast quarter of that Section 16, the Jicarilla D No. 2
17 Well operated by Odessa Natural Corporation with an initial
18 potential of a hundred and twenty barrels of oil per day, one
19 thousand sixty-four MCF per day.

20 The purpose in quoting all of these production
21 figures, Mr. Examiner, is that we believe the Arco Little
22 Federal No. 1 though it now has an oil well classification
23 has an initial potential number which appears to be similar
24 to the gas well initial potential numbers and there is reason
25 to believe that it will increase its gas-oil ratio within

1 possibly six to eight months as others have up to a gas well
2 classification.

3 Q (Mr. Eaton continuing.) What conclusions, Mr. Gow,
4 do you draw with respect to the proposed Atlantic Richfield
5 wells?

6 A I believe that the locations of Wells No. 2 and 3
7 are in the Chacon-Dakota Pool area and will have similar pro-
8 ducing characteristics as the wells now producing to the south
9 and it is reasonable to believe that there is a chance that
10 these two wells could be classified as a gas well.

11 Q What is the estimated cost of drilling each of those
12 wells?

13 A Our estimated well costs for these locations are
14 three hundred and thirteen thousand dollars.

15 Q Now is that for drilling and completing?

16 A Yes, sir.

17 Q What supervision charge does Atlantic Richfield
18 Company request?

19 A We are requesting twelve hundred and fifty dollars
20 per month for drilling supervision and for operating cost, a
21 hundred and fifty dollars per month.

22 Q Is that the same amount that is being charged by
23 Odessa Natural Corporation in its operations of the well in
24 the west half of Section 32?

25 A They are.

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1 Q What penalty for risk does Atlantic Richfield
2 request that it be allowed?

3 A Penalty for risk we are requesting two hundred per-
4 cent for drilling, two hundred percent for surface.

5 Q Do you know whether that is normal for the area?

6 A No, sir, but we do have a precedent for this number.

7 Q Excuse me, when you say "no", are you saying that
8 you do not know whether it's normal or that it is not normal?

9 A No, I do not know, but, however, the Arco Little
10 Federal No. 1 in the northwest quarter of Section 32, Township
11 24 North, 3 West operated by Odessa Natural Corporation does
12 have a two hundred percent drilling penalty and two hundred
13 percent surface penalty which we are being assessed, Atlantic
14 Richfield.

15 MR. NUTTER: Is that a voluntary agreement or was
16 that a penalty imposed by the Commission?

17 A Voluntary.

18 Q (Mr. Eaton continuing.) Mr. Gow, in your opinion
19 will approval of the applications avoid the drilling of un-
20 necessary wells, be in the interest of conservation and pre-
21 vent waste?

22 A Yes, sir.

23 Q Will the approval protect correlative rights and
24 afford to each owner the opportunity to recover his or its
25 fair share of the gas under each three hundred and twenty acre

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1 unit?

2 A Yes, it will.

3 Q Were these exhibits, including the production
 4 statistics on Exhibit Number One prepared either by you or
 5 under your supervision?

6 A Yes, they were.

7 MR. EATON: Mr. Examiner, we ask that Exhibits One
 8 through Five be admitted into evidence.

9 MR. NUTTER: Arco Exhibits One through Five will be
 10 admitted into evidence.

11 (THEREUPON, Arco Exhibits One through
 12 Five were admitted into evidence.)

13 MR. EATON: We have no further questions.

14 MR. NUTTER: Are there any questions of the witness?

15 MR. LOPEZ: Could I have just a second?

16 MR. NUTTER: Yes, sir.

17 CROSS EXAMINATION

18 BY MR. LOPEZ:

19 Q Mr. Gow, could you furnish us your cost information
 20 with respect to your drilling rate, the cost per foot?

21 A Yes, sir. Our cost per foot for drilling the
 22 proposed locations are ten dollars and ninety cents per foot.

23 Q The day rate?

24 A The day rate is approximately thirty-four hundred
 25 dollars per day.

1 MR. LOPEZ: No further questions.

2 MR. NUTTER: You didn't propose to offer an AFE to
3 substantiate this estimated three hundred and thirteen thousand
4 dollars at this time?

5 MR. EATON: We had not intended to but we certainly
6 would have no objection.

7 MR. NUTTER: I think that the Commission's orders
8 that are entered in pooling cases usually require that an
9 AFE be submitted to the Commission and to the poolers within
10 thirty days prior to the commencement of the well because
11 sometimes those change so probably the estimate of three
12 hundred and thirteen thousand is sufficient here today unless
13 requested further by them.

14 CROSS EXAMINATION

15 BY MR. NUTTER:

16 Q Now, Mr. Gow, what I didn't understand, I heard
17 several times the reference made that you are pooling as to
18 gas only?

19 A Yes, sir.

20 Q What happens if it is an oil well? What happens to
21 the oil, is it pooled or are you just pooling the gas or just
22 what do you mean by pooling as to gas only?

23 A Yes, sir, we are addressing ourselves to the fact
24 that the locations in the west half of 33 and the east half of
25 29 will be similar to the wells to the south and, therefore,

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1 there are cases they are oil wells and cases they are gas
2 wells. Because of that uncertainty we would like to go ahead
3 and pool these tracts for gas in that event since we only own
4 seventy-five percent of the acreage in 29 and fifty percent
5 of the acreage in 33 that if the well did come in as an oil
6 well initially but later, as has occurred in wells to the
7 south where the GOR increases to an amount of thirty thousand
8 or in that area and it was reclassified as gas, then we would
9 be pooled and have a JOA effective and it would not be neces-
10 sary to drill a second well, say in the south half of the south-
11 west quarter of 33. And let me clarify that a little bit. Say
12 if we drilled a well in the northwest quarter of 33, the No. 2
13 Well, and it came in as an oil well, it would have a hundred
14 and sixty acre spacing, Odessa Natural would and has the right
15 to come in and drill a well in their southwest quarter of
16 Section 33. However, if our No. 2 Well and their proposed
17 location, say if it were in the southwest quarter of 33, both
18 went to gas, then both wells would still be on the one hundred
19 and sixty acre gas proration and would to me constitute
20 economic waste and we will have drilled an unnecessary well.

21 Q Supposing a well did not turn into a gas well within
22 a relatively short period of time, what would be pooled?

23 A There would not be anything pooled so long as we
24 are not requesting anything for pooling for oil.

25 Q In effect you are requesting a temporary pooling

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1 until the determination is made whether the well is an oil
2 well or gas well?

3 A Yes, sir.

4 Q And it may be an oil well for a period of time?

5 A Yes, sir.

6 Q Would the pooling be in effect during that period of
7 time?

8 A Yes, sir.

9 Q What is the period of time that it is going to take,
10 you had some examples here where wells changed over in six
11 months?

12 A I would recommend a period of six to eight months,
13 Mr. Examiner.

14 Q And then if the well became classified as an oil
15 well or didn't become classified as a gas well, the well would
16 belong to Arco and the pooling order would be invalid?

17 A Yes, sir.

18 MR. EATON: Not invalid, I don't believe, Mr.
19 Examiner, this would not be effective.

20 MR. NUTTER: It would be non-effective?

21 MR. EATON: Yes.

22 MR. NUTTER: And then supposing ten years from now
23 the well became a gas well, would the order become effective
24 again then?

25 MR. EATON: I think it would. I think it would in

1 the absence of any limiting language in the order.

2 MR. NUTTER: The statute says the Commission can
3 pool a proration unit. I don't know if you can pool a three
4 hundred and twenty acre proration unit when you have got a
5 hundred and sixty acre spacing, however.

6 Are there any further questions of Mr. Gow at this
7 time. Mr. Kendrick?

8 CROSS EXAMINATION

9 BY MR. KENDRICK:

10 Q Mr. Gow, assume that a time limit of six or eight
11 months is set and one month later, because of the well remain-
12 ing at an oil well classification, the second hole is drilled,
13 the economic waste has occurred at that time, what would be the
14 reason to cause the well to be or the tract to be pooled after
15 that date?

