

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
August 29, 1962

EXAMINER HEARING

IN THE MATTER OF:

Application of El Paso Natural Gas Products Company for a non-standard proration unit and unorthodox location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of an 82.07-acre non-standard proration unit comprising the following portions of Section 17, Township 29 North, Range 14 West, Cha Cha-Gallup Oil Pool, San Juan County, New Mexico: that part of the NE/4 SW/4 lying North of the centerline of the San Juan River; the SE/4 NW/4; and that part of the NE/4 NW/4 lying South of the centerline of U. S. Highway 550. Said unit is to be dedicated to a well to be drilled at an unorthodox location 2180 feet from the South line and 1980 feet from the West line of said Section 17.

CASE 2624

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: The hearing will come to order, please.
We will take next Case 2622.

MR. DURRETT: Application of Cactus Drilling Company
for a non-standard gas unit, Lea County, New Mexico.

MR. NUTTER: Anyone here representing Cactus Drilling Company? We'll call this case later. Call next Case 2624.

MR. DURRETT: Application of El Paso Natural Gas

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Company for a non-standard proration unit and unorthodox location, San Juan County, New Mexico.

(Whereupon, Applicant's Exhibits Nos. 1, 2, 3, & 4 marked for identification.)

MR. SPANN: My name is Charles C. Spann, attorney at law, Albuquerque, New Mexico, representing the Applicant, El Paso Natural Gas Products Company, and I have associated with me Mr. John Mason, attorney, El Paso, Texas.

MR. MASON: Before we get into the testimony, Mr. Examiner, we would like to make a motion to amend our application, to change the unorthodox well location which we set forth in our application. That location was described as 1980 feet from the west line, 2180 feet from the south line of Section 17, Township 29 North, Range 14 West, San Juan County. We want to change that location to read 1980 from the west line and 2580 from the south line, which will move it 400 feet directly north. We have advised by telegram yesterday the offset operators and owners to the effect that we were going to request this change, and I have an affidavit that I have prepared to the effect that they have been so notified.

MR. NUTTER: What was the means of notification?

MR. MASON: It was by telegram. You will notice on the affidavit there's one name listed as Mr. and Mrs. A. F. Bloomfield. They were not shown on the exhibit to our application, that exhibit being the plat of the area. They were not shown as being an offset owner or operator. We had shown Grossman and Locke to be the

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offset operator of the acreage to the northeast of our non-standard unit. In contacting Mr. Grossman yesterday, we were advised that their lease had expired in December of 1961 and they no longer held the lease. We examined the records and found that the acreage is not under lease to anyone at this time and that the record owner is A. F. Bloomfield, so we notified Mr. Bloomfield by telegram along with the offsetting operators, and we have received telegrams in our El Paso office, a copy of one of which was forwarded to me, a copy from Humble stating that they have no objection to change of location. I was advised this morning by phone from our El Paso office that Mr. Bloomfield had wired that he had no objection to the change in location. We did contact Pan American by phone, and also by sending them a wire yesterday, and they indicated by phone that they would send a wire but I have no information to the effect that they have done so as yet.

MR. NUTTER: Do you have a plat of the area, Mr. Mason, so I could examine the previous location as well as the new location?

MR. MASON: Yes, sir. We have what we were going to introduce as Exhibit 1 and from which one of our witnesses will testify for this purpose now. This was the original location, this is the new location (indicating).

MR. NUTTER: The light blue area is the area that would be dedicated as the non-standard unit, is that correct?

MR. MASON: That's right. This is the acreage that I'm



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referring to that is not under lease at this time, but Mr. Bloomfield is the fee owner and he has advised us that he has no objection to the change in location.

MR. NUTTER: So Pan American owns the acreage to the south of the unit and a portion of the acreage to the east; and Humble owns part of the acreage to the east and acreage to the north; El Paso is the owner of all the acreage to the west of the proposed unit; and the Bloomfield property is the red property to the northeast?

MR. MASON: Yes, sir.

MR. NUTTER: Mr. Mason, if the Commission does accept the amendment of the application, I presume that you would be willing for the Commission to withhold any order authorizing the location and the unit until such time as we had received copies of the telegrams which you have received in your office from Pan American and Mr. Bloomfield?

