

CASE 1638: Hearing called by OCC to consider establishment of procedure whereby amendments to unit agreements may be approved administratively.

Case No.

1638

Application, Transcript,  
Small Exhibits, Etc.

BEFORE THE  
OIL CONSERVATION COMMISSION  
HOBBS, NEW MEXICO

IN THE MATTER OF:

Case No. 1638

TRANSCRIPT OF HEARING

APRIL 16, 1959

DEARNLEY - MEIER & ASSOCIATES  
GENERAL LAW REPORTERS  
ALBUQUERQUE NEW MEXICO  
Phone CHapel 3-6691

BEFORE THE  
OIL CONSERVATION COMMISSION  
HOBBS, NEW MEXICO

IN THE MATTER OF:

Case 1638 In the matter of the hearing called by the  
Oil Conservation Commission on its own  
motion to consider the establishment of a  
procedure whereby amendments to unit  
agreements may be approved administra-  
tively.

Hobbs Auditorium  
Hobbs, New Mexico  
April 16, 1959

BEFORE:

A. L. Porter, Jr.  
Murray Morgan  
E. S. Walker

TRANSCRIPT OF HEARING

MR. PORTER: We'll proceed to Case 1638.

MR. PAYNE: Case 1638, "In the matter of the hearing  
called by the Oil Conservation Commission on its own motion to  
consider the establishment of a procedure whereby amendments to  
unit agreements may be approved administratively."

We have one witness, Mr. Dan Nutter.

(Witness sworn in.)

DANIEL S. NUTTER

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

DIRECT EXAMINATION

BY MR. PAYNE:

Q Will the witness please state his name and position?

A Daniel S. Nutter, Chief Engineer for the Oil Conservation Commission.

Q Mr. Nutter, what is the nature of the application in Case 1638?

A This is an application on the motion of the Commission itself to provide for an administrative procedure for approving amendments to unit agreements which have been approved by the Commission.

Q What is the reason or the necessity for the establishment of the administrative procedure?

A While in the past there have been very few amendments to unit agreements brought before the Commission and heard by the Commission for approval, we anticipate that in the future there's going to be considerable amendments to unit agreements in Northwest New Mexico. It is going to present a burden to the Commission to have to set all of these unit agreements that we anticipate changes in the contracts themselves for hearing, and for this reason, we would like to see an administrative procedure set up.

Q Now, to the best of your knowledge, do most unit agreements have any stipulation in them providing for amendments?

A A few of them do, but most of them are silent on that subject.

Q Would you recommend then that the Commission not

approve administratively and amend the unit agreement unless all parties to the original unit agreement had consented to the amendment?

A If the unit agreement provides machinery for the approval of a change or an amendment to that unit agreement without 100 per cent of the interested parties signing the amendment, I think that it would be possible for the Commission to approve a change in that manner; however, if the unit agreement is silent on the subject, I think that all parties to the unit agreement should approve and ratify any amendment to that contract.

Q All right, sir. Now, do you propose that this should be a discretionary thing for the Commission?

A It certainly should be discretionary. It should also be provided that if anyone objects to the amendment, that it be set for hearing and provide an opportunity for that person to voice his objections.

Q Do you have anything further you would like to explain to the Commission in this case?

A No, I think not.

MR. PAYNE: That concludes our case, Mr. Commissioner.

MR. PORTER: Does anyone have a question of the witness concerning the proposed procedure that he has just outlined?

The witness may be excused.

(Witness excused.)

MR. PORTER: Anyone have any comments or any statements to make?

MR. PAYNE: Mr. Commissioner, I have a statement from El Paso Natural Gas Company that I would like to read into the record.

MR. PORTER: Proceed.

MR. PAYNE: "El Paso Natural Gas Company urges the Commission to adopt the proposal to establish administrative procedure for approving amendments to unit agreements. After a unit agreement has been approved by the necessary governmental officials and has become effective, it can be amended only by agreement of all, or such majority as the agreement itself prescribes, of the parties to the unit agreement. Persons who have not become parties will have no legitimate interest in the amendment. Those who have interests will have reached an agreement prior to making application for Commission approval.

Under these circumstances, there will be no necessity for notice to parties without interest and for hearing. The proposed rules require the applicant to furnish proof of notice to interested parties. The unit agreement itself will either provide the requirements for amendment, or, lacking provisions for amendment, all parties must consent. By an administrative review, the Commission can assure itself that no law, rule or policy is violated. In order to avoid unnecessary and useless hearings, the proposed rules should be adopted."