16 A Let me be sure I understand your question, if after
17 a six to eight month period the well goes into a gas classifi-
18 cation?

19 Q The well stays at an oil classification and the
20 second hole is drilled on the other tract.

21 A Yes, sir.

22 Q For what reason would the tract then be expanded to
23 a three hundred and twenty acre proration unit after that
24 date?

25 MR. NUTTER: In a situation like I was talking about

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1 ten years from now, it became classified as a gas well.

2 Q (Mr. Kendrick continuing.) Or nine months, after
3 the eight months period?

4 MR. NUTTER: After the second well was drilled.

5 Q (Mr. Kendrick continuing.) After the second well
6 was drilled why should the tract be enlarged to three hundred
7 and twenty acres for any reason?

8 A That is a question that we are faced with here also.
9 If you set a time limit on me then I believe that very thing
10 can happen and I'm not sure I know the answer to that.

11 Q Would there be any reason to expand the drill tract
12 after that?

13 A No, sir.

14 MR. NUTTER: Tell me this, Mr. Gow, you have mentioned
15 the terms of the voluntary agreement covering the west half of
16 32, what does that provide insofar as classification and re-
17 classification of wells?

18 A That was the hearing in October in which the order
19 was issued by the Commission, Order Number R-5601, and it
20 provided a special gas well classification for the Arco Little
21 Federal No. 1 in the northwest quarter of 32. It provided
22 that it dedicated the west half of Section 32 to that well.

23 MR. NUTTER: But that's not the voluntary agreement
24 that Arco and Odessa entered for the dedication of three
25 hundred and twenty acres originally?

1 A No, sir.

2 MR. NUTTER: Does the voluntary agreement provide
3 for reverting to one hundred and sixty acres at any time?

4 MR. EATON: I believe, Mr. Nutter, that Mrs. Massey
5 could answer that.

6 MRS. MASSEY: We entered into a joint operating
7 agreement that had several changes to it from the first sign-
8 ing of it to the last and initially we signed a JOA with
9 Odessa Natural for gas only under the three hundred and twenty
10 acres because we felt there was at least a chance that it
11 could be an oil well too, in which case we would like to drill
12 on our own tract. We then, after the well was drilled, we
13 entered into discussions about what is this well going to
14 become, is it going to stay an oil well classification and
15 Odessa's feelings at that time were that the well was going to
16 change to gas, a gas classification, so we amended the agree-
17 ment so that the well could be put on stream, we would get oil
18 production from that well and get our share of oil production,
19 oil and gas, and we amended the agreement back to cover every-
20 thing in the Dakota formation, oil and gas. In effect we went
21 along with whatever the approach was, we also stuck to our
22 non-consent decision and abided by it and to take our two
23 hundred percent penalty on both surface and drilling operations
24 and we have since received a request to dissolve that operating
25 agreement based on the feeling now of Odessa that this well

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1 will remain an oil well. We have declined to dissolve the
2 operating agreement partially because of the Commission's
3 Order R-5601 which prevents us at least for the next six months
4 from drilling on our tract.

5 MR. NUTTER: Are you aware that the Commission has
6 scheduled a case to dissolve the special classification?

7 MRS. MASSEY: No, sir, I am not.

8 MR. NUTTER: Odessa has requested that the Commission
9 schedule a case and it is set for hearing, I believe on
10 February 22nd.

11 ODESSA NATURAL: We furnished them with a copy of
12 our application.

13 MRS. MASSEY: We have not received it apparently to
14 date.

15 ODESSA NATURAL: I can give you a copy today. A
16 copy was sent to you.

17 MR. NUTTER: It is an interesting voluntary agree-
18 ment and an interesting agreement that you are asking the
19 Commission to enter here.

20 Are there any further questions of Mr. Gow? He
21 may be excused.

22 (THEREUPON, the witness was excused.)

23 MR. NUTTER: Is that all you have at this time,
24 Mr. Eaton?

25 MR. EATON: Yes, sir.

1 (THEREUPON, the hearing was in recess.)

2

3 MR. NUTTER: The hearing will come to order, please.

4 Mr. Lopez, I think you are about ready to proceed

5 with your portion of this case?

6 MR. LOPEZ: That's right. I have one witness that
7 needs to be sworn.

8 (THEREUPON, the witness was duly sworn.)

9

10 EWELL N. WALSH

11 called as a witness, having been first duly sworn, was

12 examined and testified as follows:

13 DIRECT EXAMINATION

14 BY MR. LOPEZ:

15 Q Would you please state your name, by whom you are
16 employed, and in what capacity?

17 A My name is Ewell N. Walsh, I'm President of Walsh
18 Engineering and Production Corporation, as President and I'm
19 being employed as a consultant by Odessa Natural Corporation
20 for this case.

21 Q Have you previously testified before the Commission
22 or one of its examiners and had your qualifications accepted?

23 A Yes, I have.

24 MR. LOPEZ: Are the witness' qualifications accept-
25 able?

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1 MR. NUTTER: Yes, they are.

2 MR. LOPEZ: At this point, although it is probably
3 unnecessary, I would like to request the Examiner to take
4 administrative notice of Order Number R-5353-B which established
5 the special rules and regulations for the Chacon-Dakota Associa-
6 ted Pool. This order also must be read in connection with the
7 general order regarding associated pools which is Order
8 R-5353, also which I would like the Examiner to take adminis-
9 trative notice of, as well as Rule 104-A of the New Mexico
10 Oil Conservation Commission.

11 MR. NUTTER: We will take cognizance of those
12 orders and rules.

13 Q (Mr. Lopez continuing.) Mr. Walsh, I would like
14 you to refer to Exhibit Number One and identify it and describe
15 what it shows?

16 A Exhibit Number One is a map of the area consisting
17 of the Chacon-Dakota Associated Pool. Basically we are work-
18 ing with Township 23 North, Range 3 West, and the extension
19 of the pool up into Township 24 North, Range 3 West. As
20 indicated on here, your locations with circles are locations
21 or have been drilled and not completed. The locations of
22 wells with solid dots are completed producing wells in the
23 pool's area. Also on here the heavy dashed line is the present
24 pool boundary as established by the New Mexico Oil Conserva-
25 tion Commission.

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1 Q Are the applicant's, Arco, two proposed wells within
2 a one-mile radius within the boundaries of the pool?

3 A They are within one mile of the present boundary of
4 the pool.

5 Q All right, now, I believe Order R-5353-B provides
6 that wells that have a gas-oil ratio of thirty thousand to one
7 or greater should be classified as gas wells and those with
8 a lesser than that gas-oil ratio should be classified as oil
9 wells. Could you identify within the pool which wells are
10 presently classified as gas wells, those wells that should be
11 classified as gas wells, and which are not, and those which are
12 oil wells?

13 A The wells that are presently classified according to
14 the pool rules and are indicated in the present proration
15 schedule for January through April are the Odessa Natural
16 Chacon Jicarilla D No. 1 located in the southeast quarter of
17 Section 15, Township 23 North, Range 3 West; the Odessa
18 Natural Chacon Jicarilla D No. 2 which is located in the south-
19 east quarter of Section 16, Township 23 North, Range 3 West;
20 the Odessa Natural Chacon Jicarilla D 4 located in the north-
21 west quarter of Section 22, Township 23 North, Range 3 West;
22 and the Odessa Natural Chacon Jicarilla D No. 1 located in the
23 northwest quarter of Section 9, Township 23 North, Range 3
24 West.

25 MR. NUTTER: Now, those are classified oil wells?

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1 A They are gas wells.

