

CASE 1710: Application of ATLANTIC
to establish three 44.56-acre non-
standard oil proration units in the
Horseshoe-Gallup Oil Pool.

Case No.

1710

Application, Transcript,
Small Exhibits, Etc.

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. 1710
Order No. R-1458

APPLICATION OF THE ATLANTIC
REFINING COMPANY FOR THE
ESTABLISHMENT OF THREE NON-
STANDARD OIL PRORATION UNITS
AND FOR APPROVAL OF AN UN-
ORTHODOX WELL LOCATION IN THE
HORSESHOE-GALLUP OIL POOL,
SAN JUAN COUNTY, NEW MEXICO

ORDER OF THE COMMISSION

BY THE COMMISSION:

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

NOW, on this 3rd day of August, 1959, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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, The Atlantic Refining Company, is the operator of that portion of the W/2 W/2 of Section 33, Township 31 North, Range 16 West, NMPM, San Juan County, New Mexico, lying within the Navajo Indian Reservation, while El Paso Natural Gas Products Company is the operator of that portion of the W/2 W/2 of said Section 33 lying within the Ute Mountain Indian Reservation, which two tracts include a combined total of 133.68 acres.

(3) That the applicant proposes the establishment of three non-standard oil proration units in the Horseshoe-Gallup Oil Pool, which proposed units are described as follows:

(a) A non-standard oil proration unit consisting of the northernmost 44.56 acres of the W/2 W/2 of said Section 33, to be dedicated to a well to be located 874 feet from

-2-

Case No. 1710

Order No. R-1458

the North line and 4496 feet from the East line of said Section 33.

(b) A non-standard oil proration unit consisting of the southernmost 44.56 acres of the W/2 W/2 of said Section 33, to be dedicated to the Horseshoe Ute Well No. 3, located 650 feet from the South line and 4500 feet from the East line of said Section 33.

(c) A 44.56-acre non-standard oil proration unit consisting of the remainder of the W/2 W/2 of said Section 33, to be dedicated to the Horseshoe Ute Well No. 5, located 1980 feet from the North line and 4470 feet from the East line of said Section 33.

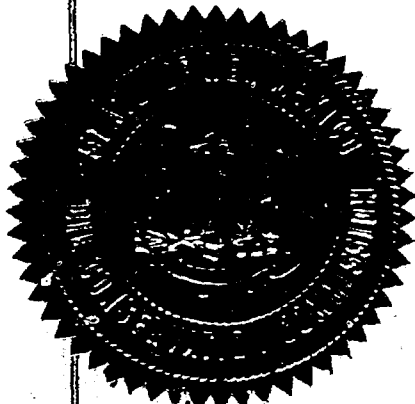
(4) That El Paso Natural Gas Products Company has not yet agreed to communitize its acreage with that of the applicant, due to a dispute as to the proper number of wells to be drilled in the said W/2 W/2 of Section 33.

(5) That approval of the subject application would serve no useful purpose in the absence of an agreement to communitize.

IT IS THEREFORE ORDERED:

That the application of The Atlantic Refining Company for the establishment of three non-standard oil proration units comprising the W/2 W/2 of Section 33, Township 31 North, Range 16 West, NMPM, San Juan County, New Mexico, and more particularly described in Finding No. 3, be and the same is hereby denied.

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



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

John Burroughs
JOHN BURROUGHS, Chairman

Murray E. Morgan
MURRAY E. MORGAN, Member

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

ven/

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE 1710

TRANSCRIPT OF HEARING

JULY 8, 1959

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

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
JULY 8, 1959

IN THE MATTER OF:

CASE 1710 Application of The Atlantic Refining Company :
for the establishment of three non-standard :
oil proration units and for approval of an :
unorthodox oil well location. Applicant, in :
the above-styled cause, seeks the establish- :
ment of three 44.56-acre non-standard oil :
proration units in the Horseshoe-Gallup Oil :
Pool, the three units together to comprise :
all of lots 1, 2, 3, and 4 of Section 33, :
Township 31 North, Range 16 West, San Juan :
County, New Mexico, one unit to be dedicated :
to a well in said lot 1, another to a well in :
said lot 2, the other to a well in said lot :
4. Applicant further seeks approval of an :
unorthodox location for the well in said lot :
2. :

BEFORE:

Daniel S. Nutter, Examiner.

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

MR. NUTTER: Take next Case 1710.

MR. PAYNE: Case 1710. Application of The Atlantic
Refining Company for the establishment of three non-standard oil
proration units and for approval of an unorthodox oil well loca-
tion.

Mr. Examiner, we received a communication from the attorney
for El Paso Natural Gas Products Company, who objects to this case

being heard before the Examiner. Therefore, the case will be heard before the Commission at the regular hearing on July the 15th.

MR. NUTTER: Nothing further in Case 1710, it will be heard by the Commission on July 17.

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, J. A. Trujillo, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in Stenotype and reduced to typewritten transcript by me, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this, the 14th day of July, 1959, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Joseph A. Trujillo
NOTARY PUBLIC

My Commission Expires:

October 5, 1960

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1710, heard by me on 7-8, 1959.

James, Examiner
New Mexico Oil Conservation Commission

HORSESHOE-GALLUP OIL POOL
NET PAY, POROSITY AND PERMEABILITY
FROM CORE ANALYSIS
NET PAY 1.0 MD OR MORE

Cored Wells Offsetting EPNG Products Co. HORSESHOE UTE NO. 3 WELL

	<u>NET PAY FEET</u>	<u>AVERAGE POROSITY %</u>	<u>TOTAL MD. FT.</u>	<u>AVERAGE PERMEABILITY MD.</u>
ATLANTIC NAVAJO NO. 1	41	19.6	8907.4	217.5
EPNG PRODUCTS CO. HORSESHOE CANYON NO. 2-B	39	13.9	10431.0	267.5

Cored Wells Offsetting EPNG Products Co. HORSESHOE UTE NO. 5 WELL

	<u>NET PAY FEET</u>	<u>AVERAGE POROSITY %</u>	<u>TOTAL MD. FT.</u>	<u>AVERAGE PERMEABILITY MD.</u>
ATLANTIC NAVAJO NO. 20	15	18.1	2004.0	133.6

CASE NO. 1710
THE ATLANTIC REFINING CO.
EXHIBIT NO. _____

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RECEIVED

THE NAVAJO TRIBE

WINDOW ROCK, ARIZONA

MAY 22 1959

PAUL JONES, CHAIRMAN
NAVAJO TRIBAL COUNCIL

20 May 1959

SCOTT PRESTON
VICE-CHAIRMAN

J. MAURICE MCCABE
EXECUTIVE SECRETARY

J. K. Letts, District Landman
The Atlantic Refining Company
Post Office Box 379
Durango, Colorado

Dear Mr. Letts:

The Navajo Tribe has received your letter of May 18, 1959, concerning the proposed communitization of lands lying along the Navajo-Ute boundary line in Sections 28 and 33 of Township 31 North, Range 16 West.

We can see no difficulties at this time with the communitization of these three tracts. However, we will have to submit the communitization agreements, when they are prepared for our execution, for the advice of our consultants and for the approval of the Advisory Committee of the Navajo Tribal Council.

