

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 986

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES

COURT REPORTERS
605 SIMMS BUILDING
TELEPHONE 3-6691
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
December 14, 1955

IN THE MATTER OF:

CASE NO. 986

Application of El Paso Natural Gas Company and Albuquerque Associated Oil Company for approval of an unorthodox drilling and proration unit in the Blanco-Mesaverde Gas Pool, Rio Arriba County, New Mexico; or in the alternative, an order compulsory pooling of the acreage in question. Applicants, in the above-styled cause, request an order authorizing an unorthodox drilling and gas proration unit of 240 acres consisting of the following described acreage in Rio Arriba County: SE/4 and N/2 SW/4 of Section 15, Township 28 North, Range 5 West. In the alternative, applicants request that the Commission enter an order pooling the S/2 of Section 15, Township 28 North, Range 5 West, containing 320 acres, into an orthodox drilling and proration unit. The above acreage lies within the boundaries of the Blanco-Mesaverde Gas Pool and is also within the San Juan 28-5 Unit area heretofore approved by the Oil Conservation Commission.

BEFORE:

Honorable John F. Simms, Jr.,
Mr. E. S. (Johnny) Walker,
Mr. William B. Macey.

TRANSCRIPT OF PROCEEDINGS

MR. MACEY: The next case on the docket is Case 986.

MR. DANIEL: Leo R. Daniel, representing El Paso Natural Gas Company in Case 986. I will have two witnesses in this case, one being Mr. T. W. Bittick and the other Mr. Foster Morrell.

(Witness sworn.)

T. W. B I T T I C K,

called as a witness, having been first duly sworn, testified as fol-

lows:

DIRECT EXAMINATION

BY MR. DANIEL:

Q State your name, please. A T. W. Bittick.

Q What is your address? A El Paso, Texas.

Q And for whom do you work?

A El Paso Natural Gas Company.

Q What capacity?

A Area land man for the San Juan Area, San Juan, New Mexico.

Q Does the 28-5 Unit fall within your scope of supervision with El Paso Natural?

A Yes, sir.

Q Are you familiar with all the lands involved in this 28-5 Unit?

A Yes, sir.

Q Are you familiar with the S/2 of Section 15, which is in Township 28 North, 5 West?

A Yes, sir.

Q And I will ask you, is that in the 28-5 Unit Area?

A Yes, sir, it is included in that area.

Q I hand you El Paso Natural Gas Company's Exhibit No. 1, and ask you to describe what that is.

A It is a plat of the acreage included in the San Juan 28-5 Unit.

Q Was this particular plat prepared under your supervision?

A Yes, sir, it was.

Q And would you tell us in general what that plat shows?

A Well, specifically, the plat shows, colored in red, the

acreage which we propose as an unorthodox spacing Unit, it consists of the SE/4, N/2 of the SW/4, Section 15, Township 28, Range 5 West, and colored in blue is the S/2 of the NW/4 of Section 15, which we are seeking to exclude.

Q Are you familiar with the ownership of the S/2 of Section 15 there that you are looking at?

A Yes, sir, I am.

Q Would you tell us who, at the present time, in your mind, is the owner of the SE/4 and N/2 of the SW/4 of that section?

A That acreage is under federal lease, Albuquerque Associated Oil Company is the leasee and United States of America, Federal lease, Santa Fe 080516.

Q And is that particular area that we have just mentioned there, is that committed to the San Juan 28-5 Unit agreement?

A Yes, sir, it is.

Q Mr. Bittick, is the S/2 of Section 15 a proper drilling block under that particular unit agreement?

A Yes, sir, it is.

Q Would you classify, at the present time, that particular S/2 of Section 15 as an intervening drilling block?

A Yes, under the terms of the 28-5 unit agreement, the S/2 of Section 15 was, and designated as such in the participating area effective January 1, 1955.

Q Are you familiar with the ownership of the S/2 of the SW/4 of Section 15?

A Yes, sir.

Q Who owns that, in your opinion.

A According to the information available to us, it belongs to

Mr. Manuel Trujillo of Lumberton, New Mexico.

Q Has that acreage been committed to the San Juan 28-5 Unit agreement?

A It has not.

Q Would you define for the Commissioner here what we mean when we say intervening drilling block?

