

802 CASE 6144: SOUTHLAND ROYALTY CO.  
FOR TWO UNORTHODOX LOCATIONS AND *any*  
TWO NON-STANDARD GAS PRORATION  
UNITS, SAN JUAN COUNTY, NEW MEXICO

Continued to

February 22

Case Number

6144

Application

Transcripts.

Small Exhibits

ETC.



DIRECTOR  
JOE D. RAMEY

# OIL CONSERVATION COMMISSION

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

LAND COMMISSIONER  
PHIL R. LUCERO  
June 13, 1978



STATE GEOLOGIST  
EMERY C. ARNOLD

Mr. William F. Carr  
Catron, Catron & Sawtell  
Attorneys at Law  
Box 788  
Santa Fe, New Mexico

Re: CASE NO. 6144  
ORDER NO. K-5676-A

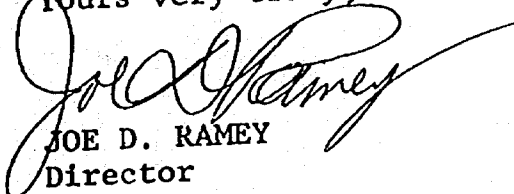
Applicant:

(Southland Royalty Co.)  
William M. Gallaway

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 Michael Campbell

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 6144 DE NOVO  
Order No. R-5676-A

APPLICATION OF SOUTHLAND ROYALTY  
COMPANY FOR TWO NON-STANDARD PRORATION  
UNITS AND TWO UNORTHODOX LOCATIONS,  
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 10, 1978, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 13th day of May, 1978, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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, Southland Royalty Company, 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 28 North, Range 11 West, Fulcher Kutz-Pictured Cliffs Pool, San Juan County, New Mexico, said units to be dedicated to applicant's Browning Stewart Wells Nos. 5 and 4, respectively, at unorthodox locations thereon, said locations being 1180 feet from the South line and 1030 feet from the East line of Section 10, and 1077 feet from the North line and 2436 feet from the East line of Section 11, respectively.

(3) That upon receipt of the application of Southland Royalty Company in this matter, the same was set for hearing on February 22, 1978, before Examiner Richard L. Stamets.

(4) That subsequent to said hearing the Commission entered Order No. R-5676 approving the two 120-acre non-standard gas



Case No. 6144 De Novo  
Order No. R-5676-A

proration units and the two unorthodox gas well locations sought by the applicant in this case.

(5) That subsequent to the entry of said Order No. R-5676, William M. Gallaway, an offset operator, filed timely application for hearing De Novo of Case No. 6144, and the matter was set for hearing before the Commission.

(6) That the matter came on for hearing De Novo on May 10, 1978.

(7) That the applicant herein holds an oil and gas lease on a total of 240 acres in the area covered by the subject application, and of this 240 acres, 160 acres is presently dedicated to the above described Browning Stewart Well No. 4, leaving 80 acres undedicated.

(8) That the applicant proposed to abolish the presently existing 160-acre non-standard proration unit currently assigned to Well No. 4 and to create a new 120-acre unit to be assigned to said well, and to create another 120-acre unit to be assigned to its recently completed Browning Stewart Well No. 5 as described in Finding No. (2) above.

(9) That the division of applicant's 240-acre lease into said two 120-acre non-standard proration units is reasonable and will permit the applicant to dedicate all of its acreage in the area to its two presently existing wells on the subject lease.

(10) That the lands covered by the subject application are contained in undersized sections resulting from a deviation in the United States Public Lands Survey.

(11) That it is impracticable if not impossible to derive and dedicate standard 160-acre gas proration units in such undersized sections.

(12) That all lands included within each of the non-standard proration units proposed by the applicant may reasonably be presumed productive of gas from the Fulcher Kutz-Pictured Cliffs Pool, and that both of the non-standard gas proration units can be efficiently and economically drained and developed by the aforesaid wells.

(13) That to deny the application and not approve the proposed non-standard proration units and the proposed unorthodox locations would deprive the applicant of the opportunity to produce the gas underlying the subject lands, and would prevent the applicant from producing its just and equitable share of the gas in the Fulcher Kutz-Pictured Cliffs Pool.

-3-

Case No. 6144 De Novo  
Order No. R-5676-A

(14) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Fulcher Kutz-Pictured Cliffs Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That Oil Conservation Commission Order No. R-5676 is hereby affirmed, and two 120-acre non-standard gas proration units, the first comprising the S/2 SE/4 of Section 10 and the SW/4 SW/4 of Section 11, and the second comprising the SE/4 SW/4 and the S/2 SE/4 of Section 11, all in Township 28 North, Range 11 West, Fulcher Kutz-Pictured Cliffs Pool, San Juan County, New Mexico, are hereby established and dedicated, respectively, to the Southland Royalty Company Browning Stewart Well No. 5 located 1180 feet from the South line and 1030 feet from the East line of said Section 10, and the Browning Stewart Well No. 4 located 1077 feet from the North line and 2436 feet from the East line of said Section 11, which unorthodox locations are hereby approved.

(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

fd/

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION  
1000 Rio Brazos Road  
Aztec, New Mexico 87410  
July 25, 1977

Aztec Oil & Gas Co.  
P. O. Drawer 570  
Farmington, NM 87401

Attention: \_\_\_\_\_

SUBJECT: NON-STANDARD GAS PRORATION UNIT CONSISTING OF 129.87 ACRES  
IN THE Fulcher Kutz-Pictured Cliffs GAS POOL DESCRIBED AS  
FOLLOWS:

TOWNSHIP 28 NORTH, RANGE 11 WEST, NMPM  
SECTION: 10 SE/4

By authority granted me by Rule 5(B) of Order No. R-1670, as amended, the  
above-described acreage has been approved as a non-standard gas proration  
unit to be dedicated to the Browning Stewart

Well No. 5, located 1180/S; 1030/E of said  
Section 10  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
Case No. 6144 Exhibit No. 3  
Submitted by Soc. Land  
Hearing Date May 10, 1978

AR. Kendrick  
District Supervisor  
District #3

cc: Oil Conservation Commission  
Santa Fe, New Mexico

RECEIVED

JUL 28 1977

11 DISTRICT

NO. OF COPIES RECEIVED		5
DISTRIBUTION		
SANTA FE		1
FILE		1
U.S.G.S.		
LAND OFFICE		
TRANSPORTED:	OIL	1
	GAS	1
OPERATOR		1
PRORATION OFFICE		1

NEW MEXICO OIL CONSERVATION COMMISSION  
REQUEST FOR ALLOWABLE  
AND  
AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS

Form C-104  
Supersedes Old C-104 and C-110  
Effective 1-1-65

I. Operator  
**Aztec Oil & Gas Company**

Address  
**P. O. Drawer 570, Farmington, New Mexico**

Reason(s) for filing (Check proper box) Error (Please explain)

New Well ☒ Change in Transporter of  
 Recompletion ☐ Oil ☐ Dry Gas ☐  
 Change in Ownership ☐ Casinghead Gas ☐ Condensate ☐

If change of ownership give name and address of previous owner

II. DESCRIPTION OF WELL AND LEASE

Lease Name <b>Browning Stewart</b>	Well No. <b>5</b>	Pool Name, including Formation <b>Fulcher Kutz Pictured Cliffs</b>	Kind of Lease State, Federal or Fee <b>SF-071867</b>	Lease No.
Location Unit Letter: <b>P</b> ; <b>1180</b> Feet From The <b>South</b> Line and <b>1030</b> Feet From The <b>East</b> Line of Section <b>10</b> Township <b>28N</b> Range <b>11W</b> , NMPM, <b>San Juan</b> County				

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil <input type="checkbox"/> or Condensate <input checked="" type="checkbox"/> <b>Plateau, Inc.</b>	Address (Give address to which approved copy of this form is to be sent) <b>P. O. Box 108, Farmington, New Mexico</b>
Name of Authorized Transporter of Casinghead Gas <input type="checkbox"/> or Dry Gas <input checked="" type="checkbox"/> <b>Southern Union Gathering</b>	Address (Give address to which approved copy of this form is to be sent) <b>P. O. Box 1899, Bloomfield, New Mexico</b>
If well produces oil or liquids, give location of tanks.	Unit Sec. Twp. Rge. Is gas actually connected? When <b>No</b>

If this production is commingled with that from any other lease or pool, give commingling order number:

IV. COMPLETION DATA

Designate Type of Completion - (X)	Oil Well	Gas Well	New Well	Workover	Deepen	Plug Back	Same Res'v.	Diff. Res'v.
		<b>X</b>	<b>X</b>					
Date Spudded <b>8-7-77</b>	Date Compl. Ready to Prod. <b>11-1-77</b>	Total Depth <b>1739'</b>	P.B.T.D. <b>1692'</b>					
Elevations (DF, RKB, RT, GR, etc.) <b>5539' GR</b>	Name of Producing Formation <b>Pictured Cliffs</b>	Top Oil/Gas Pay <b>1622'</b>	Tubing Depth <b>----</b>					
Perforations <b>1622' - 1660' Pictured Cliffs</b>			Depth Casing Shoe <b>1702'</b>					
TUBING, CASING, AND CEMENTING RECORD								
HOLE SIZE	CASING & TUBING SIZE	DEPTH SET	SACKS CEMENT					
<b>12-1/4"</b>	<b>8-5/8"</b>	<b>131'</b>	<b>90 SXS</b>					
<b>6-5/4"</b>	<b>2-7/8"</b>	<b>1702'</b>	<b>310 SXS</b>					

V. TEST DATA AND REQUEST FOR ALLOWABLE OIL WELL

(Test must be after recovery of total volume of load oil and must be equal to or exceed top allowable for this depth or be for full 24 hours)

Date First New Oil Run To Tanks	Date of Test	Producing Method (Flow, pump, gas lift, etc.)	
Length of Test	Tubing Pressure	Casing Pressure	Choke Size
Actual Prod. During Test	Oil - Bbls.	Water - Bbls.	Gas - MCF

GAS WELL

Actual Prod. Test-MCF/D <b>1,236 MCF/D</b>	Length of Test <b>3 hrs.</b>	Bbls. Condensate/MCF	Gravity of Condensate
Testing Method (pilot, back pr.) <b>Back Pressure</b>	Tubing Pressure (shut-in) <b>140 psig</b>	Casing Pressure (shut-in) <b>---</b>	Choke Size <b>3/4"</b>

VI. CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Commission have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

District Production Manager

November 22, 1977

(Date)

DEC 9 1977

OIL CONSERVATION COMMISSION

APPROVED **NOV 29 1977**, 19

BY **W. R. Kendrick**

TITLE **SUPERVISOR DIST. #3**

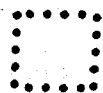
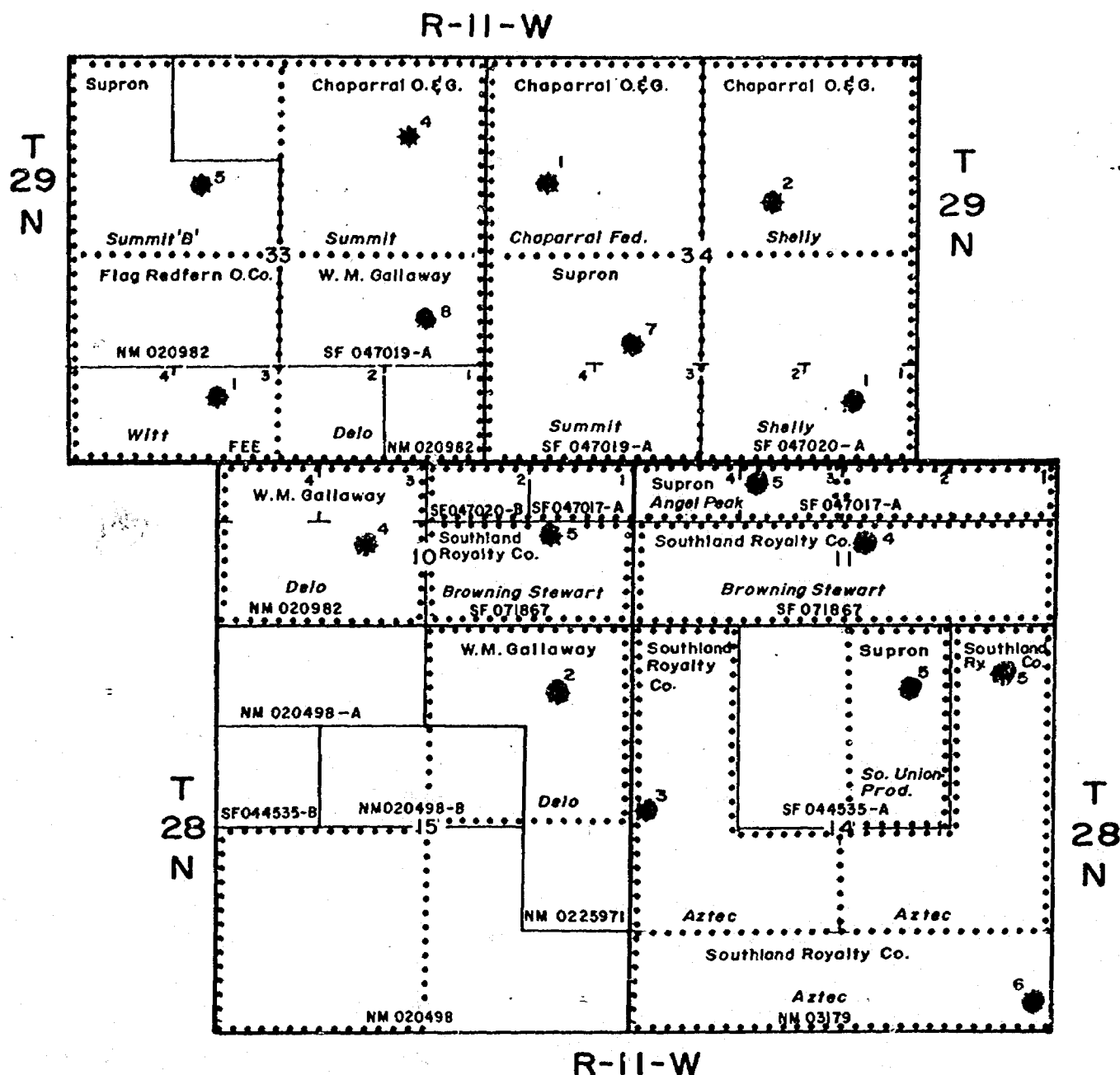
This form is to be filed in compliance with RULE 1104.

If this is a request for allowable for a newly drilled or deepened well, this form must be accompanied by a tabulation of the deviation tests taken on the well in accordance with RULE 111.

All sections of this form must be filled out completely for allowable on new and recompleted wells.

Fill out only Sections I, II, III, and VI for changes of owner, well name or number, or transporter, or other such change of condition.

Separate Forms C-104 must be filed for each pool in multiply completed wells.



AREA DEDICATED TO  
PICTURED CLIFFS GAS WELL.

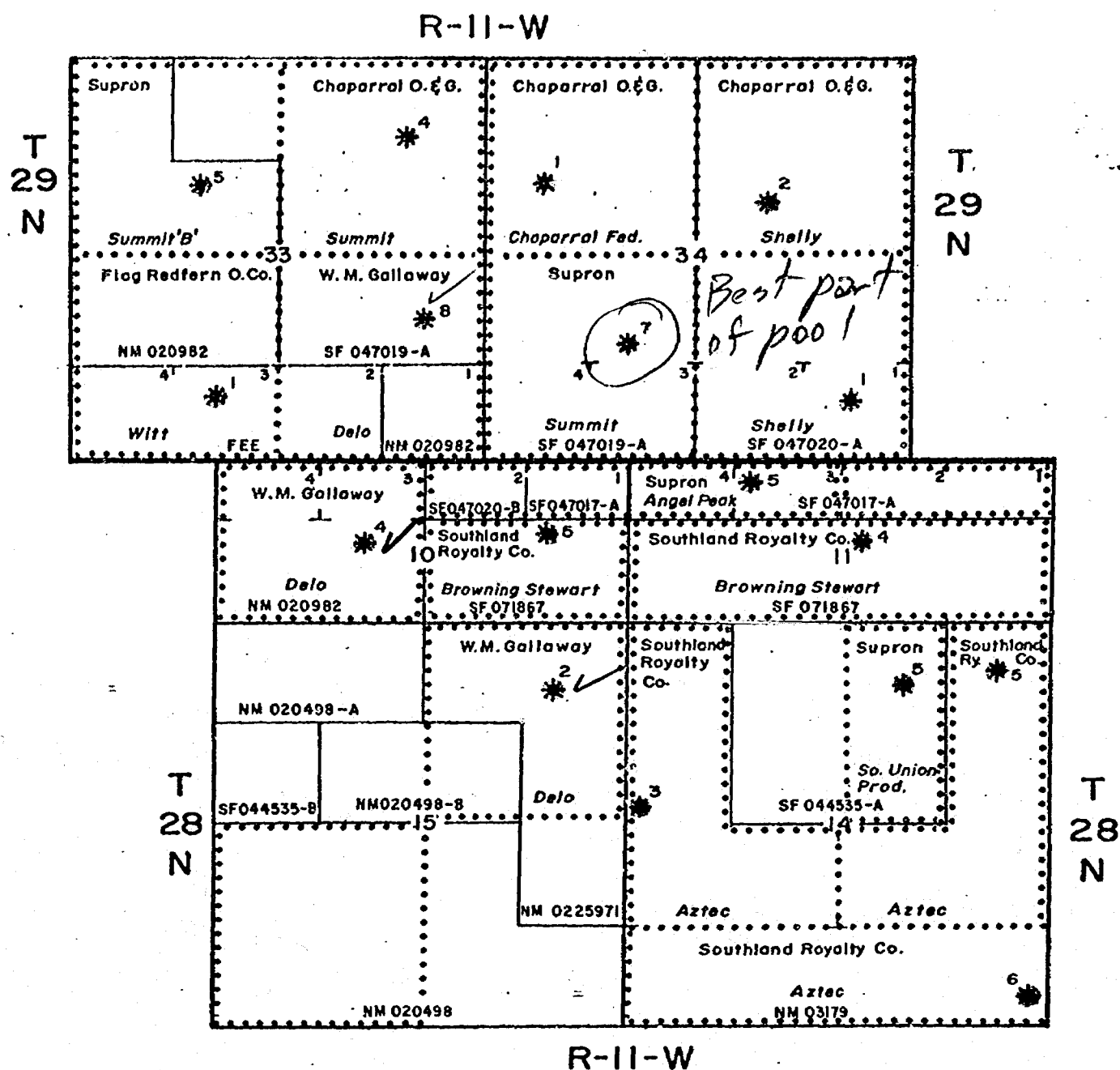


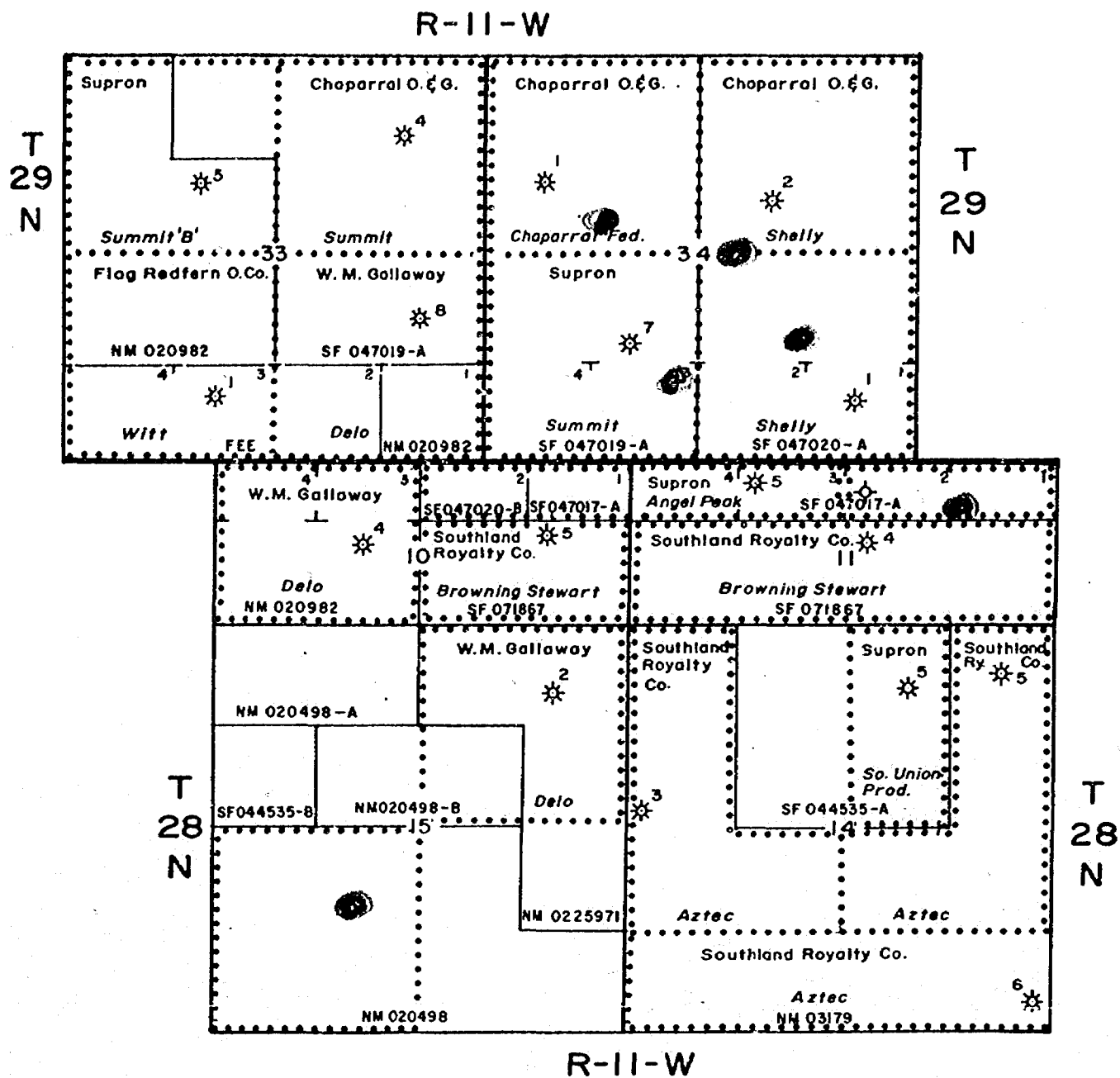
PICTURED CLIFFS GAS WELL.