For your information, we have heretofore entered into communitization agreements involving lands immediately to the south of the lands which you propose to communitize, those communitized units lying in Section 4 of Township 30 North, Range 16 West. The same situation obtains in that section, concerning the east boundary of the Navajo Indian Reservation, as does in Section 33, Township 31 North, Range 16 West.

We suggest that the communitization agreements for these three tracts be prepared and submitted through the United States Geological Survey at Roswell, New Mexico, to the Navajo Agency and the Navajo Tribe, for our consideration and execution pursuant to the recommendations of the United States Geological Survey.

Should you have any further questions, I would be happy to hear from you.

Sincerely yours,

Walter F. Hargis, Jr.
Associate Attorney

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
1270 EXHIBIT No. *P*
CASE *Atlantic*

RECEIVED
APR 10 1959

P. O. Box 6721
Roswell, New Mexico

April 9, 1959

CERTIFIED MAIL

The Atlantic Refining Company
P. O. Box 520
Casper, Wyoming

Gentlemen:

At a conference on January 22, 1959, in the Oil Conservation Commission offices in Santa Fe between representatives of your company, El Paso Natural Gas Products Company, and this office, we discussed the formation of nonstandard oil proration units in the W $\frac{1}{4}$ SW $\frac{1}{4}$ sec. 33, and the W $\frac{1}{4}$ NW $\frac{1}{4}$ sec. 33, T. 31 N., R. 16 W., Horseshoe-Gallup field, New Mexico, for the drilling of two wells on land included in El Paso Natural Gas Products Company's Ute Mountain tribal lease No. 14-20-604-1951.

You were at that time reluctant to enter into agreements communitizing portions of your Navajo tribal lease No. 14-20-603-734 with portions of El Paso's Ute Mountain tribal lease to form drilling units approximating 40 acres in view of your pending application before the Commission for 80-acre spacing. We informed your representatives at such conference that if El Paso completed producing wells on the nonstandard proration units consisting of Ute Mountain tribal land it would be necessary for us to charge Atlantic compensatory royalty based on 100 percent of the production of El Paso's wells. We further advised your representatives that dependent upon the outcome of your application for 80-acre spacing we would be agreeable to communitizing two tracts in the W $\frac{1}{4}$ W $\frac{1}{4}$ sec. 33, approximating 67 acres each, or three tracts approximating 44 acres each with the communitization agreements dated so as to cover all production from El Paso's wells.

Accordingly you are hereby notified that compensatory royalty will be charged on the basis of 100 percent of the production of wells Nos. 3 and 5 which were completed in March 1959 in the W $\frac{1}{4}$ W $\frac{1}{4}$ sec. 33, T. 31 N., R. 16 W. producing from the Gallup sandstone. It is our understanding that the New Mexico Oil Conservation Commission

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
EXHIBIT No. 5
CASE 1762

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has rejected 80-acre spacing in the Horseshoe-Gallup field. Accordingly it is requested that you submit communitization agreements for the appropriate well spacing units in the W₁W₂ sec. 33 at an early date.

Very truly yours,

JOHN A. ANDERSON
Regional Oil and Gas Supervisor

Copy to: Atlantic Refining Company
P. O. Box 379
Durango, Colorado

Nav. Ind. Ag., Window Rock, Ariz
Farmington

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE 1710

TRANSCRIPT OF HEARING

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

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
JULY 16, 1959

IN THE MATTER OF:

CASE 1710 Application of The Atlantic Refining Company for:
the establishment of three non-standard oil pro-
ration units and for approval of an unorthodox
oil well location. Applicant, in the above-
styled cause, seeks the establishment of three
44.56-acre non-standard oil proration units in
the Horseshoe-Gallup Oil Pool, the three units
together to comprise all of Lots 1, 2, 3, and 4 of
Section 33, Township 31 North, Range 16 West,
San Juan County, New Mexico, one unit to be ded-
icated to a well in said Lot 1, another to a
well in said Lot 2, the other to a well in said
Lot 4. Applicant further seeks approval of an
unorthodox location for the well in said Lot 2.

BEFORE:

Gov. John Burroughs
Murray Morgan
A. L. Porter

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

MR. PORTER: The meeting will come to order, please.

Take up Case 1710.

MR. PAYNE: Case 1710. Application of The Atlantic Re-
fining Company for the establishment of three non-standard oil pro-
ration units and for approval of an unorthodox oil well location.

MR. BRATTON: If the Commission please, Howard Bratton,
Hervey, Dow & Hinkle, Roswell, appearing on behalf of the applicant,

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The Atlantic Refining Company. We have one witness, Mr. Bruce Vernor, and I ask that he be sworn.

(Witness sworn)

MR. SPANN: I would like to enter an appearance for El Paso Natural Gas Products Company, who will enter a protext in this case. My name is Charles Spann from the firm of Grantham, Spann & Sanchez, Albuquerque.

MR. BRATTON: If the Commission please, this application involves the request of Atlantic Refining Company for the establishment of three non-standard proration units along the east boundary of the Navajo Reservation, and the west boundary of the Ute Indian Reservation, and the approval of certain non-standard locations pertaining to two existing wells and one proposed well. As stated by Mr. Spann, El Paso Natural Gas Products Company has entered a protext to the application, and has requested that it be heard before this full Commission.

BRUCE VERNOR,

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

DIRECT EXAMINATION

BY MR. BRATTON:

Q Mr. Vernor, will you state your name, location and --

A Bruce Vernor, Atlantic Refining Company, Casper, Wyoming. I am area reservoir engineer.

Q Are you familiar with the area in question, Mr. Vernor?

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A Yes, sir.

Q Does that fall within your office?

A Yes, it does.

Q Have you previously testified before this Commission as an expert witness?

A I have.

Q Are you familiar with the application in this pending case?

A Yes, sir, I am.

MR. BRATTON: Are the witness' qualifications acceptable?

MR. PORTER: They are.

(Thereupon, Atlantic's Exhibit No. 1 was marked for identification.)

Q Mr. Vernor, referring to Exhibit No. 1, Atlantic's Exhibit No. 1, will you explain what it is, what it shows with relation to what Atlantic is proposing in this case?

A Well, this Exhibit No. 1 is an enlarged copy of the plat which Mr. Bratton is handing out, large enough so that we can see for display purposes. the acreage in question. This is Section 33, Township 31 North, Range 16 West, San Juan County, New Mexico. The strip in question is approximately the E/4 or -- excuse me -- the W/4 of Section 33. It contains both Ute and Navajo acreage since the Reservation's common boundary falls 486.1 feet east of the west section line of Section 33. The total acreage is



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about 134 acres -- I am sorry -- I don't have it written down here. 133.69 acres is the total acreage. If four units are formed out of this acreage, consisting approximately of the four Lots, the average acreage per unit would be 33.42 acres. The units, actually the southernmost Lot, the SW, SW of Section 33, contains 33.88 acres; the next one North, 33.43; 33.42; and 32.96 acres. This would result, of course, in a fractional allowable, 3296 over 40 times the unit allowable for the wells drilled, or a sub-standard allowable. We propose a solution which would provide three units in which the acreage will be closer to 40 acres than these, what we refer to as sub-standard units. It would form three units of 44.56 acres each by dividing the strip into three equal units which are the units we have outlined in red. The southernmost unit would be assigned to the El Paso Natural Gas Products' Horseshoe Ute No. 3 Well. The center unit would be assigned to the El Paso Natural Gas Products Company's Horseshoe Ute No. 5 Well, and the northernmost unit would be assigned to an as yet unnumbered El Paso Natural Gas Products' Horseshoe Ute Well, which is 874 feet from the North line and 4496 feet from the East line of Section 33, which would place it in the approximate center of the proposed North unit.