MR. MASON: Yes, sir, we will be agreeable to that.

MR. DURRETT: Mr. Examiner, for the purpose of the record, I would like to state at this time that the Oil Conservation Commission has received the original of the telegram from Humble that Mr. Mason was referring to, and we now have that in our files, stating that Humble has no objection to the proposed change.

MR. NUTTER: So the only written confirmation agreeing to the amendment would be Pan American and the Bloomfield property, and the application will be amended subject to receipt of these



telegrams, or confirmation, prior to entering an order. Would you proceed, please?

MR. MASON: We will have two witnesses. Would you like to swear them both at the same time?

MR. DURRETT: Yes, please.

(Witnesses sworn.)

MR. MASON: There is one other change in our application. It's not an amendment. There was a typographical error which I note that the Commission caught themselves. The application describes the acreage as Section 17, Township 26 North, Range 14 West; that should have been Township 29 North. The notices went out with the 29 North.

MR. NUTTER: The legal notice is correct in that respect, then?

MR. MASON: Yes, sir. Our first witness is Mr. Norton.

ED NORTON

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

DIRECT EXAMINATION

BY MR. MASON:

Q Mr. Norton, would you state your full name and by whom and in what capacity and where you are employed?

A My name is Ed Norton. I'm employed with El Paso Natural Gas Products Company in Farmington, New Mexico, Senior Landman.

Q Have you testified before this Commission before in the

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capacity of a landman?

A Yes, sir, I have.

Q And your qualifications as a landman have been accepted and are a matter of record?

A Yes, sir.

MR. MASON: Can we proceed with this witness?

MR. NUTTER: Yes, sir, please do.

Q (By Mr. Mason) I wish to refer to you what has been marked as El Paso's Exhibit No. 1 and ask you to explain what this exhibit shows.

A This is a plat covering all of Section 17, Township 29 North, Range 14 West, San Juan County, New Mexico. We have shown on this plat the non-standard proration unit for which we have made application; and we have also shown the offset operators to our proposed non-standard location. We would like to point out that in Exhibit 1, the Grossman-Locke acreage which is colored in red on the map and would be described as the Northwest of the Northeast Quarter is owned by Mr. A. F. Bloomfield, as has been stated previously. The map also reflects the proposed location for our well.

Q Would you describe the acreage that is to be included in this non-standard unit?

A Yes, sir. It is that portion of the Northeast Quarter of the Southwest Quarter lying north of the mid-channel of the San Juan River. Also the Southeast Quarter of the Northwest Quarter, and also that portion of the Northeast Quarter of the Northwest



Quarter lying south of the center line of U. S. Highway 550, which contains 11.95 acres. The total acreage in our proposed unit is 80.27 acres, or 82.07 acres, I am sorry.

Q Would you explain who the offset operators and/or land owners are?

A Yes, sir, to the west El Paso Products Company is the lessee and also mineral interest owner. To the south Pan American is the lessee; the part colored in green is a unit in which Pan American, Humble and El Paso Products Company are participants. The blue directly to the east is Humble, and the red, as I stated previously, is A. F. Bloomfield, Jr.; and to the north we are bounded by Humble again, and the blue.

Q For the sake of the record, would you state the location of this well for which we seek approval?

A Yes, sir, it's 2,580 feet from the south line and 1,980 feet from the west line.

Q This acreage that you have described as comprising the non-standard unit, Humble owns a portion of that acreage, do they not?

A Yes, sir, they do.. They own the Southeast Quarter of the Northwest Quarter, and also the 11.95-acre tract shown at the extreme north of our proposed non-standard unit.

Q I now refer you to what has been marked as El Paso's Exhibit No. 2, and ask that you explain what this exhibit is.

A Exhibit 2 is a royalty owner's unitization agreement.

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It's dated November 15, 1961, and it's a unitization agreement entered into by and between all of the royalty interest owners and the working interest owners in that portion of the West Half of Section 17 which lies north of the mid-channel of the San Juan River, which would include the acreage for which we are requesting a non-standard proration unit.

