

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE 1896: Application of Mountain States Petroleum
Corporation for a non-standard gas unit
for an unorthodox gas well location.

TRANSCRIPT OF HEARING

FEBRUARY 10, 1960

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE 1896: Application of Mountain States Petroleum Corporation for a non-standard gas unit for an unorthodox gas well location. Applicant, in the above-styled cause, seeks the establishment of a 181-acre non-standard gas unit adjacent to the Pine Lake-Pictured Cliffs Gas Pool consisting of all of Section 30, Township 26 North, Range 2 West, Rio Arriba County, New Mexico. Said unit is to be dedicated to the Federal 30_F Well, to be located at an unorthodox location 790 feet from the South line and 750 feet from the West line of said Section 30.

BEFORE:

Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

MR. NUTTER: We will take up next Case 1896.

MR. PAYNE: Case 1896. Application of Mountain States Petroleum Corporation for a non-standard gas unit for an unorthodox gas well location.

MR. ERREBO: Burns Errebo, Modrall, Seymour, Sperling, Rohel and Harris, appearing on behalf of the Applicant. We will have one witness, Mr. Floyd Ray.

(Witness sworn.)

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FLOYD RAY

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

DIRECT EXAMINATION

BY MR. ERREBO:

Q State your name, please.

A Floyd Ray.

Q Mr. Ray, by whom are you employed?

A Mountain States Petroleum Corporation.

Q And in what capacity?

A Petroleum engineer at Albuquerque.

Q Mr. Ray, are you a petroleum engineer by trade?

A Yes.

Q And what has been the nature of your experience?

A I worked for Shell Oil Company seven and a half years in the Tulsa area, and I've worked in New Mexico approximately three to three and a half years operating a drilling rig, and doing well completion work.

Q Actually, has your work in connection with oil operations been rather general?

A Yes, sir.

Q And would you say that that covered perhaps a scope of duties from lease acquisition to setting tank batteries?

A Yes, sir.

Q Did you graduate from the university with a degree?



A Yes, from the University of Oklahoma with a BS in petroleum engineering.

Q Mr. Ray, are you familiar with the subject of this application?

A Yes, sir.

Q This application is, is it not, for approval of a non-standard unit in an unorthodox location?

A That's correct.

Q ~~And that is~~ for a well located in Section 30, Township 26 North, Range 2 West?

A Yes.

Q Does that unit that you will propose today, does it compose all of Section 30?

A All of Section 30.

Q Is that a fraction section?

A Yes, it is about one-fourth of a regular section. Slightly over.

Q Have you obtained a photostatic copy from the Land Office of their township map covering 26 North, 2 West?

A Yes, sir.

MR. ERREBO: May it please the Examiner, we would like to offer this in evidence. May it please the Examiner, the purpose of this exhibit is to show that a fractional section does occur, Section 30, lying around the Range line on the west side of the township.



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Q (By Mr. Errebo) Mr. Ray, what is the total acreage within Section 30?

A 181 acres.

Q Now, has a well been drilled on this section?

A Yes, sir, a well has been drilled 790 feet from the South line and 750 from the West line.

Q Actually the need for the approval by the Commission of this application arises from the fact that this unit does not comply with the statewide rules as to shape of appropriation unit, is that correct?

A Yes, sir.

Q And it also arises from the fact that this well is located within 750 feet from the lease line, is that correct?

A That is correct.

Q Actually, you have located that well insofar as the north-south boundaries of that lease are concerned in the middle of the lease, have you not? In other words, in the middle of an east-west --

A Middle of the east-west. The section is 501 feet and a half wide, and we are 750 feet from the West line, which is as close to the middle as we could get.

MR. ERREBO: Off the record.

(Discussion off the record.)

MR. ERREBO: I would like to state Mr. Ray had prepared a set of exhibits for this hearing and was in Farmington yesterday



and his briefcase was stolen, and we have gotten together these exhibits which we believe are adequate, but there are some gaps perhaps, and that might explain the reason for that.

We have here Form C-128, New Mexico Oil Conservation Commission, which we would like to offer for the record, and that will be introduced and offered by reference from the Commission's records.

We would like to submit it at this time and have permission to withdraw it. I think this is the only copy that we have. It does show the dimensions, the lot size of each of the lots.

MR. NUTTER: The Commission will take notice of the plat that has been filed and is in the well file.

Q (By Mr. Errebo) Mr. Ray, have you prepared as an Exhibit, as an additional exhibit, a plat showing acreage which is the subject of this application and also the surrounding acreage and the wells completed thereon?

A Yes, sir.

MR. ERREBO: We would like that marked as Commission's -- or Applicant's Exhibit 3.

Q On this Exhibit, Mr. Ray, you have shown in red the boundaries of the presently recognized Pine Lake-Pictured Cliffs Pool, have you not?

A That is correct.

Q And actually this proposed unit borders the boundaries of that pool on the south?



A We are on the South line, yes.

Q And you have shown in blue hachers the short sections which do occur on the West side?

A The blue hatcher shows the acreage that is missing.

Q And you have indicated the completions to the best of your knowledge in the immediate vicinity of this lease?

A That is correct.

Q When was this well completed?

A Well, actually, it hasn't officially been completed. We have fractured and swabbed it. It is flowing. We are cleaning it up. That was the 6th of February.

Q Do you have any estimate or idea of what this well will be capable of producing?

A Approximately three million, maybe better.

Q Actually this map does show, does it not, that there are direct offsets to the east and a diagonal offset to the south?

A Yes, through the southeast.

Q Southeast. Mr. Ray, did you write the offset operators for waivers to this application?

A Yes, sir, I wrote the offset operators and received waivers, which they sent to the Oil Conservation Commission.

Q And the copies which you received have now been lost, is that correct?