(Thereupon, Atlantic's Exhibit No. 2 was marked for identification.)

Q Mr. Vernor, referring to what has been marked Atlantic's Exhibit No. 2, would you point to the area in question, describe the area in question on that map?



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A The area in question here is the same strip which is again the W/4, approximately, of Section 33. The underlying cause for this application, I might say, is that the slack, so to speak, in the survey in an east-west direction was taken at Section 33 at its western boundary so that this strip is not -- it is 1,140.82 feet across. It likewise is some 24 feet shy of a mile North and South. This strip in the W/4 of Section 33 falls adjoining our Atlantic Navajo lease in Section 32. We have already established in the field units of -- quite varying in size. I might point out that the majority of them are approximately 40 acres. However, we have acres as large as 42.6, acres assigned to wells in Section 19, being the units assigned to the Atlantic Navajo "B" 2, and "B" 14 wells, in the W/2, SW/4 of Section 19. We have units between 42 acres and 42.56 acres assigned in the W/4 of Section 30. There are also units smaller than 40 acres down in this area, the area in Sections 3 and 10, well, 3, 4, 9 and 10.

Q There are also, are there not, smaller units immediately to the South of this strip, in this same strip?

A Yes. The W/4 of Section 4, and the W/4 of Section 9 there are roughly comparable strips of slightly larger acres.

Q Going to the North along the same strip between the two Reservations, what are the size of the Lots there? Are you going to be faced with the same problem going North, and is it going to be accentuated?

A Yes, sir, we will. Where we have 14.73 acres in the



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Navajo part of the Lot, and 18.23 in the Ute part of the Lot, in the NW NW of 33, the width of the Navajo section remains constant so that the Navajo part of the Lots are 14.73 acres. However, the Ute part of the Lots go from 19.35 in the SW SW of 33 to 16.37 in the NW NW of 28, so that the problem is really accentuated as we go North, and the units in Section, the W/4 of Section 28 could be even smaller than the Lots in the W/4 of Section 33 by several acres.

Q Referring to this strip in question and the two existing El Paso wells there, there is quite a gap North to South between those two wells?

A Yes, sir, it is approximately 2600 feet between those two wells.

Q And East to West?

A East to West from the Atlantic Navajo 42 to the El Paso Natural Gas Products' Horseshoe No. 4 is approximately 2200 feet.

Q Are there other areas in the pool where there are more than standard distances between wells?

A Yes, sir, there are. In the general area of Sections 3, 4, 9 and 10, and Sections 34 and 33 there are quite a number of wells not located in the center of their units, and in the immediate area the distances between the El Paso Products' Horseshoe units 1 and 4 is 1660 feet, approximately; the Banner Drilling Company, I believe those are Horseshoe Ute, or Ute Navajo. At any rate, in the W/2 SW/4 of Section 34 it is approximately 1780 feet between



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wells. It is 1560 feet between the El Paso Natural Gas Products' Horseshoe 3 and 1, and we can see that the same situation exists in general throughout the large part of the area, in Sections 3, 4, 9 and 10 particularly. I might point to the W/2 SW/4 of Section 4 where we have wells located in almost the extreme ends of the two Lots in the W/2 SW/4. So this distance, while it is greater than the normal distance, there are already wells which are spaced considerably more than normal distances apart.

(Thereupon, Atlantic's Exhibit No. 3 was marked for identification.)

Q Now, Mr. Vernor, in that connection, I refer you to Atlantic's Exhibit No. 3. Will you explain what Atlantic's Exhibit No. 3 is and what it shows, Mr. Vernor?

A This is an Exhibit containing the average values from core analyses on the nearest cored wells, so far as I know, the El Paso Products' Horseshoe Ute 3 and 5. I have the Atlantic Navajo No. 1 core analysis, which is in a SE, SE of Section 32, immediate West offset to the Horseshoe 3, and I also have the core analysis of Horseshoe Canyon 2 "B", formerly the Arizona Exploration 2 "B," which is the SE offset to the Horseshoe Ute 3. Likewise, I have a core analysis on the West offset, the El Paso Products' Horseshoe Ute 5, The Atlantic Navajo No. 20. We find that the feet of net pay in these three wells, the three core analyses, rather, using a criterion of one milladarcy or greater for net pay ranges from 15 feet to 41 feet; the average porosity varies from 13.9 to



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19.6 percent; the total millidarcy feet, or a relative capacity measurement varies from 2,004 to 10,431; the average permeabilities vary from 133.6 to 267.5. These are quite excellent permeabilities. The 3 and 5 might have somewhat lower permeabilities. It should still be in this order of magnitude, and I see absolutely no reason to anticipate that the area lying between the two El Paso -- El Paso Horseshoe Ute 3 and 5, and the El Paso Products' Horseshoe Ute 4 and Atlantic Navajo 42 would remain undrained. With this type of permeability, we would expect drainage far in excess of 80 acres, which would be more than adequate to take care of the area between those four wells.

Q In your opinion, Mr. Vernor, would the drilling of four wells along that strip result in drilling of an unnecessary well?

A Yes, sir, I believe it would, an unnecessary well with a less than standard allowable.

Q In your opinion, would there be any waste resulting if Atlantic's application were granted?

A I could see no possible place for waste to occur if our application is granted.

MR. BRATTON: I have no further questions, Mr. Examiner.

MR. PORTER: Do you desire to offer your Exhibits now, Mr. Bratton?

MR. BRATTON: Thank you, sir.

Q (By Mr. Bratton) Were Exhibits 1 through 3 prepared by you or under your supervision?



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A Exhibits 1 and 3 were prepared by me or under my supervision. Mr. Let prepared this map here. He is with the Company, however.

MR. BRATTON: We offer Atlantic's Exhibit 1 through 3 inclusive.

MR. PORTER: Without objection, these Exhibits will be admitted.

(Whereupon, Atlantic's Exhibits 1 through 3 inclusive were received in evidence.)

MR. PORTER: Anyone have a question of the witness?

Mr. Spann.

CROSS EXAMINATION

BY MR. SPANN:

Q Mr. Vernor, you mentioned that you felt no waste would result if your application were granted. Where else would you develop on that acreage for units established? Wouldn't that facilitate or increase the facility of any secondary recovery program resulting in the recovery of more oil in the event that was initiated?