A PORTION OF FULCHER KUTZ  
PICTURED CLIFFS GAS POOL  
SAN JUAN CO., NEW MEXICO

SCALE: 1 inch = 2000 feet

DATE: Feb. 15, 1978





= AREA DEDICATED TO  
PICTURED CLIFFS GAS WELL.



= PICTURED CLIFFS GAS WELL.



= PLUGGED & ABANDONED PICTURED  
CLIFFS TEST OR WELL.

A PORTION OF FULCHER KUTZ  
PICTURED CLIFFS GAS POOL  
SAN JUAN CO., NEW MEXICO

SCALE: 1 inch = 2000 feet

DATE: Feb. 15, 1978

1 MR. CAMPBELL: No, sir.

2 MR. STAMETS: Mr. Carr.

3 MR. CARR: Yes, sir.

4  
5 A: R. KENDRICK

6 being called as a witness on behalf of Southland Royalty,  
7 and having been duly sworn upon his oath, testified as  
8 follows, to-wit:

9  
10 DIRECT EXAMINATION

11 BY MR. CARR:

12 Q Will you state your full name and place of  
13 residence?

14 A A. R. Kendrick. I live in Aztec, New Mexico.

15 Q Mr. Kendrick, by whom are you employed and in  
16 what position?

17 A Employed by the Oil Conservation Commission as  
18 District Supervisor, District Three.

19 Q Have you previously testified before this Com-  
20 mission, and had your credentials accepted and made a mat-  
21 ter of record?

22 A Yes, I have.

23 MR. CARR: Are the witness' credentials ac-  
24 ceptable?

25 MR. STAMETS: The witness is recognized as a



1 well qualified engineer and District Supervisor. I hope  
2 that that's the area that you're questioning him about.

3 MR. CARR: It will, Mr. Examiner.

4 Q (Mr. Carr continuing) Mr. Kendrick, what  
5 check is normally made by the Oil Conservation Commission  
6 before it approves an application to drill and the accom-  
7 panying plat on Form C-103?

8 A The check encompasses several things which  
9 would include a check to see if we have wells completed on  
10 the acreage dedicated to the proposed well, and there was  
11 no other well drilled in the southeast quarter of Section  
12 10, Township 28 North, Range 11 West, when the application  
13 was submitted.

14 The acreage being dedicated to a well in an-  
15 other section was not readily available in our records.

16 Q Mr. Kendrick, has the application of Southland for  
17 Browning-Stewart Number Five Well been approved by the Oil  
18 Commission?

19 A Yes. It was approved and through an error in  
20 our office a non-standard unit constituting the southeast  
21 quarter of Section 10 was approved by myself through a  
22 normal course of events of the well having less acreage than  
23 the standard unit within the twenty-five percent tolerance  
24 authorized by Order R-1670.

25 Q Now there are a large number of irregular

sid morrish reporting service  
General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 sections in this area, is that not correct?

2 A. Yes.

3 Q. Now, when a well is completed on a non-standard  
4 unit, such as this, do the rules require that notice be  
5 given to offsetting operators?

6 A. Yes, they -- the rules require that, but our  
7 interpretation in our office is that if they apply for an  
8 administrative order which does not necessitate a hearing,  
9 then the operator would apply and not -- and would notify  
10 all offsetting operators to the drill tract.

11 Q. Now, does the rule provide that that's a re-  
12 sponsibility of the person seeking administrative approval?

13 A. Yes.

14 Q. In this particular case the Commission would  
15 not know, would they, whether or not notice had been given?

16 A. Not unless the application for a hearing had  
17 so stated.

18 Q. Now I'd like to ask you to look at Rule 104-D-2  
19 and summarize what is required for administrative approval  
20 to be given in a case such as the one before the Commission,  
21 today.

22 A. The first paragraph says that any completed  
23 gas well on a non-standard unit shall not be produced un-  
24 til a standard unit for the well has been formed or a non-  
25 standard unit has been approved. It authorizes the Secre-

1 tary-Director of the Commission to grant an administrative  
2 approval of a non-standard unit because of the size or  
3 shape of the section being outside of the tolerance for the  
4 size tract, provided that the non-standard unit lies  
5 wholly within a single government quarter section; and  
6 that the operator would apply in due form and notify all  
7 offset operators, then the Secretary-Director may approve  
8 that after a thirty-day waiting period, if he so desires.

9 Q Now, Mr. Kendrick, I'd like you also now to  
10 look at Rule 104 (h) and (i) and you can just summarize  
11 generally what they provide. I don't think it's necessary  
12 to read them.

13 A Paragraph (h) states that a standard drill  
14 tract will be one which varies in acreage less than one-  
15 half acre per forty, and paragraph (i) applies this to  
16 a hundred and sixty acre, or quarter section drill tract,  
17 which would imply that wells within two acres of one hundred  
18 and sixty acres would be standard drill tracts.

19 Q And if they're not standard drill tracts what  
20 is supposed to happen?

21 A If they are not standard drill tracts in pro-  
22 rated pools, the allowable would be adjusted up or down  
23 percentagewise to match the acres dedicated to the well.

24 Q Do you think it's a fair characterization of  
25 this rule to state that it permits a variation of maybe two

1 or three percent of the size of the drilling tracts?

2 A. Actually, no, it's less than two percent.

3 Q Okay, sir. Now, it's always that the allowable  
4 would be reduced because they have fewer acres to dedicate,  
5 is that a fair statement?

6 A. Yes.

7 Q Now, in a non-prorated pool is there anything  
8 the Commission can do to effectively restrict the production  
9 from a well?

10 A. I know of no rule which specifically sets it  
11 out except in prorated pools.

12 Q Okay, a penalty wouldn't really be meaningful  
13 if the pool isn't prorated?

14 A. That's true.

15 Q When can prorationing be instituted or under  
16 what circumstances?

17 A. Commission orders would have to be generated  
18 after a request from some party to ask for proration orders  
19 and they would have to be approved after hearing.

20 Q Do the rules require that -- provide for any  
21 case other than the situation where the production exceeds  
22 the demand for the gas from the pool, is there any other  
23 case -- circumstance that could be the basis for such a  
24 request for prorationing?

25 A. Yes. At any time when correlative rights are

1 in jeopardy, proration could be instituted by the Com-  
2 mission.

3 MR. CARR: I have no further questions of Mr.  
4 Kendrick.

5 MR. CAMPBELL: No questions.

6  
7 CROSS EXAMINATION

8 BY MR. STAMETS:

9 Q Mr. Kendrick, is -- what pool are we talking  
10 about here?

11 A I think this is in the Fulcher-Kutz Pictured  
12 Cliffs Pool.

13 Q And the Fulcher-Kutz Pictured Cliffs Pool is  
14 covered by R-1670 as amended as to the acreage dedication  
15 and provisions for granting non-standard units?

16 A The Fulcher-Kutz Pool was covered by the  
17 R-1670 for proration purposes and has been relieved of pro-  
18 ration, along with three other Pictured Cliffs pools.

19 It is no longer prorated.

20 Q Is that all the Commission did, was remove  
21 the pool from prorationing but not remove the rest, the  
22 special pool rules?

23 A The special pool rulings had one hundred sixty  
24 acre spacing and statewide -- or excuse me -- basinwide  
25 gas well footage locations so that there were no real special

1 pool rules except for being prorated.

2 Q I would point out that Rule Five (b) of 1670  
3 does allow you, as you testified earlier, to approve non-  
4 standard units where the unorthodox size and shape was  
5 necessitated by a variation of a legal subdivision of U.S.  
6 Public Land Survey, and a non-standard unit is not less  
7 than seventy-five percent nor more than a hundred and twenty-  
8 five percent of a standard unit, and that you may approve  
9 the same by accepting a plat of the proposed non-standard  
10 unit and assigning an allowable.

11 Is that your understanding of the appropriate  
12 rule?

13 A Yes, sir.

14 Q Okay.

15 A And as a matter of course, in our office we  
16 do issue a small page which identifies that we have ac-  
17 cepted that plat and assigned that acreage to the well for  
18 the clarification of our office, for the operator, and for  
19 the office here in Santa Fe.

20 Q In response to a question Mr. Carr asked, con-  
21 cerning restriction of allowable in cases where there's a  
22 great deal of deviation from standard proration unit size,  
23 do we enforce -- or do we have the power to enforce the  
24 rate of take in cases such as that?

25 A I know of no power without proration purposes;

1 without formulas being assigned to it, in regular wells.

2 Q Okay. You didn't mean it's not there; you're  
3 just not aware of it?

4 A I'm not aware of it.

5 Q Okay, thank you.

6 MR. STAMETS: Any other questions of the wit-  
7 ness? He may be excused.

8 MR. CARR: I'd like to call Mr. W. M. Galloway.

9  
10 W. M. GALLOWAY

11 being called as a witness on behalf of Southland Royalty,  
12 and having been duly sworn upon his oath, testified as  
13 follows, to-wit:

14  
15 DIRECT EXAMINATION

16 BY MR. CARR:

17 Q Will you state your name and place of residence,  
18 please?

19 A I am W. M. Galloway, independent oil and gas  
20 operator.

21 Q Mr. Galloway, have you previously testified  
22 before the Oil Commission and had your credentials accepted  
23 and made a matter of record?

24 A No, I have not.

25 Q Will you briefly summarize for the Examiner

Dockets Nos. 18-78 and 19-78 are tentatively set for hearing on May 17 and June 7, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - WEDNESDAY - MAY 10, 1978

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 6144: DE NOVO

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.

Upon application of William M. Gallaway this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6222: Application of Paul Hamilton for salt water disposal well shut in, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order from the Division shutting down salt water disposal operations in the Texaco Inc. New Mexico State BO SWD Well No. 3, located in Unit D of Section 24, Township 11 South, Range 32 East, Moore Devonian Pool, Lea County, New Mexico. Applicant alleges said well has leaked and is leaking salt water into the shallow fresh water aquifer underlying applicant's farm.

CASE 6223: Application of Texas West Oil & Gas Corp. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling the interests of Continental Oil Co. et al in connection with remedial and rework operations per proposed AFE on applicant's Madera Well No. 1 located in Unit G of Section 5, Township 24 South, Range 34 East, South Bell Lake-Morrow Gas Pool, Lea County, New Mexico. Also to be considered will be the costs of said workover operations and the allocation of said costs as well as a charge for risk involved in the workover operations.

CASE 6224: Application of Texas West Oil & Gas Corp. for a gas well shut-in order, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order shutting in the Continental Oil Co. Bell Lake Unit Well No. 14, located in Unit F of Section 5, Township 24 South, Range 34 East, South Bell Lake-Morrow Gas Pool, Lea County, New Mexico, pending completion of workover operations on applicant's Madera Well No. 1, located in Unit G of said Section 5.



Dockets Nos. 18-78 and 19-78 are tentatively set for hearing on May 17 and June 7, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - WEDNESDAY - MAY 10, 1978

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 6144: DE NOVO

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.

Upon application of William M. Gallaway this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6222: Application of Paul Hamilton for salt water disposal well shut in, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order from the Division shutting down salt water disposal operations in the Texaco Inc. New Mexico State BO SWD Well No. 3, located in Unit D of Section 24, Township 11 South, Range 32 East, Moore Devonian Pool, Lea County, New Mexico. Applicant alleges said well has leaked and is leaking salt water into the shallow fresh water aquifer underlying applicant's farm.

CASE 6223: Application of Texas West Oil & Gas Corp. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling the interests of Continental Oil Co. et al in connection with remedial and rework operations per proposed AFE on applicant's Madera Well No. 1 located in Unit G of Section 5, Township 24 South, Range 34 East, South Bell Lake-Morrow Gas Pool, Lea County, New Mexico. Also to be considered will be the costs of said workover operations and the allocation of said costs as well as a charge for risk involved in the workover operations.

CASE 6224: Application of Texas West Oil & Gas Corp. for a gas well shut-in order, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order shutting in the Continental Oil Co. Bell Lake Unit Well No. 14, located in Unit F of Section 5, Township 24 South, Range 34 East, South Bell Lake-Morrow Gas Pool, Lea County, New Mexico, pending completion of workover operations on applicant's Madera Well No. 1, located in Unit G of said Section 5.

CATRON, CATRON & SAWTELL

ATTORNEYS AND COUNSELORS AT LAW

THE PLAZA

SANTA FE, NEW MEXICO 87501

THOMAS B. CATRON, 1840-1921  
FLETCHER A. CATRON, 1890-1964

THOMAS B. CATRON, III  
JOHN S. CATRON  
WILLIAM A. SAWTELL, JR.  
FLETCHER R. CATRON

WILLIAM F. CARR  
W. ANTHONY SAWTELL

POST OFFICE BOX 788

TELEPHONE 982-1047  
AREA CODE 505

April 14, 1978

Mr. Joe D. Ramey  
Division Director  
Oil Conservation Division  
New Mexico Department of Energy  
and Minerals  
P.O. Box 2088  
Santa Fe, New Mexico 87501

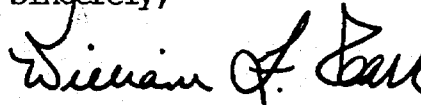
Re: New Mexico Oil Conservation Commission  
Case No. 6144, Order No. R-5676

Dear Mr. Ramey:

Enclosed is the Application of William M. Gallaway for Hearing De Novo in the above-referenced matter.

I would appreciate this case being set for hearing before the Commission at the earliest possible date.

Sincerely,



William F. Carr

WFC/ss

enclosure

cc: Mr. William M. Gallaway

Ms. Marie Eaves  
Gas Company of New Mexico

Michael B. Campbell, Esq.

*Set For May 10,  
1987 1978*

BEFORE THE  
OIL CONSERVATION DIVISION OF THE  
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION  
OF SOUTHLAND ROYALTY COMPANY FOR  
TWO NON-STANDARD PRORATION UNITS  
AND TWO UNORTHODOX LOCATIONS,  
SAN JUAN COUNTY, NEW MEXICO.

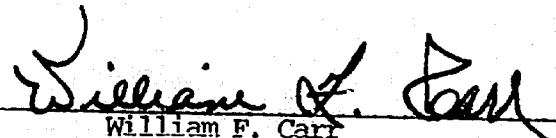
CASE No. 6144  
ORDER No. R-5676

APPLICATION FOR HEARING DE NOVO

COMES NOW WILLIAM M. GALLAWAY, by and through his attorneys, Catron,  
Catron & Sawtell, and pursuant to Commission Rule 1220 hereby applies to  
the Commission for a Hearing De Novo in the above captioned case.

CATRON, CATRON & SAWTELL

By



William F. Carr  
P.O. Box 788  
Santa Fe, New Mexico 87501

ROUGH

dr/

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 6144 De Novo

Order No. R-5676-A

*RhS*  
*[Signature]*  
APPLICATION OF SOUTHLAND ROYALTY  
COMPANY FOR TWO NON-STANDARD PRORATION  
UNITS AND TWO UNORTHODOX LOCATIONS,  
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m.  
on May 10, 19 78, at Santa Fe, New Mexico,  
before the Oil Conservation Commission of New Mexico, hereinafter  
referred to as the "Commission."

NOW, on this \_\_\_\_\_ day of May, 19 78, the  
Commission, a quorum being present, having considered the  
testimony presented and the exhibits received at said hearing,  
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, Southland Royalty Company, 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 28 North, Range 11 West. Fulcher Kutz-Pictured Cliffs Pool, San Juan County, New Mexico, said units to be dedicated to applicant's Browning Stewart Wells Nos. 5 and 4, respectively, at unorthodox locations thereon, said locations, ~~being~~ *being* 1120 feet from the South line and 1030 feet from the East line of Section 10, and 1077 feet from the North line and 2436 feet from the East line of Section 11, respectively.

(3) That upon receipt of the application of Southland Royalty Company in this matter, the same was set for hearing on February 22, 1978, before Examiner Richard L. Stamets.

(4) That subsequent to said hearing the Commission entered Order No. R-5676 approving the two 120-acre non-standard gas proration units and the two unorthodox gas well locations sought by the applicant in this case.

(5) That subsequent to the entry of said Order No. R-5676, William M. Gallaway, <sup>an offset operator,</sup> filed timely application for hearing De Novo of Case No. ~~R~~-6144, and the matter was set for hearing before the Commission.

(6) That the matter came on for hearing De Novo on May 10, 1978.

*an oil and gas*  
(7) That the applicant herein holds ~~leases~~ *leases* on a total of 240 acres in the area covered by the subject application, and of this 240 acres, 160 acres is presently dedicated to the above-described Browning Stewart Well No. 4, leaving 80 acres undedicated.

(8) That the applicant proposed to abolish the presently existing 160-acre non-standard proration unit currently assigned to Well No. 4 and to <sup>create</sup> ~~assign~~ a new 120-acre unit to <sup>be assigned to</sup> ~~Well No. 4~~ and to create another 120-acre unit to <sup>be assigned to</sup> ~~Well No. 5~~ recently completed. Following Stewart Well No. 5, as described in Finding No. 2 above.

(9) That the division of applicant's 240-acre lease into two 120-acre non-standard proration units is ~~proposed~~ <sup>reasonable</sup> and will permit the applicant to ~~allocate~~ <sup>allocate</sup> all of its acreage in the area to its two presently existing wells in the subject lease.

(10) That the lands covered by the subject application are contained in undersized sections resulting from a deviation in the United States Public Land Survey

(11) That it is impracticable if not impossible to derive and dedicate standard 160-acre gas proration units in such undersized sections

(12) That all lands included within each of the non-standard proration units proposed by the applicant may reasonably be presumed productive of gas from the Kulcher Kutz-Pictured Cliffs Pool, and that both of the non-standard gas proration units can be efficiently and economically drained and developed by the aforesaid wells.

(13) That to deny the application and not approve the proposed non-standard proration units and the proposed unorthodox locations would <sup>deprive</sup> ~~deny~~ the applicant <sup>of</sup> the opportunity to produce the gas underlying the subject lands, and would prevent the applicant from producing its just and equitable share of the gas in the Fulcher Kutz-Pictured Cliffs Pool.

(14) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Fulcher Kutz-Pictured Cliffs Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That Oil Conservation Commission Order No. R-5676 is hereby affirmed, and two 120-acre non-standard gas proration units, the first comprising the S/2 SE/4 of Section 10 and the SW/4 SW/4 of Section 11, and the second comprising the SE/4 SW/4 and the S/2 SE/4 of Section 11, all in Township 28 North, Range 11 West, Fulcher Kutz-Pictured Cliffs Pool, San Juan County, New Mexico, are hereby established and dedicated, respectively, to the Southland Royalty Company Browning Stewart Well No. 5



located 1180 feet from the South line and 1030 feet from the East line of said Section 10, and <sup>the</sup> Browning Stewart Well No. 4 located 1077 feet from the North line and 2436 feet from the East line of said Section 11, which unorthodox locations are hereby approved.

(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 herein-  
above designated.



BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO  
MAY 10, 1978

COMMISSJON HEARING

----- )  
 )  
IN THE MATTER OF: )  
 )

Application of Southland )  
Royalty Company for two )  
unorthodox locations and )  
two non-standard gas )  
proration units, San Juan )  
County, New Mexico. )  
 )  
----- )

Case 6144

BEFORE: Joe D. Ramey

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission:

Lynn Teschendorf, Esq.  
Legal Counsel for the Commission

LANPHERE REPORTING SERVICE

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

Appearances cont.

On behalf of Southland Royalty Company:

Michael Campbell, Esq.  
Campbell, Bingaman & Black  
Attorneys at Law  
San Francisco & N. Guadalupe  
Santa Fe, New Mexico 87501

On behalf of William M. Gallaway:

William F. Carr  
Catron, Catron, Sawtell  
Attorneys at Law  
53 Old Santa Fe Trail  
Santa Fe, New Mexico 87501

LANPHERE REPORTING SERVICE

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

MR. RAMEY: Call Case 6144.

MS. TESCHENDORF: Case 6144. Application of Southland Royalty Company for two unorthodox locations and two non-standard gas proration units, San Juan County, New Mexico.

Upon application of William M. Gallaway this case will be heard De Novo pursuant to the provisions of Rule 1220.

MR. RAMEY: Ask for appearances in this case.

MR. CAMPBELL: Mr. Chairman, my name is Michael Campbell, Campbell Bingaman and Black, appearing on behalf of Southland Royalty Company. We have one witness.

MR. CARR: May it please the Commission, I am William F. Carr, Catron, Catron, Sawtell, Santa Fe, New Mexico, appearing on behalf of Mr. William M. Gallaway. We have one witness.

MR. RAMEY: I ask the witnesses to stand and be sworn.

(WHEREUPON, the witnesses were  
duly sworn.)

MR. RAMEY: You may proceed, Mr. Campbell.

LANPHERE REPORTING SERVICE

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

MR. CAMPBELL: Mr. Chairman, we will call Mr. Larry Van Ryan as our first and only witness.

LARRY VAN RYAN

the witness herein, having been previously sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. CAMPBELL:

Q Mr. Van Ryan, will you state your full name and your position with Southland Royalty Company?

A My name is Larry Van Ryan and I'm the District Production Manager for Southland Royalty Company, Farmington, New Mexico.

Q Have you testified before this Commission, and if so, in what capacity?

A I have testified before in the capacity of petroleum engineer.

Q Are your qualifications a matter of record with this Commission?

A Yes, they are.

MR. CAMPBELL: Mr. Chairman, I would ask that Mr. Van Ryan's qualifications as an expert petroleum engineer be accepted.

MR. RAMEY: We recognize he is qualified

LANPHERE REPORTING SERVICE

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

as an expert.

Q (By Mr. Campbell) Mr. Van Ryan, would you please state what Southland Royalty Company seeks in Application 6144?

A We're requesting two non-standard gas proration units of 120 acres in the two unorthodox locations necessitated because of the non-standard proration units for our Browning Stewart Well No. 5 which is a new well, and for our Browning Stewart Well No. 4, which is an old well.