Q That agreement has been executed by all the royalty owners and the working interest owners in this area--

A Yes, sir, it has.

Q -- for this acreage. I now refer you to what has been marked El Paso's Exhibit 3 and ask that you explain what that exhibit shows.

A This instrument is a joint operating agreement executed at the same time as the unitization agreement, and it is between the working interest owners, covering the same acreage as the unitization agreement. This joint operating agreement appoints El Paso Products Company as the unit operator of the unit.

Q Under this operating agreement and the royalty owners agreement, each of the interest owners will share in production to the extent of the proportion of their acreage that has been contributed to the overall unit, and not just that contributed to the non-standard unit?

A That is correct.

Q I wish to refer you back to Exhibit 1 just a moment, Mr. Norton. You show the southern boundary of this non-standard unit



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to be mid-channel of the San Juan River. I notice that you show another channel and dashed lines. I would like for you to distinguish between these two channels; that is, to explain what the solid lines indicate and what the dashed lines indicate.

A The solid lines indicate location of the San Juan River in 1882, which was the date of the last official survey of this area. The dashed line to the south shows the present location of the river as it exists today.

Q From your exhibit, it appears that you are accepting, for the purpose of this hearing and for the purpose of describing this non-standard unit, you are accepting the last official survey or the 1882 survey as constituting the southern boundary of this particular unit?

A That is correct.

Q Do you have any proposals to make with respect to this?

A Yes, sir. I believe that the Commission in the order for which we have applied should provide that in case there is a re-survey of this area which would change the acreage dedicated to our unit, that we be allowed to dedicate that additional, or subtract from our proposed unit to take care of that re-survey. There is considerable title question as to who owns the land between the center of the present river and the center of the river as it was in 1882. This has been done by the Commission before in several cases, in Order No. 1867, 1926, 2027, 2028, and 2137.

Q So for the purpose of this hearing, we are accepting the



1882 survey and do not raise any question concerning title, provided that the order which is issued, if any, would make arrangements for a readjustment or an adjustment of the acreage to be included in this non-standard unit?

A That is correct.

MR. MASON: Mr. Examiner, that concludes our direct testimony of this witness. First, though, I would like to get our exhibits into the record.

Q (By Mr. Mason) Was Exhibit 1 prepared by you or under your direction, Mr. Norton?

A Yes, it was.

Q And Exhibit 2 and 3 do represent true copies of the royalty owners unitization agreement and the joint operating agreement?

A Yes, they do.

MR. MASON: We move that El Paso's Exhibits 1 through 3 be accepted for the record.

MR. NUTTER: El Paso's Exhibits 1 through 3 will be admitted in evidence.

(Whereupon, Applicant's Exhibits
Nos. 1, 2, and 3 entered in
evidence.)

MR. NUTTER: Does anyone have any questions of Mr. Norton?
He may be excused.

(Witness excused.)

MR. MASON: Our next witness is Mr. Ayers.



LEE AYERS

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

DIRECT EXAMINATION

BY MR. MASON:

Q Mr. Ayers, would you state your name and by whom and in what capacity and where you are employed?

A My name is Lee Ayers, A-y-e-r-s. I'm reservoir engineer in El Paso. I am employed by El Paso Natural Gas Products Company.

Q You have testified before this Commission previously and your qualifications as a petroleum engineer or reservoir engineer have been accepted?

A Yes, sir.

Q And you are familiar with this application of El Paso?

A Yes, sir.

MR. MASON: May we proceed with this witness?

MR. NUTTER: Yes, sir, please do.

Q (By Mr. Mason) Mr. Ayers, you understand, of course, that this application is for a non-standard unit for El Paso. Would you explain to the Commission or to the Examiner in what respect this is a non-standard unit?

A This is a non-standard unit because it is not made up of two complete quarter quarter sections, as so provided in the field rules for the Cha-Cha Pool. This is essentially caused by the southern boundary of our acreage being the center of the San

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Juan River. Also it does not consist of 80 acres, it's 82.07 acres.

Q In what respect is the location which we seek approval for an unorthodox location?

