

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
May 24, 1961

EXAMINER HEARING

IN THE MATTER OF:

CASE 2295

TRANSCRIPT OF HEARING



NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING - ELVIS A. UTZ

SANTA FE, NEW MEXICO

REGISTERHEARING DATE MAY 24, 1961 TIME: 9 a.m.

NAME:	REPRESENTING:	LOCATION:
George W. Selinger	Skelly	Indian
Ronald J. Jacobs	Skelly	Tulsa
Arthur Baumgardner	Skelly	Hobbs
Jason Kellahan	Kellahan & Fox & Cont.	Santa Fe.
Ed Cottarp	Continental Oil Co.	Artesia, N. Mex.
V. T. Lyon	"	EUNICE, N. M.
Gary D. Felts	"	" "
CH Hesser	"	Artesia, N. Mex.
Leah	Elv	Santa Fe
J. E. Robinson, Jr.	TEKCO Inc.	MIDLAND
L. B. Ladd	Cons. Oil & Gas, Inc.	Denver
Geo. Stet		Farmington
John Hampton	Great Western Oil Co.	MIDLAND
Sam H. Broddy	Great Western Oil Co.	midland
H. J. FLATT	HUMBLE	DURANGO
W. G. Cooley	Aspen	FARMINGTON
Tom Moran	Aspen	"

NEW MEXICO OIL CONSERVATION COMMISSION

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NAME:	REPRESENTING:	LOCATION:
Pete Porter	OCC	Santa Fe
Garnett Whitworth	EL PASO NAT GAS	EL PASO
Frank Newman	Attwood - Holman	Reserve
D. A. Hickson	El Paso NAT Gas	El Paso

BEFORE THE
OIL CONSERVATION COMMISSION
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EXAMINER HEARING

IN THE MATTER OF:

CASE 2295 Application of Consolidated Oil & Gas, Inc.
for a dual completion, a non-standard gas
proration unit and for an unorthodox gas
well location, San Juan County, New Mexico.
Applicant, in the above-styled cause, seeks
the establishment of a 325.23-acre non-
standard gas proration unit in the Basin-
Dakota Gas Pool and in the Blanco-Mesaverde
Gas Pool consisting of the S/2 of Section
34, Township 32 North, Range 13 West, San
Juan County, New Mexico, said unit to be
dedicated to its Robinson Brothers Well No.
1, proposed to be dually completed in said
pools at an unorthodox gas well location
for said pools at a point 1235 feet from
the South line and 760 feet from the East
line of said Section 34.

BEFORE:

Elvis A. Utz, Examiner.

T R A N S C R I P T O F P R O C E E D I N G S

MR. UTZ: The Hearing will come to order, please. We will
call Case No. 2295.

MR. MORRIS: Application of Consolidated Oil & Gas, Inc.
for a dual completion, a non-standard gas proration unit and for
an unorthodox gas well location, San Juan County, New Mexico.

MR. KELLAHIN: Kellahin and Fox, by Jason Kellahin, Santa

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Fe representing the Applicant. We have one witness I would like to have sworn.

(Witness sworn)

MR. UTZ: Let the record show there are no other appearances in this case.

J. B. LADD,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A J. B. Ladd.

Q By whom are you employed and in what position?

A Vice-President, Consolidated Oil and Gas, Inc., 2112 Tower Building, Denver.

Q Are you a petroleum engineer, Mr. Ladd?

A Yes. I received a Bachelor of Science in petroleum engineering from the University of Kansas.

Q When was that?

A 1949.

Q What has been your occupation since your graduation?

A I spent some eight years in various engineering capacities with Texaco, one year as a senior petroleum engineer with the First National City Bank in New York, and I have been in charge of engineering and operations for Consolidated Oil and Gas for some

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three and a half years.

Q In connection with your duties with Continental Oil and Gas, did you have anything to do with the area involved in this hearing now before the Commission?

A Yes, sir.

Q Are you familiar with the application of Consolidated Oil and Gas in Case 2295?

A Yes.

Q State briefly what is proposed in the application.

A We propose to effectively complete a dual Mesaverde-Dakota development gas well at an unorthodox location, off-pattern, in a non-standard unit.

Q Now, the proposed dual completion has already been admitted to the Oil Conservation Commission, has it not?

A Merely in brief on Form 1101.

(Whereupon, Applicant's Exhibit 1
marked for identification.)

Q (By Mr. Kellahin) Referring to what has been marked Exhibit 1, is that the form to which you refer?

A Yes.

Q Were any conditions attached to the approval granted on that dual?

A It was approved in routine fashion subject to the note thereon.

Q And it is an approval of a non-standard location in a non-



standard unit?

A That's correct.

(Whereupon, Applicant's Exhibit 2 marked for identification.)

Q Now, referring to what has been marked Exhibit No. 2, would you discuss the exhibit, please?