Ben R. Howell for El Paso Natural Gas Company.

MR. PORTER: Any further comments?

We will take the case under advisement.

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STATE OF NEW MEXICO )  
                                  : ss  
COUNTY OF BERNALILLO )

I, JERRY MARTINEZ, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing were reported by me in Stenotype, and that the same was reduced to typewritten transcript by me and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

DATED this 16th day of May, 1959, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

  
Notary Public

My Commission Expires:

January 24, 1962



DOCKET: REGULAR HEARING APRIL 15, 1959  
Oil Conservation Commission 9 a.m., Hobbs Auditorium, 1300 East Scharbauer

HOBBS, NEW MEXICO

ALLOWABLE:

- (1) Consideration of the oil allowable for May, 1959.
- (2) Consideration of the allowable production of gas for May 1959 from six prorated pools in Lea County, New Mexico; also consideration of the allowable production of gas from seven prorated pools in San Juan and Rio Arriba Counties, New Mexico, for May 1959.

CONTINUED CASES

CASE 1573:

Application of Southwestern, Inc. Oil Well Servicing for permission to make a "slim hole" completion. Applicant, in the above-styled cause, seeks an order authorizing it to utilize the "slim hole" method of completion for a well located in the SE/4 NW/4 Section 32, Township 16 South, Range 30 East, Square Lake Pool, Eddy County, New Mexico. Applicant proposes to utilize 2 1/2 inch tubing as a substitute for casing in the above-described well in exception to Rule 107.

CASE 1600:

In the matter of the application of M. A. Romero and Robert Critchfield concerning the operation of gas prorationing in the Blanco Mesaverde Gas Pool and the ratable taking of gas from said Blanco Mesaverde Gas Pool in Rio Arriba and San Juan Counties, New Mexico, as well as from the Choza Mesa-Pictured Cliffs Gas Pool in Rio Arriba County, New Mexico.

CASE 1526:

Northwestern New Mexico nomenclature case calling for an order for the extension of an existing pool in San Juan County, New Mexico.

- (h) Extend the Angels Peak-Dakota Pool to include:

TOWNSHIP 26 NORTH, RANGE 10 WEST, NMPM  
Section 2: NW/4

TOWNSHIP 27 NORTH, RANGE 10 WEST, NMPM  
Section 35: SW/4

TOWNSHIP 28 NORTH, RANGE 10 WEST, NMPM  
Section 27: W/2  
Section 28: E/2

CASE 1618:

Southeastern New Mexico nomenclature case calling for an order creating a new pool in Lea County, New Mexico:

- (e) Create a new oil pool for Devonian production, designated as the Crosby-Devonian Oil Pool, and described as:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM  
Section 21: SW/4

NEW CASES

- CASE 1631: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider changing the date of the Regular Commission Hearing in June 1959 from the 17th to the 9th.
- CASE 1632: Application of Humble Oil & Refining Company for permission to make a "slim hole" completion. Applicant, in the above-styled cause, seeks an order authorizing it to utilize the "slim hole" method of completion for its State "M" Well No. 14 to be located 1980 feet from the North line and 660 feet from the East line of Section 31, Township 22 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico. Applicant proposes to utilize 2-7/8 inch tubing as a substitute for casing in the above-described well in exception to Rule 107.
- CASE 1633: Application of Humble Oil & Refining Company for permission to make a "slim hole" completion. Applicant, in the above-styled cause, seeks an order authorizing it to utilize the "slim hole" method of completion for its State "G" Well No. 19, to be located 580 feet from the South line and 1980 feet from the East line of Section 23, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico. Applicant proposes to utilize 2-7/8 inch tubing as a substitute for casing in the above-described well in exception to Rule 107.
- CASE 1634: Application of The Pure Oil Company for an order promulgating temporary special rules and regulations for the South Vacuum-Devonian Pool in Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order promulgating temporary special rules and regulations for the South Vacuum-Devonian Pool in Lea County, New Mexico, to provide for 80-acre pro-ration units and well location requirements. Applicant further seeks permission to shut-in its South Vacuum Unit Well No. 3-35 located in the NE/4 NW/4 of Section 35, Township 18 South, Range 35 East, Lea County, New Mexico, and transfer the allowable to its South Vacuum Unit Well No. 1-35 located in the SW/4 NE/4 of said Section 35.
- CASE 1635: Application of Mapenza Oil Company for an exception to the requirements of Order No. R-1224-A. Applicant, in the above-styled cause, seeks an order authorizing an exception to the salt water disposal requirements of Order No. R-1224-A for its State No. 1-A Well, located in the SE/4 SE/4 of Section 14, Township 18 South, Range 37 East, Hobbs Pool, Lea County, New Mexico.
- CASE 1636: Application of The Atlantic Refining Company for an amendment of Rule 115 of the Commission Rules and Regulations. Applicant, in the above-styled cause, seeks an order amending Rule 115 of the Commission Rules and Regulations insofar as said rule is related to required pressure rating of wellhead equipment.