A I believe for you to postulate that, we would have to specify the pattern to be followed for secondary recovery. Now, if we postulate a 40-acre five spot in which every other well is converted into an injection well, that would be true. However, as I visualize the allowable treatment that this field might get from the Commission upon secondary recovery, I might say first, that I



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visualize the time for water flooding, which I think is the most probable mode of secondary recovery, as occurring at a time to maintain rate, that is, maintain top allowable, rather than waiting until the abandonment of the field or close to it. That being the case, our allowable would, I feel, not be greatly increased above what it is today; there is no higher allowable than that, there would be one injection well per producer. We would not need that injection capacity. I visualize that the most severe ratio we would encounter would be a nine spot, or one injection well for three producers. My present thinking -- although we have not made a study, we are in the process of studying this field for secondary recovery. Our study is not complete, but I envision some time a peripheral or semi-peripheral flood in which we use wells such as Atlantic 30, 29, 28, 27 on the SW, and The Atlantic Navajo 25 and 26, Navajo "B" 7 along the periphery of the field. Under those circumstances, I can see no reason to require the fourth well. And, furthermore, I don't see any reason to drill the well today. If by some extreme chance we should happen to go to a pattern flood, I don't see any reason why the well couldn't be drilled at that time. We would at least defer the expenditures, and I don't envision that would happen.

Q But at least waste would result if you went to secondary recovery program sometime in the future, and if you had only the three wells on the acreage instead of four that is proposed by El Paso, isn't that true?

A No, waste would not occur.



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Q Now, suppose this is developed on four units, four wells were drilled rather than three. Would that result in Atlantic recovering its fair and equitable share of the oil?

A Yes, it would then result in our paying for a fourth, or the cost of an unnecessary well to recover the same oil.

Q So, the establishment of your unit wouldn't affect your opportunity to recover your just share?

A That is correct, affect only the economics of recovering.

Q Now, you are familiar with the prior hearing that was held here in connection with the dedication of certain acreage to the wells that were drilled by El Paso, Ute No. 3 to 5, were you not?

A Yes.

Q And portions of the acreage --

A I believe it will simplify your question; I can just point to the acreage in question. That would be the 19.53-acre Lot in the S, SW, SW of 33, plus the 18.90-acre partial Lot in the NW SW of 33, are assigned to the Navajo -- or excuse me -- El Paso Products' Horseshoe Ute No. 3. And the remaining two partial Lots in the W/2, E/2, W/2 -- no -- E/2 of the West -- 18.69-acre Lot in the SW, NW, plus an 18.23-acre partial Lot in the NW NW of 33 are assigned to the El Paso Products' Horseshoe Ute No. 5 Well.

Q So you are proposing non-standard units which conflict with non-standard units that have already been established for the



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two wells?

A We would propose to make a substitution.

Q Well, they do conflict?

A They conflict, certainly, but I don't see that as a problem, however.

Q Well, supposing you established these units now. We only have non-standard units established for that strip --

A For El Paso's part of the strip.

Q Yes, and certain acreage has been dedicated to these two wells that have been drilled. Now, supposing El Paso would refuse to communitize on the three strips that you propose. What would be the result of that?

A Well, I would say --

MR. BRATTON: Mr. Chairman, I object to that, and if Mr. Spann wants an answer, I believe that is probable.

MR. MORGAN: I didn't even hear his question. Will you state the question again, Mr. Spann?

MR. SPANN: I asked Mr. Vernor what would result if El Paso would refuse to communitize with them on the three units, if you should establish those units, what would occur?

MR. MORGAN: And your objection, Mr. Bratton?

MR. BRATTON: I think that calls for a legal conclusion. I would be willing to discuss that. I assume the Commission would actually like to defer that to Mr. Payne for his decision.

MR. SPANN: Let me ask this, what does he propose in the



event El Paso refuses to communitize on the three units, even though the Commission may see fit to establish it?

A I think we would file a new application for units of some other form.

Q In other words, we can't resolve this question here without El Paso's consent to communitize, according to your proposal?

A I suppose it could be under the forced pooling statute. However, we haven't asked for that.

MR. BRATTON: I move that -- I would object to the question and the answer on the same grounds.

MR. PORTER: Mr. Bratton, the Commission will sustain the objection to that portion of the question and answer which had to do with forced pooling.

MR. BRATTON: Thank you.

Q (By Mr. Spann) Well now, Mr. Vernor, you testified to other areas or other units where a greater distance between wells has occurred in a developed field. Hasn't that resulted from the topographic of area that has required this spacing?

A I am not familiar with the reason why the wells were located off pattern other than for one of our own wells which is Atlantic Navajo No. 29. I would assume that topography was the initial reason.

Q Well, there is no factor of topography present which would prevent the drilling of a well, additional well between El Paso's Ute No. 3 and Ute No. 5 along the strip, is there?

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A Not to my knowledge. However, I was not making a point of that, I was just showing that there are wells that are a greater distance apart.

Q I appreciate that, but without the explanation, why did that occur? Because of the reason of topography? That would explain it, wouldn't it?

A Yes, but it wouldn't affect the drainage, topography would not affect the drainage.

Q You feel there would be no drainage to your No. 42 Well if an additional well is not drilled between the Ute No. 5 and the Ute No. 3 from the area between them?

A I don't think there would be any uncompensated drainage, no, any net drainage.

Q Now, I believe El Paso has offered to communitize with you on four units for that strip, isn't that correct?

A That is my understanding.

Q And your only reason for not agreeing to that is that the economics of the situation are such that you feel you are drilling an unnecessary well?

A That is correct.

Q And that is the basis of your application --

A Here.

Q -- and your only basis?

A Yes.

MR. SPANN: That's all.



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MR. PORTER: Does anyone have a question of Mr. Vernor?

Mr. Payne.

QUESTIONS BY MR. PAYNE:

Q Mr. Vernor, if I understand your testimony correctly, none of this acreage is now communitized?

A None of the acreage -- none of the Atlantic Navajo acreage in the W/2 -- or W/4 of Section 33 -- excuse me -- is now communitized.

Q What does El Paso have dedicated at present to its Horseshoe Ute No. 3?

A Those are the four partial Lots we were discussing earlier which are the four Lots in that part of the W/4 of Section 33 lying east of the Ute Navajo Reservation boundary, which would be the four in this strip along here, Mr. Payne.

Q I see.

A Those were -- as Mr. Spann pointed out -- I've forgotten the Case No., but there was a hearing that assigned those partial Lots to those two wells.

Q Is that two Lots to each well?

A Yes, sir. Makes about 30, somewhere around 39 acres, 38 acres assigned to the Horseshoe Ute No. 3; around 37 to 38 acres assigned to the El Paso Products' Horseshoe Ute No. 5. It is two partial Lots, excuse me, to each well.

MR. PAYNE: That's all.

MR. PORTER: Anyone else have a question? The witness may be excused.



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MR. BRATTON: If the Commission please, I would

like to call one more witness just briefly to introduce some letters pertaining to the attitude of the Indians and the USGS pertaining to this matter.

MR. SPANN: We can stipulate to this.

MR. BRATTON: There's one that we don't have a letter from, but he discussed it with him.

MR. SPANN: All right.

MR. BRATTON: If you want to, we can stipulate to that.

MR. SPANN: I have no objection, but I would like to hear what he's going to say.

MR. PORTER: Call the witness and have him sworn.

(Witness sworn in.)

JACK LETTS

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

DIRECT EXAMINATION

BY MR. BRATTON:

Q Will you state your name, address and occupation, Mr. Letts?

A Jack Letts, District Landman, Atlantic Refining Company, Durango, Colorado.

Q You are familiar with the area in question?

A I am.



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Q Have you discussed the matter of communitization of the three tracts as proposed in Atlantic's application with the two Tribes involved, the Navajos and the Utes?

A I have.