Q Mr. Van Ryan, I will hand you what has been marked as Southland's Exhibit No. 1 in this case, and I will also hand on to the Commission.

Mr. Van Ryan, was Southland's Exhibit No. 1 prepared by you or at your direction?

A At my direction.

Q Will you please examine Southland's Exhibit No. 1 and explain to the Commission what that Exhibit shows?

A This Exhibit shows the general area of Township 28 north, Township 29 north, range 11 west, in which there has been adjustment made due to the USGS Survey in that area. You will note that Sections 1 through 6 do not occur in Township 28 north because of this adjustment.

LANPHERE REPORTING SERVICE

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

And half or less than half of Township 7 through 12 exists in this area. Therefore, necessitating many non-standard gas proration units in the general area.

Q How much acreage, which is the old well on Exhibit No. 1?

A The old well of Southland Royalty's is the Browning Stewart No. 4 shown in the yellow designated area in Section 11. And at the present time all of the south half of the south half of Section 11 is dedicated to this well.

Q Would you again explain what acreage you seek today to dedicate to the Browning Stewart No. 5 well?

A We would like to take 40 acres of the southwest quarter of the southwest quarter of Section 11 away from the dedication to our Browning Stewart No. 4 well and dedicate it to our Browning Stewart No. 5 well, shown in Section 10 on Exhibit 1. Thereby giving the Browning Stewart 5 120 acres and the Browning Stewart 4 a 120 acres.

Q What is the standard proration unit in that field and pool?

A Standard for the Fulcher Kuts-Pictured Cliffs in this field is 160 acres.

**LANPHERE REPORTING SERVICE**

P.O. BOX 449  
52 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

Q Are there other non-standard proration units in that general vicinity?

A There are several in this area due to the adjustment in the USGS survey.

Q Is the Browning Stewart No. 5 well capable, or is it now producing gas?

A It is now producing gas since we have received the previous order approving our application in Case 6144.

Q When was the Browning Stewart No. 5 spudded?

A It was spudded in August. I don't know the exact date, '77.

Q Will you please explain the circumstances leading up to the drilling of that well?

A Initially, we sought to drill the well in Section 10 in the southeast quarter. At that time we felt all the acreage in the southeast quarter was 129-plus acreage was available for dedication to this well. Lots 1 and 2 of the southeast quarter belong to Sucron Corporation and we approached them, asking their approval and joining in the drilling of this well. We sent them an AFE, they approved it and sent it back.

We then filed an intent to drill with the

LANPHERE REPORTING SERVICE

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

USGS because this is on a Federal lease and it was forwarded to the District Office NMOCC, where we received from the USGS an approved intent to drill and received from the District Office of the NMOCC a non-standard gas proration unit variance showing that 129.87 acres of the southeast quarter of Section 10, Township 28 north, Range 11 west was approved by the district supervisor and therefore, capable of being dedicated to this well.

Q Mr. Van Ryan, I'm handing you what has been marked as Southland's Exhibit No. 3 and ask you to identify that document?

A This is the approval for the non-standard gas proration unit which we received from the NMOCC district supervisor.

Q So, at the time you drilled that well you had an administrative ruling from the District Office of the Oil Conservation Commission recognizing approximately 130 acre non-standard proration unit at the drilling site?

A That's correct.

Q When did it come to your attention that the Lots 1 and 2 of the southeast quarter of Section 10 were not available to be dedicated to this well?

A We drilled the well in August, then completed

**LANPHERE REPORTING SERVICE**

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501



the well and filed the proper completion forms and applied for a C-104 from the Oil Commission. We received an approved C-104 in December of '77.

The well was not hooked to the pipeline at that time and while we were waiting pipeline connections a third party informed the district office of the NMOCC that the acreage was not available, Sucron's acreage was not available for dedication to this well because it had previously been dedicated to Sucron's well, Angle Peak No. 5 by NMOCC Order No. R-1446. This was the first that we knew that this acreage was not available.

Q Mr. Van Ryan, did you give notice and was a hearing held on the district order granting this non-standard proration unit?

A We did not give notice to offset operators and no hearing was held on the initial approval that was provided us by the district supervisor.

Q Is it your understanding of the rules and regulations of the Oil Conservation Commission that in circumstances such as these, that a hearing and notice is required to obtain a non-standard proration unit?

A Not if the acreage had been available that we had sought in the first place, being the southeast

LANPHERE REPORTING SERVICE

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

quarter of Section 10. A hearing or notification was not required because this was within the jurisdiction of the district supervisor to approve this non-standard proration unit.

Q Are you aware of New Mexico Oil Conservation Commission's rule No. 104-D2 which provides for certain procedures when a non-standard unit is caused by--are you aware of an Oil Conservation Commission rule which provides that notice and hearing is not required if a non-standard unit is caused by deviation from U. S. public surveys?

A Yes, I am.

Q Are you also aware of a, what I believe is a special pool rule allowing for 25 percent variance, allowing the district supervisor to grant administratively a non-standard proration unit?

A I'm not aware of the exact number, but I am told that is the case, by the district supervisor.

Q When you apply for this non-standard unit specifying approximately 130 acres, is that within a 25 percent variance allowing for administrative grant of a non-standard proration unit?

A Yes, it is.

Q Mr. Van Ryan, is the Browning Stewart No. 5

LANPHERE REPORTING SERVICE

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

well an orthodox location?

A The Browning Stewart No. 5 would be orthodox if all of the southeast quarter of Section 10 were available. However, since the acreage in Lots 1 and 2 belong to Sucron, are not available it makes this an unorthodox location.

Q I'm handing you what has been marked as Southland's Exhibit No. 2 and ask whether you prepared that exhibit or whether it was prepared of your direction?

A It was prepared at my direction.

Q Will you please explain what Exhibit No. 2 illustrates?

A Exhibit No. 2 shows the location of our Browning Stewart No. 5. Also the location of W. M. Gallaway's Delo 8, Delo 4 and Delo 2.

The red dots on this illustration show where all of these wells could have been located and still be within normal regulations of the NMOCC.

The Browning Stewart No. 5 location, as drilled, is shown there and indicated right next to the No. 5 in Section 10. What we show are the distances from our location as drilled, as opposed to distances from the location as it could have been drilled in our previous

**LANPHERE REPORTING SERVICE**

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

indication that all of the southeast quarter of Section 10 were available.

It shows that at our present location we are farther away from all of W. M. Gallaway's wells than we could have been at the maximum allowable location provided by the rules and regulations of the NMOCC.

Q Are you more than 130 feet from the lease line within the southeast quarter of Section 10?

A No, we are not since the lease line, is Sucron's lease line in Section 10. We are more than 130 foot from the lease line which would be the difference between Township 28 North and Township 29 North.

Q Were Southland's Exhibits 1, 2 and 3 prepared by you or at your direction?

A I believe 1 and 2 were, the No. 3 is a letter.

MR. CAMPBELL: Mr. Chairman, I would move for the admission of Southland's Exhibits 1, 2 and 3.

MR. RAMEY: They will be admitted.

(WHEREUPON, Southland Royalty Company's Exhibit Nos. 1, 2 and 3 admitted into evidence.)

Q (By Mr. Campbell) Mr. Van Ryan, in your opinion will the grant of this order prevent waste and

LANPHERE REPORTING SERVICE

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

protect correlative rights?

A Yes, it would.

MR. CAMPBELL: Mr. Chairman, I have no further questions of the witness.

MR. RAMEY: Any questions of the witness, Mr. Carr?

CROSS-EXAMINATION

BY MR. CARR:

Q Mr. Van Ryan, as I understand your testimony, there was no notice given to offsetting operators because at the time you originally obtained approval to drill this well you thought you had a sufficient number of acres?

A That's correct. Sufficient number by the variance allowable.

Q When was it that you actually discovered that you did not, that Sucron's acreage was dedicated to another well?

A I'm not sure of the exact time, but we did receive an approved C-104 from the State in December of '77, indicating even at that time the State was not aware that this acreage was not available. I believe it was sometime in January, at which time we filed for the first hearing.

LANPHERE REPORTING SERVICE

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

Q Were you already drilling the well at that time?

A Yes, we had drilled the well in August.

Q Did you invoice Sucron for this?

A Yes, we did.

Q Did they pay you?

A They paid us a portion of it. Not invoiced entirely.

Q But for the portion of the drilling that had been completed?

A Yes, they were.

Q What procedures do you normally follow to check the acreage that you plan to dedicate to a well?

A We normally check to see who owns the acreage and then approach them to see if they want to join in the drilling of the well. We do not normally ask them if the acreage is available. We assume that if they join in the drilling of the well that it is available.

Q So it's fair to say that you rely on their representation as to the availability of the acreage?

A Right.

Q While this pool was prorated, did the Browning Stewart Well No. 4, the old well, receive a full

LANPHERE REPORTING SERVICE

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

allowable?

A Yes, it did.

Q You had how many acres dedicated to that well?

A 160 acres.

Q If I understand it, what you're proposing to do is shift 40 acres away from the No. 4 and dedicate those to No. 5, the new No. 5?

A That's correct.

Q Now when Southland acquires a lease, do you check the surrounding acreage to see what is available to dedicate whatever wells you may propose to drill on the lease?

A I believe at the current time we do. Now at the time this acreage was obtained, I believe it was obtained in the original spinoff with Aztec Oil and Gas from Southern Union Gas Company. And I'm not sure exactly what was done on this lease.

Q Do you have any idea why the 30 acres involved in this application has not previously dedicated, do you have any reason why it was never dedicated and nothing was ever done with it before?

A No, I do not.

**LANPHERE REPORTING SERVICE**

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

Q Could it have been because it was considered to be outside the pool?

A In location?

Q Could the acreage not have been developed because this acreage was considered to have been outside the limits of this pool?

A You mean the acreage dedicated limits for the pool?

Q Yes.

A It's possible but I doubt it, because if you will look at our Exhibit No. 1 you can see that there are wells in that area which have only 80 acres dedicated to them. Therefore, I believe it was applicable to other operators, it would also apply to our acreage. Sucron's Well No. 5, Section 14 has only 80 acres dedicated to it and their Angle Peak No. 5, which has dedications in Section 10 and 11, has only 98.78 acres dedicated to it.

And their previous well, which has been plugged and abandoned in Section 11 had only 48.33 acres dedicated to it. So I don't believe that this is unusual for the area. We are more than some and we are less than some.

Q Mr. Van Ryan, you referred to the Sucron

**LANPHERE REPORTING SERVICE**

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501



No. 5 located in Section 14 as having only 80 acres dedicated to it. On this exhibits, it appears to me immediately to the west of that there is also an additional 80 acres that is not dedicated, is that true?

A That's my information.

Q Is not Sucron, in fact, the operator, doesn't Sucron control that acreage which is not dedicated?

A It is my understanding that is.

Q So actually what we have there, even though it's not technically dedicated, is one well of 160 acres, is it not?

A That would be correct.

Q Is all the acreage in the south half of Section 11 one lease?

A Yes, it is. It's also the same lease that applies to the south half of the southeast quarter section 5 on which our No. 5 is located.

Q Who is the royalty owner?

A This is a Federal lease.

Q In your opinion, is the acreage which you are now proposing to dedicate to the No. 5, has this acreage been drained?

A There is a reduction in pressure indicating

LANPHERE REPORTING SERVICE

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

some drainage in the area, yes. But it has not been totally drained underneath the accepted guidelines of the area, I don't believe it would be completely drained.

Q The royalty owner never made any demand on Southland or Aztec to drill this acreage?

A Not to my knowledge.

Q If they had considered it productive acreage be drain they would have been able to demand that the acreage be developed, is that not true?

A Yes, sir.

Q Mr. Van Ryan, how good a well is the Southland Browning Stewart No. 4 at the present time?

A I'm not sure of the exact production level but I know that it is not a very good well and I'm sure that it's producing less than 50 MCG a day. I believe it's closer to 10 MCF a day.

Q Is it close to its economic limit?

A It's fairly close to it I would say.

Q If this application is approved, is it your intention to plug that well?

A No, it is not.

Q And redrill that acreage?

A No, not at the present time.

**LANPHERE REPORTING SERVICE**

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

Q So you don't plan to put another new completion on this lease in the near future?

A We do not at this time. Evaluation of the completion of that No. 5, and if this proves to be economical might mean more modern completion methods in the area of the No. 4 might be considered.

Q When was the No. 4 well drilled?

A I'm not exactly sure, but I believe in the 1930's.

Q That was soon after the lease was acquired, is that correct?

A I believe that's correct, I'm not sure of that.

Q If you receive favorable data from your No. 5 well, it is possible then that you might want to redrill the 120, now dedicated to the No. 4?

A It is possible.

Q That would be still another new completion in this acreage?

A Yes.

Q Who actually picked the location of this well, the No. 5?

A It was between my district engineer and myself.

LANPHERE REPORTING SERVICE

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

MR. CARR: I have no further questions.

MR. RAMEY: Do you have any questions of the witness, Mr. Arnold?

MR. ARNOLD. Mr. Van Ryan, this pool isn't prorated any longer, is it? It's an unprorated pool?

MR. VAN RYAN: Yes, that's correct.

MR. ARNOLD: Why is it necessary, that being the case, to even increase the size of the proration unit which is dedicated to the No. 5 well?

MR. VAN RYAN: It is not necessary to increase it. Our indications at the time we found out that we didn't have this acreage was how can we make it right. And in talking to the people and searching back to the rules we found that 120 acres was considered by the NMOCC regulations to be within their guidelines and approval.

Therefore, we felt that since this was one lease across there, that it would be more equitable to everybody for 120 acres. Since this is within the variance outside of crossing section lines.

MR. ARNOLD: I understand what the history was of the well that had been approved. But you could have just as well asked for a non-standard unit of just the

LANPHERE REPORTING SERVICE

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

acreage which was remaining in Section 10.

MR. VAN RYAN: Yes, we could have.

MR. ARNOLD: Why did you decide to go the other route?

MR. VAN RYAN: We felt it would be easier to get approval of 120 instead of 80. We would be--if 80 were acceptable, we would accept that. There's no reason for us to go to 120, other than we felt it would be more acceptable.

MR. ARNOLD: Actually if there is no proration in the pool, whether it's an 80 acre unit or 120 acre unit has no effect?

MR. VAN RYAN: That's correct.

MR. RAMEY: So you would be willing to accept the 80 acre proration unit for Well No. 5?

MR. VAN RYAN: Yes, we would.

MR. RAMEY: Consisting of the south half of the southeast quarter of Section 10?

MR. VAN RYAN: Yes, sir.

MR. RAMEY: Mr. Van Ryan, what's your daily average production for the No. 5?

MR. VAN RYAN: We put the well on the 14th of April and for the first week, we just take spot readings,

LANPHERE REPORTING SERVICE

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

but the week of the 19th it was averaging approximately 427 MCF a day. During the week of the 26th it was down to 250 MCF a day and for the week of May 3rd it was back up to 582 MCF a day. I'm not sure the exact reason for variance but I suspect the line pressure has been fluctuating in this area and the well might have logged off during that low period.

MR. RAMEY: You don't know what the line pressure runs in this area?

MR. VAN RYAN: I'm not exactly sure, but I believe it's in the order of just over 100 pounds.

MR. RAMEY: What's your No. 4 making?

MR. VAN RYAN: I'm not sure but I think it's approximately 10 MCF a day in that area.

MR. RAMEY: Would that be considered a stripper gas well?

MR. VAN RYAN: Yes, it would.

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

Anything further at this time, Mr. Campbell?

MR. CAMPBELL: No, sir.

MR. RAMEY: Mr. Carr you may proceed.

MR. CARR: I call Bill Gallaway.

LANPHERE REPORTING SERVICE

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

May it please the Commission, when this case was heard before and Examiner Al Kendrick testified, we had requested that Mr. Kendrick be here today to testify, but he was unable to do that and I have stipulated with Mr. Campbell that we would incorporate his testimony from the previous hearing. We have prepared a copy of this testimony from that hearing and we offer it at this time. It's marked as Gallaway's Exhibit No. 3.

MR. RAMEY: Without objection, we will incorporate the testimony of Mr. Kendrick.

(WHEREUPON, Gallaway's Exhibit No. 3 incorporated into the evidence.)

WILLIAM M. GALLAWAY

the witness herein, having been previously sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. CARR:

Q Would you state your name and place of residence?

A W. M. Gallaway, Farmington, New Mexico.

Q Mr. Gallaway, have you previously testified before the Oil Commission, had your credentials as an expert independent oil and gas operator accepted and made a matter

LANPHERE REPORTING SERVICE

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

of record?

A Yes.

Q And you are familiar with the application before the Commission here today?

A Yes, I am.

MR. CARR: Are the witness' credentials acceptable?

MR RAMEY: We consider Mr. Gallaway acceptable.

Q (By Mr. Carr) Mr. Gallaway, please refer to what has been marked for identification as Gallaway Exhibit No. 1 and explain to the Commission what it is and what it shows?

A Well, this shows the producing wells in the area at this time. Since the No. 5 has been turned on well it's all--all of these that are marked here are producing wells in the area, join the acreage dedicated to each of these.

Q Are these Pictured-Cliff wells?

A Yes. This is only the Pictured-Cliff.

Q Does this exhibit show the Federal lease lines?

A Yes, it does.

LANPHERE REPORTING SERVICE

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501



Q Does this plat show the acreage involved in the application of Southland Royalty?

A Yes, it shows the 80 acres.

Q Does it show the acreage dedicated to the well that you operate in the immediate area?

A Yes, it does.

Q Would you please point these wells out for the Commission?

A Well, it's the No. 2 in the northeast quarter of Section 15 and the No. 4 in the west half of Section 10, 2811 and the No. 8 in the southeast quarter of Section 33, 2911.

Q Now I'll ask you to refer to what has been marked as Exhibit No. 2 and explain to the Commission what this is and what it shows?

A This is showing, for instance, in Section 34, 39,11, where the Commission would require a well to be plugged on 160, before the 160 could be redrilled. And over in the north half of Section 11, this is an old well that Sucron recently plugged that was drilled years ago, before spacing was even in the light. It was only on 49 acres.

Then down in the southwest quarter of Section

LANPHERE REPORTING SERVICE

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

15, 28, 11, it shows a dry hole. I believe that was drilled by, well it's the Marathon now, but it might have been the Ohio at the time, showing that this field doesn't exist there.

The main part of the field is more up where these five holes have been plugged into there, where the heaviest production has been.

Q Mr. Gallaway, on this exhibit, the plugged wells are marked in yellow, is that correct?

A Yes, that's correct.

Q And is it fair to characterize your testimony as saying that between the plugged wells in the northeast and the plugged well in the southwest is the best portion of the producing field?

A Yes, it's very near if those five plugged holes are not right on top of it, the best production. Which shows that I am off of it.

Q How would you characterize your wells?

A Well, they're edge wells. If they hadn't of been they would have been drilled many, many years ago.

Q Mr. Gallaway, what are the setback requirements from lease lines for development wells in this area?

A 790 feet from the corner or up to 1190 from

LANPHERE REPORTING SERVICE

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

the quarter-quarter section, I believe is right.

Q What is the required acreage for dedication?

A 160 acres.

Q How many acres are presently dedicated to the Southland Royalty Company's Well No. 4?

A 160.

Q How many acres do you have dedicated to your Dello No. 4 well?

A Dello No. 4, it's very near 130, 130.49.

Q So you have a well offsetting this property with less than the required 160 acres?

A Yes.

Q Was the production of the Dello Well No. 4 ever limited by the Oil Conservation Commission?

A When the field was prorated it was limited due to the number of acres dedicated to it.

Q To your knowledge was the allowable assigned to the Southland No. 4, their old well ever reduced because of acreage factors?

A Not to my knowledge.

Q When did you drill the Dello Well No. 4?

A Well, this plat is April of '72, so it was after that. I don't remember exactly.

LANPHERE REPORTING SERVICE

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

Q Prior to drilling a well, do you normally check surrounding acreage to see what is available to dedicate to the proposed well and to other wells?

A If I hadn't of checked it I wouldn't have found this.

Q Did you know that the 80 acres, which is the subject of the hearing today, the 80 undedicated acres, did you know that they were not dedicated to anyone at the time the Dello No. 4 was drilled?

A I knew the 80 acres was in there and undrilled and undedicated.

MR. RAMEY: Excuse me. What 80 acres are you referring to? Lots 1 and 2 in Section 10?

A See this lease is dated in 1930 and when they dedicated their 160 to all their wells in there, you know, in '54 or '55 when their proration went in, this 80 was left and didn't have a well to be dedicated to it, it wasn't big enough to drill on. So it was just vacated in there. And when I ran this acreage out in here trying to find available acreage to farm out and to drill, then I knew that this was there.

MR. NUTTER: Are you talking about the south half of the southeast, is that correct?

LANPHERE REPORTING SERVICE

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

A That's correct.

MR. CARR: Which is dedicated by your prior order in this case, which led to the de novo hearing, but it is the southeast of Section 10.

MR. RAMEY: The 80 acres upon which the Southland Royalty Browning Stewart No. 5 is located?

MR. CARR: That is correct.

A May I further explain this. This lease is dated 1930 and it was approved in 1935. And it belonged to Sucron, the old Southern Union production company and Aztec acquired the lease from them. And what happened, Sucron, most of this was drilled in the 30's, then when proration came along the wells were just stuck in there. And some of them were plugged out, they didn't have the acreage.

So Sucron, in 1959 came back and dedicated this north half to their No. 5 well, which you see over in 11, so they could produce more gas. It gave them 90-something acres.

Now recently they have plugged this well in No. 11 which is the furthestest right plugged well, which gives them another 50 acres in there, 49-something I believe it is. So Sucron has right at 150 acres in a long strip,

LANPHERE REPORTING SERVICE

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

and only one well producing now.

The dedications have been straightened out as much as they could have been. If you know what I mean, to get them to 160 acres where one operator wouldn't be getting somebody else's gas.

Q (By Mr. Carr) Now, Mr. Gallaway, let me direct your attention to the drilling of the Dello No. 4. Did you fracture the well when you completed it?

A Yes, I did.

Q How long did it take you to clean up this well?

A Well, this well was about two years cleaning up and as clean as it is now, or as it was.

Q What does the well now produce?

A It's making about, oh, less than 100 MCF a day.

