# Case Number 21000

Application
Trascripts

Small Exhibits

ETC.

dearnley-meier reporting service, inc.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

September 29, 1971 Examiner Hearing

IN THE MATTER OF:

Application of El Paso Natural )
Gas Company for a non-standard )
gas proration unit, Eddy County,)
New Mexico.

Case No. 4600

BEFORE: ELVIS A. UTZ, EXAMINER

TRANSCRIPT OF HEARING



PAGE 2 MR. UTZ: Case 4600. MR. HATCH: Case 4600. Application of El Paso Natural Gas Company for a non-standard gas proration unit, Eddy County, New Mexico. MR. MORRIS: Mr. Examiner, I am Dick Morris of Montgomery, Federici, Andrews, Hannahs and Morris, Santa Fe, and I have with me Mr. Dave Burleson. Mr. Burleson and I are appearing for the applicant, El Paso Natural Gas Company. We have one witness, Mr. Bob Manning, and I ask that he be sworn at an appropriate time. 10 (Witness sworn) 11 MR. UTZ: Are there other appearances? If there are 12 none, you may proceed. 13 EUGENE R. MANNING 14 having been first duly sworn, according to law, upon his oath 15 testified as follows: 16 DIRECT EXAMINATION 17 BY MR. BURLESON: 18 Mr. Manning, will you please state your full name, where 19

you reside, by whom you are employed and the capacity in
which employed?

My name is Eugene R. Manning. I reside in El Paso, Texas.

I am employed by El Paso Natural Gas Company as an
administrative assistant in the gas proration operations

department.

	1	O Have you testified previously before this Commission and
į.	2	were your qualifications accepted by the Commission?
	3	A Yes, I have testified previously, and my qualifications
	4	are acceptable.
. 13	5	MR. BURLESON: Mr. Examiner, are the witness'
	6	qualifications acceptable?
	7	MR. UTZ: Yes, sir. He has qualified previously.
f.	8	Q (Mr. Burleson continuing) Mr. Manning, I would like to
	9	hand the reporter a little plat of the area in the
	40	land t

vicinity of the Grayburg-Morrow pool which I will hand to you which will be given to you and we would like for you to explain just what El Paso is proposing in this proceeding, and you might explain the developments or the drilling activity that has occurred which is relevant to this case.

Yes, sir. This is a plat showing the area surrounding El Paso Natural Gas Company's Leonard State "Com" No. 1 in the Grayburg-Morrow field of Eddy County, New Mexico.

It doesn't have all of the wells that are in the area on it, but it has all of the deposit tests in that area, plus some Abo tests in the southern part of it that I am aware of in that area.

This well is located in Section E or in Unit E of Section 22, Township 17 South, Range 29 East, and El Paso is requesting that the northwest quarter, the north

half of the southwest quarter and the southwest quarter of the southwest quarter and the northwest quarter of the northeast quarter in Section 22, which is a total of 320 acres be dedicated to this well.

Now, we believe that this acreage that we are requesting here to be dedicated to this well has been proven productive, and can be efficiently drained by the Leonard State No. 1.

I will take it in a clockwise manner around our well, and briefly describe some of the dry holes. To the east in Section 23, T. P. drilled a well to 12,260 feet, and they reported the top of the Devonian at 11,936 feet, which is deeper than the Morrow pay.

In Section 15 Sunray drilled a well to 11,242 feet, and they reported the top of the Chester, which is Mississippian, at 11,106 feet.

In Section 16 to the west of Section 15 there, El Paso Natural Gas drilled a well to 10,966 feet, which is approximately 300 feet below the top of the Morrow.

In Section 21 to the south of them, El Paso Natural Gas drilled another well to 12,196 feet, which is well below the top of the Morrow pay in the offset well.

The Leonard State No. 1, now, all the wells -- excuse I have one more well here now.

Very recently Moran Drilling Company in Section 22

22 23

10

11

12

13

14

15

16

17

18

19

20

21

24

25

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

in the southeast quarter drilled a well to 10,880 feet, and they reported the top of the Atoka or Morrow, if you please, at 10,240 feet.

Now, all of the wells that I have previously mentioned, with the exception of El Paso Natural Gas, Leonard State "Com" No. 1 are dry holes.

That is a total of five dry holes surrounding this well. Now, fairly recently Manna Resources drilled a well in the southwest or -- beg your pardon. Southeast quarter of Section 21, and this well was drilled to 10,835 feet, and Manna Resources reported the top of the Atoka at 10,220 feet, and top of the pay at 10,748.

Now, the --

MR. UTZ: Okay.

MR. UTZ: Excuse me. What was the top of the Morrow?

THE WITNESS: I do not know. I did not pick it, did

not see the log.

MR. UTZ: What was the top of the pay?

THE WITNESS: Top of the pay at 10,748 feet.

A Now, the wells that are on that little plat on south of there only went to the Abo Reef formation, approximately 6900 feet, more or less deep.

Q (Mr. Burleson continuing) Does that conclude your answer?