2 MR. NUTTER: Oh, gas wells.

3 A They were classified and were indicated in the pro-
4 ratio schedule as such.

5 With the recent production information, I am talking
6 of December 1977, it will be necessary to reclassify the
7 following wells from an oil well status to a gas well status
8 because they have gone over to thirty thousand to one gas-oil
9 ratio limit. They are the Odessa Natural Chacon Jicarilla D
10 No. 6 located in the southwest quarter of Section 21, Township
11 23 North, Range 3 West; and the Dave M. Thomas, Jr. Chacon
12 Jicarilla Apache D No. 3 located in the northwest quarter of
13 Section 15, Township 23 North, Range 3 West; and also the
14 Dave M. Thomas, Jr. Chacon Jicarilla Apache D No. 5 located in
15 the northwest quarter of Section 16, Township 23 North, Range
16 3 West.

17 MR. NUTTER: Now what's the status of those?

18 A They will be, based on December production, be
19 classified as--they will have to be classified as gas wells.
20 They are over the thirty thousand to one GOR.

21 MR. NUTTER: Now you mentioned three or four wells.

22 A For the change, three.

23 MR. NUTTER: Right, the Odessa 6 and the D 5?

24 A The 3, 5, and 6.

25 The other wells that are indicated on the map as

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1 completed and producing, or capable of production, are classi-
2 fied as oil wells.

3 Q (Mr. Lopez continuing.) That's within the boundaries
4 of the pool?

5 A Within the boundaries of the pool.

6 Q Okay, now, I would like you to turn your attention to
7 the Arco Little Federal No. 1 in the northwest quarter of
8 Section 32 and would you give some history of that well?

9 A This well was put on production in October of 1977.
10 The production history of this well indicates that it is a
11 low GOR, considerably low GOR to the other wells in the area,
12 with the GOR in October of twelve hundred and forty-three to
13 one. The GOR for November of two thousand eight hundred and
14 fifty-six to one. The GOR for December two thousand three
15 hundred and fifty to one, December being the third month
16 indicated on the graph. And then with the production informa-
17 tion I have based on January the GOR of twenty-six hundred and
18 twenty-six to one.

19 Q This graph you refer to is our Exhibit Number Two,
20 Odessa Natural Exhibit Number Two?

21 A Right, that is Exhibit Two, the graph indicating the
22 plot of these GOR's. This well is continuing, it is flowing
23 at a very stabilized rate of approximately two hundred and
24 twenty to two hundred and fifty barrels a day. The gas pro-
25 duction will range in the neighborhood of five hundred and

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1 forty to five hundred and eighty MCF per day. The flowing
2 tubing pressure is eleven hundred to twelve hundred psig; the
3 flowing casing pressure fifteen hundred psig. There has been
4 a very nominal drop in both tubing and casing flowing pressures.
5 This well has excellent producing capacity and its producing
6 capacity does not reflect that this area will become a high
7 GOR area as we originally thought and had stated so in last
8 fall's hearing.

9 Q Let us back up. Odessa Natural Corporation did
10 apply to the Commission and was successful in obtaining an
11 order to dedicate three hundred and twenty acres to this
12 well initially as a gas well, is that correct?

13 A That is correct.

14 Q Has Odessa Natural applied to the Commission and
15 has a hearing date been set to rescind that order because of
16 what has proven to be its production capabilities?

17 A They have and a hearing date has been set.

18 Q I believe it is February 22?

19 A February 22, a request to rescind that previous
20 order.

21 Q Okay, now, I note on your Exhibit Number One that
22 there are some drilled wells and also some that look like they
23 have been completed as wells outside of the pool boundaries
24 but almost adjacent to it. Could you discuss those wells?

25 A Yes, in Section 3, Township 23 North, Range 3 West,

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1 the Jicarilla Joint Venture, that is Odessa Natural's operat-
2 ing, KD No. 3 and 6 have been completed. The information that
3 Mr. Gow presented to you as far as the initial potential on
4 the three is correct. The well is currently still shut in
5 waiting on pipeline connections. The KD No. 6 was just recently
6 completed and that well is now cleaning up, recovering frac
7 water, producing anywhere from thirty to eighty barrels of oil
8 per day, and our gas volume will vary from sixteen to twenty-
9 five MCF. It is barely flowing, the tubing pressure is in the
10 neighborhood of fifty to seventy-five pounds and the casing
11 a hundred to a hundred and twenty-five.

12 Q Is it your opinion that both of these wells are and
13 should be classified as oil wells?

14 A They should now. The KD 6 has not been officially
15 initial potential because we are trying to determine, in fact,
16 the plans now are to put a pumping unit on it.

17 The Odessa Natural Jicarilla Joint Venture KD No. 4
18 located in the northwest of Section 4, 23 North, Range 3 West
19 is also a completed well and it is currently shut in. The
20 initial potential information Mr. Gow presented on this is
21 correct and it has not been put on production due to the fact
22 that it is also waiting for a gas connection for produced
23 gas.

24 In Section 33, Township 24 North, Range 3 West, the
25 Odessa Natural Shipley No. 1 has been drilled, logged and

1 casing run and is waiting on completion.

2 In Section 32, Township 24 North, Range 3 West, the
3 Odessa Natural Little Federal 232 has also been drilled,
4 logged and casing run and it is waiting on completion.

5 In Section 31, the TransOcean Federal No. 1 has
6 been completed and is in the stage of clean up after frac for
7 an initial potential. It is a flowing well.

8 In my opinion the Odessa Natural Shipley, the Odessa
9 Natural Little Federal 232, in making log comparisons should
10 be wells that should produce similar to the Arco Federal 1-32
11 of Odessa Natural in the northwest of Section 32, therefore,
12 we will probably have an area that will be a semi-low GOR
13 producing and will be classified as oil well.

14 Q Are you familiar with any application which would
15 just limit the spacing or the pool rule to the production of
16 gas alone and not also include oil, especially in connection
17 with an associated gas-oil pool?

18 A I am not familiar with any such instance where the
19 two minerals have been separated.

20 Q Is it your opinion that the denial of Arco's applica-
21 tion in this case would be in the interest of the prevention
22 of waste and the protection of correlative rights?

23 A Yes.

24 Q Do you feel or is it your opinion that the area in
25 question can economically be developed on one hundred and sixty

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1 acre spacing?

2 A Due to the work study that I made, over especially
3 the past year, where we have almost doubled the number of wells
4 to obtain information, this is including core analysis and
5 bottom-hole pressure information on producing properties, in
6 my opinion this area as it is now can be economically drilled
7 and completed on one hundred and sixty acre tracts. I admit
8 that there are some areas in possibly like in the southeast
9 quarter of Section 4, Township 23 North, Range 3 West, and
10 the northwest quarter of Section 9 in the same township and
11 range, these wells are highly productive due to fracturing
12 within the reservoir. There might be some areas that could
13 drain effectively more than one hundred and sixty but to me
14 the economics and the reservoir conditions justify one hundred
15 and sixty acre development.

16 Q Does Odessa Natural Corporation desire to develop
17 its own acreage in the area on one hundred and sixty acre
18 spacing?

19 A Right now that is the basic contention of their
20 plan of development. We do have, if you will note, there are
21 areas of the pool or immediately adjacent to the pool that are
22 developed on a hundred and sixty acres.

23 Q Do you have cost information with respect to drilling
24 rates and total well costs?

25 A The authorization for expenditures prepared in

1 conjunction with Odessa Natural, gives the total well cost in
2 this pool area of producing wells of three hundred and one
3 thousand, five hundred and thirty-three thousand dollars.

4 MR. NUTTER: And that's actual cost based on the
5 number of wells?

6 A Three oh one five three three, okay.

7 Pardon?

8 MR. NUTTER: Is that actual cost based on the drill-
9 ing of several wells?

10 A Based on previous, yes, making some adjustments
11 maybe for differences but it is based mainly on previous
12 history.