Q Mr. Gallaway, when the Browning Stewart No. 5 was fractured, did you see any noticeable effect on your wells?

A No. 2 is the one that it hit first. They put an extra heavy frac on it, and this No. 2 well which I had cleaned up started making some liquids.

Q Did it have any effect on the other two

LANPHERE REPORTING SERVICE

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

wells which you operate in the immediate area?

A The 8 well didn't drop for several months. But it has shown some decrease in production and it's logging, you know. You got a real low pressure in there and you don't have to get much water in that wellbore before it starts shutting you down. They fraced with 60-some thousand gallons in there which is the heaviest frac I've ever known being used in there.

Q How does this frac compare with what you used on your Dello No. 4?

A I used half that, on the heaviest ones. I believe I used that on the 2 and the 8, the 4 wasn't that heavy.

Q Now, Mr. Gallaway, you knew that there were 80 acres in the area at the time the well was drilled that were not dedicated. And you are familiar with the general dedication requirements in the area, is that correct?

A Yes, I am.

Q When you saw Southland starting to drill this well, well first, did you see the rig on the location?

A Yes, I was drilling a well at Bestie and I was going back and forth everyday, which is down south of Bloomfield and this well is right south of the dump

LANPHERE REPORTING SERVICE

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

ground in Bloomfield, if some of you know the area.

Q Did the fact that they were drilling give you any indication that they were, in fact, drilling a Pictured-Cliff well?

A No. There's some Fruitland production in the area, so I assumed that, you know, with they had plugged a well could they drill another one.

Q Was there a sign posted at this location?

A This sign that you hand me is one that was it after the rigging moved off.

Q Was there a sign there at the time the well was being drilled?

A Not to my knowledge.

Q Does the sign that's on the location now give you any indication as to what's going on?

A No, it doesn't make any sense.

Q What does the sign say?

A It says, "DOSO No. 5."

Q Do you know what that stands for?

A No, I certainly don't.

Q Now, from a practical point of view, does it make any difference, in your opinion, how many acres are dedicated to the well if there is no prorationing?

LANPHERE REPORTING SERVICE

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501



A Well, this field started out at about 550 pounds of pressure and their tests show it's got 140 pounds of pressure. So I guess everybody is fighting to the gas, but in the same token you're not entitled to your fair share without you got 160 acres.

Now, my opinion, when the field was prorated made very little difference, whether you had 120 or 160 cause you could regulate how much a guy could produce, but they didn't prorate it any more. So he shouldn't be allowed to drill on less than 160.

Q Mr. Gallaway, you're familiar with the 75 percent tolerant which is provided for in Order No. R1670 as amended, are you not?

A Yes. If you have undedicated acreage in there and you're within the 75 percent rule, then it's my understanding you can drill a well on it.

Q Have you ever known of a situation where this Commission permitted an operator to take acres from adjoining lease to get his proposal within that 75 percent tolerance?

A Well, the acreage was already dedicated to No. 4 and for them to take it away from the No. 4 and put it with the No. 5 would be circumstance that I've never

LANPHERE REPORTING SERVICE

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

known about.

Q If nothing is done to correct the situation as it exists today, do you believe your correlative rights will be impaired?

A Well, Mr. Carr, what I propose to do is try to sit down with these people and work something out between ourselves. My correlative rights is the reason I'm here.

Q And you believe they're being impaired?

A Yes, I do.

Q In your opinion, is the new Southland well in a structurally better position than your wells?

A Yes, it is. The logs will even show that.

Q From a structural point of view, where do you think the best part of the field is in respect to, say, your Dello No. 4?

A I'd say that it was very close to the No. 7 well in the southwest of Section 34, would be more or less the--now, Aztec has a well over here and I'm not positive which one it is, it made over six billion cubic feet. I believe it's in Section 14. Evidently it was just in a good area.

Now the plugged well in the southwest of

**LANPHERE REPORTING SERVICE**

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

Section 34 made over two billion cubic feet before they plugged it. And then Sucron redrilled it and it made a decent well.

Q Now, Mr. Gallaway, if you lease the acreage that Southland is proposing to dedicate to the Browning and Stewart No. 5, where would you drill on this tract?

A Well, if I had that other 40 acres I'd get just as far as I could to the east, because I would have more sand and better gas saturations.

Q Does the location of this Browning Stewart No. 5 well, does the actual location of the well affect your wells?

A Yeah, it looked like they moved over there trying to get some of my gas. Is what it looks like to me.

Q In your opinion, does it do greater damage to your well than it would if it were drilled at the best possible location on the acreage they propose to dedicate?

A Yes, if it was drilled in the east part of this 120 acres, it would be further away from it. More particular, my No. 8 and No. 4. It wouldn't move it that far from the No. 2.

LANPHERE REPORTING SERVICE

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

Q Now, Mr. Gallaway, are there topographical conditions that would dictate drilling a well where it is drilled?

A No, I couldn't find any on the surface.

Q In your opinion, is the 80 acres we've been talking about in the south of the southeast of 10, has this been drained or is it being drained?

A It's being drained, and it has been being drained since 1930.

Q What indicates this to you?

A Well, the bottom hole pressure is the same within a few pounds as any shutin on any of the wells around it. And I found that true when I drilled my 2, 4 and 8.

Q In your opinion, is the Southland's Browning Stewart No. 5 an unnecessary well?

A It's unnecessary because the Federal government owns all the royalty in there and so it's being drained and they're getting all the royalty anyway. They might get a little bit more because the gas will bring more out the Browning Stewart No. 5 than it will out of my wells.

Q Have you seen the results of the multi-point test on the Browning and Stewart No. 5?

**LANPHERE REPORTING SERVICE**

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

A Yes, I have.

Q What would you estimate the potential of the well to be?

A Shutin pressure was 140 pounds, I think this was on a three-quarter choke, after three hours it was 69. And the rate of flow during the three hours was 930 MCF and absolute overflow was a million 236.

Q When these tests were taken and the potential computed, is it possible to adjust figures to affect the results of these tests?

A Well, I sure it is, you know, I don't know why they would be interested in doing it in a field that's not prorated.

Q Do you believe the Commission has sufficient professional staff to ensure that bottom hole pressure tests, things of this nature, correctly reflect the actual potential of a well?

A I'm sure the Commission is capable of witnessing the test and also engineers available that are third-party disinterested people that can conduct them.

Q So there are ways to assure against abuse?

A Sure.

Q Are you familiar with the gas pricing

**LANPHERE REPORTING SERVICE**

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

situation in the area?

A Yes, I am.

Q Do you know whether or not the Browning and Stewart No. 4 would be able to qualify for the new gas price?

A The 4 or the 5, the old one? Well, the 4 I would assume that well--well, it is hooked to Southern Union Gathering Company. The price on it now is under New Mexico Gas Pricing Act. Now the Browning and Stewart No. 5 is not in the act because any wells drilled after January 1, 1975 are exempt from the New Mexico Gas Pricing Act.

So the 4 is controlled by the pricing act as all my wells are.

Q And the 5, does it qualify for the new gas price?

A Yes, the 5 would be a higher price because it's exempt from the act.

Q Now, Mr. Gallaway, you heard Mr. Van Ryan testify as to the distance between their new well and each of their locations. Do you have a response to that?

A Well, they don't know how to draw their red dots the same way. That 790, that No. 2 well is 790

**LANPHERE REPORTING SERVICE**

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

from the north so that red dot couldn't be closer to the north. And that No. 4 well is 790 from the east, so that red dot couldn't be closer to that east line. It's got to be even with that well. You know, what other mistakes they made on here, I haven't had time to study it.

Q Mr. Gallaway, even if these wells are proper distance from the Browning and Stewart No. 5, could this affect your correlative rights?

A Yeah, I think that this shows that it does.

Q Why is that?

A Well, because I have more acreage dedicated to my well than is dedicated to their well. I consider this infield drilling, myself, which was approved for the Mesaverde.

Now, if you can drill on 80 acres, now I could drill another well up here in Section 8, another one down in 2, it would be an infield drilling problem.

Q How many acres would you think that each of these wells could drain?

A Well, it's really hard to say how much a well would drain in there actually, if it had the time to do it. But we know the area is being drained because the bottom hole pressure is going down. And when you run out

**LANPHERE REPORTING SERVICE**

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

of bottom hole pressure you run out of gas.

Q Do you have anything further to add to your testimony?

A Can't think of anything.

Q In your opinion, will granting this application amount to the Commission condoning waste?

A Yes, I think the well was unnecessary and it would condone waste.

Q Will granting the application impair correlative rights?

A Yes, it would.

MR. CARR: At this time I would offer Gallaway's Exhibits--well, first Mr. Gallway, were Exhibits 1 and 2 prepared by you or under your direction and supervision?

A Under my direction.

Q Have you reviewed and can testify as to their accuracy?

A Yes.

MR. CARR: At this time I will offer Exhibits 1 and 2.

MR. RAMEY: They will be admitted.

**LANPHERE REPORTING SERVICE**

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501



(WHEREUPON, Gallaway's Exhibits 1 and  
2 admitted into evidence.)

MR. CARR: I have nothing further of  
Mr. Gallaway on direct.

MR. RAMEY: Are there any questions of the  
witness?

CROSS-EXAMINATION

BY MR. CAMPBELL:

Q Mr. Gallaway, how many acres are dedicated  
to your Dello No. 4 well?

A 130.49.

Q And that would be a non-standard unit?

A Yes.

Q How many acres are dedicated to your Dello  
No. 8 well?

A We only had 160 on our plat, but when we  
got through we figured about, it's an oddness there that  
came out, 155.91 when I communtized it.

Q So that also would be a non-standard unit  
Commission rules?

A Yes, it's about nearly a little over four  
acres short.

Q During the time that this field was being

LANPHERE REPORTING SERVICE

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

prorated, you had a reduced allowable on both of those wells?

A Just the 4 was the only one that was actually ever reduced.

Q And that was because your unit was not standard?

A And I don't know that it was actually ever reduced because the well potential is high, but it was so wet they couldn't get much gas out of it. So the Commission may never have even reduced it, due to the acreage.

But, when I drilled it I understood that it would be reduced due to the acreage factor.

Q So you do not know whether, in fact, you're allowable is reduced or not?

A I don't know. I had so much trouble cleaning up the well and it was so wet, Mr. Campbell, I don't know whether it was ever reduced or whether they ever reduced anybody in the field. And I don't know how serious proration was in there when it was in effect.

Q All right. I believe you mentioned that the Browning Stewart No. 4 well in the southern half of Section 11 never had a reduced allowable, is that correct?

A Well, I would assume that because it has

**LANPHERE REPORTING SERVICE**

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

the proper acreage dedication.

Q So it should not have a reduced allowable?

A It shouldn't have.

Q Mr. Gallaway, when did you become aware that lots 1 and 2 in the southeast quarter of Section 10 were not available to be dedicated to Southland's Browning Stewart No. 5 well?

A The Sucron acreage?

Q Yes.

A When I was aware of that?

Q Yes.

A Oh, it probably was in maybe 1970, I imagine. I worked up a 10 well program in here at one time prior to that. And then I worked up this program with six wells.

Q Are you claiming that the Browning Stewart No. 5 well is an unorthodox location to either your Dello No. 2, 4 or 8 well?

A Well, it depends on what you're doing, Mr. Campbell. Now the only place I would see that it's unorthodox under the 790 rule would be to the north.

Q All right. So it would be orthodox to your Dello No. 2 and to your Dello No. 4 well, would it not?

**LANPHERE REPORTING SERVICE**

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

A Yes, it's 790 from the lines on those.

Q Assuming that Lots 1 and 2 in the southeast quarter of Section 10 were, in fact, available for dedication to the Browning Stewart No. 5, the location of the Browning Stewart No. 5 would be orthodox to your Dello No. 8, would it not?

A Yeah, in other words, you're going back to the assumption that the acreage was available that they tried to dedicate. It would be, if it had been available, yes.

Q I believe you mentioned that you had a drop in production at your Dello 8 No. well, is that correct?

A Yes, sir.

Q As a result of the Browning Stewart?

A Yes.

Q When did you first notice a drop in production at that time?

A Started noticing it about six months ago. I started losing about two million cubic feet a month. It was making about six million cubic feet a month and then it decreased down to four and since has gone below four.

Q So that would be in approximately October of

LANPHERE REPORTING SERVICE

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

1977?

A About October.

Q You realized a drop of, did you say two million?

A It didn't come all of a sudden. It was just gradual. Course, it's in the production books, you can see it. It started going down and then just kept on going down.

Q And it started going down in October of 1977?

A That would be about right.

Q And you claim that that drop in production was a result of the Browning Stewart No. 5 well?

A Even though that distance is in there, Mr. Campbell, there's--something is affecting my gas flow there. I don't know what, a water block or what it is.

Q Are you aware that the Browning Stewart No. 5 well did not go on line until April 14 of 1978?

A Yes. I went by and checked the production and what it was roughly making, when I had heard the Commission had approved it to be produced.

Q And it's your statement that even though the Browning Stewart No. 5 did not go on line until April 14

**LANPHERE REPORTING SERVICE**

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

that that well was the cause of the drop in production that your Dello No. 8, six months previous?

A That frac was causing it. It's the only thing I could find.

Q Mr. Gallaway, are you suggesting that anyone with less than 160 acres dedicated to a well in a non-prorated field should be penalized in some manner?

A Well, I think your dedication is 160, then that's the only way that you should be allowed to drill in an unprorated field. Is what I have testified while ago.

Q And that would take into consideration two of your offsetting wells are not standard units?

A They were standard when they were drilled though, Mr. Campbell, because we had proration at that time.

Q And the standard proration unit at that time was 160 acres, was it not?

A That is true. But we had a way to adjust the production on an acreage factor.

Q What I'm trying to find out, Mr. Gallaway, is do you wish to penalize Southland Royalty, for example, for having less than 160 acres dedicated to its well in a non-prorated field, is that what you are suggesting?

**LANPHERE REPORTING SERVICE**

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

A That would be the only way that you could figure it out. If they had less than a tolerance acreage.

Q So that penalty that I assume you're suggesting, would apply to your Dello No. 4 and your Dello No. 8 well as well, would it not?

A That would be fine.

Q You are aware, Mr. Gallaway, that Southland Royalty could seek a non-standard unit of 80 acres only in this application, are you not?

A I'm aware that they could seek a non-standard 80 acre location and I'm aware that I could seek one in Section 15 and I could seek one in Section 33 and drill two more wells. But I don't know where it would ever stop.

Q Would you rather see 120 acres dedicated to the Browning Stewart No. 5 or would you rather see 80 acres dedicated to that well?

A I'd rather see Southland Royalty, since they've gone and done this thing and worked it out, I'd rather see them sit down and try to work something out with the guy that owns three wells offsetting them. That's what I would rather see.

MR. CAMPBELL: I have no further questions.

LANPHERE REPORTING SERVICE

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

MR. RAMEY: Mr. Nutter?

MR. NUTTER: Mr. Gallaway, in Sections 10 and 11, what is the average acreage contained in those lots that run across the top of those sections?

MR. GALLAWAY: They run about 25 acres. They usually come out around 49 acres like that north half there.

MR. NUTTER: Okay. So we have 25 acres in each one of those lots, there's eight lots running across the top of the two sections. And then each of those two sections also has a row of 40's in the south half of the south half of the section?

MR. GALLAWAY: That's correct.

MR. NUTTER: So in the two sections we would have the total of approximately 390 acres, is that correct? You have six 40's, which would be 240 and six 25 acre tracts, which would be 150, for a total of 390 acres in the two sections?

MR. GALLAWAY: I don't believe that's correct. I'd say about 520 acres.

MR. NUTTER: I beg your pardon. I was referring to the lands east of your units. We would have six 40's and we would have six 25 acre tracts, for a total

**LANPHERE REPORTING SERVICE**

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501



of 390 acres.

MR. GALLAWAY: Yes.

MR. NUTTER: Then your unit over here in the southwest quarter of Section 10 would also have approximately 130 acres dedicated to it?

MR. GALLAWAY: Yes, sir.

MR. NUTTER: Now, if we look at the southeast quarter of Section 10 and the south half of Section 11, we see three wells and if we're just talking about well density, wouldn't we have an average of 130 acres dedicated to those three wells?

MR. GALLAWAY: You're talking about in Section 11?

MR. NUTTER: The southeast quarter of Section 10 and the south half of Section 11. We would have a density of one well per 130 acres, would we not?

MR. GALLAWAY: Well, this is brought about, see, by wells started--they started drilling this field in 1927 and they drilled a well in '27, '28 and '30, like 4 was drilled in '30. Well, proration and dedicated acreage wasn't in it then.

MR. NUTTER: I'm talking not about historical facts or anything. I'm talking about well

LANPHERE REPORTING SERVICE

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

density. And we would have an average of one well per 130 acres, would we not?

MR. GALLAWAY: Yes, that's about right.

MR. NUTTER: And you have one well per 130 acres, is that correct, in Section 10? We're talking about this row of--

MR. GALLAWAY: Yes, that's correct. I see what you're looking at.

MR. NUTTER: So isn't really what Southland Royalty seeking here today an acreage dedication of the same density that you have? An average of one well per 130 acres?

MR. GALLAWAY: Well, it depends on your dedication of 99 acres up here to the 5 well, see, now that's an old dedication--as far as density of wells, this would be correct.

MR. NUTTER: That's what I'm talking about. I realize that the Sucron well has 159 acres, the Sucron No. 5 has 159 acres or something. But actually we're talking about a density development of one well per 130 acres for the substandard sections. Isn't that correct?

MR. GALLAWAY: Yes. Now Sucron they just-- they just recently plugged a well in Section 11, it shows

LANPHERE REPORTING SERVICE

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

on--

MR. NUTTER: Well, your exhibit 2 shows a plugged well over in Lot 1 there of Section 11, shows another dry well in Lot 2. But for current development I believe the density development in Sections 10 and 11, including your own acreage, is one well per 130 acres, isn't that correct?

MR. GALLAWAY: I think they plugged that well last year. Whether they're going to try to drill another one in there, I don't know. The one in the north half of Section 11, the northeast corner.

MR. NUTTER: You stated that you could drill another well in Section 33 if you had an 80 acre unit for your No. 8 and then you could have another 80 acre unit for another well in Section 33. Actually you would not have to have an 80 acre unit approve, would you, Mr. Gallaway?

MR. GALLAWAY: An 80 acre unit approved? I thought the dedication was 160 acres.

MR. NUTTER: Is there any prohibition against drilling a second well on 160 acre unit?

MR. GALLAWAY: As I understand it, there's no infield drilling in this Pictured-Cliff. Now, I don't

**LANPHERE REPORTING SERVICE**

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

know. That might be for somebody else to answer. But, I guess you couldn't--they've always said that you have to plug the one that was there before you could redrill 160 acres in the field. So I don't know whether that answer your question or not.

MR. NUTTER: Well, Mr. Gallaway, I don't believe there is any prohibition against drilling of the second well. Now it may be that when you have proration in the pool, there was a practical prohibition against it because of the fact that you couldn't have deliverabilities in the formula.

But you don't know of any rule that actually prohibits the drilling of the second well on 160 acres?

MR. GALLAWAY: I don't know of any that the Commission has approved infield drilling for this--for the Fulcher Kuts-Pictured Cliff gas field, like they did the Blanco Mesaverde.

MR. NUTTER: In the absence of proration would there be any detrimental affect on a second well?

MR. GALLAWAY: The gas act even tells you you can't do that. The Natural Gas Act.

MR. NUTTER: Does it say you can't drill a

LANPHERE REPORTING SERVICE

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

well--

MR. GALLAWAY: It says you can't plug a producing well or drill another one on that dedicated acreage just to get an increase in price.

MR. NUTTER: That's right. That's talking about price. What I'm talking about is getting additional deliverability on the unit or the production of additional reserves by infield drilling.

MR. GALLAWAY: Well, I think that's a question for the Commission is to whether we can drill all the wells we want to on 160 acre dedication. As I understand it, you have to have 160 acres to drill a Pictured-Cliff gas well or be within 75 percent tolerance.

Now, whether you can go back and just keep on drilling wells and producing them on that 160 acres, I do not know. I know that you can in oil, if you're liable is 80 barrels and you can put eight wells on there that makes 10 barrels a day. But to my knowledge this isn't done in gas.

MR. NUTTER: There's no rule that prohibits it, that you know of though? In a non-prorated category?

MR. GALLAWAY: I don't know that there is any rule that prohibits it. But I don't know of anybody

**LANPHERE REPORTING SERVICE**

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

that's even considered it.

MR. NUTTER: It might be something to look into.

MR. GALLAWAY: I'll agree with you.

MR. ARNOLD: Mr. Gallaway, why do you presume that suddenly this problem seems to be rising in the pool when it didn't come up ten years ago?

MR. GALLAWAY: Well, I think part of it is prorated, Mr. Arnold, that you have a way of controlling what a man can produce when he didn't have enough acreage. Since it's not prorated, that a man should be leaned on to have more--the proper amount of acreage.

MR. ARNOLD: What I meant by the question was, what particular item is it causing people to want to drill additional wells in the pool now, when they didn't want to drill them ten years ago. Would it be price?

MR. GALLAWAY: Price only, is the reason for the drilling.

MR. ARNOLD: So that actually the price has brought about the problems that Mr. Nutter is talking about there, largely, hasn't it?

MR. GALLAWAY: Yes, the price and the scramble for the gas, you know, and trying to get a higher

LANPHERE REPORTING SERVICE

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

price for it. Of course, I think, may I say, at this point I think the infield drilling in the Mesaverde was very much warranted considering the way the wells were coming out. And I know that you have watched that and wondered about it. But that is very thick pay and evidently there was a lot of reserves there.

MR. ARNOLD: Also, there was a matter there that infield gas in Mesaverde was going to get about a dollar more, something like that.

MR. GALLAWAY: Well, it was going to get more gas, but they're also recovering gas that would have never been recovered from the old wells.

MR. ARNOLD: Right. Actually there are only two ways in a gas pool that you can protect correlative rights, isn't there? Either with proration or with well spacing where you do prevent the drilling of infield wells?

MR. GALLAWAY: That is true, that I know of.

MR. ARNOLD: Insofar as Fulcher Kuts-Pictured Cliffs Pool is concerned, which method do you think the Commission should pursue in the future?

