

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
October 4, 1957

TRANSCRIPT OF HEARING
CASE NO. 1321

DEARNLEY - MEIER & ASSOCIATES
INCORPORATED
GENERAL LAW REPORTERS
ALBUQUERQUE, NEW MEXICO
3-6691 5-9546

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
October, 4, 1957

IN THE MATTER OF:)

)
Application of San Juan Gas)
Corporation for approval of)
the San Juan 25-2 Unit)
Agreement in Rio Arriba)
County, New Mexico.)
)

CASE NO. 1321

BEFORE:

ELVIS A. UTZ, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: The next case on the Docket this morning will
be Case No. 1321.

MR. COOLEY: Case No. 1321. Application of San Juan Gas
Corporation for approval of the 25-2 Unit in Rio Arriba County,
New Mexico.

FOSTER MORRELL

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. COOLEY:

Q Would you state your name and occupation, please?

A My name is Foster Morrell, Petroleum Consultant, Roswell,
New Mexico. I am appearing here in Case No. 1321 on behalf of San
Juan Gas Corporation, an Oklahoma Corporation, as applicant for

approval of the San Juan 25-2 Unit Agreement, Rio Arriba County, New Mexico.

Q Mr. Morrell, have you previously testified before the New Mexico Oil Conservation Commission as an expert witness?

A I have.

MR. COOLEY: Are the witness' qualifications acceptable?

MR. UTZ: They are.

Q Would you please proceed, Mr. Morrell?

MR. COOLEY: Are there any other parties appearing in this case?

MR. HOLLAND: I would like to appear. Edward R. Holland, representing A. G. Hill and Margaret H. Hill.

Q Would you like a copy of the Unit Agreement, Mr. Holland?

MR. HOLLAND: No, I don't think I will need one, thank you.

(Discussion off the record)

A If the commission please, I would like to move that we enter into the Case No. 1321 that portion of the record of Case No. 1320 which pertains to the form of Unit Agreement, the matter of participation, establishing the drilling blocks which are identical under Case 1320, and Case 1321.

Q Mr. Morrell, are the provisions of the Unit Agreement offered here in Case 1321 identical to those in Case 1320?

A The provisions of the Unit Agreement under Case 1321 are

identical to Case 1320 except that under Case No. 1321 in addition to the approval of the New Mexico Oil Conservation Commission, provision is incorporated for the approval by the Commissioner of Public Lands of the State of New Mexico, in as much as there is 320 acres of state lands within the San Juan 25-2 Unit Area.

In addition to that the other change is the drilling provision for the initial test program. In the San 25-2 Unit Agreement provision is made for the drilling of a minimum of ten wells to be commenced within one year from the effective date of the Unit Agreement. At least four of which should be exploratory and one of such ten wells shall adequately test the Mesaverde formation.

The other change would be the acceptable drilling block or irregular or incomplete sections which are again listed under "T", in the Unit Agreement for the San Juan 25-2 Unit.

Would you like to put those in the record?

MR. COOLEY: Note them later on. With the exception just noted by the witness, Mr. Morrell, will the Examiner rule on the motion?

MR. UTZ: Any objections to Mr. Morrell's motion? If not, that portion of the record of 1320 pertaining to the Unit Agreement as to form, participation and so forth will be incorporated in Case 1321.

A The San Juan 25-2 Unit Agreement was approved by the Acting Director as to form on October 5, 1956, copy of which is

offered herewith as Exhibit 1, by letters of January 11 and January 18, 1957.

The Acting Director of the Geological Survey modified said approval as to form, with regard to the language in Section 2(e). Copies of these letters are entered as Exhibits 2 and 3, and are identical with Exhibits 2 and 3 in this case and Number 1320, the letters referring to both Unit Agreements in the same letter.