A This is a schematic diagram of the proposed dual completion set-up. We have utilized the identical procedure in several duals in the San Juan Basin for which we received administrative approval. This consists basically of five and a half inch production casing with perforations collectively placed in the Dakota horizon and the Mesaverde horizon and isolated by a Model D production packer, with a tube inserted in the packer to serve the Dakota and an annulus string to serve the Mesaverde.

Q Will this type of completion in your opinion effectively separate the two producing horizons?

A Yes.

Q You would be willing to make separations as may be required by the Commission?

A Certainly. This is done in routine fashion in our analogous completion and we have never had a failure of this type of completion.

(Whereupon, Applicant's Exhibit 3 marked for identification.)

Q (By Mr. Kellahin) Referring to Exhibit 3, would you identify that exhibit?

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A This is a somewhat more detailed plat of the south half of Section 34, Township 32 North, Range 13 West. The proposed drilling unit was prepared by Mr. James P. Leese, a registered land surveyor in Farmington. This well is in the southeast quarter of the section in an area of irregular terrain, the river, cultivated land and irrigation ditches.

Q The eastern portion of the unit, is that the only logical location that could have been used?

A Yes.

Q What is the acreage within this unit, Mr. Ladd?

A This unit has been calculated to contain 325.23 acres by Jim Leese by standard methods of calculation.

Q Is it a standard one-half section according to U.S. Government Survey as we understand it?

A Yes, sir.

Q It does not include lands in any section other than Section 34?

A No, it does not.

Q Have the offset operators been consulted in connection with this proposal of Consolidated Oil and Gas?

A Consolidated is the offset operator on the east and south and of course, we are agreeable to this proposal. We have consulted Standard Oil of Texas who are the operators of acreage in both the north half of Section 34 and the south half of the adjacent Section 33 to the west and we have a letter which has been



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tabbed Exhibit 4 from Standard Oil consenting to this dual completion at this location. We have discussed this issue with Texas National Petroleum who operates and controls the remaining acreage in the north half of 34 and south half of 33. Because Mr. Bill Wethers, who was apparently handling this type of thing, is not available to consider this at this time, and because of our rather tardy contact earlier this week, they have not as yet responded. They have indicated that they will respond just as soon as they give it proper consideration. They have indicated they would not oppose it.

Q Are you familiar with the requirements for spacing in the Dakota formation?

A Yes, sir; I am.

Q How does your location compare with the standard location in the Dakota formation?

A Insofar as the southeast quarter is concerned, we interpret the location to be valid and in accordance with Commission rules. We are aware that it is approximately fifty feet too far from the South line and approximately fifty feet too close to the East line.

Q Is that on account of topographical reasons which you previously discussed?

A Yes.

Q Are you familiar with the spacing requirements for the Mesaverde?



A Yes.

Q What is the situation as to that formation, as to the location of the well?

A If I may refer to the map marked Exhibit 5, first I would point out that we have shown the proposed unit with a heavy line around the south half of Section 32 North, 13 West. The well which we call our Robinson 1-34 is now drilling below 6,000 feet at this location. I would like to point out the fact that we have included what we consider to be a logical interpretation of the Point Look-out Structure with contours placed at twenty-five foot intervals through this area of interest. The fourteen hundred foot contour is marked in red. As we follow that contour from its lowest point, we find that we pass an abandoned well in Section 15 which was a well drilled by Consolidated through the Mesaverde San Juan fracture which was determined to be sub-marginal. It had an initial indication of some 2,000 cubic feet per day and seemed to be dropping off from that rate rather rapidly. Consolidated abandoned the well at that time and yielded to an option by Pan Am to deepen the well to the Dakota which they did. There was an indication of water throughout the upper Dakota. As a matter of interest to the Commission, Consolidated does not consider that this was formation water. We are confident that the commercial productivity of the Dakota well at that location can be affected. We consider the Mesaverde can be depended on for commercial productivity. Further reading the contour up to Section 26, we see a well which is our

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Ripley No. 1. I would point out that Ripley No. 1 was completed as a Mesaverde dual on April 1, 1960. The Mesaverde initial productivity was 600 MCF per day and the Dakota was 400. Approximately one year later, these horizons, the Ripley No. 1 had a capacity of 200 MCFD, and 150 MCFD for the Mesaverde and Dakota zones respectively. Each zone has produced approximately 66 MCF gas. A bit northeast of that well we see our Ripley No. 2 well, which is a single Mesaverde completion. This well was initially tested for 410 MCFD in December, 1958 and is currently capable of some 150 MCFD, having produced a cumulative 121,000,000 MCF gas at this time. Our Montoya No. 1 is in the northeast quarter of Section 35 and is a dual Mesaverde-Dakota well. The Mesaverde was completed in 1957 for an initial capability of 1,300 MCFD into the line at this time. That zone is capable of 450 MCFD after approximately one-third billion cubic feet of gas. The well was recompleted as a dual completion in February, 1961 for an initial settled rate from the Dakota horizon of 145 MCFD. This has declined rather rapidly. Further on, we note that in our Aberdeen wells with an initial deliverability, current deliverability, while these are somewhat better quality than Mesaverde wells, the production decline has been quite substantial. We feel that a prudent operator would not drill a Mesaverde well anywhere in the north half or in the southwest quarter of Section 34, Township 32 North, Range 13 West. The Mesaverde reservoir above this red plus fourteen hundred foot contour has been empirically determined to be tight and marginal to



