

EXAMINER HEARING
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 6, 1958

IN THE MATTER OF: Case No. 1432

TRANSCRIPT OF PROCEEDINGS

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3-6691 5-9546

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IN THE MATTER OF:

Application of King Oil Company for approval of
three unorthodox gas well locations. Applicant,
in the above-styled cause, seeks an order author-) Case 1432
izing the unorthodox gas well locations for the)
following described wells:)

Navajo A-1 Well, located 2310 feet from the)
South line and 2310 feet from the West line of)
Section 4, Township 30 North, Range 17 West;)

Navajo A-2 Well, located 1650 feet from the)
North line and 330 feet from the East line of)
Section 4, Township 30 North, Range 17 West;)

Navajo B-2 Well, located 660 feet from the)
South line and 660 feet from the East line of)
Section 34, Township 31 North, Range 17 West,)

all in San Juan County, New Mexico.)

BEFORE: Daniel S. Nutter, Examiner

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MR. NUTTER: We will take next Case 1432.

MR. PAYNE: Case 1432: Application of King Oil Company
for approval of three unorthodox gas well locations.

MR. SIMMS: If the Examiner please, for the record, John
Simms, Jr., for King Oil Company, Applicant. I would like to make
a brief statement before we swear any witnesses, if they become
necessary.

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following described wells:

Navajo A-1 Well, located 2310 feet from the
South line and 2310 feet from the West line of
Section 4, Township 30 North, Range 17 West;

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North line and 330 feet from the East line of
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MR. SIMMS: If the Examiner please, for the record, John
Simms, Jr., for King Oil Company, Applicant. I would like to make
a brief statement before we swear any witnesses, if they become
necessary.

MR. NUTTER: Would you proceed?

MR. SIMMS: This situation arose last fall by virtue of the fact that all three of these wells were commenced and projected as oil well completions on 40-acre spacing. Proper permits were obtained from the Supervisor of District 3, and on or about December 12, 1957, King Oil Navajo A-1 was completed in production, and we had approximately three days in order to make that production pay and get it into line without losing the base lease. The Commission and the Commission's attorney were contacted, the surface pipe was laid in order to save the lease, and the Commission gave us a temporary permission to produce the well, provided that we do two things for them: Number one, that we went back to the Texas Company, who owned the base lease for the Navajo Tribe and allocated proper acreage so that we would have standard units of 160; and, two, that we applied to this Commission for unorthodox well locations.

I have in my file as proposed exhibits, if the Examiner desires them, the allocation of the acreage by the Texas Company so that each of the three units is now a standard unit, but which lease is for the second, unless a burdensome question of an unorthodox location within those 160's.

I have with me Virgil Glenn, who has not been sworn. He is a representative of the King Oil; he is not a geologist and not an engineer.

I have the original executed documents that I would prefer

not to put in the testimony until they have been filed with the Tribe. I have them here to offer to the Examiner to answer any questions that you gentlemen may have.

There are no other offset owners except the Texas Company. There have been no protests filed. Here is the farmout and here is the sub-lease. For reasons other than those that appear in the hearing, I prefer not to file the lease.

MR. UTZ: Why were the locations unorthodox?

MR. SIMMS: They started out, they were orthodox on 40-acre spacing, but now that the spacing has been allocated to the 160, this is a file copy, they started out in these green 40's, then were completed as gas wells and then the standard units were allocated to them, and that leaves them in the proper position for 160.

MR. NUTTER: Are there any other appearances to be made in Case 1432? Does anyone care to see these documents?

MR. SIMMS: I'll be glad to furnish the Commission with photostats of them at the proper time.

MR. NUTTER: Okay. As I understand it, these wells were originally located as proposed oil wells on 40-acre tracts?

MR. SIMMS: They were. The original permits are shown in green on the little plat there.

MR. NUTTER: Would you put your witness on the stand, Mr. Simms.

MR. SIMMS: Yes, I will. I think he hasn't been sworn yet.

(Witness sworn.)

MR. SIMMS: Do you want me to qualify him?

MR. NUTTER: He is going to testify as a landman.

VIRGIL E. GLENN

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

DIRECT EXAMINATION

By MR. SIMMS:

Q Would you state your name and by whom employed?

A Virgil E. Glenn. I am employed by King Oil Company.

Q Where do you live, Mr. Glenn?

A I live in Albuquerque.

Q How long have you been with the King Oil Company?

A Approximately two years.

Q Were you employed by the King Oil Company during the period of 1957 and 1958 which is covered by this application?

A Yes, I was.

Q Are you familiar with the facts surrounding the circumstances of this application in Case No. 1432?

A Yes, sir.

MR. SIMMS: Go ahead, Mr. Nutter.

CROSS EXAMINATION

By MR. NUTTER:

Q Mr. Glenn, when was the first well of these three wells commenced, as far as actual drilling operations is concerned?

A Application was made on the 11th of October and actual drilling was commenced on or about the 6th of November.

Q Actual drilling on the 6th of November?

A Yes, sir, on or about that date.

MR. SIMMS: 1957.

A Yes, sir, 1957. It was very wet that time, we were delayed getting back in there.

Q Which well was the first well commenced?