Q I hand you a letter from the Navajo Tribe and ask you if that reflects their agreement?

A That's correct, it does.

Q Do you have any communication from the Ute Tribe as to their attitude or was their attitude expressed to you verbally?

A On May 20th of this year while at Towac during the Tribal Council Meeting, I did not meet the Tribe Council, but the proposition was presented to the Council, and after the meeting, they advised me that they were not, they had no objection to three units, communitizing with the Navajos, but because of the fact that this strip has been given over to the Bureau of Indian Affairs' jurisdiction, until they settle the dispute between the two Tribes as to who owns it, they will rely on the Bureau of Indian Affairs to approve such units.

Q Have you discussed this matter with the Bureau of Indian Affairs?

A I have.

Q With whom, and what reaction on that, Mr. Letts?

A The first discussion I had was with Mr. Dewey Dismuck who is the Area Realty Officer for the Bureau of Indian Affairs



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in Gallup and then met with various members of his office there and they, on the 2nd of June of this year, they wrote me a letter stating that they had no objection to communitizing, forming three units, communitizing Ute and Navajo acreage so long as the standard operating agreement and standard unit operating--unit agreement were used.

Q Have you mislaid that letter, Mr. Letts?

A I have, I cannot find that letter, but I'm sure it's on file with the Bureau of Indian Affairs in Gallup.

Q Not lost, just temporarily misplaced?

A That's right.

Q I hand you a copy of a letter from Mr. John Anderson of the United States Geological Survey addressed to the Atlantic Refining Company, and ask you if that's a true copy of a letter received by your company from Mr. Anderson?

A It is.

Q Does that letter express the agreement of the USGS to the three non-standard units?

A I believe it outlines their feeling on this matter very well.

(Thereupon, the documents were marked as Atlantic's Exhibits Four and Five for identification.)

MR. BRATTON: I would like to offer into evidence the letter from the Navajo Tribe and the copy of the letter from



Mr. Anderson respectively as Atlantic's Exhibits Four and Five.

MR. PORTER: Without objection, these exhibits will be admitted.

MR. BRATTON: I have no further questions.

CROSS EXAMINATION

BY MR. PAYNE:

Q Mr. Letts, I believe you testified that the Bureau of Indian Affairs said they had no objection provided you had the usual or standard operating agreement?

A That's right, unit agreement, too.

Q How do you propose to get this agreement in the absence of El Paso Natural Gas Products Company's concurrence?

A All I say is that the Bureau of Indian Affairs has no objection providing we get together with El Paso.

MR. PAYNE: I see, thank you.

MR. PORTER: This dispute between the Tribes, that is over the location of the boundary line?

A Yes, sir.

MR. PORTER: Mr. Spann?

CROSS EXAMINATION

BY MR. SPANN:

Q Mr. Letts, did you discuss with the Indian Tribes and the Indian Bureau whether they would agree to the establishment of four units for that strip?

A No, my main discussion was whether or not they would

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be willing to communitize, both the Navajos and the Utes, that was the main purpose.

Q You don't want to leave the impression here that they are favoring the three units over the four, do you?

A No, but at the time I discussed it with them, I told them that that was what we had in mind, was establishing three units.

Q Three units?

A And they had no objection.

Q And they are not unwilling to do that?

A No comment.

MR. SPANN: That's all.

MR. PORTER: Anyone else have a question of Mr.

Letts?

You may be excused.

(Witness excused.)

MR. BRATTON: We have nothing further to offer.

MR. PAYNE: I would like to go off the record a minute.

MR. PORTER: We're already off.

(Discussion off the record.)

MR. PORTER: Anyone else desire to present testimony in this case?

MR. SPANN: Mr. Chairman, we have a statement we would like to read into the record at the proper time.



MR. PORTER: If no one else has any testimony to present, you may make your statement at this time, Mr. Spann.

MR. SPANN: For the record, El Paso Natural Gas Products Company protests the granting of this application for the following reasons, and first, I would like to point out that under Section 65-3-14, Pooling of Properties or Parts Thereof, states as follows: "The pooling of properties or parts thereof shall be permitted, and, if not agreed upon, may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of a uniform spacing plan or proration unit, otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum or natural gas, or both, in the pool."

If you recall, I asked Mr. Vernor if the establishment of these units, three units would in any way affect their ability to produce their fair and equitable share of gas or oil from the pool as against the four units if they were established. Now, it seems to me that in answer to Mr. Payne's question, that the Commission perhaps would not have authority to force pool this acreage under those circumstances unless there was some showing that it was necessary in order to permit Atlantic to produce their fair and equitable share.

Now, that's my first point on this. We further would like to state that the Horseshoe-Gallup Oil Pool has been developed

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on a 40-acre spacing pattern in accordance with the State Rules heretofore set by the Commission and as shown on Atlantic's Exhibit One introduced in evidence.

The orderly development of the field requires--excuse me, I believe that's Exhibit Two. The orderly development of the field requires that this pattern be maintained so as to give greater primary recovery and to establish a more suitable spacing in any secondary recovery program.

We further say that the application seeks the establishment of three non-standard units, two of which units are to be dedicated to El Paso Natural Gas Products Horseshoe Ute Number 3 Well and to their Horseshoe Ute Number 5 Well. This Commission, by Order Number R-1331 entered on February 2nd, 1959 in Cause Number 1586 established non-standard oil proration units for said wells, which units are in conflict with those proposed by Atlantic; that any order entered herein approving the application would be in direct conflict with Order Number 1331, and in addition would dedicate acreage belonging to El Paso Products Company to non-standard units without El Paso's consent. Now, that's in effect an order to be in the nature of force pooling, and force pooling of this acreage is not approved by the intent in this order.

Now, Atlantic, in their application and in the event the non-standard units are approved, offers to enter into communitization agreements with El Paso Natural Gas Products and the two Indian Tribes who own all of the royalty. In the absence

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of such agreements, Atlantic would be required to obtain an order requiring El Paso to pool their acreage with Atlantic, all of which must necessarily be done pursuant to a further application for pooling, proper notice of hearing, since the issue of whether El Paso --

MR. PORTER: Read a little slower, Mr. Spann.

MR. SPANN: --since the issue of whether El Paso may be required to pool their acreage is not now before the Commission under the present application. In any event, and even after a proper hearing, we feel that it would be in violation of the Commission's rules and Statute I have read to require El Paso to communitize with Atlantic on units greater than the 40-acre units which have been established in the field.

El Paso went another step, that they are not refusing to communitize with Atlantic on four units, four non-standard units or four units for four wells, but only on the three non-standard units proposed and for the drilling of three wells.

MR. PORTER: Mr. Bratton?

MR. BRATTON: If the Commission please, we are sorry to bother the Commission with a matter of this kind, but it is basically a very simple matter whether you are going to drill three wells or four wells to recover the same amount of oil. Now, for economics that are known only to a transmission company to utilize, and that's unknown to an oil, private oil company,



El Paso is insistent that what we feel is absolutely certain is an unnecessary well being drilled here. Our position is very simply that 44 acres is closer to the standard pattern than 33. I believe that's been the Commission's attitude over the years, to try, in these non-standard situations, this offline situation, to try to come as close to the standard unit as possible. That's all we are seeking in this application.