CASE 1637: Application of The Atlantic Refining Company for an order combining the Allison-Pennsylvanian and the North Allison-Pennsylvanian Pools in Lea and Roosevelt Counties, New Mexico, and for the promulgation of special rules and regulations therefor. Applicant, in the above-styled cause, seeks an order combining the Allison-Pennsylvanian and the North Allison-Pennsylvanian Pools in Lea and Roosevelt Counties, New Mexico, and providing for the establishment of 80-acre proration units in said combined pool.

CASE 1638: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the establishment of a procedure whereby amendments to unit agreements may be approved administratively.

CASE 1522: Application of General Petroleum, Inc., for an amendment to Order No. R-1299. Applicant, in the above-styled cause, seeks an order amending Order No. R-1299 to provide that any merchantable oil recovered from sediment oil shall not be charged against the allowable for wells on the originating lease, which amendment would revise Rule 311.

CASE 1639: Southeastern New Mexico nomenclature case calling for an order creating new pools and extending existing pools in Lea and Eddy Counties, New Mexico:

(a) Create a new oil pool for Tansil production, designated as the Custer-Tansill Oil Pool, and described as:

TOWNSHIP 25 SOUTH, RANGE 36 EAST, NMPM  
Section 7: NW/4

(b) Create a new oil pool for Pennsylvanian production, designated as the East Hightower-Pennsylvanian Oil Pool, and described as:

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM  
Section 30: NE/4

(c) Create a new oil pool for Delaware production, designated as the Querecho Plains-Delaware Oil Pool, and described as:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM  
Section 25: NW/4

(d) Create a new oil pool for Abo production, designated as the West Warren-Abo Oil Pool, and described as:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM  
Section 17: SW/4

(e) Create a new oil pool for Connell production, designated as the Warren-Connell Oil Pool, and described as:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM  
Section 17: SW/4

- (f) Extend the Atoka Pool to include:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM  
Section 13: E/2 NE/4

- (g) Extend the Bishop Canyon-San Andres Pool to include:

TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM  
Section 10: N/2  
Section 11: NW/4

- (h) Extend the Crosby-Devonian Gas Pool to include:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM  
Section 4: NE/4

- (i) Extend the Culwin Pool to include:

TOWNSHIP 19 SOUTH, RANGE 30 EAST, NMPM  
Section 1: NE/4

- (j) Extend the Drinkard Pool to include:

TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMPM  
Section 17: SW/4

- (k) Extend the Eumont Gas Pool to include:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM  
Section 23: N/2  
Section 24: SE/4 & N/2

- (l) Extend the Justis Gas Pool to include:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM  
Section 13: SE/4

- (m) Extend the Langlie-Mattix Pool to include:

TOWNSHIP 23 SOUTH, RANGE 36 EAST, NMPM  
Section 4: NE/4

- (n) Extend the Wilson Pool to include:

TOWNSHIP 21 SOUTH, RANGE 35 EAST, NMPM  
Section 19: E/2  
Section 20: SW/4

CASE 1640: Northwestern New Mexico nomenclature case calling for an order changing the designation of a pool and extending existing pools in San Juan and Rio Arriba Counties, New Mexico:

- (a) Change the designation of the Otero-Graneros Dakota Pool in Rio Arriba County, New Mexico, to the Otero-Dakota pool.

- (b) Extend the Tapacito-Pictured Cliffs Pool to include:

TOWNSHIP 27 NORTH, RANGE 4 WEST, NMPM  
Section 29: E/2

- (c) Extend the Blanco-Mesaverde Pool to include:

TOWNSHIP 31 NORTH, RANGE 13 WEST, NMPM  
Section 25: S/2

- (d) Extend the Angels Peak-Gallup Oil Pool to include:

TOWNSHIP 26 NORTH, RANGE 9 WEST, NMPM  
Section 6: SW/4  
Section 7: NW/4

TOWNSHIP 26 NORTH, RANGE 10 WEST, NMPM  
Section 1: All  
Section 2: NE/4

TOWNSHIP 27 NORTH, RANGE 10 WEST, NMPM  
Section 28: SW/4  
Section 29: S/2  
Section 32: All  
Section 33: W/2