25 A / Yes.

1	Ω	Mr. Manning, would you tell us the year in which the
2		Leonard State well was completed, El Paso's Leonard State
3		well was completed, and generally the time which it went
4		on production?
5	A	Well, the well was completed in December of 1957, and it
6		first delivered December 26, 1957.
7	Ď	Okay. Would you describe the spacing pattern that
8		prevailed at the time El Paso drilled its Leonard State
9		No. 1 well and what the current applicable pattern is?
10	Α	At the time El Paso drilled the Leonard State No. 1, the
11		spacing pattern in southeast New Mexico was 160 acres.
12		Now, subsequently this has been changed, and it is
13	i.e	now 320 acres.
14	Ω .	Would you describe the communitization agreement which
15		El Paso has circulated and has had executed by various
16		owners within the unit we are here proposing?
17	λ	Well, El Paso circulated a communitization agreement to
18		the State Land Office and to the other mineral interests
19		or lease holders or interested owners in the acreage that
20		I had previously described, and it was approved on June
21	41	around June 1 of this year. Is this what you had in mind?
22	Ω	Yes. That is June 2, 1971?
23	A	June 2. It was June 2, 1971 was when this communitization
24		
	1	

agreement was approved.

At the time that El Paso was forming this communitized unit, Mr. Manning, was there any particular reason why a standard spacing pattern was not observed?

That is, why was not the communitized unit all of the west half or all of the north half, for instance, of that Section 22?

At the time we were working this up and proposing this communitization agreement Moran Drilling Company was drilling the well in the southeast quarter of Section 22 and the person calling the shots on that was a gentleman by the name of Mr. C. W. Trainer, and I got a hold of Mr. Trainer by the phone and talked to him concerning any objections that he might have to us expanding this from 160 acre dedication to 320 acres dedication, and he advised me that he had no objections to this.

And he intimated to me or he told me that the southeast quarter of the southwest quarter was committed to the well that was presently being drilled, and in effect, he would have a mirror image to any of our dedications there, or any dedications that we were -- that we would propose to for it, and therefore, he had no objection to it.

So far as I was concerned on it, the acreage was obligated, and we couldn't very well propose on some obligated acreage like that.

8

Ò

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

ŷ

Mr. Manning, you have said that all the interested owner
executed the communitization agreement. You might refer
to the plat and give us some indication of what the
ownership is of the individual tracts that were within
our communitized unit and the unit which we are here
requesting.
Ves sir Well all of the land in which we propose to

Yes, sir. Well, all of the land in which we propose to dedicate to this well is state owned with the exception of the northwest one-quarter of the northwest one-quarter, and this is fee land.

Now, our communitization agreement that has been executed and signed is such that all of these owners have agreed to share in the production from this well.

My records indicate that the southeast quarter of the southwest quarter has now reverted to Sun Cil Company and is federal land.

- Mr. Manning, do you have any opinion as to whether all of the acreage proposed for inclusion in this proceeding is productive and could be efficiently drained by the one well which is located on that unit?
- Yes, sir. In my opinion, all of the acreage that we have proposed to be dedicated to this well is productive and can be efficiently drained by this well, and I am basing this on the dry holes that are surrounding that well and the trend that has been established by the Manna Resource

```
well in the southeast quarter of Section 21.
        Mr. Manning, was Exhibit 1 prepared by you or under your
        direct supervision?
        Yes, it was.
             MR. BURLESON: Mr. Examiner, at this time I move the
   introduction of El Paso's Exhibit No. 1 into evidence.
             MR. UTZ: Without objection, Exhibit -- I believe you
8
   marked it A.
             MR. BURLESON: Exhibit A, yes, sir.
10
             MR. UTZ: You asked for it to be marked A. We will
11
   call it Exhibit A. It will be entered into the record of this
12
   case.
             MR. BURLESON: That concludes our examination. We
13
14
   turn the witness over for cross-examination.
15
             MR. UTZ: Are there questions of the witness?
16
             MR. KELLAHIN: Mr. Utz, I am Jason Kellahin,
17
   Kellahin and Fox, Santa Fe. I am appearing here on behalf of
18
   Sun Oil Company. I would like to ask a couple of questions,
19
   if I may.
20
                       CROSS-EXAMINATION
   BY MR. KELLAHIN:
21
        Mr. Manning, you testified that at the time this well was
22
        drilled your spacing was 160 acres, but it was now 320. Do
23
        you know when that occurred?
```

Yes, sir. I have it here in my records. The effective

25 Q

```
date of the order was the sixth day of May, 1971, and that
        is Order R4137.
        And when did you --
             MR. UTZ: What was that year? Excuse me. What was
   the year?
             THE WITNESS: 1971.
        (Mr. Kellahin continuing) When did you start circulating
   Q
        your communitization agreement?
        I have a copy of -- I probably, Mr. Kellahin -- I can't
9
   Α
        tell you when it started circulating. I can tell you when
10
        it was signed.
11
12
        Well, you have testified it was June 2, 1971.
        Well, I believe I will stand corrected on that.
                                                          I believe
13
        it was signed on June 1.
14
15
        On June 1?
        The first day of June, yes, sir.
16
             MR. BURLESON: That was the date it was approved?
17
             THE WITNESS: It may have been approved.
18
        Well, here is one where it is approved on the nineteenth
19
        day of May, so I would estimate that this thing was
20
        probably circulating somewhere in April of 1971.
21
        Prior to the adoption of the pool rules?
22
        No, sir, I don't think so. It may -- we may have had our
23
        hearing on it, but it may have been after that.
24
```