MR. GALLAWAY: Well, I think you ought to hold a man real close to 160 acres in there, because it's

**LANPHERE REPORTING SERVICE**

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

evident that one well is draining more than 160 acres.

MR. ARNOLD: You think it would be better to restrict drilling of infield wells, rather than to reinstitute proration in the pool?

MR. GALLAWAY: I don't think proration is necessary in the pool. 'Cause that pool is draining itself, because you can drill a new well and it will shut in within five pounds of the old well.

MR. ARNOLD: Course, the reason of prorating is to protect correlative rights primarily.

MR. GALLAWAY: Well, yes. Proration, where you have less acreage would control it. But the tolerance in here is--was so closely in line until this well was drilled on 80. In other words, they have plugged this well up here so they have about 150 and fairly well in line until they drilled on 80. Now what--now this southwest quarter of 11 wasn't dedicated to that No. 4, then that's fine they could drill this well. But since it's dedicated to the No. 4, and that well was drilled in 1930, I can't see how they can take it away from that well. If you can take acreage from an old dedication, that might set a precedent that would be hard to live with.

MR. ARNOLD: Actually, though, there really

LANPHERE REPORTING SERVICE

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501



isn't too much importance whether you establish an 80 acre or 120 insofar as the affect on you is concerned.

MR. GALLAWAY: No, the only thing being is would I have drilled my wells where I drilled them and would I have drilled them, the two and four, with this-- thinking that this 80 might be drilled.

Now, I realize that it could be drilled, but I would also assume that if you were going to drill, you would have to have the entire east half and that the field you would space it in the northeast corner. So that moves away from the 2 and the 4.

Now, if they go the way they started the dedication, I know they have to plug something before they can drill. So I've spaced my 4 and my 2, 790 from these lines, when I drilled them in '72. Okay, I would assume that if this acreage was ever drilled and they plugged some of these old wells, that they would make the dedication that they tried to make and maybe drill it up in the northeast corner, closer to the middle of the field.

The only thing, me knowing the acreage is there, knowing that it's been drained, I would assume that's it never going to be drilled anyway. "Cause if you will notice, Southland made a lot of dedications around here and

**LANPHERE REPORTING SERVICE**

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

they left that 80 out. And the lease has been in existence since, since 1930, the government hadn't said, drill it or give it back to me.

So, really I can't--as long as the royalty owner is not--or the mineral owner is not complaining, I can't--as far as Aztec, they have three wells in Section 14 now. And they've got the best wells in the whole field produced over six billion cubic feet, which is twice as much as anything else has produced. So I just don't know where I am and I don't know where the Commission is either. You know it's kind of a precarious situation.

MR. ARNOLD: That's all the questions I have.

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

MS. TESCHENDORF: I have a couple of questions of Mr. Van Ryan. What would be the effect of a Commission denial of your application?

MR. VAN RYAN: I would suspect that the C-104 would be revoked. We wouldn't have any reason to produce this well.

MS. TESCHENDORF: How would that affect your correlative rights under the southeast quarter of Section 10?

**LANPHERE REPORTING SERVICE**

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

MR. VAN RYAN: It means that that gas that's there would not be completely drained. I would mean that we would be out the expense of having drilled this well with no production.

MS. TESCHENDORF: Then, are you saying that your correlative rights would be impaired if you're allowed to produce the Browning Stewart No. 5?

MR. VAN RYAN: Yes, it would. We drilled the well in good faith directives from the Commission and from Sucron. However many mistakes were made on our part or anybody else, it was drilled in good faith.

MS. TESCHENDORF: That's all I have.

MR. CARR: Mr. Van Ryan, if these mistakes had not been made it is possible that you might have deferred drilling till you resolved this question?

MR. VAN RYAN: I'm sure we would have approached the question prior to drilling.

MR. CARR: And you wouldn't be in the situation with the well already drilled and a problem?

MR. VAN RYAN: That's correct.

MR. RAMEY: You may proceed, Mr. Carr.

MR. CARR: May it please the Commission, the Commission as we all know is charged with the protection

LANPHERE REPORTING SERVICE

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

of correlative rights. The evidence presented here today shows that producing this well, the Browning Stewart No. 5, at unrestricted rates is affecting certain wells of Mr. Gallaway's and therefore it is impairing his correlative rights.

Everytime another well is authorized in this pool with less than the standard number of acres dedicated to it, we are putting another straw into the tea cup and we are affecting the rights of everyone else in the pool because the pool is being drained by existing wells.

Now, as Mr. Arnold noted, there are only certain tools available to the Commission in attempting to deal with the correlative right situation, prorationing and spacing. Spacing is simply spacing a well location requirements are simply designed to prevent uncompensated drainage between tracts.

Now, in an effort to prevent this uncompensated drainage the Commission promulgated Rule 104. It provides in this particular area that wells should be drilled on spacing tracts of 160 acres, substantially in the form of a square being a quarter section of the U. S. Public Land Survey. It then provides for well spacing

**LANPHERE REPORTING SERVICE**

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

requirements on these tracts.

Now, the well in question fails to meet any of the standards that I've just summarized from Rule 104. Of course, the Commission is empowered to grant exception to authorize non-standard locations and unorthodox units. But Rule 104G provides, "Whenever an exception is granted the Commission may take such action as to offset any advantage, which the person securing the exception may obtain over other producers by reason of the unorthodox location."

This is a discretionary power, But the protection of correlative rights is not discretionary with this Commission. It is mandated by the Conservation statutes and when you look at that mandate and compare it to Rule 104D, you see that you are authorized to do something to protect the correlative rights of an individual in the position of Mr. Gallaway.

Now, the evidence showed that the Browning and Stewart well was not drilled, in our opinion, at the best location on the acreage that they proposed in this application to be dedicated to it. It is our position that it is drilled at a location so as to work an effective barrier between Mr. Gallaway's wells and the best portion

**LANPHERE REPORTING SERVICE**

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

of the pool.

Now, we aware there have been mistakes, as the whole matter came forward, as to what acreage was available, as to whether or not it should be approved prior to hearing.

But we would ask the Commission in view of these mistakes that to at least not construe them against the one person who didn't make them, the offset operator. There may be a waste question involved in this case. If there is, it's probably moot because even if this is a necessary well, the well has been drilled, and again, is not, we submit, the fault of the offset operator.

We note that Southland produced the Browning and Stewart No. 4 throughout the time proration was in effect in this pool and they were never penalized since they did have 160 acres to dedicate to that well.

Proration was discontinued and now they come before you and want to shift 40 acres so that they can drill on what was previously 80 undedicated acres and now have two units.

We submit that by moving this well, by drilling the new well with the real purpose maybe to get the new gas price and that may be the primary reason the

**LANPHERE REPORTING SERVICE**

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

matter is before you today. But in summary, we note that the Commission is empowered to make rules and orders and to do whatever may be reasonably necessary to carry out the purposes of the conservation act, whether or not indicated as specified in any section thereof. And what we're here today doing is asking the Commission to do something. To either limit the production or to deny the application and the operators get together and come forward with a proposal so that this isn't just the beginning of an ongoing problem where we have problems that once could be coped with and now cannot be.

MR. RAMEY: Thank you, Mr. Carr. Mr. Campbell.

MR. CAMPBELL: May it please the Commission, the problem that we're discussing here today was caused by an administrative error through no one's bad faith or negligence. The error was in determining acreage available for dedication to the Browning Stewart No. 5 well.

The district supervisor approved, administratively a non-standard unit for the No. 5 well with approximately 130 acres on the assumption that Lots 1 and 2 in the southeast quarter of Section 10 were available. They approved Southland's C 104, the well was

**LANPHERE REPORTING SERVICE**

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

drilled; it is now a producing well.

When Southland became aware that Lots 1 and 2 of the southeast quarter of Section 10 were not available they applied to the Commission to adjust dedication of their remaining acreage to arrive at two equitable 120 acre units.

Mr. Gallaway has admitted in his testimony that the No. 5 well is an orthodox location to his Dello No. 2 and Dello No. 4 wells. He has also admitted that assuming that Lots 1 and 2 of the southeast quarter of Section 10 were available, the assumption that the district supervisor made, if those lots were available the Browning Stewart No. 5 would be an orthodox location to his Dello No. 8 well.

I believe that that indicates that any evidence of drainage, and I do not believe Mr. Gallaway has substantiated in any matter his claims of drainage as a result of the No. 5 well, but assuming that 1 and 2 were available, the Southland Royalty Browning Stewart No. 5 well is an orthodox well to all of Mr. Gallaway's wells.

If they are orthodox I believe that attempted evidence of drainage is not relevant, it is not

**LANPHERE REPORTING SERVICE**

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501



material. Compliance with the location requirements of the Oil Conservation Commission, I think makes immaterial any claim of additional drainage. I would urge that there is nothing unlawful or unreasonable, in fact, in Southland Royalty attempting to obtain a new gas price with the Browning Stewart production.

We have simply come in with an attempt at an equitable solution to a problem that was not anyone's fault. This is a non-prorated field, we're attempting to split available acreage that we have. We believe it's an equitable solution and we would ask the Commission to desist from any attempt to penalty or any attempted proration of our acreage there. This is a one of a kind shot. It's been a survey deviation area and there is no reason for the Commission to attempt to penalize Southland Royalty for the problem, as a result of this.

MR. RAMEY: Thank you, Mr. Campbell. Does anyone have anything further to add? The Commission will take the case under advisement.

(WHEREUPON, hearing was concluded.)

**LANPHERE REPORTING SERVICE**

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

REPORTER'S CERTIFICATE

I, BETTY J. LANPHERE, CSR-RPR with offices in Santa Fe, New Mexico, do hereby certify that the foregoing transcript is a complete and accurate record of said proceedings as the same were recorded by me stenographically and reduced to typewritten transcript by me or under my supervision.

DATED at Santa Fe, New Mexico, this first day of June, 1978.

Betty J. Lanphere, Court Reporter

LANPHERE REPORTING SERVICE

P.O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

# I N D E X

	<u>Page</u>
1. Appearances	3
2. The Witness - LARRY VAN RYAN	
Direct Examination by Mr. Campbell	5
Cross-Examination by Mr. Carr	14
3. The Witness - WILLIAM M. GALLAWAY	
Direct Examination by Mr. Carr	24
Cross-Examination by Mr. Campbell	42
4. Reporter's Certificate	67

# E X H I B I T S

	<u>Identified</u>
(Southland Royalty's Exhibits:)	
1. Map	6
2. Map	12
3. NMOCC Approval	19
(Exhibits 1, 2 and 3 admitted into evidence.)	13
(William M. Gallaway's Exhibits:)	
1. Plat	25
2. Plat	26
3. Mr. Kendrick's testimony	24
(Exhibits 1, 2, 3 admitted into evidence)	42

## LANPHERE REPORTING SERVICE

P. O. BOX 449  
58 SOUTH FEDERAL PLACE  
SANTA FE, NEW MEXICO 87501

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Southland Royalty Company  
for two unorthodox locations and two non-  
standard gas proration units, San Juan  
County, New Mexico.

CASE  
6144

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil  
Conservation Commission:

Lynn Teschendorf, Esq.  
Legal Counsel for the Commission  
State Land Office Building  
Santa Fe, New Mexico

sid morish reporting service

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 MR. NUTTER: We will call next Case Number 6144.

2 MS. TESCHENDORF: Case 6144, application of  
3 Southland Royalty Company for two unorthodox locations and  
4 two non-standard gas proration units, San Juan County,  
5 New Mexico.

6 The applicant in this case has requested that we  
7 continue it to the February 22nd Examiner Hearing and  
8 readvertise it. It was advertised as being Section 29 North  
9 and it should read Township 28 North.

10 MR. NUTTER: Case Number 6144 has been readvertised  
11 to correct the error in the notice and it will be heard at  
12 the Examiner Hearing on February 22, 1978.

sid morrish reporting service  
General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

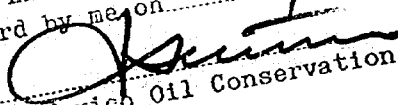
25

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.

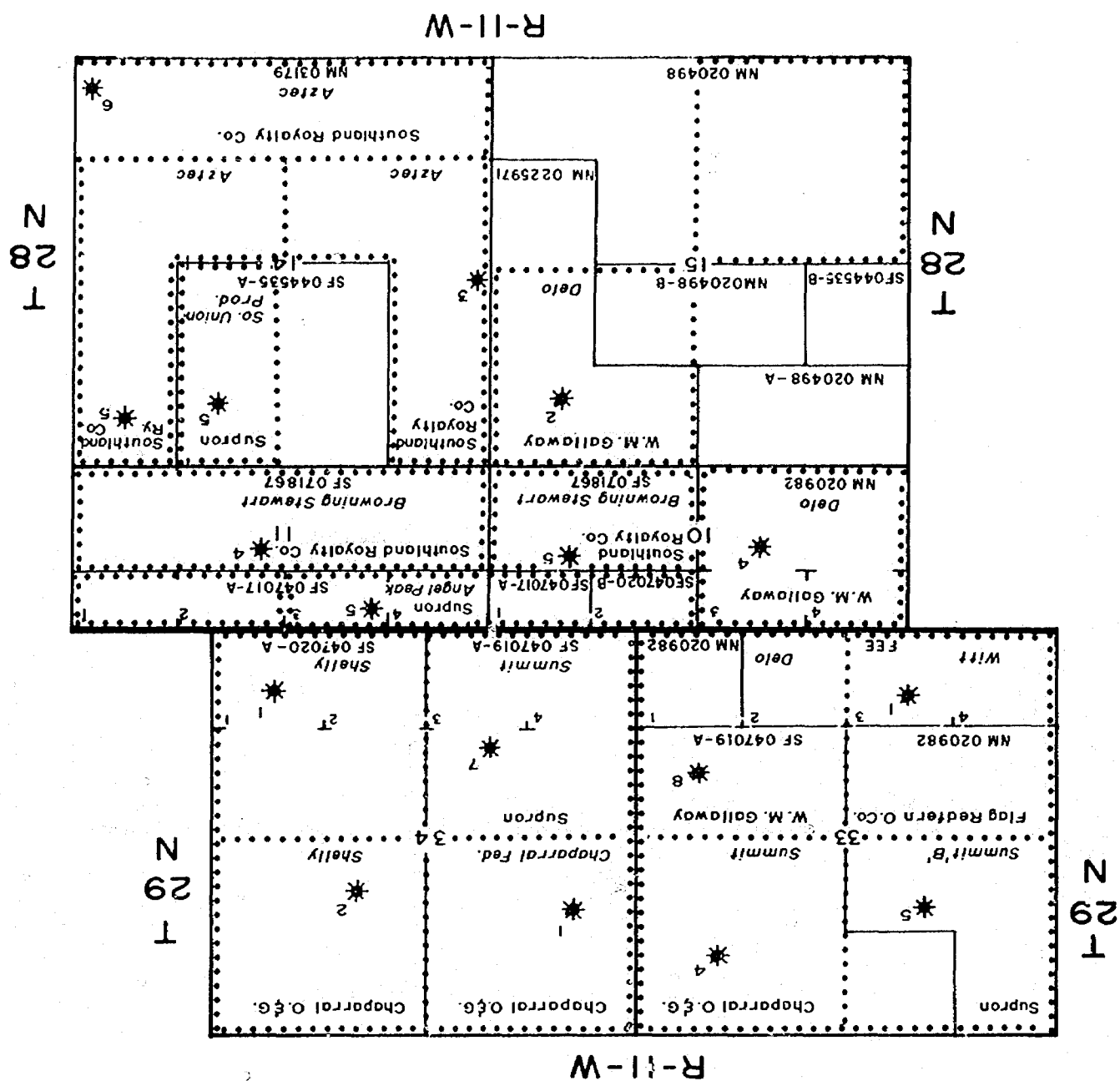
  
Sidney F. Morrish, C.S.R.

**sid morrish reporting service**  
General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 61441 heard by me on 2/8, 1978.  
  
New Mexico Oil Conservation Commission, Examiner

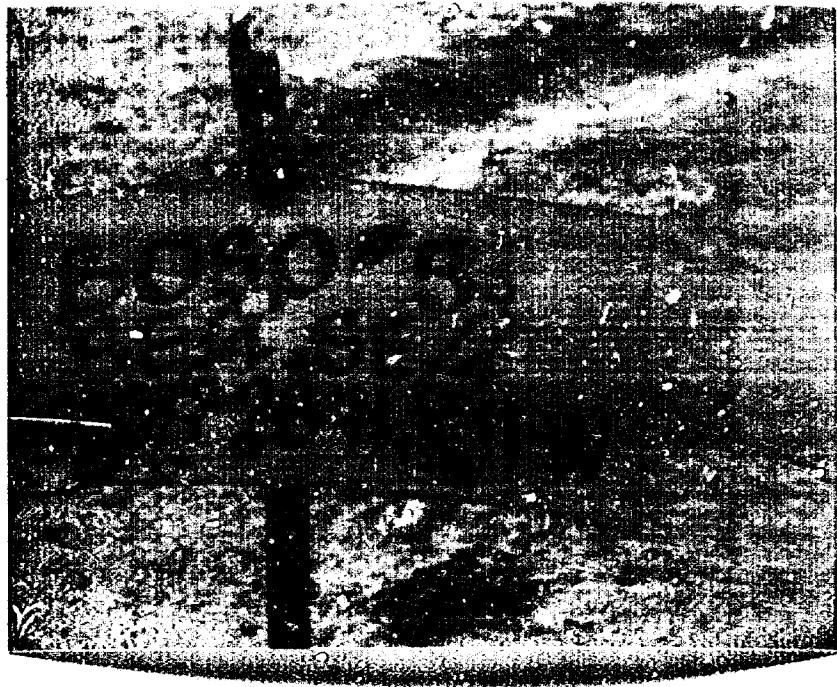
\* = PICTURED CLIFFS GAS WELL.  
 \* = PICTURED CLIFFS GAS WELL.  
 AREA DEDICATED TO  
 A PORTION OF FULCHER KUTZ  
 PICTURED CLIFFS GAS POOL  
 SAN JUAN CO., NEW MEXICO

SCALE: 1 inch = 2000 feet  
 DATE: Feb. 15, 1978



R-11-W





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

EXAMINER HEARING

IN THE MATTER OF:

Application of Southland Royalty  
Company for two unorthodox loca-  
tions and two non-standard gas pro-  
duction units, San Juan County, New  
Mexico.

CASE  
6144

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Commission:

Lynn Teschendorf, Esq.  
Legal Counsel for the Commission  
State Land Office Building  
Santa Fe, New Mexico

For the Applicant:

Michael Campbell, Esq.  
CAMPBELL, BINGAMAN & BLACK  
Jefferson Plaza  
Santa Fe, New Mexico

For W. M. Galloway:

William F. Carr, Esq.  
CATRON, CATRON & SAWTELL  
Santa Fe, New Mexico

sid norrish reporting service

General Court Reporting Service  
825 Calle Meja, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

I N D E X

LARRY VAN RYAN

Direct Examination by Mr. Campbell	3
Cross Examination by Mr. Carr	9
Cross Examination by Mr. Stamets	12
Recross Examination by Mr. Carr	13
Recross Examination by Mr. Stamets	13

A. R. KENDRICK

Direct Examination by Mr. Carr	14
Cross Examination by Mr. Stamets	19

W. M. GALLOWAY

Direct Examination by Mr. Carr	21
Cross Examination by Mr. Campbell	36
Cross Examination by Mr. Stamets	38

E X H I B I T S

Southland Exhibit One, Map	8
Galloway Exhibit One, Plat	35
Galloway Exhibit Two, Document	35
Galloway Exhibit Three, Photograph	35

sid morrish reporting service  
General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

**sid morrish reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 MR. STAMETS: The hearing will please come to  
2 order. We'll call at this time Case 6144.

3 MS. TESCHENDORF: Case 6144. Application of  
4 Southland Royalty Company for two unorthodox locations and  
5 two non-standard gas proration units, San Juan County, New  
6 Mexico.

7 MR. STAMETS: Call for appearances.

8 MR. CAMPBELL: Michael Campbell with Campbell,  
9 Bingaman and Black, appearing on behalf of the Applicant,  
10 Southland Royalty Company.

11 MR. CARR: William F. Carr, Catron, Catron and  
12 Sawtell, appearing on behalf of W. M. Galloway.

13 MR. CAMPBELL: We have one witness, Mr.  
14 Examiner.

15 MR. STAMETS: Do you have any witnesses, Mr.  
16 Carr?

17 MR. CARR: Yes. I'd like to have Mr. Galloway  
18 sworn. I'd also like to have Mr. Kendrick sworn.

19 MR. STAMETS: Okay, will Mr. Kendrick and the  
20 witnesses please stand and be sworn?

21 (Witnesses sworn.)

22  
23 LARRY VAN RYAN

24 being called as a witness on behalf of Southland Royalty,  
25 and having been duly sworn upon his oath, testified as

1 follows, to-wit:

2

3

DIRECT EXAMINATION

4

BY MR. CAMPBELL:

5

Q. Would you please state your name and your position with Southland Royalty Company?

6

7

A. My name is Larry Van Ryan and I'm District Production Manager for Southland Royalty Company at Farmington, New Mexico.

8

9

10

Q. Have you previously testified before this commission?

11

12

A. Yes, I have.

13

MR. CAMPBELL: Will the Examiner accept Mr. Van Ryan as qualified to testify today?

14

15

MR. STAMETS: How has Mr. Van Ryan previously been qualified, as a petroleum engineer?

16

17

A. Yes.

18

MR. STAMETS: Okay, the witness is considered qualified.

19

20

Q. (Mr. Campbell continuing.) Mr. Van Ryan, would you please state what Southland seeks by its application in docket number 6144?

21

22

23

A. Southland is requesting by this application to rededicate forty acres originally dedicated to a well called the Browning-Stewart Number 4, located in the south

24

25

sid morrish reporting service  
General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

**sid morrish reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 half of Section 11, Township 28 North, Range 11 West, to  
2 a new well drilled in the southeast quarter of Section 10,  
3 the same township and range, thereby giving a hundred and  
4 twenty acres to the -- to the new well, the Number Five,  
5 and leaving a hundred and twenty acres for the old well,  
6 the Browning-Stewart Number Four.