13 MR. NUTTER: Which is the most recent well completed,
14 the No. 4 there?

15 A The most recent well is actually down in Section 27,
16 23 and 3, the Odessa Natural Chacon Jicarilla D 9.

17 MR. NUTTER: Do you have the costs on that well?

18 A The total cost so far, no, all the costs would not
19 be in.

20 MR. NUTTER: How many wells were averaged in here
21 to obtain this three oh one five thirty-three?

22 A This would take in approximately fifteen wells.

23 MR. NUTTER: Some of those were drilled some time
24 ago, weren't they?

25 A They were drilled the previous year, in 1976, but

1 this is based on normally, I would say, 1977 prices, the costs,
2 of which in this area would be nine wells and adjusted for
3 possibly in the future increase in costs which are going on in
4 tubing.

5 MR. NUTTER: Well, would you quarrel with Atlantic's
6 estimate of three hundred and thirteen thousand?

7 A I think you are going to find most of the difference
8 is going to be in the footage and day work cost of the rig. I
9 believe theirs was ten seventy.

10 MR. NUTTER: Ten seventy or ten ninety.

11 A Ten ninety. Odessa Natural has a current contract
12 which says--under which they are drilling at nine dollars and
13 eleven cents a foot, so that is a dollar and seventy-nine
14 cents difference there.

15 MR. NUTTER: Their costs of three hundred and
16 thirteen thousand estimated would be something like four per-
17 cent more than your average cost of three hundred and one
18 thousand five hundred and thirty-three dollars for wells that
19 have been drilled as far back as 1976, that wouldn't appear
20 unreasonable.

21 A Their costs are not unreasonable at all. I think
22 the difference is the drilling contractor basically.

23 MR. NUTTER: Now Odessa's contract would be for how
24 much a foot?

25 A Nine dollars and eleven cents with day work, with

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1 drill pipe, for thirty-two hundred and fifty, without drill
2 pipe for thirty-one hundred and fifty dollars per day as a
3 current contract.

4 Q (Mr. Lopez continuing.) Were Exhibits One and Two
5 prepared by you and under your supervision?

6 A Yes, they were.

7 MR. LOPEZ: I would like to offer Odessa's Exhibits
8 One and Two.

9 MR. NUTTER: Odessa's Exhibits One and Two will be
10 admitted into evidence.

11 (THEREUPON, Odessa Exhibits One and Two
12 were admitted into evidence.)

13 MR. NUTTER: Mr. Gow, your statement as to day work
14 was thirty-four hundred per day, wasn't it?

15 MR. GOW: Yes, sir.

16 MR. NUTTER: Is that with or without drill pipe?

17 MR. GOW: I'll ask our drilling man.

18 MR. NUTTER: Okay, if you could find out from him.
19 Okay, that is a flat rate then of thirty-four hundred per day.

20 Q (Mr. Lopez continuing.) As you understand Arco's
21 application, even if their application were granted or the way
22 they have framed it, do you believe that there is anything that
23 will be contained in the order that would prevent you or Odessa
24 Natural from going in and drilling an oil well on their one
25 hundred and sixty or on their acreage within the proposed area?

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1 A Yes, due to the fact that if they are talking about
2 pooling gas only and you can't produce one thing or another
3 out of a well, so if you went and drilled the second well on
4 the other one hundred and sixty, they are asking that that por-
5 tion, the gas from that well go into the pooling and not go
6 towards that well's cost, so to me--I just don't believe this
7 should happen.

8 Q Is there anything else you would like to offer in
9 this case?

10 A I don't believe so.

11 MR. LOPEZ: That's all we have.

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

14 MR. EATON: Yes, sir, Mr. Examiner.

15 CROSS EXAMINATION

16 BY MR. EATON:

17 Q Mr. Walsh, according to the figures which you gave
18 and the three hundred and thirteen thousand dollar estimate,
19 given by Mr. Gow, the estimated cost of the well drilled by
20 Atlantic Richfield would be, as pointed out by Mr. Nutter,
21 some four percent, actually less than four percent higher than
22 your estimated cost, is that correct?

23 A Yes, approximately four percent.

24 Q And I believe that that difference is not unreason-
25 able, is it?

1 A I would say this, answer in this way, that it comes
2 down to where one or the other developed the acreage, I believe
3 that the operator should do it at the least cost to actually
4 develop and operate the acreage.

5 Q Well, again, the question simply is: The relative
6 costs that have been thrown out are so close that we are really
7 not talking about much?

8 A No, I'll agree to that point.

9 Q Now I believe you stated that in your opinion the
10 denial of the applications of Atlantic Richfield would be in
11 the interest of conservation and the protection of correlative
12 rights. What is the basis for that opinion of yours?

13 A In the interest of conservation I will have to refer
14 back to my previous statement that in my opinion this pool
15 should be developed on one hundred and sixty acre tracts,
16 therefore, recovering within a less limited time the oil and
17 gas reserves under that tract and effectively more.

18 Q At the present time the pool calls for development
19 on the basis of three hundred and twenty acres?

20 A No, it calls for one hundred and sixty and then the
21 classification can be changed to three twenty if the GOR goes
22 above thirty thousand to one. You start up initially on one
23 hundred and sixty.

24 Q Is it fair to say, Mr. Walsh, that the history of
25 the pool indicates that the pool is moving to a GOR of thirty

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1 thousand to one?

2 A There are certain wells, yes, within the pool but
3 not the pool as a whole.

4 Q And you are referring to some of the, as I recall
5 your testimony, to some of the newer wells which at this time
6 have a low GOR?

7 A I don't quite understand your question.

8 Q Well, I thought that you testified particularly with
9 certain wells along the north part of the pool in or adjacent
10 which were new wells in which you believed--I thought you testi-
11 fied to the relatively low GOR's.

12 A Yes, there are in the northern portion of the pool.

13 Q And those are new wells?

14 A Yes.

15 MR. EATON: That's all.

16 CROSS EXAMINATION

17 BY MR. NUTTER:

18 Q Mr. Walsh, does it appear to you that any particular
19 area of the pool is going to be ultimately found to be a gas
20 cap and the rest of the pool might be an oil rim around the
21 gas cap?

22 A No, sir, I do not.

23 Q Is it sort of a selective thing within the formation?

24 A There is only one area that this is possibly occur-
25 ring and I am referring to Odessa Natural's Chacon Jicarilla

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1 D 3 in the northwest quarter of Section 23--23 and 3. We have
2 in this area a fault, which this well produces--it has to be
3 agitated, pumped, agitated and it does have a GOR in the
4 neighborhood of--in December it was thirty-four hundred to
5 one. Then you will go to the Dave Thomas D 1 just due east and
6 the Dave Thomas D 2 just due north, the Amerada wells indicated
7 around there, they are all pumping wells with low GOR's and
8 three to four hundred pounds. This D 3 is our only indication
9 now that we have any type of semi-gas cap but it is not even
10 a high GOR cap.

11 Q Which one of the wells you mentioned would be classi-
12 fied as a gas well soon?

13 A None, they are all going to stay below--all of those
14 wells I have mentioned in that group are going to be classified
15 as oil wells forever.

16 Q I thought the D 3 in the northwest quarter of Section
17 23 was one of the wells you said would--

18 A No, D 3 in Section 15.

19 Q That is going to become a gas well?

20 A The Dave Thomas D 3.

21 Q Okay, we have got the wrong D 3. So it is the
22 Thomas D 3, the Thomas D 5, and the Thomas D 6?

23 A Odessa Natural D 6 in Section 21. Unfortunately
24 they did not name and number these things differently.

25 Q Okay, so the three wells that you were talking about

1 earlier that are going to be classified as gas wells are the
2 Thomas D 5 in 16, the Thomas D 3 in 15, and the Odessa well
3 in the southeast of 21?

4 A That is correct.

5 Q And the wells over here in--the D 6 Thomas in 14--

6 A That is just strictly a location, it has not been
7 drilled.

8 Q And the Odessa D 3 in 23 is strictly an oil well?

9 A Yes.

10 Q Okay, now we have got them straight.

11 Now you had indicated that the Shipley was waiting
12 on completion as was the Odessa 232 and the TransOcean No. 1.
13 Do you have enough information on any of those yet that you
14 would be able to tell what they are going to be?