A Well, under the terms of the Unit agreement, the N/2 and S/2 of various sections are set up as the proper drilling blocks for Mesaverde wells, and they, as commercial well is completed, it is taken into the participating area for the Mesaverde Formation. At such time as you have a completed well, for instance, Section 14 in the S/2 and Section 16 in the S/2, under the terms of the Unit agreement, the intervening drilling block comes into the participating area the same date that the second commercial well is completed there.

Q At what time was this particular intervening drilling block brought into the Unit?

A January 1, 1955.

Q And as such, under the terms of the Unit agreement, when must a well be completed in that drilling block?

A January 1, 1956.

Q I would like to point out to the Commission that the San Juan 28-5 Unit agreement was approved by the Commission as well as the Commissioner; that is a copy of that that is on file with you all at this time, and just for matters of reference, I would like to pass copies of that particular Unit agreement among you, and Unit operating agreement itself.

Mr. Bittick, who is operator of that particular Unit 28-5?

A El Paso Natural Gas Company.

Q And, as such, are they obligated to drill this particular well that we are talking about?

A Yes, we are under the terms of the Unit agreement, the operating agreement.

Q And that has to be drilled by what date?

A January 1, 1956.

Q Has the S/2 of the SW/4 been committed to the Unit agreement?

A No, sir.

Q Actually, without the Commission's approval can such a well be commenced until the S/2 of the SW/4 has been committed to the intervening drilling block of the Unit agreement?

A Well, it cannot be commenced until the entire S/2 is dedicated to the well.

Q You are familiar with the application in this matter?

A Yes.

Q And you are familiar with the fact that Albuquerque Associated has joined with us in this?

A Yes, sir.

Q To your own knowledge, do you know whether or not Albuquerque Associated is ready, willing and able to put up their money in this well?

A Yes, sir, they are.

Q Have they consented to the drilling of this well?

A Yes, sir.

Q To your knowledge, has Mr. Manuel A. Trujillo, the owner of this, been contacted?

A Yes, sir.

Q By El Paso? Would you tell us what your knowledge is of that

contact?

A El Paso Natural Gas Company requested Mr. Foster Morrell to contact Mr. Trujillo and make an attempt to either lease the land or in some way get Mr. Trujillo's consent to drill the well and put up the necessary cost

Q Do you know what the outcome of that contact was, to your knowledge?

A The outcome was this application.

Q El Paso is just wondering where the money is coming from in this particular thing. Incidentally, we are interested in that. Did you, at the time you filed this application, was all of the working interest owners of this particular unit 28-5 contacted and asked whether or not they would concur in such an unorthodox drilling block, proration unit we have asked for?

A Yes, they were. Every working interest owner in the unit was contacted and we asked their concurrence in the matter.

Q How many working interests, approximately, owners are there in this unit?

A I don't know. Let me have that list there. There are about twenty working interest owners in this here.

Q Have any of those working interest owners concurred in this application?

A The working interest owners representing about the ownership of about eighty-five per cent of the acreage in the unit have concurred in our application.

Q Have there been any objections?

A No objections.

MR. DANIEL: I would like to submit to the Commission copies.

photos of letters of concurrence on the part of working interest owners that have been turned in. These are 34 sets, just for reference.

Q I will ask you, Mr. Bittick, if Mr. Trujillo does not commit his acreage to the Unit, and in the event the Commission sees fit to order a compulsory communitization of this S/2, would you tell me what difficulties would be inherent in such communitization agreement in obtaining it and expediting it?

A Due to the fact that the two hundred and forty acres owned by Albuquerque Associated Oil Company is included in the Unit, we feel that there are many legal problems which have not been settled as yet and that compulsory communitization would not settle them, and therefore we feel at this time, in all probability, for any type of communitization agreement, we would have to obtain the signatures of all working interest owners, royalty owners and overriding royalty owners. In other words, everyone who originally signed the agreement would have to concur.

Q That would be numerous people, I presume?

A Yes, it would.

Q To your knowledge, has El Paso, they have attempted to take a lease or obtain the joinder to this unit from Mr. Trujillo?

A Yes.

Q El Paso is still willing to take a lease on Mr. Trujillo's land at this time?

