

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
October 25, 1961

EXAMINER HEARING

CASE 2417

TRANSCRIPT OF HEARING

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
October 25, 1961

## EXAMINER HEARING

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IN THE MATTER OF: )

Application of Scanlon Engineering )  
Company for an order fixing the spac- )  
ing of wells, McKinley County, New )  
Mexico. Applicant, in the above- )  
styled cause, seeks an order fixing )  
the spacing of wells producing from )  
the Mesaverde formation in Sections )  
21, 22 and 27, all in Township 20 )  
North, Range 9 West, McKinley County, )  
New Mexico. Applicant recommends the )  
establishment of two and one-half acre )  
well spacing. )  
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CASE 2417

BEFORE: Mr. Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: The hearing will come to order, please.  
We have already called Case 2417 and the witness has been sworn.

MR. COOLEY: William J. Cooley, Verity, Burr and Cooley,  
Farmington, New Mexico appearing on behalf of the applicant.

R. J. SCANLON

called as a witness, having been previously sworn, testified as  
follows:

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PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6691



DIRECT EXAMINATIONBY MR. COOLEY:

Q Would you state your full name for the Commission, please?

A R. J. Scanlon.

Q What is your connection with the Scanlon Engineering Company?

A I am the owner of the Scanlon Engineering Company.

Q Do you have any leasehold interest in Sections 21, 22 and 27, Township 20 North, Range 9 West?

A I do.

Q Would you please describe those interests?

A In 21 would be the Southeast one-quarter and the South half of the Northeast one-quarter, that is in 21. Now, in 22 would be the South half of the Northwest one-quarter, the Southwest one-quarter, and in Section 27 would be the North half of the Northwest one-quarter.

Q Have you conducted any oil exploration activities in that area?

A We have.

Q What has been your experience?

A We have drilled one well 330 feet from the Southeast corner of that said Section 21, and it will be 330 from the East



and 330 from the South. We've drilled another well 660 feet from the South line and 330 feet from the East line, and we have spudded a third well 990 feet from the South line and 330 from the East line in that same section.

Q What formations are these wells completed in?

A The surface formation is the Mesaverde, and the production is from the Mesaverde.

Q You mean the Mesaverde formation is cropping out there?

A Right.

Q And you are completed in a lower member of the Mesaverde?

A Right.

Q What have you encountered in the lower member of the Mesaverde?

A We have drilled into a lenticular sand there that appears to be fairly promising, and we think that we can complete some wells in that shallow formation at about 325 feet that will produce anywhere from 10 to 20 barrels of oil per day.

Q What is the approximate cost of drilling all these wells, Mr. Scanlon?

A Without casing, about one hundred fifty to two hundred dollars.

Q What is the approximate cost of a completed well?



A Between eight hundred and a thousand dollars.

Q Is there any other production from this particular member of the Mesaverde formation in the area?

A No.

Q What difficulties have you encountered with this particular sand that you are drilling to?

A Well, our experience has been in that area, we have drilled other wells in there, and we have had three dry holes. Now, it appears that the sand formation from which we are producing these wells that we've completed is not uniform throughout the area, it's lenticular, and it's a matter of hunt and peck and just drill a hole and find them. The geology is out. I mean there is no geology on the area. We just have to drill a hole and hope we hit.

Q Due to the low cost of drilling such holes, you feel it's economically feasible to do so?

A I sure do.

Q How close have you drilled dry holes to these producing wells that you have?

A Well, we have one dry hole 660 feet away from our good producing well.

Q In what quarter quarter section is that?

A That would still be in the Southeast Southeast of 21.



Q Would you give the footage location?

A That would be 990 from the East line and 330 from the South line.

Q Is it your opinion, then, that due to the sporadic appearance and disappearance of this sand, that you should have additional freedom to drill to seek out this producing formation?

A I do.

Q To what extent do you feel that the Commission rules should be relaxed to permit you this freedom?

A Well, the Commission rules at present say that we can not drill within 330 feet of any subdivision line, and that the wells have to be spaced 660 feet apart.

Q What modifications would you suggest, then?

A Well, within a 40-acre subdivision, I feel that we should be permitted to drill a well within 330 feet of another well and not closer than 165 feet from any subdivision line.

Q Do you feel that this will afford you the freedom that you feel is required to accomplish the desired end?

A I do.

Q If you are permitted this freedom, do you feel that it will result in the production of additional oil from this area?

A I certainly do.

Q Are there any other pool rules in the State of New



Mexico similar to those proposed by you?

A The special rules and regulations for the Shiprock-Gallup Oil Pool.

Q Do you feel that any waste would be incident to this relaxation of the rules that you propose?

A Not a bit.

Q Would the correlative rights of any operator or royalty owner be affected thereby?

A Not a bit, in my opinion.

Q Do you own additional leasehold acreage in this area?

A I do.

Q Do you feel that the possible productivity might extend beyond the area that you have referred to in this application?

A I do.

Q Do you think that the rules, if they are established for this area, should be so arranged as to permit the extension of the area covered thereby?

A I do.

Q Would the same circumstances apply if this sand does occur outside the area you have discussed?

A They would.

MR. COOLEY: No further questions.

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MR. NUTTER: Any questions?

MR. MORRIS: Yes, sir.

MR. NUTTER: Mr. Morris.