As to the legal argument, there is no doubt in my mind but what if the Commission were to establish by an order three non-standard proration units if we could not reach a satisfactory communitization agreement, that this Commission has authority to force pool in this area or in any other area. If the Commission is worried about its forced pooling powers, it is a new proposition to me.

MR. PORTER: Anyone else have anything further in this case?

We will take the case under advisement.

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The following letters were introduced and made a part of the record:

As Atlantic Exhibit Number 4:

The Navajo Tribe
Window Rock, Arizona
May 20, 1959

J. K. Letts, District Landman

The Atlantic Refining Company
Post Office Box 379
Durango, Colorado

Dear Mr. Letts:

"The Navajo Tribe has received your letter of May 18, 1959, concerning the proposed communitization of lands lying along the Navajo-Ute boundary line in Sections 28 and 33 of Township 31 North, Range 16 West.

We can see no difficulties at this time with the communitization of these three tracts. However, we will have to submit the communitization agreements, when they are prepared for our execution, for the advice of our consultants and for the approval of the Advisory Committee of the Navajo Tribal Council.

For your information, we have heretofore entered into communitization agreements involving lands immediately to the south of the lands which you proposed to communitize, those communitized units lying in Section 4 of Township 30 North, Range 16 West. The same situation obtains in that section, concerning the east boundary of the Navajo Indian Reservation, as does in Section 33, Township 31 North, Range 16 West.

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We suggest that the Communitization agreements for these three tracts be prepared and submitted through the United States Geological Survey at Roswell, New Mexico, to the Navajo Agency and the Navajo Tribe, for our consideration and execution pursuant to the recommendations of the United States Geological Survey.

Should you have any further questions, I would be happy to hear from you."

Sincerely yours,

Walter F. Wolf, Jr. (Signed.)

Associate Attorney

As Atlantic Exhibit Number 5:

P.O. Box 6721
Roswell, New Mexico
April 9, 1959

The Atlantic Refining Company
P. O. Box 520
Casper, Wyoming

Gentlemen:

"At a conference on January 22, 1959, in the Oil Conservation Commission offices in Santa Fe between representatives of your company, El Paso Natural Gas Products Company, and this office, we discussed the formation of nonstandard oil proration units in the $W\frac{1}{2}SW\frac{1}{4}$ sec. 33, and the $W\frac{1}{2}NW\frac{1}{4}$ sec. 33, T. 31 N., R. 16 W., Horseshoe-Gallup field, New Mexico, for the drilling of two wells on land included in El Paso Natural Gas Company's Ute Mountain tribal lease No. 14-20-604-1951.

You were at that time reluctant to enter into agreements

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communitizing portions of your Navajo tribal lease No. 14-20-603-734 with portions of El Paso's Ute Mountain tribal lease to form drilling units approximating 40 acres in view of your pending application before the Commission for 80-acre spacing. We informed your representatives at such conference that if El Paso completed producing wells on the nonstandare proration units consisting of Ute Mountain tribal land it would be necessary for us to charge Atlantic compensatory royalty based on 100 percent of the production of El Paso's wells. We further advised your representatives that dependent upon the outcome of your application for 80-acre spacing we would be agreeable to communitizing two tracts approximating 44 acres each with the communitization agreements dated so as to cover all production from El Paso's wells.

Accordingly you are hereby notified that compensatory royalty will be charged on the basis of 100 percent of the production of wells Nos. 3 and 5 which were completed in March 1959 in the $W\frac{1}{2}W\frac{1}{2}$ sec. 33, T. 31N., R. 16 W. producing from the Gallup sandstone. It is our understanding that the New Mexico Oil Conservation Commission has rejected 80-acre spacing in the Horseshoe-Gallup field. Accordingly it is requested that you submit communitization agreements for the appropriate well spacing units in the $W\frac{1}{2}W\frac{1}{2}$ sec. 33 at an early date.

Very truly yours,
John A. Anderson
Regional Oil and Gas Supervisor



STATE OF NEW MEXICO)
 : ss
 COUNTY OF BERNALILLO)

WE, J. A. TRUJILLO and JERRY MARTINEZ, Notaries Public
 in and for the County of Bernalillo, State of New Mexico, do
 hereby certify that the foregoing and attached Transcript of
 Hearing was reported by us in Stenotype and reduced to typewritten
 transcript and that the same is a true and correct record of
 said hearing to the best of our knowledge, skill and ability.

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

Joseph A. Trujillo
 Notary Public

My Commission Expires:
 October 5, 1960

Jerry Martinez
 Notary Public

My Commission Expires:
 January 24, 1962

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OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

August 3, 1959

Mr. Howard Bratten
Harvey, Dow & Hinkle
P. O. Box 547
Roswell, New Mexico

Dear Mr. Bratten:

On behalf of your client, The Atlantic Refining Company, we enclose two copies of Order R-1458 in Case 1710, issued by the Oil Conservation Commission on August 3, 1959.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ir/

Enclosures

C
O
P
Y

GRANTHAM, SPANN AND SANCHEZ
ATTORNEYS AT LAW
904 SIMMS BUILDING
POST OFFICE BOX 1031
ALBUQUERQUE, NEW MEXICO

TELEPHONE
CHAPEL 3-3525

June 29, 1959

EVERETT M. GRANTHAM
CHARLES C. SPANN
MAURICE SANCHEZ
FRED M. STANDLEY

MAIN OFFICE
JUN 30 1959

Mr. A. L. Porter, Jr.,
New Mexico Oil Conservation Commission
P.O. Box 871
Santa Fe, New Mexico

Dear Mr. Porter: Case No. 1710
Atlantic Refining Company application for
non-standard drilling units in the
Horseshoe Gallup Pool, San Juan
County, New Mexico

In behalf of El Paso Natural Gas Products Company we would
like to enter our formal protest to the application of Atlantic
Refining Company for non-standard units in the Horseshoe
Gallup Pool, San Juan County, New Mexico, which application
was dated June 4, 1959.

We would further object to an examiner hearing in this applica-
tion and request that it be set down for hearing before the
Commission.

Very truly yours,

GRANTHAM, SPANN AND SANCHEZ

CCS:RW

By: *Chas. Spann*

copies:

John Woodward, Esq.
El Paso NGP Co.