15 A As I stated, in my opinion from the geological
16 analysis of the samples and review of the open hole logs that
17 were run on the Shipley 1 and the Little Federal 232, I believe
18 that they are going to be classified as oil wells.

19 Q But that is strictly a log interpretation?

20 A And samples.

21 Q You don't have any potentials or any tests?

22 A No, all we have done is run and cement casing. The
23 TransOcean Federal No. 1 has been completed but just in the
24 stages of being cleaned up after frac so I wouldn't trust any
25 figures on that, it is still producing a large quantity of

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1 frac water.

2 Q Is the Odessa Natural Little Federal 129 currently
3 drilling?

4 A No, it is strictly a location at the moment.

5 Q How about the Arco 1 and the Arco 5 in Sections 30
6 and 19, are they strictly locations?

7 A Yes.

8 MR. NUTTER: Okay, are there any further questions
9 of Mr. Walsh?

10 Well at this point it appears that you don't have
11 any further testimony you want to offer, Mr. Lopez?

12 MR. LOPEZ: No, I don't, Mr. Nutter.

13 MR. NUTTER: At this point I would like to hear you
14 attorneys expound on what you believe the Commission should
15 do here and Mr. Eaton you are the applicant so you can go last.

16 The witness is excused.

17 (THEREUPON, the witness was excused.)

18 MR. LOPEZ: Well, Mr. Examiner, I believe it is
19 clear what the position of Odessa Natural Corporation is. We
20 strenuously as possible oppose the applications of Arco in
21 these two consolidated cases. Our reasoning is that these are
22 development wells of the Chacon Dakota Pool which is a pool
23 which has been given special pool rules which provide for a
24 hundred and sixty acre spacing, unless the GOR exceeds thirty
25 thousand to one. As our witness, Mr. Walsh's testimony has

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1 shown, there are comparatively few gas wells in the area as
2 opposed to oil wells, especially from his review and analysis
3 of the wells and specifically the Arco Little Federal No. 1.

4 We were here early last fall essentially making the
5 same argument that Arco is today, these are probably going to
6 be gas wells. Well, we were proven wrong, it is an oil well.
7 It appears that the other wells that are adjacent to the east
8 and to the south are also oil wells. The producing capabili-
9 ties of the wells in question are excellent and it is clear
10 that the pool can be expanded and developed very economically
11 on a hundred and sixty acre spacing. I think it goes without
12 saying that the less great the spacing the greater chances
13 there are of recovering all reserves. Therefore, it is our
14 feeling that the various interest owners should be allowed to
15 develop their acreage on a hundred and sixty acre spacing as
16 my client proposes to do.

17 In that connection and just a little, you know,
18 aside, we are requesting rescission of our earlier application
19 and the order we obtained because that well is stable now and
20 is an oil well and it almost offsets the two wells that Arco
21 is proposing to drill.

22 I don't know what more I can say. I think that we
23 would like to develop our own acreage and we think we can do
24 it cheaper.

25 MR. NUTTER: Mr. Eaton.

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1 MR. EATON: Well, Mr. Examiner, as Mr. Lopez said,
2 Atlantic Richfield is seeking the same dedication as Odessa
3 sought not too long ago and asked Atlantic Richfield to support,
4 which we did, and we think that the history of the pool does
5 indicate that it is or rapidly will be a gas pool. We feel
6 that Arco Little Federal No. 1 history will show that it
7 cannot be said that that well will not be classified as a gas
8 well in view of all of the other wells or many of the other
9 wells in the pool.

10 We are seeking pooling as to gas only and I don't
11 know if I have anything further to say other than we are just
12 trying to go along with the present situation out there.

13 MR. NUTTER: Does anyone else have anything to offer
14 in Cases 6142 and 6143?

15 MR. EATON: Mr. Examiner, one other thing I failed
16 to bring up. We do have a bound group of correspondence,
17 et cetera, between the two companies with respect to this
18 matter and I was wondering if you would like to have this
19 correspondence as part of the record. It relates to the
20 efforts of both companies to try to resolve the matter.

21 MR. NUTTER: Well, I don't know that it's necessary,
22 Mr. Eaton. I think it is apparent besides whatever efforts
23 have been made to agree that there hasn't been an agreement
24 and the statute only requires the Commission to know that
25 there has been a failure to reach an agreement before they

1 consider pooling action and I think that is self-evident.


2 Does anyone else have anything to offer in the
3 Cases? We will take the cases under advisement.

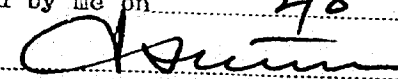
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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
do hereby certify that the foregoing and attached Transcript
of Hearing before the New Mexico Oil Conservation Commission
was reported by me, and the same is a true and correct record
of the said proceedings to the best of my knowledge, skill and
ability.


Sidney F. Morrish, C.S.R.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6142-43
heard by me on 2/8, 1978.
, Examiner
New Mexico Oil Conservation Commission

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Phone (505) 982-9212



OIL CONSERVATION COMMISSION

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

DIRECTOR
JOE D. RAMEY

LAND COMMISSIONER
PHIL R. LUCERO
March 9, 1978



STATE GEOLOGIST
EMERY C. ARNOLD

Mr. Paul Eaton
Hinkle, Cox, Eaton, Coffield
& Hensley
Attorneys at Law
Post Office Box 10
Roswell, New Mexico 88201

Re: CASE NO. 6142
ORDER NO. R-5662

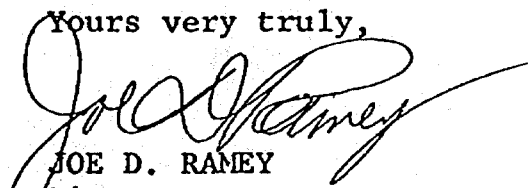
Applicant:

Atlantic Richfield Company

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x
Artesia OCC x
Aztec OCC x

Other Owen Lopez

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. 6142
Order No. R-5662

APPLICATION OF ATLANTIC RICHFIELD
COMPANY FOR COMPULSORY POOLING,
RIO ARriba COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 8, 1978,
at Santa Fe, New Mexico, before Examiner, Daniel S. Nutter.

NOW, on this 8th day of March, 1978, 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, Atlantic Richfield Company, seeks
an order pooling all mineral interests in the Dakota formation
underlying the E/2 of Section 29, Township 24 North, Range 3 West,
NMPM, Chacon-Dakota Associated Pool, Rio Arriba County, New Mexico.

(3) That the applicant would dedicate said lands to a well
proposed to be drilled in the SW/4 SE/4 of said Section 29.

(4) That the entire E/2 of Section 29, Township 24 North,
Range 3 West, appears to be situate in a portion of the Chacon-
Dakota Associated Pool where low gas-liquid ratios have been
encountered in other wells.

(5) That it is likely that a well drilled to the Dakota
formation at the location described in Finding No. (3) above
would produce with a relatively low gas-oil ratio and would be
classified as an oil well in the Chacon Dakota Associated Pool.

(6) That the pool rules for the Chacon-Dakota Associated
Pool call for the dedication of 160 acres to oil wells and 320
acres to gas wells.

-2-

Case No. 6142
Order No. R-5662

(7) That the applicant in this case is seeking the compulsory pooling of 320 acres to form a gas spacing and proration unit for a well which is more likely to be an oil well than a gas well.

(8) That the dedication of 320 acres to an oil well in the Chacon Dakota Associated Pool would be in violation of the spacing rules for said pool and would cause otherwise recoverable oil to remain unproduced, resulting in waste, inasmuch as the Commission has previously found that one oil well in said pool will adequately drain only 160 acres, and not 320 acres.

(9) That the application should be denied.