7 Q I hand you what has been marked as Southland's  
8 Exhibit One and ask you whether this exhibit was prepared  
9 by you or under your supervision?

10 A It was prepared under my supervision.

11 Q Would you please explain Southland's Exhibit  
12 One?

13 A This is a map showing the sections in question  
14 and the location of the wells. It's color coded to show  
15 the dedication to the Browning-Stewart Number Four in  
16 Section Eleven. It's yellow color coded.

17 The dedication to Supron's Angel Peak Number  
18 Five Well is coded in orange, and the proposed rededication  
19 is shown in the cross hatched area for the Well Number Five.

20 Q Was this proration system in the area caused  
21 by U.S.G.S. survey deviations?

22 A Yes, it was. If you'll notice in Township  
23 28 North there are no sections one through six and this is  
24 due to a correction in the U.S.G.S. survey.

25 Q Would you please explain the circumstances

1 leading to Southland's drilling of the Browning-Stewart  
2 Number Five Well?

3 A. We, of course, looked at the area and there  
4 was -- we control an eighty acre lease in the southeast  
5 quarter of Section 10. We felt that this would be a very  
6 productive area to drill, so we made application to drill  
7 this well. We approached Supron, who we knew owned the  
8 other acreage, and asked them if they would participate in  
9 the drilling and they said they would. We received per-  
10 mission to drill the well. We understood that the full  
11 130 acres, or approximately 130 acres, were available for  
12 dedication to this well, and therefore we drilled and com-  
13 pleted the well before we were aware that lots one and two  
14 in the southeast quarter of Section 10 were actually dedi-  
15 cated to Supron's Angel Peak Well Number Five.

16 MR. STAMETS: Those are the two lots on Exhibit  
17 Number One that have the words not dedicated?

18 A. No, these are lots in Section 10, the farthest  
19 to the west, number one and two there.

20 MR. STAMETS: Okay, I'm --

21 A. They are color coded orange.

22 MR. STAMETS: And those lots, then, are no  
23 longer available for -- or never were available?

24 A. Never were; they were previously dedicated by  
25 Order Number 1446 to Supron's Angel Peak Number Five Well.

1 We weren't aware of this at the time.

2 Q Could you again specify the acreage that you  
3 seek to dedicate to both the Browning-Stewart Number Four  
4 and Five Wells?

5 A Yes, the south half of Section 11 and the  
6 south half of the southeast quarter of Section 10, the area  
7 that's in yellow and cross hatched is all one lease belonging  
8 to Southland Royalty Company. We at the present time have  
9 160 acres dedicated to the Browning-Stewart Number Four  
10 Well. This is all the yellow area.

11 Because of only the eighty acres available in  
12 the southeast quarter, we propose to take the forty acres  
13 from the southwest of the southwest quarter.

14 MR. STAMETS: Would you please come up here  
15 and point to this exhibit and show me what you're talking  
16 about? I'm not able to follow it, I'm sorry.

17 A These sections only exist as a half section  
18 because of the correction.

19 MR. STAMETS: Yes.

20 A And the area we're talking about is this yellow  
21 area and this cross hatched is all one lease.

22 MR. STAMETS: Okay.

23 A We would like to take this area, this forty  
24 acres, and dedicate it to this well, to take it from this  
25 dedication.

sid morrish reporting service

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212



**sid morrison reporting service**  
 General Court Reporting Service  
 825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
 Phone (505) 982-9212

1 MR. STAMETS: All right. So you would be  
 2 moving the cross hatched yellow area from the Southland  
 3 Royalty Number Four in Section 11 to Southland Royalty Num-  
 4 ber Five in Section 10; that's your proposal?

5 A. Yes, sir.

6 MR. STAMETS: Very good.

7 Q. (Mr. Campbell continuing.) Is the Browning-  
 8 Stewart Number Four Well an unorthodox location?

9 A. It is an unorthodox location from the north  
 10 line but this well has received an order for a non-standard  
 11 proration unit to produce -- an administrative order issued  
 12 in 1955. It is not changed to make it unorthodox now by  
 13 the rededication of acreage. It always has been and has  
 14 produced for a number of years.

15 Q. Is the Browning-Stewart Number Five Well an  
 16 unorthodox location?

17 A. It is now because of the Lots One and Two not  
 18 being available for this well. Prior to finding this out  
 19 it is not unorthodox, or was not.

20 MR. CAMPBELL: Mr. Examiner, I would move for  
 21 the introduction of Southland's Exhibit Number One.

22 MR. STAMETS: This exhibit will be admitted.

23 Q. Mr. Van Ryan, in your opinion would approval  
 24 of your application today prevent waste and protect cor-  
 25 relative rights?

**sid morrison reporting service**  
*General Court Reporting Service*  
 825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
 Phone (505) 982-9212

1           A.       Yes, it would, I believe. In requesting a  
 2 hundred and twenty acreage for both these wells it makes it  
 3 equitable for all people in the area.

4           MR. CAMPBELL: I have no further questions for  
 5 Mr. Van Ryan.

6           MR. STAMETS: Are there questions of the wit-  
 7 ness?

8           MR. CARR: Yes.

9  
 10                   CROSS EXAMINATION

11 BY MR. CARR:

12           Q.       Mr. Van Ryan, when did Southland Royalty ob-  
 13 tain approval to drill the Browning-Stewart Number Five?

14           A.       It would have been in July of 1977.

15           Q.       And from whom was this approval received?

16           A.       This was a Federal lease so it was obtained  
 17 from U.S.G.S.

18           Q.       Did the Oil Conservation Commission approve  
 19 this?

20           A.       Yes, they did.

21           Q.       And when did they approve it?

22           A.       It was in July of 1977.

23           Q.       Now how many acres did you initially intend  
 24 to dedicate to the Browning-Stewart Number Five?

25           A.       Approximately a hundred and thirty acres.

**sid morrish reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 Q. And what is the standard unit in this pool?

2 A. A hundred and sixty acres.

3 Q. So you had insufficient acreage at that time  
4 for a standard unit?

5 A. Yes.

6 Q. At the time you applied for approval from the  
7 Oil Commission did you notify any offset operators of your  
8 intention to form a non-standard unit?

9 A. No, we did not.

10 Q. An unorthodox unit. What procedures do you  
11 use to check the acreage that you plan to dedicate a well  
12 when you decide to -- the acreage you're going to dedicate  
13 to a well when you decide to drill one?

14 A. We normally -- well, of course, we have to  
15 check and see who owns the acreage and notify them or ask  
16 them if they'd like to join in drilling of it.

17 When they notify us that they do, we assume  
18 the acreage is not dedicated, assume that they control it.  
19 In this case we notified Supron and they did want to parti-  
20 cipate.

21 Q. And you relied on their representation?

22 A. Yes, we did.

23 Q. Now, while this pool was prorated did the  
24 Southland Royalty Company Browning and Stewart Well Number  
25 Four receive a full allowable?

**sid morrish reporting service**  
 General Court Reporting Service  
 825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
 Phone (505) 982-9212

1 A. Yes, it had a hundred and sixty acres dedi-  
 2 cated to it.

3 Q. Because it had the full acreage dedication,  
 4 and what you're suggesting now is that you shift forty of  
 5 these acres and dedicate it to the new Number Five.

6 A. Yes.

7 Q. When did Southland Royalty or Aztec acquire  
 8 the federal lease that's involved in this case today?

9 A. I'm not aware of the date it was acquired.

10 Q. When Southland acquires a lease do you check  
 11 as to the status of the surrounding acreage to see what  
 12 might be available to dedicate to wells which you may pro-  
 13 pose to drill on the lease?

14 A. Not normally at the time that it's acquired,  
 15 no.

16 Q. So if you had acquired this lease with one  
 17 well producing from one-sixty and eighty acres that were  
 18 not dedicated, you wouldn't necessarily have checked to see  
 19 if there was anything else available to dedicate to it?

20 A. No, I don't think that would be normal.

21 Q. All right. Now, are you familiar with the  
 22 structure underlying this general area?

23 A. Yes.

24 Q. Where is the best part of the structure? Is  
 25 it toward the east or west?

1 A. There's not normally what you would call a  
2 structure-type reservoir in this area. This is a general  
3 portion of the basin and it's not so structured.

4 MR. CARR: I have no further questions.

6 CROSS EXAMINATION

7 BY MR. STAMETS:

8 Q. Mr. Van Ryan, what -- do you know the order  
9 number which approved the non-standard proration unit for  
10 Well Number Four?

11 A. Yes, I do. I have a copy here.

12 MR. STAMETS: I'd like to have that.

13 A. This was an administrative order issued May  
14 17, 1955. It was NWU-57.

15 Q. Okay. Now, is the ownership common through-  
16 out what you've identified as the Browning-Stewart lease  
17 in Section 10 and Section 11?

18 A. Yes, this is all one Federal lease.

19 Q. So there would be no shift in any interest in  
20 royalty payments and so on because of the shift of this  
21 forty acre tract from one proration unit to the other?

22 A. That's correct.

23 Q. Okay.

24 MR. STAMETS: Any other questions of the wit-  
25 ness?

sid morrish reporting service

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 MR. CARR: If I may, I have one more.

2  
3 RECROSS EXAMINATION

4 BY MR. CARR:

5 Q Do you get the old price for gas from the Num-  
6 ber Four Well?

7 A I'm not sure of the price we receive on that.

8 Q Okay, and you wouldn't know if you're getting  
9 the new price on the Number Five?

10 A I'm not sure of that, no.

11 MR. CARR: That's all.

12 MR. STAMETS: There's just one more question  
13 myself.

14  
15 RECROSS EXAMINATION

16 BY MR. STAMETS:

17 Q What benefit occurs to Southland Royalty by  
18 moving the forty-acre tract?

19 A We hope to be more -- to have approved the  
20 acreage here to allow us to -- on which to produce the  
21 Number Five. We felt that a hundred and twenty acres is  
22 a more equitable allocation to the well than eighty acres.

23 MR. STAMETS: Okay. Any other questions of  
24 the witness? He may be excused. Anything further, Mr.  
25 Campbell?

sid morriss reporting service

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 MR. CAMPBELL: No, sir.

2 MR. STAMETS: Mr. Carr.

3 MR. CARR: Yes, sir.

4  
5 A. R. KENDRICK

6 being called as a witness on behalf of Southland Royalty,  
7 and having been duly sworn upon his oath, testified as  
8 follows, to-wit:

9  
10 DIRECT EXAMINATION

11 BY MR. CARR:

12 Q Will you state your full name and place of  
13 residence?

14 A A. R. Kendrick. I live in Aztec, New Mexico.

15 Q Mr. Kendrick, by whom are you employed and in  
16 what position?

17 A Employed by the Oil Conservation Commission as  
18 District Supervisor, District Three.

19 Q Have you previously testified before this Com-  
20 mission, and had your credentials accepted and made a mat-  
21 ter of record?

22 A I have.

23 MR. CARR: Are the witness' credentials ac-  
24 ceptable?

25 MR. STAMETS: The witness is recognized as a

sid morrish reporting service

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

**sid morrish reporting service**  
General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 well qualified engineer and District Supervisor. I hope  
2 that that's the area that you're questioning him about.

3 MR. CARR: It will, Mr. Examiner.

4 Q (Mr. Carr continuing) Mr. Kendrick, what  
5 check is normally made by the Oil Conservation Commission  
6 before it approves an application to drill and the accom-  
7 panying plat on Form C-103?

8 A The check encompasses several things which  
9 would include a check to see if we have wells completed on  
10 the acreage dedicated to the proposed well, and there was  
11 no other well drilled in the southeast quarter of Section  
12 10, Township 28 North, Range 11 West, when the application  
13 was submitted.

14 The acreage being dedicated to a well in an-  
15 other section was not readily available in our records.

16 Q Mr. Kendrick, has the application of Southland for  
17 Browning-Stewart Number Five Well been approved by the Oil  
18 Commission?

19 A Yes. It was approved and through an error in  
20 our office a non-standard unit constituting the southeast  
21 quarter of Section 10 was approved by myself through a  
22 normal course of events of the well having less acreage than  
23 the standard unit within the twenty-five percent tolerance  
24 authorized by Order R-1670.

25 Q Now there are a large number of irregular



**sid morrish reporting service**  
*General Court Reporting Service*  
 825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
 Phone (505) 982-9212

1 sections in this area, is that not correct?

2 A. Yes.

3 Q. Now, when a well is completed on a non-standard  
 4 unit, such as this, do the rules require that notice be  
 5 given to offsetting operators?

6 A. Yes, they -- the rules require that, but our  
 7 interpretation in our office is that if they apply for an  
 8 administrative order which does not necessitate a hearing,  
 9 then the operator would apply and not -- and would notify  
 10 all offsetting operators to the drill tract.

11 Q. Now, does the rule provide that that's a re-  
 12 sponsibility of the person seeking administrative approval?

13 A. Yes.

14 Q. In this particular case the Commission would  
 15 not know, would they, whether or not notice had been given?

16 A. Not unless the application for a hearing had  
 17 so stated.

18 Q. Now I'd like to ask you to look at Rule 104-D-2  
 19 and summarize what is required for administrative approval  
 20 to be given in a case such as the one before the Commission,  
 21 today.

22 A. The first paragraph says that any completed  
 23 gas well on a non-standard unit shall not be produced un-  
 24 til a standard unit for the well has been formed or a non-  
 25 standard unit has been approved. It authorizes the Secre-

**sid morrish reporting service**  
General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 tary-Director of the Commission to grant an administrative  
2 approval of a non-standard unit because of the size or  
3 shape of the section being outside of the tolerance for the  
4 size tract, provided that the non-standard unit lies  
5 wholly within a single government quarter section; and  
6 that the operator would apply in due form and notify all  
7 offset operators, then the Secretary-Director may approve  
8 that after a thirty-day waiting period, if he so desires.

9 Q Now, Mr. Kendrick, I'd like you also now to  
10 look at Rule 104 (h) and (i) and you can just summarize  
11 generally what they provide. I don't think it's necessary  
12 to read them.

13 A Paragraph (h) states that a standard drill  
14 tract will be one which varies in acreage less than one-  
15 half acre per forty, and paragraph (i) applies this to  
16 a hundred and sixty acre, or quarter section drill tract,  
17 which would imply that wells within two acres of one hundred  
18 and sixty acres would be standard drill tracts.

19 Q And if they're not standard drill tracts what  
20 is supposed to happen?

21 A If they are not standard drill tracts in pro-  
22 rated pools, the allowable would be adjusted up or down  
23 percentagewise to match the acres dedicated to the well.

24 Q Do you think it's a fair characterization of  
25 this rule to state that it permits a variation of maybe two

1 or three percent of the size of the drilling tracts?

2 A. Actually, no, it's less than two percent.

3 Q. Okay, sir. Now, it's always that the allowable  
4 would be reduced because they have fewer acres to dedicate,  
5 is that a fair statement?

6 A. Yes.

7 Q. Now, in a non-prorated pool is there anything  
8 the Commission can do to effectively restrict the production  
9 from a well?

10 A. I know of no rule which specifically sets it  
11 out except in prorated pools.

12 Q. Okay, a penalty wouldn't really be meaningful  
13 if the pool isn't prorated?

14 A. That's true.

15 Q. When can prorationing be instituted or under  
16 what circumstances?

17 A. Commission orders would have to be generated  
18 after a request from some party to ask for proration orders  
19 and they would have to be approved after hearing.

20 Q. Do the rules require that -- provide for any  
21 case other than the situation where the production exceeds  
22 the demand for the gas from the pool, is there any other  
23 case -- circumstance that could be the basis for such a  
24 request for prorationing?

25 A. Yes. At any time when correlative rights are

**sid morrison reporting service**  
General Court Reporting Service  
825 Calle Meja, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 in jeopardy, proration could be instituted by the Com-  
2 mission.

3 MR. CARR: I have no further questions of Mr.  
4 Kendrick.

5 MR. CAMPBELL: No questions.

7 CROSS EXAMINATION

8 BY MR. STAMETS:

9 Q Mr. Kendrick, is --- what pool are we talking  
10 about here?

11 A I think this is in the Fulcher-Kutz Pictured  
12 Cliffs Pool.

13 Q And the Fulcher-Kutz Pictured Cliffs Pool is  
14 covered by R-1670 as amended as to the acreage dedication  
15 and provisions for granting non-standard units?

16 A The Fulcher-Kutz Pool was covered by the  
17 R-1670 for proration purposes and has been relieved of pro-  
18 ration, along with three other Pictured Cliffs pools.

19 It is no longer prorated.

20 Q Is that all the Commission did, was remove  
21 the pool from prorationing but not remove the rest, the  
22 special pool rules?

23 A The special pool rulings had one hundred sixty  
24 acre spacing and statewide -- or excuse me -- basinwide  
25 gas well footage locations so that there were no real special

sid morrish reporting service

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 pool rules except for being prorated.

2 Q I would point out that Rule Five (b) of 1670  
3 does allow you, as you testified earlier, to approve non-  
4 standard units where the unorthodox size and shape was  
5 necessitated by a variation of a legal subdivision of U.S.  
6 Public Land Survey, and a non-standard unit is not less  
7 than seventy-five percent nor more than a hundred and twenty-  
8 five percent of a standard unit, and that you may approve  
9 the same by accepting a plat of the proposed non-standard  
10 unit and assigning an allowable.

11 Is that your understanding of the appropriate  
12 rule?

13 A Yes, sir.

14 Q Okay.

15 A And as a matter of course, in our office we  
16 do issue a small page which identifies that we have ac-  
17 cepted that plat and assigned that acreage to the well for  
18 the clarification of our office, for the operator, and for  
19 the office here in Santa Fe.

20 Q In response to a question Mr. Carr asked, con-  
21 cerning restriction of allowable in cases where there's a  
22 great deal of deviation from standard proration unit size,  
23 do we enforce -- or do we have the power to enforce the  
24 rate of take in cases such as that?

25 A I know of no power without proration purposes;

**sid morriss reporting service**  
General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 without formulas being assigned to it, in regular wells.

2 Q. Okay. You didn't mean it's not there; you're  
3 just not aware of it?

4 A. I'm not aware of it.

5 Q. Okay, thank you.

6 MR. STAMETS: Any other questions of the wit-  
7 ness? He may be excused.

8 MR. CARR: I'd like to call Mr. W. M. Galloway.

9  
10 W. M. GALLOWAY

11 being called as a witness on behalf of Southland Royalty,  
12 and having been duly sworn upon his oath, testified as  
13 follows, to-wit:

14  
15 DIRECT EXAMINATION

16  
17 BY MR. CARR:

18 Q. Will you state your name and place of residence,  
19 please?

20 A. I am W. M. Galloway, independent oil and gas  
21 operator.

22 Q. Mr. Galloway, have you previously testified  
23 before the Oil Commission and had your credentials accepted  
24 and made a matter of record?

25 A. No, I have not.

Q. Will you briefly summarize for the Examiner

sid morrish reporting service  
General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 your work experience?

2 A. Well, I was a banker for a long time, twenty-  
3 three years, but I was also in the oil and gas business at  
4 that time, and I sold my banking interest in January, 1970,  
5 and haven't really devoted my time to anything other than  
6 oil and gas business.

7 Q. Now when did you first work in the oil and gas  
8 business?

9 A. Well, when I was seventeen years old.

10 Q. Can you summarize what you have done in the oil  
11 and gas business since that time?

12 A. Well, I can't think of anything I haven't done.

13 Q. Well, why don't you give us some ideas of what  
14 you have done?

15 A. Well, I guess to make a long story short, I'm  
16 kind of a self-made petroleum engineer, geologist, what-  
17 ever. I do my own completion. I do my own geology and I  
18 was more or less -- well, I was reared on a ranch and it  
19 was oil and gas country down in Texas, and naturally I was  
20 associated with it, working on rigs and trucks, and this  
21 type of thing, when I -- before World War II, and then I  
22 went into banking when I came back.

23 In 1949 I drilled a deep dry hole up at Craig,  
24 Colorado, so we can go back that far, I guess.

25 Q. How many wells have you participated in the

**sid morrish reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

**sid morrison reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 drilling of?

2 A. Oh, probably at least a hundred, maybe more.

3 Q. Have these wells been in the San Juan Basin?

4 A. Quite a number of them.

5 Q. Where else have you participated in the drilling  
6 of wells?

7 A. Well, I have wells in Colorado and Texas.

8 Q. And you are the applicant in this -- or the --  
9 you're opposing the application in this case?

10 A. Yes, sir.

11 MR. CARR: Are Mr. Galloway's credentials ac-  
12 ceptable?

13 MR. STAMETS: Mr. Galloway is recognized as  
14 an expert independent oil and gas operator.

15 Q. (Mr. Carr continuing.) Will you refer to what  
16 has been marked as Exhibit One and explain to the Examiner  
17 what it is and what it shows?

18 A. Did you ask me a question?

19 Q. Would you refer to Exhibit One and explain to  
20 the Examiner what it is and what it shows?

21 A. Well, it hasn't been marked; this is Exhibit  
22 One, yeah. Okay.

23 This shows the acreage dedication -- dedicated  
24 in the area to the producing wells. In the dotted lines  
25 you will notice the various amounts of acreage that's dedi-



1 cated to each certain well.

2 Now, the black lines are the Federal lease  
3 lines.

4 Q The Pictured Cliffs wells are --

5 A And it only has Pictured Cliffs wells on it.

6 Q Does this show the acreage involved in the  
7 application of Southland Royalty Company?

8 A Yes. It shows the south half of the southeast  
9 quarter of Section 10, 28, 11.

10 Q And it also reflects the acreage dedicated to  
11 wells which you operate?

12 A Yes, it does.

13 Q Okay. Will you refer to what has been marked  
14 as Exhibit Two, explain to the Examiner what it is and  
15 what it shows?

16 A This Exhibit Two is -- shows six wells that  
17 has been plugged in the area. Now, four of these wells were  
18 plugged and redrilled. In other words, they required them  
19 to plug the well before they would drill another one.

20 And if you'll look in Section 34 there's a  
21 well there that's drilled right on the quarter quarter  
22 section line, but that well was drilled -- was spudded in  
23 December of 1925 and completed in December of 1927; had  
24 a shut in pressure of 560 pounds.