A The field rules for the Cha Cha Pool provides that the wells should be located within 150 feet of the center of either quarter quarter section. In our application, our proposed location is not within 150 feet of the center of either quarter quarter.

Q You are familiar with the reasons for changing the location from that described in the application to the new location?

A Yes, sir.

Q Would you state the reason for that change?

A We have two reasons for why we want to locate the well in this particular location. First of all, we feel like from a primary recovery standpoint, this well would be marginal and would probably not be drilled. We feel that there's a good chance, though, that we will be able to waterflood the acreage and get secondary reserves, in which case we believe it will be a profitable operation. As was testified by Mr. Norton, all of the West Half of Section 17 north of the river is communitized between El Paso and Humble, so we would anticipate eventually drilling a second well. That well would probably be located in the Northwest of the Northwest of Section 17. Undoubtedly one well would be a producing well under secondary operations and one well an injection well. We feel to properly sweep the acreage that the wells need to be as

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far apart as possible. On the other hand, we don't know if this will be flooded under competitive operations, or if there will be a new unit formed north of the river, or perhaps the existing unit south of the river might be expanded to include the acreage north of the river. In trying to prepare for the future, and recognizing at this time that the well under application today might possibly be an injection well in the future, we felt like that the location of that well from the border of the center of the San Juan River should be fairly consistent with the existing wells that have already been drilled so that the push of oil across the river either from the north or from the south would result in essentially zero migration.

Q I refer you to what has been identified as El Paso's Exhibit 4. I notice that you have outlined the proposed non-standard unit in yellow. Could all of this acreage be reasonably considered productive of oil or gas?

A Yes, the contouring on Exhibit 4, although it is contouring by myself, the control or the thicknesses that were assigned to each well were taken from the Engineering Sub-Committee's report that was done in the Northwest Cha Cha Unit study. Extrapolating that control for the northern part of Section 17 would certainly suggest that all of the acreage that we would dedicate to this well could be reasonably considered to be productive.

Q Would the granting of this application, Mr. Ayers, in your opinion violate anyone's correlative rights?



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A No, sir. We think they're protecting everyone's correlative rights.

Q From a conservation standpoint, would you consider the granting of this application necessary in order to prevent waste?

A Yes, sir.

Q And in what respect would waste occur if this application were not granted?

A Well, if the application is not granted, there's reasonable doubt as to whether or not the well will be drilled at all, in which case I think everyone is the loser, the working interest owners of the lease, the royalty interest owners, and the State.

Q The granting of this application and the basis upon which you make that statement is primarily the unorthodox location which is located more to the south rather than to the center of the unit or farther north?

A Yes, that's correct. Also we would like to point out, however, that in the field rules for the Cha Cha Pool, 80-acre spacing is provided for, and it furthermore states that the location can be in the center of either quarter quarter, so that the normal drilling to be consistent with the field rules does not provide that the wells be located in the center of the acreage dedicated to the well.

Q Mr. Ayers, was this Exhibit 4 prepared by you or under your direction?

A Yes, sir.



MR. MASON: Mr. Examiner, we move that El Paso's Exhibit 4 be accepted in the record.

MR. NUTTER: Exhibit No. 4 will be entered in evidence.

(Whereupon, Applicant's Exhibit No. 4 entered in evidence.)

MR. MASON: That concludes our direct testimony of Mr. Ayers.

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

CROSS EXAMINATION

BY MR. NUTTER:

Q You actually have very little control for drawing the contour lines in the manner that you have drawn them for the north side of this field, is that correct, particularly the extensions to the northwest?

A Well, I am not quite sure if I understand your question, Mr. Nutter. This particular exhibit is showing only a very small portion of the Cha Cha Pool. I can show you a map that shows contouring for a much larger portion of the Pool, in which the trend of the sand, which is a sandbar type deposition, is well established direction-wise over many miles. I believe that the extrapolation, the part that's dashed on the isopach line, is in my opinion quite well controlled.

Q You anticipate from your contours here, your isopach contours, that you'll obtain approximately four feet of sand in this well, is that correct?