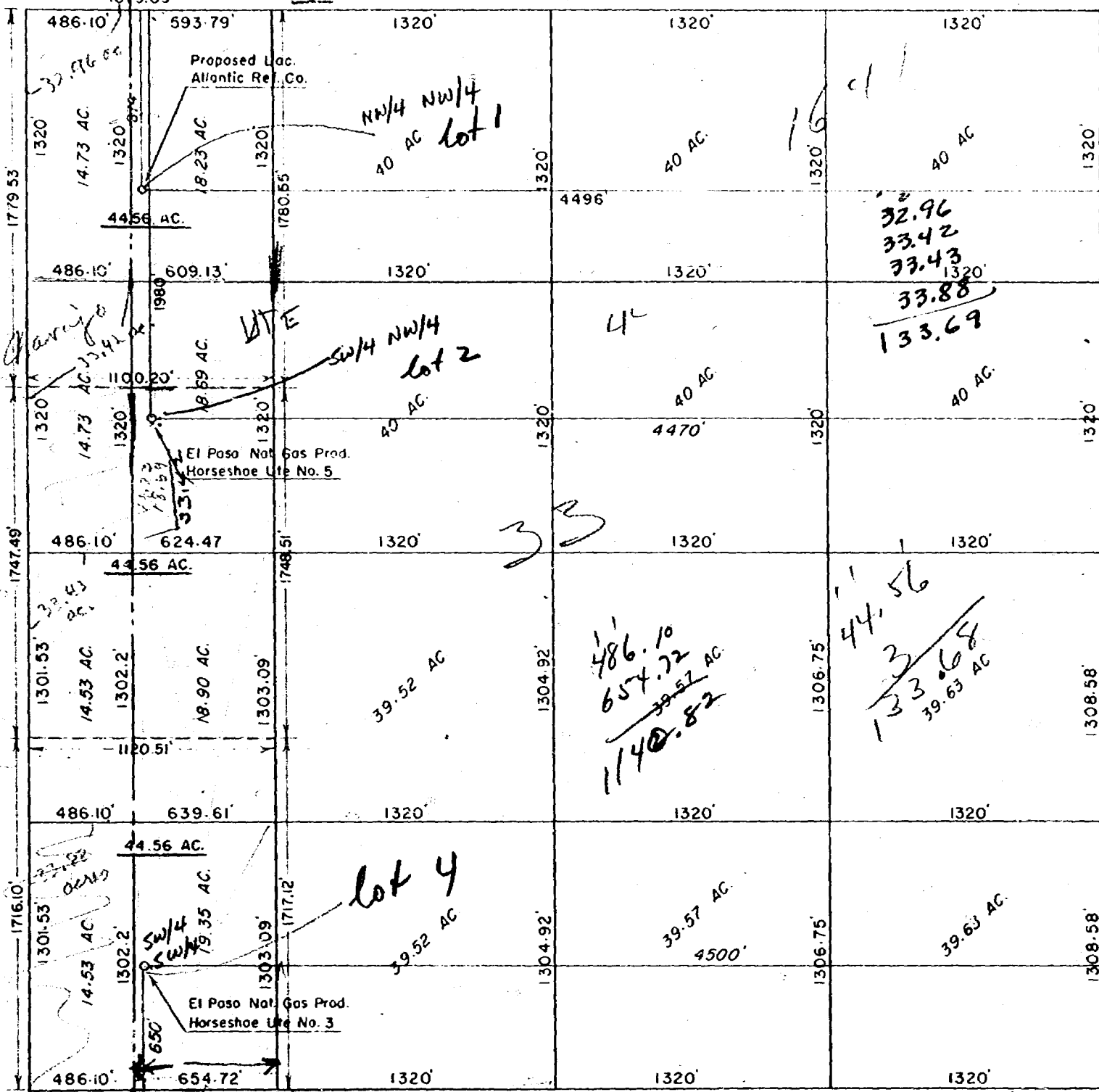
Howard C. Bratton, Esq.
Hervey, Dow & Hinkle, Esqs.

*1 copy of
order mailed
8-4-59
JHC*

*Supplemental booklet
mailed 7-2-59 JHC*

SECTION 33, TOWNSHIP 31 NORTH, RANGE 16 WEST, N.M.P.M.

SCALE 1" = 660'



Well Locations shown are El Paso Natural Gas Products Company

This is to certify that the above plat was prepared from field notes of actual surveys made by me or under my supervision and that the same are true and correct to the best of my knowledge and belief.

James P. Leese
Registered Land Surveyor
N. Mex. Reg. No. 1463

DOCKET: EXAMINER HEARING JULY 8, 1959

OIL CONSERVATION COMMISSION, 9 a.m., MABRY HALL, STATE CAPITOL, SANTA FE

The following cases will be heard before Daniel S. Nutter, Examiner, or
A. L. Porter, Jr., Secretary-Director.

- CASE 1707: Application of Continental Oil Company for two non-standard oil proration units. Applicant, in the above-styled cause, seeks the establishment of two non-standard oil proration units for Delaware production, one 49.8-acre unit to consist of lots 1 and 2 of partial Section 35, Township 26 South, Range 32 East, Lea County, New Mexico, the other 49.9-acre unit to consist of lots 3 and 4 of said partial Section 35. Said units are to be dedicated respectively to a well to be located 330 feet from the North and East lines of lot 1 and to a well to be located 330 feet from the North and East lines of lot 3, all in said Section 35.
- CASE 1708: Application of Continental Oil Company for permission to commingle the production from three separate leases. Applicant, in the above-styled cause, seeks permission to commingle the production from an undesignated Delaware pool from three separate leases in Sections 25, 26, and 35, Township 26 South, Range 32 East, Lea County, New Mexico, after separately metering the production from each lease.
- CASE 1709: Application of Continental Oil Company for a 160-acre non-standard gas proration unit. Applicant, in the above-styled cause, seeks the establishment of a 160-acre non-standard gas proration unit in an undesignated Tubb gas pool consisting of the E/2 SW/4 and the W/2 SE/4 of Section 15, Township 20 South, Range 37 East, Lea County, New Mexico, said unit to be dedicated to applicant's Britt B-15 Well No. 9 located 1980 feet from the South and East lines of said Section 15.
- CASE 1710: Application of The Atlantic Refining Company for the establishment of three non-standard oil proration units and for approval of an unorthodox oil well location. Applicant, in the above-styled cause, seeks the establishment of three 44.56-acre non-standard oil proration units in the Horseshoe-Gallup Oil Pool, the three units together to comprise all of lots 1, 2, 3, and 4 of Section 33, Township 31 North, Range 16 West, San Juan County, New Mexico, one unit to be dedicated to a well in said lot 1, another to a well in said lot 2, the other to a well in said lot 4. Applicant further seeks approval of an unorthodox location for the well in said lot 2.
- CASE 1711: Application of The Atlantic Refining Company for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its State "Y" Well No. 8, located in the SE/4 NE/4 of Section 25, Township 25 South, Range 37 East, Lea County, New Mexico, in such a manner as to produce oil from the Justis Blinbry Pool and from the Justis Fusselman Pool through parallel strings of tubing.
- CASE 1712: Application of Angels Peak Oil Company for a non-standard gas proration unit or in the alternative for a force pooling order. Applicant, in the above-styled cause, seeks the establishment of a 98.87-acre non-standard gas proration unit in the Fulcher Kutz-Pictured Cliffs Pool consisting of lots 1 and 2 of Section 10 and lots 3 and 4 of Section 11, both in Township 28 North, Range 11 West, San Juan County, New Mexico said unit to be

CASE 1712 (continued) dedicated to applicant's Angels Peak Well No. 5, located 285 feet from the North line and 1520 feet from the West line of said Section 11. Applicant proposes, in the alternative, to force pool all interests in the above-described acreage in said Fulcher Kutz-Pictured Cliffs Pool.

CASE 1713: Application of El Paso Natural Gas Company for a gas-gas dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Hancock Well No. 3, located in the SW/4 SW/4 of Section 22, Township 28 North, Range 9 West, San Juan County, New Mexico, in such a manner as to produce gas from the Aztec-Pictured Cliffs Pool and to produce gas from the Blanco-Mesaverde Pool through the casing-tubing annulus and tubing respectively. Applicant proposes to utilize a retrievable-type packer in said well.