25 Q Mr. Galloway, what are the setback requirements

sid morish reporting service

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

**sid morrish reporting service**

*General Court Reporting Service*  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 from lease lines for development wells in this area?

2 A. In this area it is 790 feet each way.

3 Q. Okay, and what is the required acreage dedi-  
4 cation?

5 A. 160 acres.

6 Q. How many acres are presently dedicated to the  
7 Southland Royalty Company Well Number Four?

8 A. Well, they had on the plat that I got a copy  
9 of, a hundred and twenty-nine point eighty-seven dedicated  
10 but now, since that's dedicated to another well, I'd say  
11 I don't know what; I guess eighty acres would be what's  
12 left.

13 Q. I'm talking about the Southland Number Four,  
14 the old well.

15 A. Oh, Number Four?

16 Q. Yes, how many acres do they have dedicated  
17 to that well?

18 A. They have one hundred and sixty acres.

19 Q. Okay. Now, how many acres do you have dedi-  
20 cated to your Delo Number Four Well?

21 A. I believe that is one hundred and thirty point  
22 forty-nine.

23 Q. Okay. So you have a well offsetting this  
24 property with less than the required number of acres.

25 A. Yes, I do.

**sid morrison reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 Q Now, was the production from the Delo Well  
2 Number Four ever limited by the Oil Conservation Commission?

3 A Yes.

4 Q And how was this done?

5 A Well, it's a percentage factor because it has  
6 less acreage dedicated to it.

7 Q And you had a reduced allowable?

8 A Right.

9 Q Was the field prorated at that time?

10 A Yes, it was at that time.

11 Q Okay. To your knowledge was the allowable  
12 assigned to the Southland Number Four, their old well, ever  
13 reduced because of acreage factors or anything else?

14 A No, it was not, that I know of.

15 Q When did you drill your Delo Number Four Well?

16 A Well, I completed it in '73, I believe it  
17 was.

18 Q And did you fracture the well when you com-  
19 pleted it?

20 A Yes, I did.

21 Q How long did it take you to clean up this  
22 well?

23 A Well, this is a low pressure area and it takes  
24 a long time to clean them up. Whereas, you have virgin  
25 pressure, you know, it will clean up pretty fast, but we've

1 had a lot of trouble in this area for a long time cleaning  
2 up wells, and I'd say the Four took about two years before  
3 it really cleaned up and kind of stabilized.

4 Q Okay. What does this well produce now?

5 A It's only producing about two and a half million  
6 a month.

7 Q Okay. Now, when the Browning and Stewart  
8 Number Five was fractured, did you see any noticeable effect  
9 on your wells?

10 A I first noticed it in the Number Two, the  
11 well immediately south of there, as I started making more  
12 liquids, within probably two to three weeks.

13 Q Okay, and then what happened? Did you notice  
14 this in your other wells?

15 A Well, not as much as I did in the Two, but you  
16 can -- I noticed it in the Eight to the northwest and it's  
17 affecting that well now.

18 The Number Four is still making some liquids  
19 and it's, you know, you wouldn't notice it as much. And  
20 I had the Two cleaned up and the Eight, but I'm picking up  
21 liquids again now.

22 Q What sort of fracturing job did Southland do  
23 on the Browning and Stewart Number Five?

24 A Well, they fractured with I believe it was six --  
25 here it is, fifty-six thousand three hundred and five pounds

**sid morrison reporting service**  
*General Court Reporting Service*  
 825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
 Phone (505) 982-9212

1 of sand, twenty/forty grain, and sixty thousand one hundred  
 2 and forty-four gallons of water.

3 Q And how does this compare to the type of a  
 4 fracturing job you usually do when you complete a well?  
 5 In the area?

6 A Well, in this area I'd use anywhere from  
 7 fifteen thousand pounds to thirty thousand pounds, but I've  
 8 never used over thirty.

9 Q So this is twice what you would use.

10 A Just about, yes.

11 Q Now you know that at the present time there  
 12 are only eighty acres that are not dedicated. The testimony  
 13 here today has shown that.

14 A That's true.

15 Q Okay. Are you familiar with the -- generally,  
 16 with the acreage dedication in this area?

17 A Yes, I am.

18 Q Now, when Southland started to drill this well,  
 19 did you see the rig?

20 A Yes, I was drilling a well in the  
 21 Gallup Oil Field and I was by there during the time it  
 22 was drilling.

23 Q Did this give you any inclination that there  
 24 might be a Pictured Cliffs well being drilled?

25 A Well, I didn't dream that they were drilling

**sid morrish reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 a Pictured Cliffs well because we do have some Farmington  
2 sands and we do have some Fruitland sands in this area.

3 Q Now, I'd like to have you direct your testi-  
4 mony to Exhibit Number Three, which is the photograph of  
5 the well site.

6 Is this a picture of the sign on the well?

7 A Yes, it is.

8 Q Does this give you any inclination as to what  
9 might be going on at this location?

10 A Well, I can't figure out anything from it,  
11 other than it shows where it is.

12 Q Do you know what BOCO (sic) stands for?

13 A No, I don't.

14 Q Okay. Now, from a practical point of view,  
15 does it make any difference if forty, eighty, a hundred and  
16 twenty, or a hundred and sixty acres are dedicated to this  
17 well if nothing is done to limit the production? From the  
18 well?

19 A Well, it would be draining other standard  
20 units.

21 Q No matter what is dedicated to it, is that  
22 correct?

23 A That's true.

24 Q If nothing is done to correct this situation,  
25 do you believe your correlative rights will be impaired?

**sid morrish reporting service**  
 General Court Reporting Service  
 825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
 Phone (505) 982-9212

1 A. Yes, I do.

2 Q. In your opinion is the new Southland well in  
 3 a structurally better position than your wells?

4 A. It's not better than the Number Eight but it's  
 5 much better position than the Number Two and Four.

6 Q. From a structural point of view, where do you  
 7 think the best part of the field is?

8 A. The best part of the field is in Section --  
 9 goes through Section 11 and 34; I'd say the southwest  
 10 quarter of 34 and the -- would go right where you see  
 11 Number 11 on Section 11, and right through the southwest  
 12 quarter, but the pay is thicker and the wells in that area  
 13 have produced, oh, much more gas than anywhere around it.

14 Q. And the best part of the pay is to the east  
 15 of the wells in question, is that correct?

16 A. That is true. Well, east of Number Five.

17 Q. Now, suppose you leased the acreage that  
 18 Southland is proposing to dedicate to its new well, the  
 19 Browning Number Five, where would you drill on this tract?  
 20 Where they drilled the Browning Number Five?

21 A. I'd drill it just -- if I was going to use  
 22 that eighty, I'd drill it just as close to the northeast  
 23 corner of it as I could; 790 out of the corner each way.

24 Q. Now, how does the location of the Browning  
 25 and Stewart Number Five actually affect your wells?

1 A. Well, it's in a better position structurally  
2 and my gas has to be coming from the northeast.

3 Q. Does it do greater damage to you, in your opinion,  
4 than it would if it were drilled at the best possible loca-  
5 tion on acreage they propose to dedicate?

6 A. Yes, it damages me much more where it is than  
7 it would be if it was drilled over there in the south half  
8 of 11.

9 Q. Mr. Galloway, are there topographical conditions  
10 that would dictate drilling this well where it is drilled?

11 A. No, I couldn't find it.

12 Q. Now, Mr. Galloway, was the eighty acres that  
13 isn't dedicated to any well, was this acreage being drained?

14 A. Yes, I'd say that it was.

15 Q. And why --

16 A. It was being and mostly drained, yes.

17 Q. And what would indicate this to you?

18 A. Well, bottom hole pressure is what indicates  
19 it. The original well, the discovery well at 560 pounds of  
20 shut in pressure. Now, from records I obtained, their  
21 Number Four Well in Section 11, which was drilled in 1930  
22 and completed in '31, had a shut in pressure of 555 pounds.  
23 Now my Delo Two Well had a shut in pressure, I believe, it  
24 was 176 when I drilled it. The Number Four had a shut in  
25 of a little over 200, and then the Number Eight, I believe,



sid morish reporting service

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 was about a 182, something like that. So that indicates to  
2 me that the area is already being drained by the existing  
3 wells around, because you can drill a well half a mile from  
4 all the wells, you'll shut in within five or ten pounds of  
5 the producing wells on a seven-day shut in.

6 Of course we don't test these wells any more,  
7 but that was happening before proration went off in March  
8 of '74.

9 Q Do you believe this Southland Browning and  
10 Stewart Well Number Five to be an unnecessary well?

11 A Yeah, I think it's an economic waste.

12 Q Now when the non-standard unit was approved,  
13 applied for by Southland and approved by the Oil Commission,  
14 did you receive any notice whatsoever?

15 A No, I did not.

16 Q Was there anything at the well site that would  
17 indicate to you that they were drilling a Pictured Cliffs  
18 well?

19 A No.

20 Q Have you seen the results of the multi-point  
21 test on the Browning and Stewart Number Five?

22 A Yes, I have.

23 Q What would you estimate its potential to be?

24 A Well, the rate of flow during the -- or the  
25 cue, as we call it, during the test was 930. The AOF, abso-

1 lute open flow, was a million two thirty-six.

2 Q Okay. When you take these tests and compute  
3 potential, is it possible to adjust figures to affect the  
4 result?

5 A Well, if you had a non-standard location and  
6 you were being prorated, sometimes you might run your test  
7 up a little bit, you know, but I think Mr. Kendrick and  
8 the gentlemen here realize that this probably has happened  
9 at some time. In other words, if you had eighty acres and  
10 you were supposed to have 160, you would make your test as  
11 good as you could because you could only -- say you could  
12 only produce it fifteen days a month, well, you're going  
13 to make sure that that test is as good as it can be, be-  
14 cause you can produce more gas, see.

15 And you're speaking of when wells were pro-  
16 rated, right? And whether this ever happened?

17 Q Well, I didn't ask you if it ever happened.  
18 I just asked if it was possible.

19 A It is possible.

20 Q Do you believe that the Commission has suffi-  
21 cient staff or professional staff to assure that tests of  
22 this nature are -- correctly reflect the actual potential  
23 of a well?

24 A Yes, they're capable to witness a test. We  
25 have very qualified people.

**sid morrison reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

**sid morrison reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 lute open flow, was a million two thirty-six.

2 Q Okay. When you take these tests and compute  
3 potential, is it possible to adjust figures to affect the  
4 result?

5 A Well, if you had a non-standard location and  
6 you were being prorated, sometimes you might run your test  
7 up a little bit, you know, but I think Mr. Kendrick and  
8 the gentlemen here realize that this probably has happened  
9 at some time. In other words, if you had eighty acres and  
10 you were supposed to have 160, you would make your test as  
11 good as you could because you could only -- say you could  
12 only produce it fifteen days a month, well, you're going  
13 to make sure that that test is as good as it can be, be-  
14 cause you can produce more gas, see.

15 And you're speaking of when wells were pro-  
16 rated, right? And whether this ever happened?

17 Q Well, I didn't ask you if it ever happened.  
18 I just asked if it was possible.

19 A It is possible.

20 Q Do you believe that the Commission has suffi-  
21 cient staff or professional staff to assure that tests of  
22 this nature are -- correctly reflect the actual potential  
23 of a well?

24 A Yes, they're capable to witness a test. We  
25 have very qualified people.

sid morish reporting service  
General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 Q. And they could assure against abuse? They  
2 could assure against --

3 A. They could, and if they had an idea that it  
4 may be going on, they might require you to re-test and wit-  
5 ness it.

6 Q. Now are you familiar with the gas pricing situ-  
7 ation?

8 A. Yes, sir.

9 Q. Do you know whether or not the Browning and  
10 Stewart Number Four would be able to qualify for the new  
11 gas price?

12 MR. CAMPBELL: Mr. Examiner, I'm going to ob-  
13 ject. I don't see the relevancy of the gas pricing situ-  
14 ation. I understand a proration unit, I don't -- I don't  
15 understand the relevancy of this.

16 MR. CARR: Mr. Examiner, I think that one of  
17 the real questions here is, aside from how this whole situ-  
18 ation came about, is what the motives might be in drilling  
19 a well and attempting to produce it, and I think the new  
20 price for a new well on a lease is relevant.

21 MR. STAMETS: We'll let Mr. Carr go ahead with  
22 this line of questioning of this witness.

23 Q. (Mr. Carr continuing.) Mr. Galloway, in your --  
24 do you happen to know whether or not the Browning and  
25 Stewart Number Four would qualify for the new gas price?

sid morish reporting service  
General Court Reporting Service  
825 Calle Mejia, No. 122, San Juan, P.R. 00911  
Phone (505) 982-9212

1 A. The old well, Number Four?

2 Q. Yes.

3 A. No, it wouldn't.

4 Q. Would the Number Five?

5 A. Yes, sir.

6 Q. Do you have anything further to add to your  
7 testimony?

8 A. I don't believe I do, Mr. Carr.

9 Q. In your opinion will granting this application  
10 amount to condoning waste?

11 A. Yes.

12 Q. Will it impair correlative rights?

13 A. Definitely.

14 Q. Were Exhibits One through Three prepared by  
15 you or under your direction and supervision?

16 A. Yes, they were.

17 MR. CARR: At this time I would offer Galloway's  
18 Exhibits One through Three.

19 MR. STAMETS: These exhibits will be admitted.

20 MR. CARR: And I have no further questions on  
21 direct.

22 MR. STAMETS: Any questions?

23 MR. CAMPBELL: Just a few brief questions,  
24 Mr. Examiner.  
25

CROSS EXAMINATION

BY MR. CAMPBELL:

Q. Mr. Galloway, I believe you stated in your direct testimony that you noticed some effect on your Delo Number Two and Delo Number Eight Wells as a result of the Browning and Stewart Number Five Well, is that true?

A. That is correct.

Q. Isn't it correct to state that the Browning-Stewart Number Five Well is a standard location in terms of the south quarter section line? It's 790 feet north of the quarter section line, is it not?

A. It is from the south but it's 140 feet from the lease line.

Q. But that's only after the adjustment is made for the Lots One and Two, is that not correct?

A. Mr. Campbell, that just makes it closer to Number Four and Number Eight.

Q. The Browning - Stewart Number Five is more than 790 feet from the -- from the quarter section line separating your Delo Number Four Well, is it not?

A. Yes, it is.

Q. So it is standard to that side.

A. Well, it's a 140 feet from the lease line towards the Number Eight.

It would be standard on the Two and Four. Was

**sid morrish reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

**sid morrison reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 that your question?

2 Q It's standard from the Two and Four, that was  
3 my question.

4 A Right. I misunderstood you.

5 Q And you said -- you said also that you have --  
6 you have noticed the effect of this Browning and Stewart  
7 Number Five Well on your Delo Number Eight in the -- in  
8 the southeast quarter of Section 33.

9 A That's correct.

10 Q Now what kind of effect did you notice there?

11 A Well, I was moving about six million cubic  
12 feet a month the last few years on this well in the winter--  
13 time. Moving about four and a half million cubic feet the  
14 last volume statement that I had. So definitely my pro-  
15 duction has dropped for no rhyme or reason. Now we expect  
16 it to drop from year to year some, a small amount, but  
17 my Number Eight Well has about eighty feet of pay in it and  
18 so it isn't going to drop very fast, or shouldn't.

19 Q Now you're not prorated at your Delo Number  
20 Four any longer, are you?

21 A No, I'm not.

22 Q And that is a non-standard dedication at that  
23 location, is it not?

24 A 130.49 acres.

25 Q Is it your testimony that -- that the Browning-

**sid morrison reporting service**  
 General Court Reporting Service  
 825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
 Phone (505) 962-9212

1 Stewart Number Five Well is already drained?

2 A. It had a shut in pressure of 140 pounds where  
 3 virgin pressure was 560, so I would say that it's -- I'm  
 4 not saying that it's drained, but I'm saying most of it's  
 5 gone.

6 Q. And you are familiar with the million two  
 7 thirty-six AOF on the initial production test?

8 A. Right.

9 Q. And you still maintain that it is drained?

10 A. I didn't say that it was drained. I said most  
 11 of it was gone.

12 Q. Referring to your Exhibit Number Three, the  
 13 photograph, did you shoot the holes in our well sign?

14 A. What did your daddy tell you about me?

15 MR. CAMPBELL: I have no further questions.

16 MR. STAMETS: What was your answer to that  
 17 last question?

18  
 19 CROSS EXAMINATION

20 BY MR. STAMETS:

21 Q. Mr. Galloway, you mentioned that some of your  
 22 wells started producing liquids after the frac job on the  
 23 Number Five Well. What kind of liquids are you talking  
 24 about?

25 A. Water.



**sid morrison reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 Q Okay. How would you classify the producing  
2 capacities of the wells in this area? Are they low, very  
3 low, even lower than that?

4 A Well, it's been -- people have thought the  
5 area was drained for years. I suppose I wouldn't have ever  
6 got my acreage in there if there hadn't of been a dispute  
7 over it. They thought it was drained and I didn't, you  
8 know. I thought there was still some left. The area is  
9 getting real low in production but what has happened there  
10 is the line pressure that we produce against has steadily  
11 gone down over the years and therefore, you can produce a  
12 little more. I guess what I'm saying is once you get say  
13 a hundred foot of liquids in a well, it weighs forty-four  
14 pounds, so your bottom hole pressure is forty-four pounds,  
15 your well's dead. So we do have production problems in the  
16 area.

17 Q Let me ask you the question again. How would  
18 you characterize production? Is it low, very low, or ex-  
19 tremely low at this time?

20 A Well, if you're up here on the structure and  
21 where the pay is the thickest, and it gets up to a hundred  
22 feet thick in here, you still got fairly good deliverability.  
23 When you're off the structure, like I am, the wells were  
24 weak to begin with. Does that answer your --

25 Q Well, would you characterize it then as, say,

1 moderately good to fairly low?

2 A. Well, I don't know what's low and what's high.  
3 We got so much drainage and we've got so many areas similar  
4 to that, you know, Tapacita, and West Gooch, and I'd say  
5 that it's marginal gas production.

6 Not in your sense of classifying it as a mar-  
7 ginal well, some of them, but I'd say if you were looking  
8 at it from a geological engineering or a financial stand-  
9 point, that you would say this, you would be drilling a  
10 very low bottom hole pressure in a marginal field.

11 Q. With the productive capacities of wells in  
12 the area, is there any practical way to limit the take  
13 from any of these wells because of the acreage factor?

14 A. Is there any way?

15 Q. In your opinion, yes.

16 A. Well, I don't know whether there's -- as you  
17 say, this doesn't come up because when you have proration  
18 you could do it easy, but now that you don't have proration,  
19 I guess you could produce the same amount on ten acres as  
20 you could 160. I don't know how you control it, see. If  
21 the well is drilled on less acreage than it should have,  
22 then in my opinion it shouldn't be drilled, you know. Be-  
23 cause you've got -- you've got to be draining somebody  
24 else. If you will notice, this area is kind of blotched up  
25 anyway, and some of these dedications are most unusual, and

sid morrish reporting service

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 822-9212

1 that's because the wells were drilled so long ago and then  
2 proration came in later and they said, well, we've got to  
3 have 160 acres with each one of these wells, and where they  
4 didn't have it they'd limit production on them. So as they  
5 plugged a well or straightened it around, you know, they  
6 were trying to -- tried to get the acreage over where it  
7 belonged, and it's one of the areas that shows a state of  
8 confusion to begin with.

9 MR. STAMETS: Any other questions of this  
10 witness? He may be excused.

11 Anything further on either side.

12 MR. CARR: I have a closing statement.

13 MR. STAMETS: Mr. Carr.

14 MR. CARR: Mr. Examiner, this Commission as  
15 we all know is charged with protecting correlative rights.  
16 That's defined as, again as you know, but I think it would  
17 be useful to remember, it provides that the orders of the  
18 Commission shall so far as is practicable to do so, afford  
19 to the owner of each property in the pool an opportunity to  
20 produce his just and equitable share of the oil and gas or  
21 both, in the pool.

22 Now, I think the evidence here today has shown  
23 that correlative rights of offset operators will be impaired  
24 if this well is permitted to produce and the production is  
25 not restricted due to the fact that there are an insufficient

sid morrish reporting service

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 number of acres to dedicate to the well. It is simply  
2 authorizing another straw into the teacup, so to speak, and  
3 it will impair the other operators in the area.

4 Now, there are certain tools the Commission has  
5 to deal with these kinds of situations, prorationing being  
6 one, and it may not be practical to revert to prorationing  
7 in this situation.

8 The other is spacing. All spacing and well  
9 location requirements are designed to prevent uncompensated  
10 for drainage between tracts, and in an effort to cope with  
11 this problem, the Commission, by Rule 104, has provided  
12 certain general rules, whether we're dealing with standard  
13 units or non-standard units, I think it's important to  
14 keep in mind that this rule provides that spacing units  
15 should be in this area of tracts consisting of 160 acres,  
16 substantially in the form of a square, being a quarter  
17 section of the U.S. Public Land Survey, and then it provides  
18 well spacing requirements on these units.

19 Now, the well in question fails to meet any  
20 of these standards. And when you look at these standards  
21 and you look at the proposal before you today, it's hard  
22 to see how it could be taken really seriously.

23 Now, the Oil Commission can grant exceptions  
24 and can authorize unorthodox locations and non-standard  
25 units but Rule 104 (g) provides, and I quote: Whenever an

**sid morrish reporting service**  
General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 exception is granted the Commission may take such action  
2 as will offset any advantage which the person securing the  
3 exception may obtain over other producers by reason of  
4 the unorthodox location. It says may, that's discretionary  
5 in powers.

6 The protection of correlative rights is not  
7 your statutorily mandated to protect correlative rights,  
8 and here you are authorized to do something to protect those  
9 rights.

10 Now, the well in question, the Browning-  
11 Stewart Number Five, is in our opinion, not drilled at the  
12 best location on the acreage that is proposed to be dedi-  
13 cated to it. It is placed in such a position as to work  
14 as an effective barrier between Galloway's wells, two of  
15 them, anyway, and the best part of the pay in this general  
16 area.

17 Now, this may be the result of a mistake and  
18 confusion as the unit was put together. If there's a  
19 question concerning waste in this case, it would be whether  
20 or not the new well is an unnecessary well, but I think  
21 that questioning is now moot; the well is drilled. There  
22 again, because there was some confusion on it, I presume.