IT IS THEREFORE ORDERED:

(1) That the application of Atlantic Richfield Company for an order pooling all mineral interests in the Dakota formation underlying the E/2 of Section 29, Township 24 North, Range 3 West, NMPM, Chacon-Dakota Associated Pool, Rio Arriba County, New Mexico, be and the same is hereby denied.

(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

PHIL R. LUCERO, Chairman


EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary

SEAL

jr/

AtlanticRichfieldCompany

North American Producing Division
Rocky Mountain District
1860 Lincoln St. - Suite 501
Denver, Colorado ~~80203~~ 80295
Telephone 303 573 - 3500

February 24, 1978



13 27 1978

CONFIDENTIAL

Oil Conservation Commission
State Land Office Building
Post Office Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Daniel S. Nutter

Subject: Hearing of February 8, 1978
Case Numbers 6142 and 6143

Gentlemen:

As requested by the Commission at the February 8 hearing,
I am enclosing one copy of the revised AFE for each of
the following two wells:

Chacon Federal #2 Well
SW $\frac{1}{4}$ NW $\frac{1}{4}$ Section 33, T24N-R3W

Chacon Federal #3 Well
SW $\frac{1}{4}$ SE $\frac{1}{4}$ Section 29, T24N-R3W

both in Rio Arriba County, New Mexico. A copy of this
letter I am also sending, together with a copy of the AFEs,
to Odessa Natural Corporation for their review.

If there is anything further that you need from Atlantic's
office that is pertinent to these cases, I will be happy
to assist you further.

Very truly yours,

Linda Massey

Linda J. Massey (Mrs.)
Landman

Enclosures
LJM/pat

cc: Odessa Natural Corporation
(w/encl.)

Title Chacon Federal No 2: Drill and Equip Dakota Well		<input type="checkbox"/> Original authorization <input checked="" type="checkbox"/> Revision number			
Location Approx. 1840' FNL & 800' FWL (SW NW) Sec. 33-24N-3W, Rio Arriba Co., NM					
Purpose of authorization <input checked="" type="checkbox"/> Drilling - New <input type="checkbox"/> Recompletion <input type="checkbox"/> Workover <input type="checkbox"/> Other <input type="checkbox"/> Drill old well deeper <input checked="" type="checkbox"/> Development 100 % <input type="checkbox"/> Exploratory % * Show percent of total cost applicable to each. <input checked="" type="checkbox"/> Single <input type="checkbox"/> Dual <input type="checkbox"/> Three or more		Budget information Budget (1) 103 Amt. 145,963 Item (2) 423 Amt. 10,500 Capital Instabudget dated 1978 <input checked="" type="checkbox"/> Named on Instabudget Amount capital differs from Instabudget \$ Over/(under) <input type="checkbox"/> Substituted for Amount capital differs from Instabudget \$ Over/(under) <input type="checkbox"/> Addition to Instabudget Current year capital differs from Instabudget current year by \$ Over/(under)			
Primary objective of drilling <input type="checkbox"/> Oil only <input type="checkbox"/> Gas only <input checked="" type="checkbox"/> Oil and/or gas Signed (Drill. Eng. and/or Explor. group) Reason for drilling <input checked="" type="checkbox"/> Develop reserves <input type="checkbox"/> Secondary recovery <input type="checkbox"/> Rate <input type="checkbox"/> Replacement <input type="checkbox"/> Comb. reserve & rate % rate <input type="checkbox"/> Service		Originated by LJG District Rocky Mtn. Field name Chacon Dakota Lease record number NM 855 Expl. project No. 069-125 Field code 069-125 Subject to production payment? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Has well plan been prepared? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Property code(s) 69-3442-1 Co-owner operator AFE No(s).			
Component AFE No(s) Description and Justification Account codes Amounts—in whole dollars only					
On hand Capital Expense Total					
341118	Drilling Tangibles	031	63,075		63,075
341118	Drilling Intangibles	037	228,850		228,850
Total Drilling			291,925		291,925
341126	Production Facilities	038	21,000		21,000
Est. Dry Hole Cost:					
Tangibles \$ 3075					
Intangibles 150200					
Total \$153,275					
ARCo Share \$ 76,638					
Operator Atlantic Richfield		Gross totals		312,925	312,925
Atlantic Richfield ownership decimal 0 5 00 0 00		Net Atlantic Richfield share		156,463	156,463
Payout (years) (AFIT)	% Return (AFIT)	PW 12 % (AFIT) M\$	Start date 2/78	Completion date 3/78	\$ Prior year Capital Expense
					\$ Curr. year 1978 Capital 156,463 Expense
					\$ Thereafter Capital Expense
Technical audits (check those required) <input checked="" type="checkbox"/> Engineering <input type="checkbox"/> LAND <input type="checkbox"/> Evaluation <input type="checkbox"/> Other OPRNS <input checked="" type="checkbox"/> Procedural audits					<input checked="" type="checkbox"/> Co-owner approval (District use only) Signature Company
Approvals (check highest level required) <input checked="" type="checkbox"/> District Manager Date 2-17-78 <input type="checkbox"/> Other Date <input type="checkbox"/> Regional Date <input type="checkbox"/> Senior vice-president Date					Authorized expenditure limit table No. 108 <input type="checkbox"/> Executive vice-president Date <input type="checkbox"/> President/Chairman Date <input type="checkbox"/> For Board of Directors Date