You say you started circulating it in April?

```
Probably.
  0
        Tell me, when did you contact Mr. Trainer, C. W. Trainer,
        I believe you said?
        Would just the month be close enough, Mr. Kellahin?
  Α
        Well, I would like to have it closer if you can.
        I don't -- it was by phone, sir, and I do not remember the
        exact day on it.
8
        If you could approximate it.
        Just one second here. Let me find -- let's see, this one
ŷ
10
       will be it. I have here that I talked to Mr. Trainer on
        March 7, 1971.
11
12
        And at that time the spacing was 160 acres?
13
        Yes, sir.
14
        But you were proposing 320 acre units?
15
        We were asking him if he objected to the 320 acre unit.
        Now, did I understand that he had a farm-out from Sun?
16
17
        Yes, sir. That is --
18
        Do you know what acreage he covered?
        No, sir. I have -- he did not go into that with me, no,
19
        sir. He just intimated to me or he said to me -- he said
20
        "Well, that will be fine."
21
            He said, "I have this acreage committed to this well,
22
        and we can have a mirror image."
23
        Did you ever contact Sun in connection with that?
24
```

No, sir. No, sir.

25

1	Ö	O Have you contacted them since the Moran well was drilled,				
2		and as you stated that the acreage reverted to Sun?				
3	Ά	No, sir. I have not contacted Sun.				
4	Ö	When was that Moran well completed or abandoned, I should				
5		say?				
6	Α	Oh, March 7 it was at 6500 feet, and I really I can't				
7		answer that, Mr. Kellahin.				
8	Q Well, would it have been in April, May, or do you have					
9		any idea?				
10	A	I would guess it was in May.				
11	Q	Would have been in May?				
12	Α	Now, that is a guess.				
13	Ö	You don't know when?				
14	Α	No, sir, I do not know.				
15	Q	But you made no effort to make any arrangement with Sun at				
16		any time?				
17	Α	No, I didn't, Mr. Kellahin, but you have got to bear in				
18	:	mind it is not my this is kind of out of my bailiwick,				
19		is dealing with Sun.				
20	O Well, you are the witness, and do you know whether your					
21	ς	company contacted Sun or made any effort to?				
22	Α	No, no, I do not know whether the company did or not.				
23	ი	You can't testify that they did?				
24	A	No, sir, and I can't testify that they didn't.				
25	Ö	But as far as you know				

1	A	I know of nothing in any contact with Sun.				
2	Q	And the only contact that was made to your knowledge	is			
3		the one with Trainer?				
4	Α	Yes, sir, Mr. Trainer.				
5	Ω	And he works for Moran?				
6	6 A Sir, I didn't understand the complication of that thing					
7	7 Q Well, that was my next question. Who does Mr. Trainer					
8		work for?				
9	A	I do not know.				
10	Q Do you know who was drilling the well?					
11	A Yes, sir. Moran Drilling Company was drilling the well.					
12	O But you don't know who they were drilling it for?					
13	A No, sir, I do not know who they were drilling it for. I					
14	know who was calling the shots on it.					
15	Ω	So you don't know who had a farm-out or what the				
16		arrangements were?				
17	A	No, sir.				
18	Ö	Not at all?				
19	A	No.				
20	Q	So you don't know whether you were contacting the rig	ht			
21		person at that point to determine whether they had an	У			
22	Later 1	knowledge or not?				
23	A I feel reasonably sure, because the application to drill					
24	1	was filed in the name of C. W. Trainer, and Jerry Gro	ss or			
	1 .					

Mr. Gross.

1	ĺΩ	Marvin Gross? The original application to drill was					
2	,	filed in that name?					
3	Α	Yes, sir.					
4	Q	Now, Mr. Manning, you are proposing to dedicate the					
5		northwest quarter of the northeast quarter to your					
Leonard State No. 1? I assume that acreage is offs							
7	three sides by dry holes, is it not?						
8	You have a well to the north, a well to the east, and						
9	a well to the south, all dry holes in the Morrow. Is						
10.		that correct?					
11	A	Well, there is a well to the north, a well to the east,					
12		and a well to the south that are dry holes in there.					
13	Ω	And you have no control to the south of Section 22 in the					
14		Morrow; is that correct?					
15	A	Yes, I do, Mr. Kellahin. The Manna Resource well exercises					
16		a certain amount of control in there.					
17	Q	And it is a producing well?					
18	A	Yes, sir. It is a producing well, and it is establishing					
19		to me a trend in that area.					
20	δ	I see.					
21		MP. KELLAHIN: That's all the questions I have.					
22	Λ	This is					
23	Ω	Go ahead.					
24	Α	This is the base of my recommendation is the trend.					
25		MR. KELLAHIN: That's all the questions I have. Thank					