23 Now there are mistakes in the proceeding but  
24 I think the Commission should be reasonable and in looking  
25 at the results of this situation, they shouldn't construe

1 the mistakes against the people who didn't make them, and  
2 the offset owners did not.

3 Now, Southland has produced the Browning-  
4 Stewart Number Four throughout the entire time the pool was  
5 prorated. They have 160 acres and their allowable was not  
6 reduced. Prorationing was discontinued and they immediately  
7 want to shift their acreage and now put together a new well  
8 on the same lease that will qualify them for the new gas  
9 price. I think perhaps that is the motive for what has  
10 happened here.

11 Galloway, incidentally, during the time the  
12 field was prorated, had a reduced allowable because of in-  
13 sufficient acreage on Delo Number Four.

14 Now the Commission, as you know, is empowered  
15 to make rules, regulations, and orders and to do whatever  
16 may be reasonably necessary to carry out the purposes of  
17 the conservation statutes, whether or not indicated or  
18 specified in any section thereof. We think this is a time  
19 when the Commission should do something. We think you  
20 should limit the production based on the potential of the  
21 well. We think perhaps if that is impossible, you should  
22 deny the application and let the operators in the area come  
23 forward with some plan that makes some sense, because if  
24 you look at these plats and you look at the acreage dedi-  
25 cation, it's hard for anyone to see how anything in the

**sid morrish reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 area makes very much sense.

2 MR. CAMPBELL: Briefly, Mr. Examiner, I believe  
3 the problem that we're dealing with today initially stemmed  
4 from the U.S.G.S. Survey deviations in the area.

5 Southland Royalty Company initially sought to  
6 dedicate the entire quarter section of 10. Their informa-  
7 tion and the information available to the Oil Conservation  
8 Commission indicated that that full acreage was available  
9 for dedication. Southland drilled the Browning-Stewart  
10 Number Five Well at a standard location based upon that  
11 assumption. We later found out that Lots One and Two of  
12 the Supron Angel Peak Number Five dedication were no longer  
13 available.

14 At that point the well was sunk. We have come  
15 in today to -- to re-allocate acreage that we own through-  
16 out that area, to result in an equitable production unit  
17 of 120 acres.

18 We believe that Mr. Galloway himself has non-  
19 standard locations, non-standard units in that area. We  
20 believe that 120 acres, which we are seeking here today,  
21 is equitable. We've heard no testimony whatsoever as to  
22 an invasion of correlative rights other than an opinion  
23 testimony. We believe that our application is equitable  
24 and we would seek the Commission's approval of it. We don't  
25 believe that the Commission -- we don't know, but we would

sid morrish reporting service

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 argue that the Commission is not in a position to limit  
2 production as suggested by Mr. Carr, or to -- or to other-  
3 wise attempt to restrict our production in that non-prorated  
4 area.

5 MR. STAMETS: If there is nothing further the  
6 case will be taken under advisement.

7 (Hearing concluded.)  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**sid morrish reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212



REPORTER'S CERTIFICATE

I, Sally Walton Boyd, 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 re-  
cord of the said proceedings to the best of my knowledge,  
skill and ability.

Sally Walton Boyd  
Sally Walton Boyd, C.S.R.

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 6144  
heard by me on 2-22, 1978.  
Richard L. Plumb Examiner  
New Mexico Oil Conservation Commission

sid morrish reporting service  
General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
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  
April 12, 1978



STATE GEOLOGIST  
EMERY C. ARNOLD

Mr. Michael Campbell  
Campbell, Bingham & Black  
Attorneys at Law  
Post Office Box 2208  
Santa Fe, New Mexico 87501

Re: CASE NO. 6144  
ORDER NO. R-5676

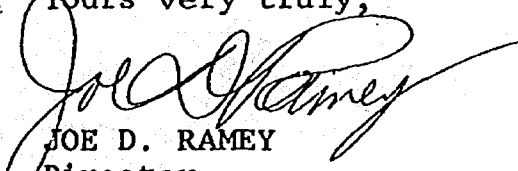
Applicant:

Southland Royalty 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 William F. Carr

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. Stakets, 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 Mellis 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 32 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 430-acre non-standard gas proration unit comprising the E/2 and NW/4 of Section 24, Township 20 South, Range 36 East, Hument Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its Gillully 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.



## Southland Royalty Company

January 16, 1978

Mr. Joe Ramey  
Secretary-Director  
New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico

Dear Sir:

Southland Royalty Company hereby requests a hearing before the Oil Conservation Commission in order to consider the rededication of acreage as described below.

*Arko Oil & Gas Co.* ✓ *Fulcher Kutz - PC*  
In August of 1977, the Browning Stewart #5, Pictured Cliffs well was drilled 1180' FSL & 1030' FEL of Section 10, T28N, R11W, San Juan County, New Mexico. The SE/4 of Section 10 was to be dedicated to the well. However, it has recently been brought to our attention that lots 1 and 2 of Section 10 are already dedicated to Supron's Angel Peak #23 located in Section 11, T28N, R11W, leaving only 80 acres available for dedication to the Browning Stewart #5.

At present, the S/2 of the S/2 of Section 11, T28N, R11W is dedicated to Southland Royalty Company's Browning Stewart #4, a Pictured Cliffs well located 1077' FNL & 2436' FEL of the given section. ✓

The S/2 of the S/2 of Section 11 and the S/2 of the SE/4 of Section 10 are all part of Southland Royalty Company's federal lease #SF-071867. It is requested that the SW/4 of the SW/4 of Section 11 be pulled away from the Browning Stewart #4 and rededicated to the Browning Stewart #5, thereby giving each well 120 acres.

This request for unusual dedication of acreage is the result of the irregular size of Section 10 in the USGS survey and the unusual acreage dedication approved earlier for Supron Angel Peak #23.

Your early consideration of this matter will be appreciated.

Yours truly,

*Curtis C. Parsons*  
Curtis C. Parsons  
District Engineer

CCP/eg

CC - Al Kendrick (NMOCC)

P.O. DRAWER 570 (505) 325-1841 FARMINGTON, NEW MEXICO 87401

Dockets Nos. 9-78 and 11-78 are tentatively set for hearing on March 8 and March 10, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 22, 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. Hutter Alternate Examiner:

CASE 6150: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the amendment of Rules 311, 312, 1117, and 1118 of the Commission Rules and the revision of Forms C-117-A and C-117-B, all for the purpose of regulating the handling and reporting of tank bottoms, sediment oil, miscellaneous hydrocarbons, and the operation of treating plants.

CASE 6151: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Vega Petroleum Corporation, American Employers' Insurance Company, and all other interested parties to appear and show cause why the North Caprock Queen Unit No. 1 Well No. 5Y located in Unit E of Section 8, Township 13 South, Range 32 East, Lea County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 6152: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Al Greer, American Employers' Insurance Company, and all other interested parties to appear and show cause why the Thompson Well No. 1 located in Unit N of Section 10, Township 30 North, Range 11 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 6153: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Mints-Kenaston and all other interested parties to appear and show cause why the L. A. McCoy Well No. 1 located in Unit B of Section 28, Township 30 North, Range 12 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 6154: Application of Read & Stevens, Inc. for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Calumet Ranch Unit Area comprising 5,760 acres, more or less, of Federal, State, and fee lands in Township 12 South, Range 27 East, Chaves County, New Mexico.

CASE 6155: Application of Gulf Oil Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the N/2 of Section 28, Township 23 South, Range 26 East, South Carlsbad Field, Eddy 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: (Readvertised)

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 28 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 6156: Application of Southland Royalty Company for an unorthodox location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its East Well No. 5A to be located 1120 feet from the South line and 1790 feet from the West line of Section 24, Township 31 North, Range 12 West, Blanco-Mesaverde Gas Pool, San Juan County, New Mexico.

CASE 6157: Application of Supron Energy Corporation for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas proration unit comprising the SW/4 of Section 13, Township 16 South, Range 33 East, Lea County, New Mexico, to be dedicated to a Morrow gas well test to be drilled thereon.

- CASE 6158: Application of C. H. Berry for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the NE/4 of Section 15, Township 24 South, Range 36 East, Jalmat Gas 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 6159: Application of Texaco Inc., for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Drinkard and Wantz-Granite Wash production in the wellbore of its A. H. Blinbry Federal Well No. 38 located in Unit J of Section 19, Township 22 South, Range 38 East, Lea County, New Mexico.
- CASE 6160: Application of Bass Enterprises Production Co., for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Delaware formation through the perforated interval from 3310 feet to 3375 feet in its Big Eddy Unit Well No. 56, located in Unit G of Section 35, Township 21 South, Range 28 East, Indian Flats-Delaware Pool, Eddy County, New Mexico.
- CASE 6161: Application of Tenneco Oil Company for two waterflood projects, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its Leonard Federal Lease by the injection of water into the Queen formation through one well in Unit O of Section 11, and on its Leonard Brothers Lease through two wells, in Units I and M, respectively, of Section 14, all in Township 26 South, Range 37 East, Leonard Queen Pool, Lea County, New Mexico. Applicant further seeks the establishment of an administrative procedure for the addition of injection wells and the conversion of existing wells to injection at both orthodox and unorthodox locations without further notice and hearing.
- CASE 6162: Application of Continental Oil Company for an unorthodox location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Jack B-30 Well No. 2 to be located 330 feet from the North line and 1725 feet from the East line of Section 30, Township 24 South, Range 37 East, Jalmat Gas Pool, Lea County, New Mexico, the NE/4 of said Section 30 to be simultaneously dedicated to the aforesaid well and to Well No. 5 in Unit H.
- CASE 6163: Application of Continental Oil Company for amendment of Commission Order No. R-3863, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to substitute its Anderson Ranch Unit Wells No. 6 located in Unit X of Section 2 and Nos. 3 and 10, located in Units A and H, respectively, of Section 11, all in Township 16 South, Range 32 East, for the initial injection wells authorized by said order in its Anderson Ranch-Wolfcamp Waterflood Project, Anderson Ranch-Wolfcamp Pool, Lea County, New Mexico.
- CASE 6164: Application of Shell Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Tubb, Wantz-Abo, and Brunson-Ellenburger production in the wellbore of its Shell State Section 2 Well No. 15 located in Unit K of Section 2, Township 21 South, Range 37 East, Lea County, New Mexico.
- CASE 6165: Application of Shell Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Drinkard, Hare-McKee, and Brunson-Ellenburger production in the wellbore of its Shell State Section 2 Well No. 3 located in Unit U of Section 2, Township 21 South, Range 37 East, Lea County, New Mexico.
- CASE 6166: Application of Odessa Natural Corporation for rescission of Order No. R-5601, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks a hearing at which any interested party could appear and show cause why Order No. R-5601, which granted a special well classification to applicant's ARCO-Little Fed. Well No. 1, located in Unit D of Section 32, Township 24 North, Range 3 West, Rio Arriba County, New Mexico, should not be rescinded.
- 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.

CAMPBELL, BINGAMAN AND BLACK, P. A.

LAWYERS

JACK M. CAMPBELL  
JEFF BINGAMAN  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL

FEB - 3 1978

CONSERVATION COMMISSION

Santa Fe  
POST OFFICE BOX 2208

JEFFERSON PLACE

SANTA FE, NEW MEXICO 87501

TELEPHONE (505) 988-4421

January 31, 1978

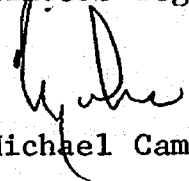
Ms. Lynn Teschendorf  
Legal Counsel  
Oil Conservation Commission  
Post Office Box 2088  
Santa Fe, New Mexico 87501

Re: Case No. 6144 -- Southland Royalty Company  
Application

Dear Lynn:

This letter is to confirm that because of an error in advertising, the above-styled case has been rescheduled for 9:00 a.m., February 22, 1978. Please let me know if this is not your understanding.

Kindest regards,

  
Michael Campbell

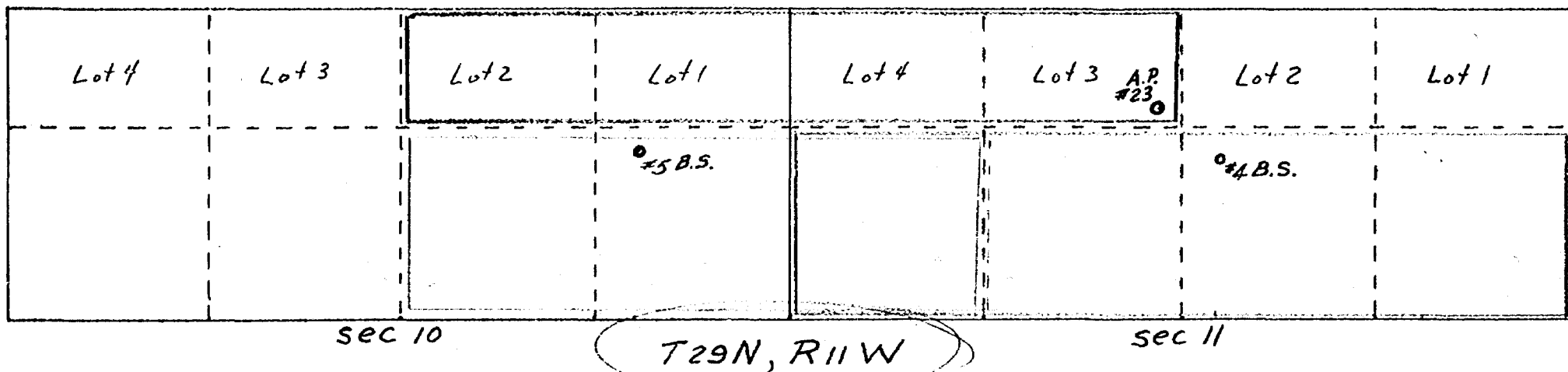
MC:dc

cc: Mr. L. O. Van Ryan



# Southland Royalty Company

## Browning Stewart #5 - Proposed Acreage Dedication



- Dedicated to Angel Peak #23
- Dedicated to Browning Stewart #4
- Proposed acreage for Browning Stewart #5
- = Acreage to be rededicated

*Should have  
been 28 North*

Case 6144



W. M. GALLAWAY  
INVESTMENTS  
101.2 PETROLEUM PLAZA BLDG.  
FARMINGTON, NEW MEXICO 87401  
505 - 325.6771

January 30, 1978

JAN 31 1978

Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Gentlemen:

This is with reference to Case No. 6144, your Docket No. 4-78, pertaining to application of Southland Royalty Co. for two unorthodox locations and two non-standard gas proration units, San Juan County, New Mexico. Your bulletin shows the applications in part of Section 10 and Section 11, Township 29 North, Range 11 West, Fulcher Kutz Pictured Cliffs pool. I believe this to be Township 28 North, Range 11 West.

I noticed a rig in August of 1977 working on a well north of my Delo #2 Pictured Cliffs well which has the Northeast Quarter of Section 15, T28N, R11W, dedicated to it. Also, it was offsetting my Delo #4 Pictured Cliffs well which has the West Half of Section 10 dedicated to it. Since August it appears to me that this is a new well. I have been by it at least ten times and there is no well sign and I haven't been able to find out who drilled it or why.

I realize all of Section 11, 28N, is dedicated to the Pictured Cliffs formation and Lots 1 and 2 of Section 10, 28, 11, is dedicated to Supron Energy Corporation's Angel Peak #5 well. Also Supron Energy Corporation has a #3 well in Section 11, 28, 11, and Aztec Oil and Gas has a #4 well in Section 11, 28, 11, as well as the #3 well in the Northwest Quarter of Section 14, 28, 11. Therefore, I can't understand where they are getting the acreage to complete any new well in the Pictured Cliffs formation.

Also, I might mention I have a Delo #8 Pictured Cliffs well in the Southwest Quarter of Section 33, 29, 11, which joins Section 10, so I have been offset in three directions with this well. No one has notified me of any unorthodox locations or anything to this date. It appears that I would never have known about the matter if I hadn't noticed it in your bulletin.

Oil Conservation Commission  
January 30, 1978  
Page 2

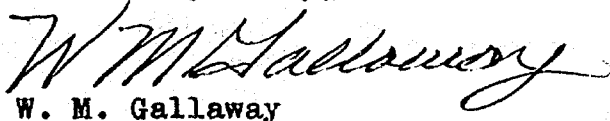
Since the South Half of Section 11 is already dedicated by Aztec Oil and Gas Company to their Browning-Stewart #4 well, it doesn't appear to me that they can change this dedication. If this were the case, I could dedicate the Northwest Quarter of the Northeast Quarter of Section 15 to this well when it is already dedicated to the Delo #2 well, or even part of the South Half of Section 10, all in 28, 11, all connecting to this well.

The only acreage I can find not dedicated to the Pictured Cliffs formation in this area is the South Half of the Southeast Quarter, of Section 10, 28, 11. Since this gas is not prorated, I don't understand how you could allocate production to 80 acres, or even 120 acres, in this area as you must realize it is loaded with Pictured Cliffs wells already and has been producing since February 28, 1928.

Please let me know what your findings are in this matter.

With very best wishes.

Yours very truly,

  
W. M. Gallaway

WMG:ji

cc: Mr. A. M. Wiederkehr, President  
Supron Energy Corporation  
Suite 1700, Campbell Centre  
8350 North Central Expressway  
Dallas, Texas 75206

Application of Southland Royalty Company  
for <sup>two</sup> non-standard gas proration units,  
San Juan County, N. M. Applicant,  
in the above-styled cause, seeks  
approval for two 120-acre non-standard  
gas proration units comprising the  
S/2 SE/4 <sup>of Section 10</sup> ~~and the~~ SW/4 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 T 29 N,  
R 11 W, <sup>or</sup> Tulcher Butte-Pictured Cliffs Pool, San  
Juan County, N. M.

Case Nos.?

DRAFT

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. 6144

Order No. R- 5676

APPLICATION OF SOUTHLAND ROYALTY COMPANY  
FOR <sup>TWO</sup> NON-STANDARD PRORATION UNITS AND TWO UNORTHODOX LOCATIONS,  
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 22,  
19 78, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this \_\_\_\_\_ day of \_\_\_\_\_, 19 78, 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, Southland Royalty Company, 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 28 North, Range 11 West, Fulcher  
Kutz-Pictured Cliffs Pool, San Juan County, New Mexico, ~~each~~  
<sup>applicant's Browning Stewart Wells Nos. 5 and 4, respectively,</sup>  
~~of~~ said units to be dedicated to ~~A well drilled at an~~ unorthodox  
location thereon.

Pictured Cliffs ~~Gas~~ Pool and that the entire non-standard  
gas proration units can be efficiently and economically drained  
and developed by the aforesaid well.

(4) That approval of the subject application will afford  
the applicant the opportunity to produce his just and equitable  
share of the gas in the Fulcher Kutz-Pictured Cliffs  
Pool, will prevent the economic loss caused by the drilling of  
unnecessary wells, avoid the augmentation of risk arising from  
the drilling of an excessive number of wells, and will otherwise  
prevent waste and protect correlative rights.

Case No. \_\_\_\_\_

Order No. R- \_\_\_\_\_

IT IS THEREFORE ORDERED:

(1) That a \_\_\_\_\_-acre non-standard gas proration unit in the \_\_\_\_\_ Gas Pool comprising the \_\_\_\_\_ of Section \_\_\_\_\_, Township \_\_\_\_\_, Range \_\_\_\_\_, NMPM, \_\_\_\_\_ County, New Mexico, is hereby established and dedicated to its \_\_\_\_\_, located in Unit \_\_\_\_\_ of said \_\_\_\_\_.

IT IS THEREFORE ORDERED:

(1) That two 120-acre non-standard gas proration units, the first comprising the S/2 SE/4 of Section 10 and the SW/4 SW/4 of Section 11, and <sup>the second</sup> comprising the SE/4 SW/4 and the S/2 SE/4 of Section 11, all in Township 28 North, Range 11 West, Fulcher Kutz-Pictured Cliffs Pool, San Juan County, New Mexico, <sup>are</sup> hereby established and ~~each of said units to be dedicated to a well drilled at an unorthodox location thereon.~~

*dedicated, respectively, to The Southland Royalty Company Browning Stewart Well No. 5 located 1180 feet from the South line and 1030 feet from the East line of said Section 10, ~~and the~~ and Browning Stewart Well No. 4 located 1077 feet from the North line and 2436 feet from the East line of said Section 11, which unorthodox locations are hereby approved.*

(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.

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. 6144  
Order No. R-5676

APPLICATION OF SOUTHLAND ROYALTY COMPANY  
FOR TWO NON-STANDARD PRORATION UNITS AND  
TWO UNORTHODOX LOCATIONS, SAN JUAN COUNTY,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 22, 1978, at Santa Fe, New Mexico, before Examiner, Richard L. Stamets.

NOW, on this 11th day of April, 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, Southland Royalty Company, 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 28 North, Range 11 West, Fulcher Kutz-Pictured Cliffs Pool, San Juan County, New Mexico, said units to be dedicated to applicant's Browning Stewart Wells Nos. 5 and 4, respectively, at unorthodox locations thereon.

(3) That the entire non-standard proration units may reasonably be presumed productive of gas from the Fulcher Kutz-Pictured Cliffs Pool and that the entire non-standard gas proration units can be efficiently and economically drained and developed by the aforesaid well.

(4) That approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of the gas in the Fulcher Kutz-Pictured Cliffs Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

-2-

Case No. 6144  
Order No. R-5676

IT IS THEREFORE ORDERED:

(1) That two 120-acre non-standard gas proration units, the first comprising the S/2 SE/4 of Section 10 and the SW/4 SW/4 of Section 11, and the second comprising the SE/4 SW/4 and the S/2 SE/4 of Section 11, all in Township 28 North, Range 11 West, Fulcher Kutz-Pictured Cliffs Pool, San Juan County, New Mexico, are hereby established and dedicated, respectively, to the Southland Royalty Company Browning Stewart Well No. 5 located 1180 feet from the South line and 1030 feet from the East line of said Section 10, and Browning Stewart Well No. 4 located 1077 feet from the North line and 2436 feet from the East line of said Section 11, which unorthodox locations are hereby approved.

(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*  
EMERY C. ARNOLD, Member

*Joe D. Ramey*  
JOE D. RAMEY, Member & Secretary

S E A L

jr/