A Yes, sir, we are willing to lease it or have him lease it to anyone else as long as it is committed, and we can get the money for the well.

MR. DANIEL: We have no other questions at this time. I

would like to introduce into the record this El Paso Exhibit No. 1.
That is all the questions I have of this witness.

MR. MACEY: Without objection, the Exhibit will be received.
Are there any questions of the witness? No questions, the witness
may be excused.

(Witness excused.)

MR. DANIEL: The next witness is Mr. Morrell.

F O S T E R M O R R E L L,

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

DIRECT EXAMINATION

BY MR. DANIEL:

Q You have already been sworn? A Yes, sir.

Q Would you give your full name, address and occupation?

A Foster Morrell, Petroleum Consultant, Roswell, New Mexico.

Q Mr. Morrell, have you ever been requested on the part of El Paso Natural Gas Company to contact Mr. Manuel A. Trujillo with regard to committing his acreage in the S/2 of the SW/4, Section 15, Township 28, North, Range 5 West?

A Yes.

Q Would you tell us in your own words there how this came about and the story involved with it?

A Early in September of this year, I was requested by El Paso Natural Gas Company to contact Mr. Manuel A. Trujillo, to obtain either for El Paso Natural Gas Company a lease and commitment to the San Juan 28-5 unit agreement or to encourage Mr. Trujillo to lease the land to others so that it might be committed to the unit or to have him join the unit as a working interest owner in order that the well

on the intervening block, as has been testified heretofore, could be drilled within the time specified. That is, it must be commenced under the terms of the unit agreement before January 1, 1956. Numerous attempts were made to contact Mr. Trujillo; being in Lumberton, it was very difficult. Attempts were made by phone, letters, telegrams, and through his attorney, Mr. E. P. Ripley, of Santa Fe, New Mexico. I was able to see Mr. Trujillo in October, but at the time we met in Mr. Ripley's office, Mr. Ripley had been, unfortunately, called away to Kansas on account of the death of his brother; Mr. Trujillo would not make any statements in the absence of his attorney. On November the 20th, I personally visited Mr. Trujillo at his home in Lumberton, I fully explained the situation as to the necessity for the drilling of the well in the S/2 of Section 15, 27 -- Township 28 North, Range 5 West, explaining definitely that it was desirable to have the 80 acres committed to the well, that he had the opportunity to either lease to El Paso, to others, or to join the unit as a working interest owner. No constructive action was taken by Mr. Trujillo and we were faced with the necessity of the application which is now before you and the Case 986, this application was also explained to Mr. Trujillo so that he would be aware of the action that would be necessary by El Paso Natural Gas Company after they had exhausted all other means at hand to permit the drilling. Subsequently, I explained the entire situation to Mr. Ripley and still no constructive action has been taken, and the well must be commenced pursuant to the terms of the unit.

Q Do you know of your own knowledge, Mr. Morrell, whether a well location has been made by El Paso in the S/2 of Section 15?

A It is my understanding that it was made in the NE/4 of the

SW/4 Section 15, and El Paso has been ready, willing, and able to commence the well since early in September this year.

Q Is El Paso, to your knowledge, still willing to lease this land or afford him an opportunity to come in before the well is drilled?

A That is my understanding.

Q Or in any way joining with us on that?

A That is correct.

Q In your opinion, could a well be drilled on and produced from an unorthodox drilling unit composed of the SE/4 and NE/4 of Section 15 without waste?

A It could.

MR. DANIEL: I have no further questions.

MR. MACEY: Does anyone else have a question of the witness?

CROSS EXAMINATION

BY MR. KITTS:

Q Do you know of your own knowledge, Mr. Morrell, that Mr. Trujillo owns the area as shown on the map?

A It is my understanding that that is also Mr. Trujillo's, according to Mr. Ripley, his attorney.

Q He does not own any other land joining there?

A Not at this time.

MR. NUTTER: A reference has been to Mr. Trujillo as owner, and yet, it shows that in the Exhibit, that it is owned by Jose Prexides Trujillo.

A The reason that was that, he was assumed to be the land owner at the time the unit agreement was initiated in 1953, and a letter was so directed to Jose in Lumberton. Since that time, Jose has assigned the lease to Manuel, and the lease has had a quiet title suit.

decision finally rendered by the Supreme Court of New Mexico in favor of Manuel A. Trujillo, according to Mr. Ripley.