Title Chacon - Federal No. 3: Drill & Equip Dakota Well		<input type="checkbox"/> Original authorization <input checked="" type="checkbox"/> Revision number																																																																																																																		
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<table border="1"><thead><tr><th rowspan="2">Component AFE No(s)</th><th rowspan="2">Description and justification</th><th rowspan="2">Account codes</th><th colspan="4">Amounts—in whole dollars only</th></tr><tr><th>On hand</th><th>Capital</th><th>Expense</th><th>Total</th></tr></thead><tbody><tr><td>341134</td><td>Drilling Tangibles</td><td>031</td><td></td><td>63,590</td><td></td><td>63,590</td></tr><tr><td>341134</td><td>Drilling Intangibles</td><td>037</td><td></td><td>229,613</td><td></td><td>229,613</td></tr><tr><td></td><td>Total Drilling</td><td></td><td></td><td>293,203</td><td></td><td>293,203</td></tr><tr><td>341142</td><td>Production Facilities</td><td>038</td><td></td><td>21,000</td><td></td><td>21,000</td></tr><tr><td></td><td>Est. Dry Hole Cost:</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td>Tangibles \$ 3075</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td>Intangibles \$150963</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td>Total \$154038</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td>ARCo Share \$115529</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Operator</td><td>Atlantic Richfield</td><td>Gross totals</td><td></td><td>314,203</td><td></td><td>314,203</td></tr><tr><td>Atlantic Richfield ownership decimal</td><td>07 5 00 00</td><td>Net Atlantic Richfield share</td><td></td><td>235,652</td><td></td><td>235,652</td></tr><tr><td>Payout (years) (AFIT)</td><td>% Return (AFIT) 12% M\$</td><td>PW (AFIT) 12% M\$</td><td>Start Date 3/78</td><td>Completion date 4/78</td><td>\$ Prior year Capital Expense</td><td>\$ Curr. year 1978 Capital 235,652 Expense</td><td>\$ Thereafter Capital Expense</td></tr><tr><td colspan="5">Technical audits (check those required) <input checked="" type="checkbox"/> Engineering <input type="checkbox"/> Exploration <input type="checkbox"/> Dallas budget <input type="checkbox"/> Evaluation Other OPRNS <input checked="" type="checkbox"/> Procedural audits <i>[Signature]</i> <input checked="" type="checkbox"/> Co-owner approval (District use only) Signature _____ Company _____</td><td colspan="2"></td><td></td></tr><tr><td colspan="5">Approvals (check highest level required) <input checked="" type="checkbox"/> District Manager <i>[Signature]</i> <input type="checkbox"/> Other <input type="checkbox"/> Regional <input type="checkbox"/> Senior vice-president</td><td colspan="3">Authorized expenditure limit table No. 108 <input type="checkbox"/> Executive vice-president <input type="checkbox"/> President/Chairman <input type="checkbox"/> For Board of Directors</td><td>Date 2-17-78 Date Date Date</td></tr></tbody></table>				Component AFE No(s)	Description and justification	Account codes	Amounts—in whole dollars only				On hand	Capital	Expense	Total	341134	Drilling Tangibles	031		63,590		63,590	341134	Drilling Intangibles	037		229,613		229,613		Total Drilling			293,203		293,203	341142	Production Facilities	038		21,000		21,000		Est. Dry Hole Cost:							Tangibles \$ 3075							Intangibles \$150963							Total \$154038							ARCo Share \$115529						Operator	Atlantic Richfield	Gross totals		314,203		314,203	Atlantic Richfield ownership decimal	07 5 00 00	Net Atlantic Richfield share		235,652		235,652	Payout (years) (AFIT)	% Return (AFIT) 12% M\$	PW (AFIT) 12% M\$	Start Date 3/78	Completion date 4/78	\$ Prior year Capital Expense	\$ Curr. year 1978 Capital 235,652 Expense	\$ Thereafter Capital Expense	Technical audits (check those required) <input checked="" type="checkbox"/> Engineering <input type="checkbox"/> Exploration <input type="checkbox"/> Dallas budget <input type="checkbox"/> Evaluation Other OPRNS <input checked="" type="checkbox"/> Procedural audits <i>[Signature]</i> <input checked="" type="checkbox"/> Co-owner approval (District use only) Signature _____ Company _____								Approvals (check highest level required) <input checked="" type="checkbox"/> District Manager <i>[Signature]</i> <input type="checkbox"/> Other <input type="checkbox"/> Regional <input type="checkbox"/> Senior vice-president					Authorized expenditure limit table No. 108 <input type="checkbox"/> Executive vice-president <input type="checkbox"/> President/Chairman <input type="checkbox"/> For Board of Directors			Date 2-17-78 Date Date Date
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Technical audits (check those required) <input checked="" type="checkbox"/> Engineering <input type="checkbox"/> Exploration <input type="checkbox"/> Dallas budget <input type="checkbox"/> Evaluation Other OPRNS <input checked="" type="checkbox"/> Procedural audits <i>[Signature]</i> <input checked="" type="checkbox"/> Co-owner approval (District use only) Signature _____ Company _____																																																																																																																				
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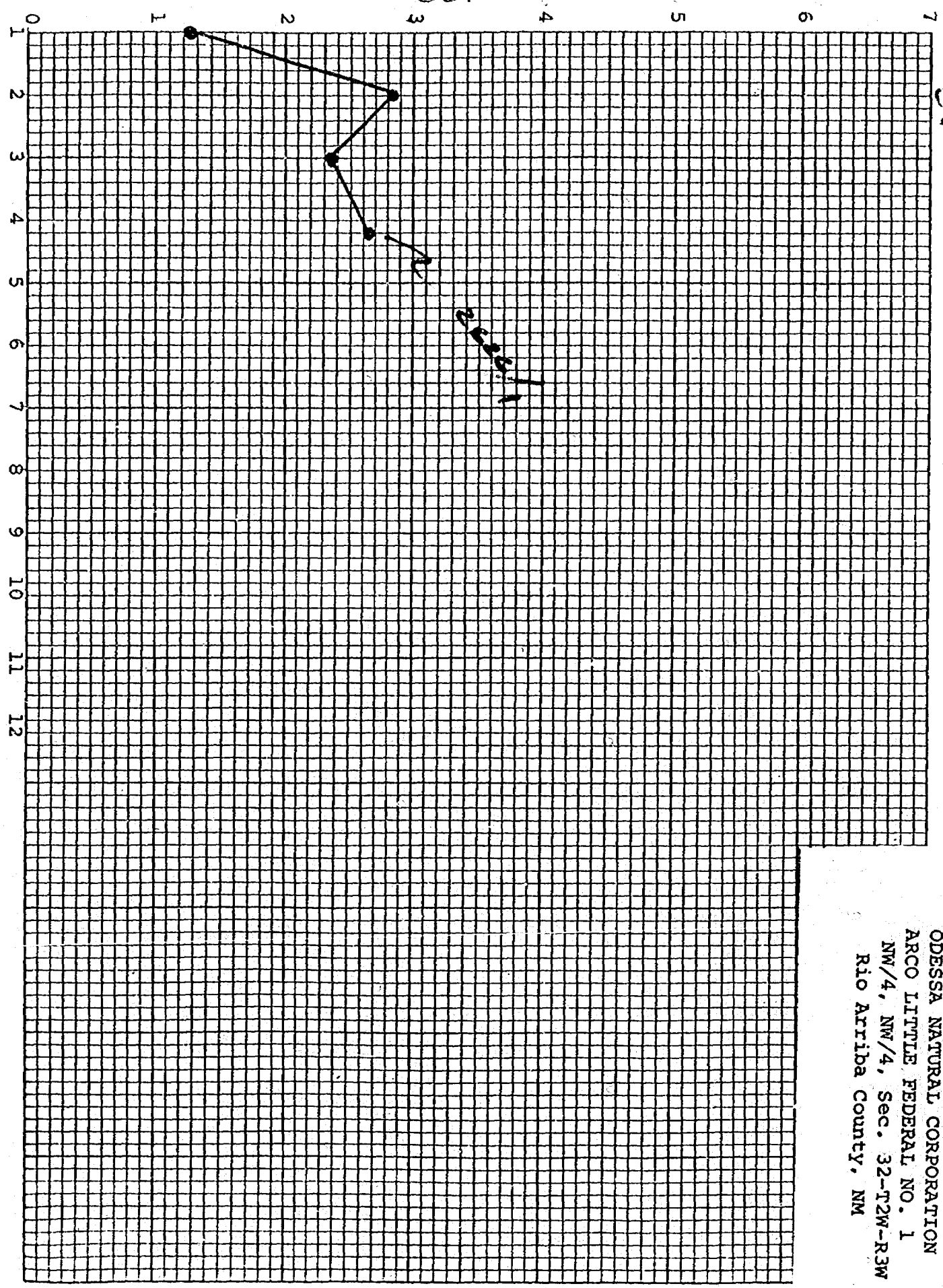
Odessa 3x2
Q16142-A3

BRUNING 40-4500
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CHARLES BRUNING COMPANY, INC.
MADE IN U.S.A.

EXHIBIT NO.
ODESSA NATURAL CORPORATION
ARCO LITTLE FEDERAL NO. 1
NW/4, NW/4, Sec. 32-T2W-R3W
Rio Arriba County, NM

GOR x 1000



JAN 16 1978
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

APPLICATION OF ATLANTIC RICHFIELD)
COMPANY FOR COMPULSORY POOLING,)
RIO ARriba COUNTY, NEW MEXICO)

Atlantic Richfield Company, by its undersigned attorneys,
hereby makes application for an order pooling all mineral
interests in the Dakota Formation underlying the E $\frac{1}{2}$ Section 29,
Township 24 North, Range 3 West, N.M.P.M., Rio Arriba County,
New Mexico, and in support thereof would show:

1. Applicant is the owner of United States Oil and Gas
Lease NM02402 covering the W $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ Section 29, Township 24
North, Range 3 West, N.M.P.M. Odessa Natural Corporation,
P.O. Box 3908, Odessa, Texas 79760, is the owner of United
States Oil and Gas Lease NM28713 covering the E $\frac{1}{2}$ NE $\frac{1}{4}$ Section 29,
Township 24 North, Range 3 West, N.M.P.M.

2. Applicant proposes to drill a well 800 feet from the
south line and 1,840 feet from the east line of said Section 29
to test the Dakota Formation and seeks to dedicate the E $\frac{1}{2}$ of
said Section 29 to the well. Applicant has requested Odessa
Natural Corporation to join in the drilling of the well, but
it has so far refused to do so.