CASE 1714: Application of John H. Trigg for an order authorizing a pilot water flood project, for capacity allowables for seven wells in said project area, and for establishment of an administrative procedure for expansion of said project and for granting capacity allowables. Applicant, in the above-styled cause, seeks an order authorizing it to institute a pilot water flood project in the Caprock-Queen Pool in Chaves County, New Mexico. Applicant proposes to inject water into the Queen formation through 4 wells located in Sections 4 and 5, Township 14 South, Range 31 East. Applicant also seeks capacity allowables for seven wells in said project. Applicant further seeks the establishment of a procedure whereby the project area may be expanded and capacity allowables granted without notice and hearing.

CASE 1715: Application of Gulf Oil Corporation for permission to install a lease automatic custody transfer system. Applicant, in the above-styled cause, seeks an order authorizing it to install automatic custody transfer equipment to receive and measure the oil produced from its B. V. Culp Lease consisting of the SW/4 NW/4, E/2 NW/4, and the NE/4 of Section 19, Township 19 South, Range 37 East, Lea County, New Mexico.

CASE 1716: Application of Northwest Production Corporation for an oil-gas dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its "S" Lease Well No. 15-11, located in the NE/4 NE/4 of Section 11, Township 24 North, Range 4 West, Rio Arriba County, New Mexico, in such a manner as to produce oil from an undesignated Gallup oil pool and the production of gas from an undesignated Dakota gas pool through parallel strings of tubing.

CASE 1717: Application of Pan American Petroleum Corporation for an exception to the "No-Flare" provisions of Order No. R-1237. Applicant, in the above-styled cause, seeks an exception to the requirement in Order No. R-1237 that no casinghead gas be flared or vented from any well within the defined limits of the Otero-Gallup Oil Pool or within one mile therefrom for its Jicarilla Tribal 35 Well No. 1, located in the NW/4 SW/4 of Section 35, Township 25 North, Range 5 West, Rio Arriba County, New Mexico.

CASE 1718: Application of Samedan Oil Corporation for an unorthodox oil well location. Applicant, in the above-styled cause, seeks an order authorizing an unorthodox oil well location in the Kemnitz-Wolfcamp Pool for a well to be located 660 feet from the South and East lines of Section 20, Township 16 South, Range 34 East, Lea County, New Mexico, in exception to the spacing requirements for said pool as promulgated by Order No. R-1011.

CASE 1719: Application of Sinclair Oil & Gas Company to commingle the production from several separate pools. Applicant, in the above-styled cause, seeks authority to commingle the production from the Penrose-Skelly Pool and the Paddock Pool from all wells on its Brunson lease comprising the NW/4 SW/4 of Section 3 and the W/2 SE/4 of Section 4, Township 22 South, Range 37 East, Lea County, New Mexico. Applicant further seeks permission to commingle the production from the Hare Pool, Drinkard Pool and Tubb Gas Pool from all wells on said lease.

CASE 1720: Application of Skelly Oil Company for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its W. P. Saunders Well No. 1, located in the SW/4 SE/4 of Section 11, Township 26 North, Range 11 West, San Juan County, New Mexico, in such a manner as to produce oil from the Gallegos-Gallup Oil Pool and to produce oil from an undesignated Dakota pool through parallel strings of tubing.

CASE 1721: Application of Great Western Drilling Company for an automatic custody transfer system, for permission to commingle the production from separate leases, for permission to produce more than 16 wells into a common tank battery, and for an administrative procedure whereby wells may be produced excess of top unit allowable. Applicant, in the above-styled cause, seeks an order authorizing installation of an automatic custody transfer system and for permission to commingle the Caprock-Queen Pool production from more than 16 wells located on separate leases within the confines of the North Central Caprock Queen Unit Area in Township 13 South, Ranges 31 and 32 East, Lea and Chaves Counties, New Mexico. Applicant further proposes the establishment of an administrative procedure whereby wells in said Unit Area may be permitted to produce in excess of top unit allowable for said Caprock-Queen Pool.

J. M. HERVEY, 1874-1959
HIRAM M. DOW
CLARENCE E. HINKLE
W. E. BONDURANT, JR.
GEORGE H. HUNKER, JR.
HOWARD C. BRANTON
S. B. CHASE
LEWIS C. COX, JR.

PAUL W. EATON, JR.
ROBERT C. BLEDSOE

LAW OFFICES
HERVEY, DOW & HINKLE
HINKLE BUILDING
ROSWELL, NEW MEXICO

TELEPHONE MAIN 2-6510
POST OFFICE BOX 547

June 4, 1959

Mr. A. L. Porter, Jr.
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Mr. Porter:

The Atlantic Refining Company hereby applies for an exception to the well spacing and location and acreage requirements of Rule 104 of the Commission in connection with two existing wells and a proposed third well in Section 33, T. 31 N., R. 16 W., N.M.P.M., San Juan County, as shown on the plats attached hereto.

El Paso Natural Gas Company has drilled a well in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 33, and it is proposed to dedicate a non-standard unit of 44.56 acres to this well, which non-standard unit is platted on the attached plat, and includes all of the SW $\frac{1}{4}$ SW $\frac{1}{4}$ and a portion of the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 33.

El Paso Natural Gas Company has drilled another well in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 33, and it is proposed to dedicate a non-standard unit of 44.56 acres as shown on the attached plat to this well, which acreage would consist of a portion of the SW $\frac{1}{4}$ NW $\frac{1}{4}$ and a portion of the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 33.

It is proposed to form another non-standard unit of 44.56 acres to consist of the NW $\frac{1}{4}$ NW $\frac{1}{4}$ and a portion of the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 33, as shown on the attached plat, this non-standard unit to be dedicated to a well to be drilled in the NW $\frac{1}{4}$ NW $\frac{1}{4}$.

All of the above wells are in the Horseshoe-Gallup Pool.

The dotted line running through the W $\frac{1}{2}$ W $\frac{1}{2}$ of Section 33 is the boundary line between the Ute Mountain Tribe of Indians to the east and the Navajo Tribe of Indians to the west. El Paso Natural Gas Products Company owns the oil and gas lease on all of the acreage on the Ute Mountain side of the line and The Atlantic Refining Company owns the oil and gas lease on all of the acreage on the Navajo side of the line.

Copies of this application are being sent to the Oil and Gas Supervisor of the U.S.G.S. for the Indian royalty owners and to El Paso Natural Gas Products Company, the other interested working interest owner.

*Sorted
Mailed
6-25-59
EPH*

Page - 2 - New Mexico Oil Conservation Commission - June 4, 1959

If the Commission approves the non-standard units, and the non-standard locations involved in the three tracts, The Atlantic Refining Company will offer to enter into communitization agreements with El Paso Natural Gas Company and the two tribes of Indians who own all of the royalty. No other parties own interests in the area involved.

It is requested that the above matter be advertised for hearing, and that the advertisement be in as broad language as possible to cover the three non-standard units requested, the non-standard locations, and such other exceptions to Rule 104 as you deem necessary in order to authorize the three non-standard units and the dedication of the two existing wells and the one proposed well to the respective units.

It is respectfully requested that the above matter be set down for Examiner hearing at the earliest possible date.

Very truly yours,

HERVEY, DOW & HINKLE

By Howard C. Batten

HCB:db