MR. KITTS: Mr. Morrell, in your conversation with Mr. Trujillo and Mr. Ripley, did either of them at any time indicate that Mr. Trujillo was going to reserve his right to drill separately on the tract? Was that mentioned?

A That was mentioned. He said, "I might," and that was all, but no constructive action has been taken.

MR. UTZ: Do you know the foot location of the proposed well in Section 15?

A I don't have personal knowledge of the footage description; I could guess with you.

MR. MANKIN: Has the location been approved by the Federal Government for a starting well?

A That, I am not in a position to state.

MR. MACEY: Does anyone else have a question of the witness?

CROSS EXAMINATION

BY MR. MACEY:

Q Mr. Morrell, do you know why Mr. Trujillo, do you have any knowledge of why Mr. Trujillo refused to join the unit agreement or to put his acreage into it, dedicate it to the well?

A I have no specific knowledge; I have opinions.

Q Do you care to express them?

A Well, I think he wants to hold off for as much as he can get.

Q I would like to know, don't we all. I would like to know if Mr. Trujillo had dedicated his acreage to the unit, in other words, he signed a unit agreement, and El Paso went in and drilled a well, as they are required to do, what would be Mr. Trujillo's position in re-

gard to payment for that well as to whether he would have to pay cash for his share of the well?

A The provisions of the unit operating agreement are such that the unit operator can request the cash in advance, based on an estimate of the total cost of the well, and, under the circumstances, I imagine that that would be, it would be my opinion that that would be the procedure that El Paso would use. Mr. Trujillo, by joining the unit agreement and unit operating agreement as a working interest owner, would participate as of the first day of the calendar month following the filing of his joinder with the supervisor and the Commission.

Q What if Mr. Trujillo wasn't in financial position to pay for the approximate twenty thousand dollar cost of the well, if he had entered it, is there any terms, any provisions in there?

A I believe there are provisions for delayed payments plus six per cent interest. I might also clear one statement that was made that might be confusing to the Commission, that although the S/2 of Section 15 is an intervening drilling block, effective January 1, 1955, and as such, has had attributed to it a percentage of production from the unit, but, that allocation of production to the S/2 of 15 as the intervening drilling block is made only to the two hundred and forty acres that is committed to the unit agreement. In other words, there is no allocation under the unit agreement to the lands that are not committed to the unit agreement.

MR. MACEY: For the purpose of the record, I have a letter here addressed to the Oil Commission from Mr. E. P. Ripley, dated December 10, "regards to the application for approval of El Paso Natural Gas and Albuquerque Associated Oil Company to drill non-conforming

wells in Section 15, Township 28 North, Range 5 West. Gentlemen:

Mr. M. A. Trujillo, owner of the acreage involved, asked that I write you advising that he does not propose to contest the application. This decision is without prejudice to Mr. Trujillo's future rights. Yours very truly, E. B. Ripley.

MR. DANIEL: I would like to clarify something with the witness here. Isn't Mr. Manuel A. Trujillo's interest in this land a mineral, rather than a lease hold interest?

A It is a mineral interest, this is fee land, that is correct.

MR. DANIEL: That is all.

CROSS EXAMINATION

BY MR. NUTTER:

Q I don't know whether you stated or not, but what is the estimated cost of the well that is to be drilled?

A In this area, the rough estimate is \$80,000.

Q And Mr. Trujillo's land is 25%?

A One-fourth of it, and his share would be \$20,000, that is correct.

MR. MACEY: Does anyone else have a question of the witness? If not, the witness may be excused. Do you have anything further?

MR. DANIEL: That is all.

MR. MACEY: Nothing further, we will take the case under advisement.

* * * * *

C E R T I F I C A T E

STATE OF NEW MEXICO)
:ss
COUNTY OF BERNALILLO)

I, THURMAN J. MOODY, Court Reporter, do hereby certify that the

foregoing and attached transcript of proceedings before the Oil Conservation Commission for the State of New Mexico, held on Wednesday, December 14, 1955, is a true and correct record to the best of my knowledge, skill and ability.

WITNESS MY HAND, this, the 30th day of December, 1955.

Phurman J. Moody
Court Reporter.