A The A No. 1.

Q The A No. 1?

A Yes, sir.

Q When was that well completed?

A It was finally, pipe was set on the 14th day of November and we finally completed it; in other words, we must have completed approximately a week after that, on or about the 21st of November.

Q When was it known that this well would be productive of gas rather than oil?

A Well, it wasn't really known until we had a report from an outfit that conducted the test on it, and on December 10th, we run a production test and at that time 327,000 feet of gas was shown and no oil except, say, for five gallon of liquid in the separator.

Q What was the second well that was drilled in this area, the Navajo A No. 2?

A Yes, sir.

Q When was it commenced and completed?

A Spudded on the 15th day of November, total depth reached on the 23rd of November.

Q When was it known that this well was productive of gas rather than oil?

A At the present time it's shut-in and hasn't been -- in other words, when we drilled into the pay zone we got a show of gas and the gas -- it will make gas, but we don't know to what extent or anything. It's presently shut-in.

Q At what time did you ascertain that it would be a gas well rather than an oil well, however?

A Well, approximately there at the time that we drilled into Tocito Gallup section, and of course, that would have been around the 23rd of November, and it had a gas show at that time estimated between 20 and 75,000 cubic feet.

Q Now the Navajo B No. 2 well was commenced on what date, please?

A 2-B was commenced on the 24th of November and total depth reached on December 3rd. It's presently shut-in likewise. It had the same condition as the Navajo A No. 2 had, a 25,000 to 100,000 estimated gas flow. However, at that time we didn't know what was going to happen to the lease, in that we commenced these, as Mr. Simms stated, for oil, and it was not thought that we could market gas in that area in sufficient time to hold the lease even if we got gas wells. So we had thought that we would lose the lease, perhaps, if it wasn't an oil completion. So we, of course, tested

the No. 1 and after it didn't come up with any oil to speak of our next problem was to try to do some marketing or something to hold this lease that was running out the 15th day of December before trying to complete any additional wells. Even at this time there's no market for gas, only token amounts to Shiprock, until El Paso gets a line in there.

Q Now a line has been run to one of these wells, however, has it not?

A Yes, sir, Navajo A-1.

Q Were any of these wells, any of the later wells, commenced after it was known that the general area would be productive of gas rather than oil?

A No, sir. In other words, there was no well commenced after our test that showed that this would be a gas situation. In other words, we started them rather simultaneously and we were so short of time there, weather and all, our farmout originally was for four wells.

Q You mean although you had had gas shows in the first wells that were drilled, you didn't definitely establish that this would be a gas zone until you took the test in December?

A That is true, yes, sir. As a matter of fact, it was thought that this would produce oil even then, even up to the time of test and we were really surprised when it only yielded six gallon of fluid.

MR. SIMMS: I might say that the Commission records will

reflect that in an effort to save this lease, it was so close, weather and tests and all, that we were in communication with Mr. Porter and Mr. Cooley, I believe those lines that made the token payment was laid the night of the 12th and the 13th and we delivered some gas on the 14th before sundown. It was awful close. We agreed with the Commission to come back and dedicate more acreage and apply for this unorthodox location.

MR. NUTTER: Each of the wells does have 160 acres dedicated to it at this time?

A Yes, we had to go back to Texas Company and go back and get more acreage to comply with the request that the Commission wanted us to get more acreage.

MR. NUTTER: Have the forms been filed showing a dedication of the 160 acres for each of the wells?

MR. SIMMS: I believe they have. They're coming from the Denver office. If not, I think we would be glad for the order to be conditional on their being filed.

MR. NUTTER: Anyone have a question?

MR. UTZ: I have a question.

MR. NUTTER: Mr. Utz.

By MR. UTZ:

Q Any of the three 40-acre tracts, could you drill anywhere that you wanted to drill?

A What was this, please?

Q Could you drill anywhere you wanted to drill?

A Yes, we could have drilled anywhere on the lease that we wanted to. The locations were, of course, made and recommended by our geologist for all the locations.

Q Why didn't he recommend the other corner of the 40-acre tracts? Then you would have had standard locations on all of them.

A Well, that is a good question. As a matter of fact, there is a heavy faulting in that area, as far as that is concerned. Perhaps he thought it was going to get him on a fault or something.

Q The geologists pin that down pretty close?

A That's right, they don't always hit.

MR. UTZ: That's all I have.

MR. NUTTER: Any further questions of the witness? If not, he may be excused.

(Witness excused.)

MR. NUTTER: Do you have anything further?

MR. SIMMS: There is nothing else.

MR. NUTTER: Does anyone have anything further they wish to offer in Case 1432? If not, 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, ADA DEARNLEY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in stenotype and reduced to typewritten transcript under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.

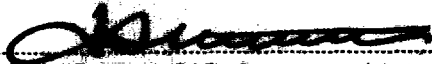
WITNESS my Hand and Seal this 12th day of May, 1958, in the City of Albuquerque, County of Bernalillo, State of New Mexico.


 NOTARY PUBLIC

My commission expires:

June 19, 1959.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No 1432, heard by me on 5-6, 1958.

, Examiner
 New Mexico Oil Conservation Commission