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sub-marginal status. Although containing gas, we felt that the quality of the Dakota production in the north half of Section 34 was poor at best as witnessed by our Ripley and Montoya Dakota zones. We felt that the only way we could justify a development well in that section would be for us to go in a direction toward better Dakota productivity and toward better Mesaverde productivity, so that we could obtain dual zone productivity of commercial status.

Q Mr. Ladd, would a prudent operator be justified in making a single completion at that location in either the Mesaverde or the Dakota?

A Our experience in this media with the Mesaverde indicates a high pay-out period on our initial -- a basic return on our initial investment on the order of eight to ten years. The Dakota that we have been discussing in Sections 26 and Section 35 are on the same order. We believe that we have got to get at least two of them together to have anything that we can live with. I might mention that two Dakotas in Section 36, two miles east of us are very poor producers. The well in the northeast of Section 36 is producing essentially nothing, perhaps 25 MCFD. The well in the southwest quarter will produce on the order of 21 MCFD from the Dakota and this well was opened only last year.

Q Have you prepared an exhibit showing production history on these wells?

A Yes, I have. That has been tabbed Exhibit No. 6.



Exhibit 6 consists of a production decline curve for each of the Mesaverde and Dakota zones. We have also shown a recent communication from the Commission by which they have reclassified our Ripley No. 2 single zone Mesaverde well as a marginal producer.

Q In your opinion, is all of the acreage which you propose to dedicate to this well productive of gas?

A Yes, sir.

Q Were Exhibits 1 through 6 prepared by you or under your direct supervision?

A Yes, sir; they were.

MR. KELLAHIN: I'd like to offer in evidence Exhibits 1 through 6.

MR. UTZ: Without objection, Exhibits 1 through 6 will be entered into the record of this case.

Q (By Mr. Kellahin) Have you anything further to add to your comments, Mr. Ladd?

A I would respectfully request expeditious consideration of the Commission since we are planning to set production casing on this well some time within the next two or three days and we'd like to proceed within a week with completion.

MR. KELLAHIN: That concludes examination of the witness, Mr. Utz.

MR. UTZ:

Q Mr. Ladd, it boils down to the fact that you are actually asking for this non-standard location because of the geological

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reasons rather than topographic reason?

A Yes, sir, with the qualification to get in the southwest quarter because of the drainage ditches and the possibility of contamination from the river that we have to get just a bit out of standard location.

Q You say the southwest quarter of Section 34 is cultivated land?

A That's true.

Q So it couldn't be topographical trouble there.

A There are several irrigation ditches over there. There would have been an insurmountable problem. We would not have felt geologically and economically inclined to locate our well in the southwest quarter.

Q The non-standard unit is due to survey of all acreage contained in the south half, is that correct?

A That's correct.

MR. UTZ: Are there any other questions of the witness?

MR. MORRIS:

Q Mr. Ladd, you are seeking approval today for the dual completion and for the non-standard unit at a hearing even though you could have obtained that authority by administrative procedure, could you not?

A I understand that we could do that.

Q You are eligible for administrative approval for those features?

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A Yes, sir.

Q Now, those two features of your application were included for hearing inasmuch as you were coming for hearing on the location anyway?

A Yes, sir.

Q Mr. Ladd, the ownership of this Tafoya well in the southwest quarter of Section 35, is that well owned by Consolidated?

A Yes, sir.

Q How about the Aberdeen well in the northwest quarter of Section 3 immediately south?

A That is a Consolidated well also.

Q So that the two wells that you would be crowding by your off-pattern in the Mesaverde would be your own wells?

A Yes, sir.

MR. MORRIS: That's all; thank you.

MR. UTZ: Are there any further questions of the witness?

The witness may be excused.


Are there any other statements in this case?

The case will be taken under advisement.



STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

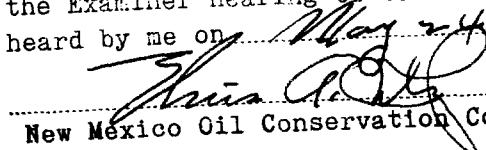
I, THOMAS F. HORNE, Court Reporter, in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in machine shorthand and reduced to typewritten transcript under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.


 NOTARY PUBLIC

My Commission expires:

May 4, 1965

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2295, heard by me on May 24, 1961.

, Examiner
 New Mexico Oil Conservation Commission

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