3. The pooling of all mineral interests in the E $\frac{1}{2}$ of said
Section 29 will avoid the drilling of unnecessary wells, prevent
waste and protect correlative rights.

4. Applicant requests that the Oil Conservation Commission
consider the cost of drilling and completing said well, the

proper allocation of said costs as well as actual operating costs, charges for supervision and charges for the risk involved in drilling a well. Applicant also requests that it be designated as operator of the well.

5. Applicant requests that this matter be heard at the February 8, 1978 examiner's hearing.

HINKLE, COX, EATON, COFFIELD & HENSLEY

BY



P.O. Box 10

Roswell, New Mexico 38201

Attorneys for Atlantic Richfield Company

Dockets Nos. 7-78 and 9-78 are tentatively set for hearing on February 22 and March 8, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 8, 1978

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 Richard L. Stamets, Alternate Examiner:

- CASE 6137: Application of Amoco Production Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Nellis Federal Well No. 3 to be located 1980 feet from the North line and 660 feet from the West line of Section 8, Township 19 South, Range 33 East, West Tonto-Pennsylvanian Gas Pool, Lea County, New Mexico, the N/2 of said Section 8 to be dedicated to the well.
- CASE 6138: Application of Amoco Production Company for a non-standard proration unit, simultaneous dedication, and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 480-acre non-standard gas proration unit comprising the E/2 and NW/4 of Section 24, Township 20 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its Gillyully Federal Gas Com Wells Nos. 4, 7 and 15 located in Units B, O, and E, respectively, of Section 24. Applicant also seeks approval for the unorthodox location of said Well No. 15 located 1650 feet from the North line and 990 feet from the West line of said Section 24.
- CASE 6139: Application of Petro-Lewis Corporation for an unorthodox oil well location, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Boling Federal Well No. 8-22 to be drilled at a point 990 feet from the North line and 2160 feet from the West line of Section 22, Township 19 North, Range 3 West, Southwest Media-Entrada Oil Pool, Sandoval County, New Mexico.
- CASE 6140: Application of Burleson & Huff for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from 3,000 feet below the surface to the base of the Queen formation underlying the SE/4 NW/4 of Section 21, Township 25 South, Range 37 East, Langlie-Mattix Pool, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6141: Application of Paul Slayton for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Seven Rivers formation thru the open-hole interval from 528 feet to 547 feet in his Hastie Well No. 7 located in Unit L of Section 18, Township 17 South, Range 28 East, Empire Field, Eddy County, New Mexico.
- CASE 6142: Application of Atlantic Richfield Company for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the E/2 of Section 29, Township 24 North, Range 3 West, Rio Arriba County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6143: Application of Atlantic Richfield Company for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the W/2 of Section 33, Township 24 North, Range 3 West, Rio Arriba County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6144: Application of Southland Royalty Company for two unorthodox locations and two non-standard gas proration units, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for two 120-acre non-standard gas proration units comprising the S/2 SE/4 of Section 10 and the SW/4 SW/4 of Section 11, and comprising the SE/4 SW/4 and the S/2 SE/4 of Section 11, all in Township 29 North, Range 11 West, Fulcher Kutz-Pictured Cliffs Pool, San Juan County, New Mexico, each of said units to be dedicated to a well drilled at an unorthodox location thereon.

- CASE 6145:** Application of Jerome P. McHugh for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Gavilan-Pictured Cliffs and Blanco-Mesaverde production within the wellbore of his June Well No. 1 located in Unit B of Section 28, Township 28 North, Range 3 West, Rio Arriba County, New Mexico.
- CASE 6146:** Application of Jerome P. McHugh for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Tapacito-Gallup and Basin-Dakota production within the wellbore of his Jicarilla Well No. 5 located in Unit D of Section 29, Township 26 North, Range 4 West, Rio Arriba County, New Mexico.
- CASE 6147:** Application of Dugan Production Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Undesignated Greenhorn, Bisti-Lower Gallup, and Basin Dakota production within the wellbore of its Big 8 Well No. 1 located in Unit L of Section 8, Township 24 North, Range 9 West, San Juan County, New Mexico.
- CASE 6148:** Application of Coquina Oil Corporation for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Vivian Well No. 1 located in Unit F of Section 30, Township 22 South, Range 38 East, Lea County, New Mexico, in such a manner as to produce oil from the Drinkard and Granite Wash formations thru the casing-tubing annulus and the tubing, respectively.
- CASE 6134:** (Readvertised)
Application of Burleson & Huff for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface of the ground to the base of the Queen formation underlying the SE/4 NW/4 of Section 22, Township 25 South, Range 37 East, Lea County, New Mexico, to form a 40-acre Langlie Mattix oil proration unit or underlying the N/2 NE/4, NE/4 NW/4, and SE/4 NW/4 of said Section 22 to form a non-standard 160-acre Jalmat gas proration unit. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6096:** (Continued from January 18, 1978 Examiner Hearing)
Application of Texas Oil & Gas Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 14, Township 21 South, Range 34 East, Lea County, New Mexico, to be dedicated to applicant's South Wilson State Well No. 1 to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6133:** (Continued from January 18, 1978 Examiner Hearing)
Application of Doyle Hartman for compulsory pooling and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the SE/4 of Section 8, Township 19 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, to form a non-standard unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- *****

Docket No. 5-78

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 15, 1978

**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 Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE:**
- (1) Consideration of the allowable production of gas for March, 1978, from fifteen prorated pools in Lea, Eddy and Chaves Counties, New Mexico.
 - (2) Consideration of the allowable production of gas for March, 1978, from four prorated pools in San Juan, Rio Arriba and Sandoval Counties, New Mexico.
 - (3) Consideration of purchaser's nominations for the one year period beginning April 1, 1978, for both of the above areas.

DRAFT

dr/ *n*

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. 6142

Order No. R- 5662

Bill
APPLICATION OF ATLANTIC RICHFIELD COMPANY
FOR COMPULSORY POOLING, RIO ARriba COUNTY,
NEW MEXICO. *Jack*

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 8, 1978
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of February, 1978, 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, Atlantic Richfield Company,
seeks an order pooling all mineral interests in the Dakota
formation underlying the E/2
of Section 29, Township 24 North, Range 3 West,
NMPM, Chacon-Dakota Associated Pool, Rio Arriba County, New
Mexico.

(3) That the applicant would dedicate said lands
to a well proposed to be drilled in the SW/4 SE/4
of said Section 29.

(4) That the entire E/2 of Section 29, Township 24 North,

Range 3 West, appears to be situate in a portion of the Chacon-Dakota Associated Pool where low gas-liquid ratios have been encountered in other wells.

(5) That it is likely that a well drilled to the Dakota formation at the location described in Finding No. (3) above would produce with a relatively low gas-oil ratio and would be classified as an oil well in the Chacon Dakota Associated Pool.

(6) That the pool rules for the Chacon-Dakota Associated Pool call for the dedication of 160 acres to oil wells and 320 acres to gas wells.

(7) That the applicant in this case is seeking the compulsory pooling of 320 acres to form a gas spacing and protection unit for a well which is ~~it~~ more likely to be an oil well than a gas well.

(8) That the dedication of 320 acres to an oil well in the Chacon Dakota Associated Pool would be in violation of the spacing rules for said pool and would cause ~~recoverable~~ otherwise recoverable oil to remain unproduced, resulting in waste, inasmuch as the Commission has previously found that one oil well in said pool will adequately drain only 160 acres, and not 320 acres.

(9) That the application ~~of~~ should be denied.

IT IS THEREFORE ORDERED:

(1) That the application of Atlantic Richfield Company for an order pooling all mineral interests in the Dakota formation underlying the E/2 of Section 29, Township 24 North, Range 3 West, NMPM, Chacon-Dakota Associated Pool, Rio Arriba County, New Mexico, be and the same is hereby denied.

(2) Jurisdiction

DONE at