A Four feet of net pay, that's correct. The gross section

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would be, we feel, more than that, but we're trying to represent true net pay, the part of the sand that would be productive.

Q Now this Well No. 14, 17 in the extreme southwest corner of Section 17 --

A Yes, sir.

Q -- is that the same well as Well No. 4 on Exhibit 1 in this case?

A Yes, sir.

Q And then on Exhibit No. 1 there is a proposed location depicted just north of that well. Does Pan American contemplate drilling that well in the near future, do you know?

A We don't know for sure. Pan American, of course, applied for that location back before the Northwest Cha Cha Unit was formed. They probably would have drilled the location had not the unit been formed. However, the unit has been formed and water is now going in the ground in the Northwest Cha Cha Unit. The unit is quite concerned with the problems on protecting boundary both on the San Juan River to the northwest and also the common boundary with the Southeast Cha Cha Unit. There has been several informal telephone discussions about the need for possible additional drilling, and it has been decided now by Humble, who is the operator for the North Cha Cha Unit, to have an Engineering Committee meeting next week in Durango, at which time they're going to discuss the need for additional drilling for protection of the boundary. So I can't answer your question accurately today to say



whether they plan to drill that or not. Pan American and El Paso and Humble will jointly consider this problem next week, that particular location and perhaps numerous others.

Q If that location is drilled, will it be an injection well?

A It could well be, but I couldn't say for sure.

Q Do you contemplate that your proposed well will be an injection well?

A We're not sure at all, but we're merely trying to locate it so that it could be used as an injection well and be as equitable as possible in the amount of oil that it is pushing to the south with relation to how much oil will be pushed from the south north to other locations, and at the same time be spread apart well enough between this well and the second well, if and when it is drilled, to give a proper sweep of the particular acreage we're considering today.

Q And you stated that if you drilled another well in the West Half of Section 17, it would probably be in the Northwest Northwest, is that correct?

A I would think so, yes, sir, and certainly two wells in this unitized tract would be the maximum that we could ever drill from an economic consideration.

MR. NUTTER: Are there any other questions of Mr. Ayers? He may be excused.

(Witness excused.)

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

MR. MASON: No, that is all.

MR. NUTTER: Anyone have anything further?

MR. DURRETT: Mr. Examiner, for the purpose of the record I would like to state at this time that the Commission has now received a telegram, since this case has been presented, from Pan American, and they have requested that I read this telegram into the record, and I will do so at this time, with your permission.

MR. NUTTER: Please do.

MR. DURRETT: The telegram is directed to the New Mexico Oil Conservation Commission, Attention Mr. A. L. Porter, Jr. It reads as follows: "Reference is to Case 2624, August 29, 1962, Examiner Hearing Docket, application of El Paso Natural Gas Products Company for a non-standard proration unit and unorthodox location. El Paso has advised of plan to change the unorthodox location from the advertised location of 2180 feet from the south line and 1980 feet from the west line of Section 17, T-29-N, R-14-W, San Juan County, New Mexico, to 2580 feet from the south line and 1980 feet from the west line of said Section 17. This is to advise that Pan American has no objection to the change in location and no objection to the 82.07 acre non-standard proration unit as depicted by Exhibit 'A' attached to the Docket No. 25-62. Please read this telegram into the record of the hearing." Pan American.

MR. MASON: Actually that should reflect that that's



82.07 acres. You have the telegram from Pan American and the other from Humble?

MR. DURRETT: Yes.

MR. MASON: You will need a copy from Mr. Bloomfield.

MR. NUTTER: We need one telegram, or one waiver of objection from Mr. Bloomfield. Does anyone have anything further they wish to offer in this case? We will take Case 2624 under advisement.

* * * * *

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 was reported by me in stenotype and reduced to typewritten transcript under my personal supervision; and that the same contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this 9th day of October, 1962, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Ada Dearnley

NOTARY PUBLIC

My Commission Expires:
June 19, 1963.

I do hereby certify that the foregoing is a true and correct record of the proceedings in the hearing of Case No. 2624, heard by me on Aug 29, 1962.

Asst. Sec. 1
_____, Examiner
New Mexico Oil Conservation Commission



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