you.

```
MR. UTZ: Are there other questions?
3
             MR. TRAYWICK: Mr. Examiner, I would like to ask
                  I am Carl Traywick, U.S.f. .. Roswell.
  one question.
5
                       CROSS-EXAMINATION
  BY MR. TRAYWICK:
6
7
        Mr. Manning, if I could ask you, what is the approximate
        current production on your Leonard State "Com" well, and
8
        the price of the gas involved?
9
        Well, I am going to answer your last question first. I do
10
        not know the price of the gas. I am going to have to say,
11
        Mr. Traywick, I do not know the current production, either.
12
             Now, let me explain. I am not avoiding your question.
13
        No.
  Ω
14
        This well is delivered to Southern Union.
15
        Yes.
16
        And Southern Union swings on this well, and --
17
        Singles?
18
        Yes, sir. In the winter as they need gas this well is just
19
        cranked open to feed their system, and as they need less
20
        gas, they pinch this well back, so we would have to look
21
        at something else to really get ---
22
        Well, what I was fishing for, just for the record, is the
23
        approximate value of the royalty interest or lease-hold
24
        interest, which --
25
```

```
I'm not -- I'm not -- I don't know that, the question of
1 A
        the value of the royalty interests.
       Okay. Well, thank you.
  0
       Yes, sir.
            MR. UT7: Are there other questions? Witness may
  be excused.
                                                (Witness excused)
             MR. UTZ: We had no appearances as far as other
   testimony is concerned, did we? We will call for statements.
             MR. KELLAHIN: If the Examiner please, on behalf of
10
   Sun Oil Company I want to enter an objection to the application
11
   which was been filed in this case by El Paso Natural Gas
12
   Company.
13
             There are several reasons for this. I think in the
14
   first place they are attempting to dedicate a non-standard unit
15
   which crosses the quarter-section line of the half-section line
16
   to make a regular unit, dedicating their two acreages which is
   offset on three sides by dry holes and will be of dubious
   quality.
19
             Of course there is no testimony in the record other
20
   than the existence of the dry holes to show what acreage is
   productive.
22
             I think more significant, however, is the witness'
23
   testimony that no effort whatever was ever made to pool this
```

acreage with Sun Oil Company's acreage, and Sun does own or hold

11

12

13

14

15

16

17

18

19

20

21

22

the rights under a federal lease in the southeast of the southwest quarter.

We feel that that acreage should be dedicated to the Leonard State No. 1 in order to form a standard proration unit.

Now, as the witness testified, this area was originally under 160 acre spacing, and which Order R4137 entered on May 6 reverts it to 320 acres.

Now, they started circulating a communitization agreement, according to the witness' testimony, some time in April, which was prior to the effective date of 320 acre order.

They didn't contact Sun. They weren't sure whether they contacted the right person insofar as the Moran well was concerned, and the acreage apparently reverted to Sun sometime in March of 1970.

Now, on that basis I think it was incumbent upon the operator to at least make an effort to pool to form a standard unit, and I would like to refer to Chapter 271 of the laws of 1969 which was adopted to provide a new section to our proration status, Section 653-14.5, and I will call in particular your attention to this language:

"Any Commission order that increases the size of a standard present spacing or proration unit for a pool or extends the boundaries of such a pool shall require dedication of acreage to existing wells in the pool in accordance with the acreage dedication requirement for said pool, and all interest

10

11

12

13

14

15

16

17

18

19

20

21

22

in the spacing of proration units that are dedicated to the affected wells shall share in production from the effective date of said order."

Now, the effective date of the order in this case was May 6 of 1971, and the Sun acreage should have shared in production from that date. There has been no effort to form a standard unit as required by that section of the statute.

We submit that it is required, that that acreage be dedicated to that well under the provision of the statute or a good valid reason be given for not so dedicating the acreage.

Sun does object to the approval of the non-standard unit.

MR. UTZ: Mr. Traywick?

MR. TRAYWICK: I would like to make a statement if I am permitted.

MR. UTZ: You may at this time.

MR. TRAYWICK: Thank you. I am Carl Traywick,
U.S.G.S., Roswell. We are involved here because the portion
of Section 22 shown in white on El Paso's Exhibit A is all
federal land under one lease.

We do not concur with the El Paso application being considered here in Case 4600 in view of the fact that standard spacing governing this application involves federal acreage, irrespective of whether it is faced north half or west half of Section 22, 17 South, 29 East.

11

12

17

18

19

The recent Commission order provides for regular 320 acre spacing for the Grayburg-Morrow pool. The fact that the well has already drilled does not appear to present any legal justification for alteration of standard spacing as established by Commission rules and regulations.

The proposed non-standard unit has no basis other than lease ownership. Our studies of this area indicate that the federal acreage in the southeast quarter, southwest quarter of Section 22 is better geologically located and more likely to be contributant to the production of the El Paso Leonard State "Com" No. 1 than the proposed northwest quarter, northeast quarter of Section 22 which is located between two dry holes.