Further amendment to the form of Unit Agreement was approved by the Acting Director, a letter dated September 30th in response to letter dated September 9th from San Juan Gas Corporation to the Director regarding minor changes in Sections 10 and 20. Copies of these letters are offered as Exhibits -- San Juan's letter of September 9th being Exhibit 4 and the Acting Director's letter of September 30th being Exhibit 5.

Under dates of October 16th and October 30th, 1957, the Commissioner of Public Lands of the State of New Mexico approved the form in context of the San Juan 25-2 Unit Agreement. The copy of the Unit Agreement incorporating the original and amended provisions referred to in the letters heretofore mentioned, is offered as Exhibit 6. This is the form of agreement which is now being circulated for execution by interested parties of the Unit Area, Exhibit "A", and a schedule of lands and leases and ownerships thereof, Exhibit "B", within the Unit Area.

The Unit Area embraces 19,496.76 acres more or less in Rio

Arriba County, New Mexico. A complete and detailed description of such is incorporated in the notice for Hearing under 1321, being Sections 1 through 30 inclusive and all of Section 33 through 36 inclusive in Township 25 North, Range 2 West. Within the area there are 11,603.90 acres of federal lands or 59.52% of the Unit Area. 320 acres of state lands or 1.64% of the Unit Area and 7,572.86 acres of patented lands or 38.84% of the Unit Area.

The form of agreement follows the standard form recommended by the Department of Interior, modified to include provisions for approval and actions by the Commissioner of Public Lands of the State of New Mexico and the Oil Conservation Commission and for the establishment of 320 acre drilling blocks comprising the east half and west half of each governmental section for all formations lying above the base of the Mesaverde formation.

In case of irregular or incomplete sections within the Unit Area, namely Sections 7, 18, 19, and 30, acceptable drilling blocks are set forth under Section 11 as follows: In Section 7 lots 1, 2, 3, 4 of Section 6, and lot 1 of Section 7, in Section 18 lots 2, 3, 4 of Section 7, and lots 1 and 2 of Section 18. That is the single drilling block.

Another separate drilling block would be lots 3, 4, 6 and 18 and lots 1, 2, 3, Section 19. The fourth drilling block would be lot 4, Section 19, and lots 1, 2, 3, 4 of Section 30.

MR. UTZ: Mr. Morrell, I believe if I may interrupt you

a moment, I believe we better get those clear. You are actually asking for non-standard units for these?

A For participating purposes and, in effect, one non-standard unit. We have incorporated these in the Unit Agreement now to avoid having to go back and do what we did in the 28-7 Unit where we had half section that didn't comply with the definition of a drilling block and had to get a separate commitment by all the working interest owners.

A I would say in answer to your purpose, however, that there should be some showing separately made to the commission before a well is drilled to these drilling blocks which are set up for participating purposes with respect to the non-standard provisions, which could be done if all offset operators concurred by administrative action or otherwise by Notice and Hearing.

MR. UTZ: Your testimony in regards to these units is only in so far as participation?

A Drilling blocks for participating purposes that is what is set forth in the Unit Agreement.

MR. UTZ: Proceed.

A This Unit Agreement, sometimes referred to as the "Township" or "Block" type of Unit Agreement is in all respects essentially the same form as nineteen other agreements heretofore approved by the Oil Conservation Commission and listed by number in Case Number 1320.

By previous motion adopted by the commission, with respect to participation under the San Juan 25-2 Unit Agreement, under drilling blocks above the formations above the base of the Mesaverde, or for the establishment of participating area by geologic on participating wells in a lower formation, is the same as that set forth for the form of Unit Agreement for San Juan 24-2 Unit as testified in Case 1320.

In Section 10 of the San Juan 25-2 Unit Agreement a minimum of ten wells are required to be commenced within one year from the effective date of the Unit Agreement, four of which shall be exploratory and one shall adequately test the Mesaverde.

As of the date of this Hearing twenty-six wells have been drilled within the Unit Area to test the Pictured Cliffs formation. One of the wells located in the southwest quarter, southeast quarter Section 9, tested the Mesaverde formation. It is now temporarily abandoned or shut-in and may be recompleted as a producing well in the Pictured Cliffs.