CROSS EXAMINATION

BY MR. MORRIS:

Q Mr. Scanlon, with respect to the point you just raised as to expansion of this area, would you contemplate that your expansion would be in 40-acre blocks or 80-acre blocks, or 160-acre blocks, what would be your normal expectation as to the additional acreage that you might have reason to believe is productive as you stepped out?

A I anticipate that the extension will go to the South into Section 28, and probably we'll move out in 80-acre blocks; in other words, we'll develop an 80 and then see what it looks like and then move South.

Q If the Commission should establish a procedure whereby you could add 80-acre blocks at a time by administrative procedure to the area to be covered by the rules that the Commission would lay down following this case, would that be satisfactory to you?

A It would, surely would.

Q Now, I missed your exact proposal, are you still recommending two and a half acre spacing in this area or are you



just recommending that the Commission allow flexible well spacing?

A Well, in view of the fact by what we've found by our drilling to date, rather than the Commission recommending two and a half acre spacing, we would like to have a flexible drilling deal whereby we could drill within 300, I mean of a well 330 feet from another well, but not any closer than 165 feet from any subdivision line.

Q You aren't asking for any increased allowable for a 40-acre unit?

A No.

MR. MORRIS: Thank you.

BY MR. NUTTER:

Q Has the Oil Conservation Commission created or designated a pool for this area yet?

A They have not, to my knowledge.

Q However, there has been an actual discovery made?

A Right. We have an allowable allowed on one well right now of 17 barrels a day.

Q What is the name of that well?

A The Santa Fe Railroad No. 3.

MR. COOLEY: Scanlon Engineering Company?

A No, actually Scanlon Engineering is a misnomer on that. I wrote that on my stationery, but it's in the name of Scanlon-



Shepard.

Q Scanlon-Shepard?

A The Santa Fe Railroad No. 3 Well.

Q Is that S-h-e-p-a-r-d?

A Right.

Q What is the location of that well?

A 330 from the East and 330 from the South.

Q Of Section 21?

A 21, 20 North, 9 West.

Q That well has an allowable of 17 barrels per day?

A Right.

Q What depth is that well completed at?

A 316 feet.

Q What was the date that the first oil was run to tanks on that well?

A I think it was September 4th.

Q Of 1961?

A Right, we produced 500 barrels from that well.

Q Do you have any suggestion for a name for a pool from this area, Mr. Scanlon?

A The Red Mountain-Mesaverde Oil Pool.

Q I believe we have a Red Mountain.

MR. COOLEY: A Red Mountain is in existence in Sec-



tion 20.

A The Red Mountain, Henry Birdeye-Chaco Oil Company has the waterflood deal a mile and a half away. They are producing from the Mesaverde also, but they are at about 450 feet and we are at 316, 325.

MR. MORRIS: There's already a Red Mountain-Mesaverde.

A Any name would be satisfactory.

MR. NUTTER: Does anyone have any further questions of Mr. Scanlon?

BY MR. PORTER:

Q Mr. Scanlon, you aren't requesting that any exception to the rule, which would limit each 40-acre unit here, to a normal unit allowable?

A No.

MR. PORTER: Mr. Morris, I would like to ask you a question in regard to your line of questioning concerning the expansion of the pool, whether it be in 40 or 80-acre blocks. Are you suggesting that there be an exception to the statewide rule which states that the wells within a mile of a pool shall be drilled, spaced and prorated in accordance with the nearest pool?

MR. MORRIS: No, sir, if the Commission establishes a pool in this area, then this pool will be governed by the normal



rules and regulations of the Commission providing that all lands within a mile will be governed by the pool. I didn't know for sure whether the applicant was requesting the establishment of a pool.

MR. PORTER: I see. That's all, then.

MR. MORRIS: I would like to point out for the record that there is presently a Red Mountain-Mesaverde Pool which was established by Order No. R-13 on March 15, 1950. That pool now encompasses in Township 20 North, Range 9 West, McKinley County, New Mexico, Sections 20, 21, 28 and 29. So that includes some of the acreage included in the application today. It looks like we already have a pool established.

MR. COOLEY: I believe the testimony will reflect that although the names may be the same as proposed by Mr. Scanlon, the actual zone of production is not the same.

MR. NUTTER: It's a different sand?

A They have 41 or 43 gravity oil, and we have 48 and 49. So we know definitely that we're not producing from the same sand.

MR. NUTTER: Is there enough regional dip in the area for the wells to have a difference of 300 feet to 400 some feet if it were the same sand?

A No.

MR. NUTTER: So it has to be another sand body then?



A Right.

MR. COOLEY: What sand member is that that you believe you are producing from?

A No geologist has defined it. However, John Petty in Farmington Chacra.

MR. NUTTER: Are there any further questions of Mr. Scanlon? He may be excused.

(Witness excused.)

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

MR. COOLEY: No, sir.

MR. NUTTER: Does anyone else have anything further to offer in Case 2417? We will take the case under advisement and call the next Case 2418.

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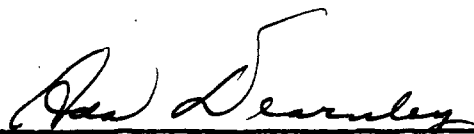
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STATE OF NEW MEXICO )  
 : SS  
COUNTY OF BERNALILLO )

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 31st day of October, 1961.

  
Notary Public-Court Reporter

My commission expires:

June 19, 1963.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2417, heard by me on 10/25, 1961.

, Examiner  
New Mexico Oil Conservation Commission