The approval of El Paso's application will deny the leasee and the leaser of the southeast quarter, southwest quarter of Section 22 their just and equitable share of the oil and gas produced from the Grayburg-Morrow pool and would be contrary to the correlative rights fundamental of space and objectives.

Section 65-3-14 of the New Mexico statutes recommends or recognizes correlative rights as a fundamental to be considered when one owner who has the right to drill has drilled or proposes to drill a well on a drilling unit established by the Commission and authorizes the Commission to pool the interests involved and the spacing of proration unit as a unit to avoid the drilling unnecessary wells to protect correlative

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

rights or to prevent waste.

We believe the Commission should consider deferring its decision on Case 4600 and require the working interest owners involved to attempt to negotiate participation on the basis of either the west half or the north half of Section 22, 17 South, 29 East, the standard spacing units for the El Paso Leonard State "Com" No. 1 well as required by Order No. 2707.

Thank you, Mr. Examiner.

MR. UTZ: Mr. Traywick, may I ask you a question?
MR. TRAYWICK: Yes, sir.

MR. UTZ: Why would you prefer the north half instead of the east half or the west half, or do you have a preference?

MR. TRAYWICK: The 2707 gives the operator the option. We have no handle on which way. It is just possible to go either way under regular spacing, so that was the only reason we mentioned that.

MR. UTZ: Well, now, you are talking about productive acreage. Wouldn't the west half be more --

MR. TRAYWICK: The west half would be more equally productive, yes.

MR. UTZ: Are there other statements?

MR. MORRIS: A very brief statement.

MR. UTZ: I guess we are ready for you.

MR. MORRIS: Mr. Examiner, I just want to touch on a couple of points. I don't want to belabor the situation which

Sar Par 到了<u>1987年</u> मि त्राच्यांची प्राप्ता अवसम् । सम्बन्ध 野 <sub>中国</sub>ではままでき - man (\*\*) man The state of the s which you described they said the contract of the section THETTER SECRET the three was executed by the presentation of the light The present the state of some one section with the state of the TE COT E SELECTOR COMPAN, MELL COMM SON MONORS MANAGED DO COMM The wind was an expense of the same of the क्रिक्ट प्रतिकत्ताम्बर्धः अस्ति । अस्य अस्य अस्य अस्य अस्य अस्य अस्य स्थापित्यः स्टा द्रीति the estate man when he called to be beautiful and their by tradents म् त्रवद त्रवद्यावद्यतं ६० त्रात द्रात्वः द्रात्वः द्रात्वः व्यक्तः व्यक्तः व्यक्तः व्यक्तः व्यक्तिः The site forced anding the fourthfore in a softent forthe time the so specialization some week that the star become sacing wit. was ready to participate in that woll it it had been a califficant 21 sell, and it is somewhat trouble now that some course to which 20 Hi shiyisi) iki bin. off of that prospect and try to not into We would amount that sum had made the beam cart, had 22 the El Paso well. taken its position, and it is find too but that the Trainer will 23

11

12

13

14

15

16

17

18

19

20

23

was not a producing well.

Just one other point that I wanted to make, and that is with reference to the statute that Mr. Kellahin cited, 65-3-14.5.

Mr. Kellahin read a portion of that statute, but did not read all of it. Sub-paragraph C of that same statute specifically refers to non-standard spacing units being established.

established when the spacing in a pool is expanded as in this case from 160 to 320, sub-paragraph C specifically says non-standard spacing or proration units may be established by the Commission and all mineral and lease-hold interests in such non-standard unit shall share in production from that unit from the date of the order establishing the said non-standard unit.

So we certainly think that the Commission has expressed statutory authority to establish a non-standard unit in this circumstance.

Thank you, Mr. Examiner.

MR. TRAYWICK: Mr. Examiner, may I offer one comment which concerns only record information which may be of some interest to the Commission?

MR. UTZ: Yes, sir.

MR. TRAYWICK: Our acreage, our notice to drill on the Moran well, a copy of which is in the Commission's files,

```
the Commission dedication plat attached to the notice to drill
which we approved on March 19 dedicates officially the
southeast quarter of Section 22 to the Moran well.
```

The notice to the location of this well was staked on March 10. It was spudded on March 21, completed as a dry hole April 28, but the official dedication was the southeast quarter of Section 22.

> MR. UTZ: Along with the northwest quarter? MR. TRAYWICK: No, sir. It was 160 acre dedication. MR. BURLESON: Would you care to look at the -

MR. BURLESON: You might point out at this time the Commission had not established 120 acre spacing so it was apparent that 160 acre dedication would be shown. That was the applicable spacing pattern at that time although moves were underway to establish or it was clear that El Paso was making efforts to establish 320 acre spacing pattern.

MR. UTZ: Well, in view of these statements I think I have one more question which I think I will have to recall Mr. Manning and that is what was your purpose in calling C. W. Trainer and talking to him?

MR. MANNING: My purpose in calling Mr. Trainer was to 22 see if he had any objections to us expanding that to a 320 acre spacing unit out there.

I see vou didn't.