The tabulation of wells drilled is entered as Exhibit 7. From this tabulation it will be noted that thirteen wells have been completed and tested to have an absolute open flow capacity ranging from 300 MCF per day to 5300 MCF per day. These thirteen wells are located in the northwest and southeast quarters of Section 11, Southeast quarter of Section 13, the northwest and southeast quarters of Section 14, the northeast quarter of Section 15, the

northwest quarter of Section 22, southeast quarter of Section 23, northwest quarter of Section 24, the southeast quarter of Section 24, the northwest quarter of Section 25 and the southeast quarter Section 26 and the northwest quarter of Section 36.

MR. UTZ: The northwest of Section 24 did not have a well on it?

A The northwest of 24 does. I got a little twisted there, I will have to go back and check that.

MR. UTZ: I don't believe you mentioned that well.

A That was what I was wondering. You want me to repeat those for check now?

MR. UTZ: I believe we have them all as shown on your map here except the northwest of 24.

A That is right. These thirteen wells are considered to be capable of production in paying quantities and will entitle the respective half governmental sections to be included in initial Pictured Cliffs Participating Area effective as of the effective date of the Unit Agreement.

To date the owners of working interest under outstanding leases, holding approximately 85% of the acreage within the Unit Area, have signed or indicated their intention to execute the Unit Agreement. Each and every owner of rights or interest within the Unit Area will be afforded the opportunity to subscribe to and commit such rights or interests to the Unit Agreement.

In order to permit orderly development and exploration of the potential gas reservoir and potential oil zones of the area, it is necessary the San Juan 25-2 Unit Agreement be approved by the Oil Conservation Commission at the earliest possible date.

It is further stated that the San Juan 25-2 Unit Agreement will tend to promote conservation of oil and gas and better utilization of reservoir energy and to prevent waste and that such an agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources. Also that the Unit Agreement is in other respects for the best interest of the State of New Mexico.

San Juan Gas Corporation, as the Unit Operator, agrees to file with the Oil Conservation Commission an executed original or executed counterpart of the San Juan 25-2 Unit Agreement not later than thirty days after the effective date of said agreement.

On the basis of showing made it is respectfully requested that the Oil Conservation Commission by appropriate order, approve the Unit Agreement for the development and operation of the San Juan 25-2 Unit Agreement Area at its earliest convenience.

At this time I would like to enter a motion that Exhibits 1 through 7 inclusive in Case 1321 be entered in the record of this Hearing.

MR. UTZ: Are there any objections to the entrance of Exhibits 1 through 7 in this record? In the absence of any

objections, they will so be admitted. Exhibits 2 and 3 in Case 1320 will be admitted as Exhibits 2 and 3 in Case 1321, is that correct?

A In this particular case there are duplicates of Exhibits 2 and 3 and one set of your series of exhibits but not in the other.

MR. UTZ: Thank you. Are there any questions of Mr. Morrell? Any statements or any other matters pertaining to Case 1321? If not --

MR. TED BILLBERRY: I have a request. Do you have an extra copy of the list of wells?

A I don't have one right now. I will see that you get one.

MR. UTZ: The witness may be excused. If there is nothing further in this case, we will take it under advisement.

(Witness excused)

STATE OF NEW MEXICO)
 :
 ss
 COUNTY OF BERNALILLO)

I, MARIANNA MEIER, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me in Stenotype and reduced to typewritten transcript by me and/or under my personal supervision; that same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal, this, the 16th day of October, 1957, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Marianne Meier
 NOTARY PUBLIC

My Commission Expires:

April 8, 1960.

I do hereby certify that the foregoing is a complete record of the proceedings in the Bernalillo Hearing of Case No. 1321, heard by me on October 9, 1957.

Thurmond
 Examiner
 New Mexico Oil Conservation Commission