- (e) Extend the Bisti-Lower Gallup Oil Pool to include:

TOWNSHIP 24 NORTH, RANGE 10 WEST, NMPM  
Section 2: SW/4

TOWNSHIP 25 NORTH, RANGE 10 WEST, NMPM  
Section 19: S/2 S/2

- (f) Extend the Horseshoe-Gallup Oil Pool to include:

TOWNSHIP 30 NORTH, RANGE 16 WEST, NMPM  
Section 2: W/2 SW/4

TOWNSHIP 31 NORTH, RANGE 16 WEST, NMPM  
Section 19: SW/4 & S/2 SE/4  
Section 29: NW/4

- (g) Extend the Verde-Gallup Oil Pool to include:

TOWNSHIP 31 NORTH, RANGE 14 WEST, NMPM  
Section 16: SW/4 NW/4  
Section 17: E/2  
Section 20: E/2

- (h) Extend the Angels Peak-Dakota Pool to include:

TOWNSHIP 26 NORTH, RANGE 10 WEST, NMPM  
Section 3: N/2

TOWNSHIP 27 NORTH, RANGE 10 WEST, NMPM  
Section 8: E/2      Section 9: W/2

TOWNSHIP 28 NORTH, RANGE 10 WEST, NMPM  
Section 22: W/2

Commission to adopt the proposed administrative procedure for approving unit agreements. After a unit agreement has been approved by the necessary governmental officials and has become effective, it can be amended only by agreement of all ~~parties~~, or such majority as the agreement itself prescribes, of the parties to the unit agreement. The persons who have not become parties will have no legitimate interest in the amendment. Those who have interests will have reached an agreement prior to making application for Commission approval.

Under these circumstances there will be no necessity for notice ~~and~~ to parties without interest and for hearing. The proposed rules ~~require~~ require the applicant to furnish proof of notice to interested parties. The unit agreement itself will either provide the requirements for amendment, or, lacking provisions for amendment, all parties must consent. By an administrative review the Commission can assure itself that no law, rule or policy is violated. In order to avoid unnecessary and useless hearings, ~~to simplify~~ the proposed rules should be adopted.

Wm. J. Howell  
for El Paso Natural Gas

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. 1638  
Order No. R-1384

APPLICATION OF THE OIL CONSERVATION  
COMMISSION ON ITS OWN MOTION TO  
CONSIDER THE ESTABLISHMENT OF A  
PROCEDURE WHEREBY AMENDMENTS TO UNIT  
AGREEMENTS MAY BE APPROVED ADMINISTRATIVELY.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 15, 1959, at Hobbs, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 7th day of May, 1959, the Commission, a quorum being present, having considered the application and the evidence adduced 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 in some cases proposed amendments to unit agreements are relatively routine and a hearing prior to approval of such amendments results in needless expenditure by the unit operator.
- (3) That a procedure should be established whereby amendments to unit agreements may be approved administratively by the Secretary-Director, without notice and hearing, when good cause is shown therefor.

IT IS THEREFORE ORDERED:

That a procedure be and the same is hereby established whereby amendments to unit agreements may be approved administratively by the Secretary-Director, without notice and hearing, when good cause is shown therefor.

PROVIDED HOWEVER, That when the unit agreement contains a procedure for amending such agreement, the Secretary-Director may approve such amendment administratively only when the procedure set forth in the unit agreement has been fully complied with.

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Case No. 1638  
Order No. R-1384

PROVIDED FURTHER, That when the unit agreement contains no provision relative to amendments, the Secretary-Director may approve such amendment administratively only when all parties to the unit agreement have approved the amendment in question.

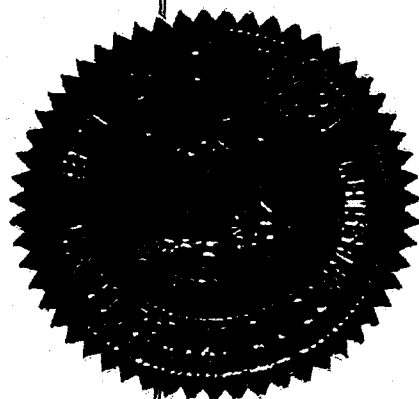
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*John T. Burroughs*  
JOHN BURROUGHS, Chairman

*Murray E. Morgan*  
MURRAY E. MORGAN, Member

*A. L. Porter, Jr.*  
A. L. PORTER, Jr., Member & Secretary



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