MR. UTZ: Yes, I would.

10

11

12

13

14

15

16

18

19

20

21

MR. MANNING: The field, to expanding the field to 320 acres because at the time, Mr. Examiner, we firmly believed Mr. Trainer was going to get a well where he was drilling.

MR. UTZ: Yes. So it had no reference to whether he wanted to join your unit or --

MP. MANNING: No, sir. It had no reference on that.

Now, let me say one other thing.

I believe I said on March 17 he was at 6500 feet. I would like to correct that to April. It was the fourth, the seventh of '71 that the Moran well was at 6500 feet.

MR. UTZ: Mr. Hatch, do you have another question?

MR. HATCH: No. Mr. Morris mentioned Section C of
this statute, 65314, and I would like his opinion on whether
that contemplates a non-standard proration unit of less than a
standard one, and within what would be in this case 300 and -or in the half-section.

MR. MORRIS: Well, my opinion is that the intent of sub-section C was simply to allow the Commission latitude to consider non-standard units. I don't see anything in that language that talks about non-standard unit of less or more than the standard size, whatever it might be.

I think the thing behind this statute was simply to preserve to the Commission its traditional flexibility in a proper case to establish a non-standard unit rather than being locked in by statute to nothing but the standard unit as

described by the field rules.

MR. HATCH: I would like to ask Mr. Kellahin if he has any comment on that.

MR. KELLAHIN: Mr. Hatch, I reluctantly would have to agree to some extent, at least, with Mr. Morris for the reason that at the time this bill was introduced into the legislature I'm sure you were familiar it is introduced for the purpose of protecting those within a standard spacing unit whose acreage was not dedicated to a well or was dedicated to a well without any pooling agreement.

If you read Sections A and B it very clearly establishes that those people are going to share in the production from that well. Now, the bill caused some concern over here to the Commission, and I think that was the reason that paragraph C was added to preserve to the Commission the right to form a non-standard proration unit, but if you read the thing as a whole, it would seem to indicate they are talking about a unit of less than a standard size, because they covered a standard unit in Sections A and B, so I would like to see the flexibility of the Commission preserved, frankly.

I think it would be a had thing perhaps if we say you can't form anything but a non-standard unit of less than a standard size.

You have done it frequently over and over and over again, seldom over the objection of one who was within the

20

19

17

10

11

13

21

23

24

```
standard unit in that area.
      MR. UTZ: Any further statements? No further
   statements, it will be taken under advisement.
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
```

## ĪNDEX WITNESS PAGE 3 EUGENE R. MANNING Direct Examination by Mr. Burleson Cross-Examination by Mr. Kellahin Cross-Examination by Mr. Traywick

Hen Mezico Cil Convervation Conscission

1	STATE OF NEW MEXICO )	
2	COUNTY OF BERNALILLO )	
3	I, LINDA MALONE, Court Reporter, do hereby certify t	hat
4	the foregoing and attached Transcript of Hearing before t	the
5	New Mexico Oil Conservation Commission was reported by me	<b>≥</b> ;
6	that the same is a true and correct record of the said	
7	proceedings, to the best of my knowledge, skill and abili	ity.
8		
9		
10		1
11	Court Reporter	Del
12		
13		
14		
15		4.5
16 17		
18		
19		
20		
21		*** ***
22	I do hereby eartify that the fosegot	
23	the Brantone heart on the properties.	



## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO P. O. BOX 2088 - SANTA FE 87501

October 15, 1971

GOVERNOR BRUCE KING CHAIRMAN

LAND COMMISSIONER ALEX J. ARMIJO MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY – DIRECTOR

Mr. Richard S. Morris

Montgomery, Federici, Andrews,
Hannahs & Morris
Attorneys at Law
Post Cffice Box 2307
Santa Fe, New Mexico

Re: Case No. 4600
Order No. R-4208
Applicant:
Applicant:
El Paso Natural Gas Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir			
Copy of order	r also se	nt to:	
Hobbs OCC	×		
Artesia OCC	х	e ja	
Aztec OCC		en e	i i i i i i i i i i i i i i i i i i i
Other	Mr. Ja	son Kellahin	

# BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION OF NEW MEXICO FOR THE PURPOSE OF CONSIDERING:

> CASE NO. 4600 Order No. R-4208

APPLICATION OF EL PASO NATURAL GAS COMPANY FOR A NON-STANDARD GAS PRORATION UNIT, EDDY COUNTY, NEW MEXICO.

#### ORDER OF THE COMMISSION

#### BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 29, 1971, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 15th day of October, 1971, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

## FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, El Paso Natural Gas Company, seeks approval for a 320-acre non-standard gas proration unit comprising the NW/4, M/2 SW/4, SW/4 SW/4, and NW/4 ME/4 of Section 22, Township 17 South, Range 29 East, NMPM, Grayburg-Morrow Gas Pool, Eddy County, New Mexico, to be dedicated to its Leonard State "Com" Well No. 1 located in the SW/4 NW/4 of said Section 22.
- (3) That the entire non-standard gas proration unit requested by the applicant may reasonably be presumed to be productive of gas from the Grayburg-Morrow Gas Pool and can be efficiently and economically drained and developed by the aforesaid well.