A That is correct, with one exception, that Humble operated the SW of 29 until just recently and Cabot is operating that now, so



I'm not sure in that case.

Q Mr. Ray, do you know whether the unit agreement has been prepared covering this proposed unit and whether or not that has been submitted, has been circulated among the other parties that own any interest in this proposed unit?

A Yes, sir.

Q And upon the signature of that agreement, actually, by all parties and all agencies involved, then you would propose to submit that to the USGS?

A Yes, sir.

Q Do you find that there is any need for expeditious handling of that unitization agreement?

A Yes, the acreage we drilled on expires the 28th of February.

Q Acreage that you drilled on?

A Yes, sir.

Q Actually, it's acreage to be included within the unit?

A That's correct.

Q Can you state to the Examiner who is operator of the four lots in the proposed unit?

A Mountain States Petroleum Corporation.

Q And actually the working interest is owned by other parties, it is presently owned by the other parties which you propose to take an assignment from?

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A Yes, sir.

Q Do you have anything further that you care to add at this time?

A No, sir.

Q You did prepare the plat which was designated Exhibit 3?

A Yes, sir.

MR. ERREBO: We would like to offer Exhibits 1, 2, and 3 in evidence.

MR. NUTTER: Mr. Errebo, what is Exhibit No. 2?

MR. ERREBO: Exhibit No. 2 is that offered by reference.

MR. NUTTER: You wanted to withdraw that, is that right?

MR. ERREBO: This is a copy of a form in your file which copy we propose to offer in evidence.

MR. NUTTER: I see.

MR. ERREBO: We do propose to withdraw this copy here.

MR. NUTTER: I see. Mountain States' Exhibits 1, 2 and 3 will be entered in evidence. Do you have anything further, Mr. Errebo?

Q (By Mr. Errebo) Mr. Ray, do you feel that the granting of this application will prevent waste and protect the correlative rights of all parties concerned?

A In my opinion it will.

MR. ERREBO: That's all.



MR. NUTTER: Does anyone have any questions of Mr.

Ray?

MR. PAYNE: Yes, sir.

MR. NUTTER: Mr. Payne.

CROSS EXAMINATION

BY MR. PAYNE:

Q Mr. Ray, was a notice of intention to drill approved on this well.

A It was approved the USGS pending approval by the Oil Conservation Commission.

Q You haven't actually had approval from the Aztec District Office?

A No, sir.

Q Now, you state on your acreage dedication plat, the operator is the only owner on the dedicated acreage outlined on the plat in blue. I take it that is not exactly the case at this time?

A No, sir, we are the operator.

Q You are the operator, but you propose to be the owner by assignment in the future?

A That is correct.

Q Now, this Pine Lake-Pictured Cliffs Pool is not pro-rated, is it?

A I don't believe it is.

Q There is now way you could form a standard unit?

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A No, sir, there isn't.

MR. PAYNE: That's all, thank you.

EXAMINATION BY MR. NUTTER:

Q Mr. Ray, as I understand it, you request that this matter be handled expeditiously so that the lease won't expire. Does this 181 acre contain more than one lease?

A Yes, sir, it does.

Q What are the actual leases that are involved there?

A There is -- Lot one is a Humble lease which we have a farmout on, it is the northernmost lot, and which I understand is held by production; Lots 2, 3, and 4, we obtained a farmout from A. G. Hill, and it is my understanding that expires.

Q So there is actually two leases; Lot 1 and Lots 2, 3, and 4?

A Yes.

MR. ERREBO: If it please the Examiner, I examined title on this sometime ago and as I recall, there are two leases involved in this unit.

MR. NUTTER: You are aware that any approval of this non-standard unit would be contingent upon the consummation of the communitization agreement?

MR. ERREBO: I do.

EXAMINATION BY MR. PAYNE:

Q Mr. Ray, isn't it somewhat unorthodox procedure to drill a well when you have received the approval of the USGS but



haven't received the approval for the unorthodox location from the Oil Conservation Commission?

A Yes, sir, it is.

Q Is there any particular reason why that occurred in this case?

A Well, the only way we could hold the acreage as far as we could see was to get in and drill it when the weather was such that we could in that area. It's very rough, there is quite a bit of snow on the ground and at this time of the year it starts thawing and it is almost impossible to drill and that's the reason we proceeded. In fact, the last two weeks we worked on this well, the only way we could get in there was on a truck with a four-wheel transmission drive.

EXAMINATION BY MR. NUTTER:

Q Mr. Ray, is this one of the two wells that Mountain States Petroleum Corporation has written the Oil Conservation Commission regarding, to receive permission to produce without installing tubing?

A No, sir, this well is tubed. The Heward 1 and Federal 3. The Heward 1 is the one that we seek approval to produce without tubing, and for the same reasons, that it's almost impossible to get to the wells, although those wells aren't actually connected, but we hope they will be in the near future.

Q This is a gas well?

A Yes, sir.



Q Are those two other wells gas wells?

A Yes, sir.

MR. NUTTER: Any further questions of Mr. Ray? He may be excused.

(Witness excused.)

MR. NUTTER: Do you have anything further, Mr. Errebo?

MR. ERREBO: That's all that I have.

MR. NUTTER: Does anyone have anything further in Case 1896?

MR. ERREBO: I believe I offered these in evidence?

MR. NUTTER: Yes.

MR. ERREBO: All right.

MR. NUTTER: Take the case under advisement and the hearing is adjourned.

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STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

I, J. A. Trujillo, 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 by me, 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, the 24th day of February, 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Joseph A. Trujillo
 NOTARY PUBLIC

My Commission Expires:

October 5, 1960

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1896, heard by me on 2-10, 1960.

James A. Trujillo, Examiner
 New Mexico Oil Conservation Commission