-2-CASE NO. 4600 Order No. R-4208

(4) That approval of the 320-acre non-standard gas proration unit as requested by the applicant will afford the applicant the opportunity to produce its just and equitable share of the gas in the Grayburg-Morrow Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, will avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and will not violate correlative rights.

#### IT IS THEREFORE ORDERED:

- (1) That a 320-acre non-standard gas proration unit in the Grayburg-Morrow Gas Pool comprising the NW/4, N/2 SW/4, SW/4 SW/4, and NW/4 NE/4 of Section 22, Township 17 South, Range 29 East, NMPN, Eddy County, New Mexico, is hereby established and dedicated to the El Paso Natural Gas Company Leonard State "Com" Well No. 1 located in the SW/4 NW/4 of said Section 22.
- (2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DOME at Santa Fe, New Mexico, on the day and year hereinabove designated.

> STATE OF NEW MEXICO OIL CONSERVATION COMMISSION

BRUCE KING, Chairman

ALEX J. ARMIJO, Member

Gil Reter . L.

A. L. PORTER, Jr., Member & Segretary

SEAL

dr/

Case 4600 Weard. 9-29-7/ Rec 10-1-Grant Z. P. '5 request for a N.S. P. in the Strayburg Denn. Las Pools. Its Lednard St. Com. # Del Cone ye to conscition ) NW/4, NW NE/4, K/2, SW/4, SW SW/ allin sec. 72, 175-29E. Eddy.

Docket No. 21-71

#### EXAMINER HEARING - WEDNESDAY - SEPTEMBER 29, 1971

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM, STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Elvis A. Utz, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 4604: In the matter of the hearing called by the Oil Conservation Commission upon its own motion to consider the consolidation of the Eunice and Monument areas of the Eunice Monument Pool (Grayburg-San Andres), Lea County, New Mexico, and the ascertainment of a common efficient gasoil ratio limitation for the consolidated area.

CASE 4598: Application of Continental Oil Company for an exception to Order No. R-2408, and for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its Meyer B-4 Well No. 28 in Unit R of Section 4, Township 21 South, Range 36 East, as the second well on an 80-acre proration unit in the Oil Center-Blinebry Pool and to complete said well as a dual completion (conventional) to produce oil from said Oil Center-Blinebry Pool and the Eunice Grayburg-San Andres Pool through parallel strings of tubing.

CASE 4599: Application of Continental Oil Company for a dual completion, Lea County, New Mexico. Applicant, in the abovestyled cause, seeks authority to dually complete its SEMU Well No. 61 located in Unit P of Section 15, Township 20 South, Range 37 East, as a dual completion to produce gas from the Weir-Drinkard Pool through tubing and gas from the Weir-Blinebry Pool through the casing-tubing annulus.

> Application of El Paso Natural Gas Company for a nonstandard gas proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the NW/4, N/2 SW/4, SW/4 SW/4, and NW/4 NE/4 of Section 22, Township 17 South, Range 29 East, Grayburg-Morrow Gas Pool, Eddy County, New Mexico, to be dedicated to its Leonard

State "Com" Well No. 1 located in Unit E of said section.

CASE 4601: Application of Humble Oil & Refining Company for the rededication of acreage, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-3700, to permit the simultaneous dedication of the standard 640-acre Eumont gas proration unit authorized therein to its New Mexico "G" State Wells 2 and 6 located in Units P and M respectively of Section 26, Township 21 South, Range 36 East, Lea County, New Mexico rather than Wells 2 and 4 as at present.

CASE 4600:

Docket No. 21-71

Examiner Hearing - September 29, 1971 -2-

- CASE 4602: Application of Tenneco Oil Company for an unorthodox oil well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks as an exception to Rule 104 B II, approval of an unorthodox Pennsylvanian oil well location for its Pah Well No. 1 located 1500 feet from the South line and 990 feet from the East line of Section 3, Township 25 North, Range 11 West, San Juan County, New Mexico.
- CASE 4603: Application of Tenneco Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Sand Springs Unit Area comprising 2999 acres, more or less, of State lands in Townships 10 and 11 South, Ranges 34 and 35 East, Lea County, New Mexico.
- CASE 4563: Continued from the August 11, 1971 Examiner Hearing Application of Corinne Grace for special gas-oil ratio limitation and pressure maintenance project, Chave County, New Mexico. Applicant, in the above-styled cause, seeks authority to produce her State Well No. 1 located in Unit A of Section 1, Township 15 South, Range 29 East, Double L-Queen Pool, Chaves County, New Mexico, with no gas-oil ratio limitation, strip the liquids, and institute a pressure maintenance project by the injection of all said gas back into the producing formation through her State Well No. 2 located in Unit B of said Section 1. Applicant further seeks to transfer an oil allowable from said Well No. 2 to said Well No. 1.
- CASE 4592: Continued from the September 15, 1971 Examiner Hearing
  Application of Gulf Oil Corporation for amendment of
  order permitting commingling of production, Lea County,
  New Mexico. Applicant, in the above-styled cause,
  seeks the amendment of Order No. R-4079, which order
  authorized the applicant to commingle production from
  the Hobbs (Grayburg-San Andres) and Hobbs-Blinebry Pools
  on its W. D. Grimes NCT-B Lease and to commingle production
  from said lease with the Hobbs (Grayburg-San Andres) Pool
  on its W. D. Grimes NCT-A lease, located in Sections 32 and
  33, Township 18 South, Range 38 East, Lea County, New Mexico.
  Applicant seeks to allocate production to each lease and
  pool on the basis of by-monthly tests rather than monthly
  tests.

Range Township 17 South East 29 New Mexico County, 12 12-57 12 Del 1000 EPNG T. ETIMES T.DEV Gen. Amer. 1 1143 9 0 10 12,260 State TO12,1:1 10240 23 Tillumus 1 Horan C. W. Jan T. Part 7.48 Atoko Solar Geraldine 70 C361 φ<sup>7</sup> 2 Allenfic \$32 70 6390 20 70 6733 6418 -706273 Orocsoo Rebinson

٠٠٠٠.

H. L. BROWN, JR. 309 MIDLAND TOWER MIDLAND, TEXAS 79701

December 20, 1971

Ms. Ida Rodriguez New Mexico Oil Conservation Commission P. O. Box 2088 Santa Fe, New Mexico 87501

Dear Ms. Rodriguez:

I am returning your transcript of the hearing of case #4600. Thank you very much for the loan of this transcript.

Yours very truly,

H. L. BROWN, JR.

Bill D. Baker

Petroleum Engineer

BDB/sn Enclosure El Paso Natural Gas Remodify 1971
El Paso, Texas 1999
NL CONSERVATION COMM

August 30, 1971

New Mexico Oil Conservation Commission Post Office Box 2088 Santa Fe, New Mexico

Attention: Mr. A. L. Porter, Jr.

### Gentlemen:

At your earliest convenience, please set for hearing the application of El Paso Natural Gas Company for a non-standard proration unit in the Grayburg (Morrow) Field for its Leonard State Com. #1 Well located in the E-22-17S-29E, Eddy County, New Mexico.

The non-standard proration unit will consist of the following described acreage:

NW/4, N/2SW/4, SW/4SW/4, NW/4NE/4, a total of 320 acres, all located in Section 22, Township 17 South, Range 29 East, Eddy County, New Mexico.

A communitization agreement covering the above-described acreage was approved by the Commissioner of Public Lands of the State of New Mexico on June 2, 1971.

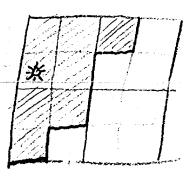
Very truly yours,

D. H. RAINEY

Assistant Manager

Gas Proration Department

DHR:ps



Date 9-17-7/

DRAFT

GMH/dr



# BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

SUP

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION OF NEW MEXICO FOR THE PURPOSE OF CONSIDERING:

CASE No. 4600

Order No. R-

APPLICATION OF EL PASO NATURAL GAS COMPANY FOR A NON-STANDARD GAS PRORATION UNIT, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

#### BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 29 , 1971 at Santa Fe, New Mexico, before Examiner Elvis A. Utz

NOW, on this <u>day of October</u>, 1971, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

#### FINDS #

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (1) That the applicant, El Paso Natural Gas Company, seeks approval for a 320-acre non-standard gas proration unit comprising the NW/4, N/2 SW/4, SW/4 SW/4, and NW/4 NE/4 of Section 22, Town-ship 17 South, Range 29 East, NMPM, Grayburg-Morrow Gas Pool, Eddy County, New Mexico, to be dedicable to the florest late "Com" well No. I located in the S w/4 NW/4 of Said Section 22.

-2-CASE NO. 4600 Order No. R-

(3) That the applicant seeks approval of a 320 facre non-standard gas proration unit in the Grayburg-Morrow das Pool comprising the above-described acreage to be dedicated to its Leonard State "Com" Well No. 1 located in Unit E of said section. 22.

(4) That all of the above-described acreage in Section 22 is dwned by the applicant.

by the applicant may reasonably be presumed to be productive of gas from the Grayburg-Morrow Gas Pool and can be efficiently and economically drained and developed by the aforesaid well.

(1) That approval of the 320-acre non-standard gas proration unit as requested by the applicant will afford the applicant the opportunity to produce its just and equitable share of the gas in the Grayburg-Morrow Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, will avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and pretest sorrelative rights.

IT IS THEREFORE ORDERED:

-3-CASE NO. 4600 Order No. R-

- (1) That a 320-acre non-standard gas proration unit in the Grayburg-Morrow Gas Pool comprising the NW/4, N/2 SW/4, SW/4 SW/4, and NW/4 NE/4 of Section 22, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico, is hereby established and dedicated the Conference of the Section 22.
- (2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

  DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

CASE 4601: Application of HUMBLE OIL & RFG. FOR THE REDEDICATION OF ACREAGE, LEA COUNTY, NEW MEXICO