

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 9, 1956

IN THE MATTER OF:

CASE NO. 1037

TRANSCRIPT OF PROCEEDINGS

NEW MEXICO OIL CONSERVATION COMMISSION
MABRY HALL - STATE CAPITOL
SANTA FE, NEW MEXICO

REGISTER

HEARING DATE March 9, 1956 TIME: 9:00 a.m.

| NAME: | REPRESENTING: | LOCATION |
|--------------------------------------------|--------------------------------------------|----------------------------------------------|
| G. W. Eaton Jr. W. BROWN J. W. Brown | Stanolind STANOLIND OIL & GAS CO OCC | Roswell, N. M. ROSWELL, N. M. L. H. R. |

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 9, 1956

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Application of Stanolind Oil and Gas Company)
for an order granting a 331 acre non-standard)
gas proration unit in the Blanco-Mesaverde Gas)
Pool, San Juan County, New Mexico, in exception)
to New Mexico Oil Conservation Commission)
Order No. R-110 as amended by Order R-128-D,)
and in addition for the approval of an unorthodox)
location thereon.)
)

Applicant, in the above-styled cause, seeks an)
order granting approval of a 331 acre non-standard)
gas proration unit to consist of the S/2 S/2 of Sec-)
tion 7, N/2 N/2 and N/2 S/2 N/2 of Section 18,)
Township 29 North, Range 9 West, in the Blanco-)
Mesaverde Gas Pool, San Juan County, New Mexico)
and in addition applicant requests an order granting)
an unorthodox location for a proposed well to be)
drilled 990 feet from the North and East lines of)
Section 18, Township 29 North, Range 9 West, San)
Juan County, New Mexico.)
)
-----)

Case No. 1037

BEFORE:

Mr. E. C. Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: Hearing come to order please. The only case on the docket this morning is case 1037. Mr. Seth.

MR. SETH: If the Commission please, this is the application of Stanolind Oil and Gas Company for a non-standard unit and an unorthodox location in the Blanco-Mesaverde Pool. We have one witness.

GEORGE EATON

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

By Mr. Seth:

Q. State your name please.

A. George Eaton.

Q. What is your position and by whom are you employed, Mr. Eaton?

A. I am a Petroleum Engineer, Senior Grade, for Stanolind Oil and Gas Company in Roswell, New Mexico.

Q. Have you previously testified before the Commission?

A. Yes, I have.

Q. Would you state to the Commission please the purpose of Stanolind's application in case 1037?

A. This application by Stanolind is for an unorthodox gas proration unit in the Blanco-Mesaverde Pool and an unorthodox location on that gas unit. This unorthodox gas unit is to consist of the S/2 S/2 of Section 7 and N/2 N/2 and N/2 S/2 N/2 of Section 18, Township 29 North, Range 9 West.

Q. Have you prepared or has there been prepared a plat or map showing the proposed location?

A. I have.

Q. Would you please state to the Commission what this map, which has been marked Stanolind's Exhibit 1, represents?

A. This plat is of a portion of the Blanco-Mesaverde Pool showing portions of Township 29 North, Range 9 West and a portion of Township 29 North, Range 10 West.

Q. What is the area that is outlined in red on this Exhibit 1?

A. The area outlined in red on Exhibit 1 is Stanolind's proposed--Stanolind's Gas Unit "B" No. 1. That is the proposed unit which is listed in the application.

This plat also shows that all of the Townships along the western boundary of Township 29 North, Range 9 West are irregular in size. They are not full 640-acre sections. It is for this reason that Stanolind has found it necessary to make application for a non-standard gas proration unit. On a previous occasion a hearing was heard before this Commission on November 17, 1954, for the formation of three other non-standard proration units, located in Sections 6 and 7 of Township 29 North, Range 9 West. These gas units are Stanolind's Houck Gas Unit, Stanolind's Jaquez Gas Unit "C" and Stanolind's Nye Gas Unit.

Q. Were those brought about by the same conditions there of a short section?

A. Yes, they were.

Q. Approximately how many acres are included in the proposed unorthodox unit?

A. There are approximately 331 acres in the proposed non-standard unit. The exact acreage will be determined by actual survey.

Q. The leases that are held by the applicant in this case, are there some early expiration dates?

A. Yes, there are. In our application we state that the earliest application date is March 13, 1956. Further study of the lease agreements in this area however indicate that that lease which has the earliest expiration date actually may be held by production by a portion of that basic lease being included in Stanolind's Heath Gas Unit "B" located in the N/2 of Section 9, Township 29 North, Range 9 West. I might add that the titles on all of the leases in the proposed unit are not good and that the title on the particular lease on which the drill site is located, which happens to be that lease with the earliest indicated expiration date, is the best title that we have in the proposed unit.

Q. Would you also indicate to the Commission the offsetting properties.

A. To the east of the proposed non-standard unit in Section 17, Township 29 North, Range 9 West, Stanolind has two Blanco-Mesaverde Pool wells. They are the Heath "A" No. 2 and the Heath "A" No. 3-X. To the north of the proposed non-standard unit lies Stanolind's Nye Gas Unit which is a ---which is developed in the Blanco-Mesaverde Pool. To the west of the proposed non-standard unit in Section 12, Township 29 North, Range 10 West, El Paso has two Blanco-Mesaverde Pool wells. They are El Paso's Lackey No. 1-A and Lackey No. 2-A. The Section 13, Township 29 North, Range 10 West, is also indicated to be El Paso's but it is not developed in the Blanco-Mesaverde Pool. There is one Pictured Cliffs well on that section.

Q. Mr. Eaton, does El Paso own some acreage within this proposed unit area?

A. El Paso has a lease on Lot 1 and 2 of Section 18, Township 29 North, Range 9 West. The Lot 1 and the N/2 of Lot 2 will be included in our proposed non-standard gas unit. It amounts to 18.38 acres. El Paso and Stanolind are currently working on unit agreements to form the necessary proration unit for this non-standard unit here.

Q. The proposed area lies wholly within the Blanco-Mesaverde, does it?

A. Yes, it does. The entire area lies within the presently designated limits of the Blanco-Mesaverde Pool.

Q. In your opinion is the area--do you expect it to be productive of gas?

A. Yes, I believe that the entire 331 acres in the non-standard unit is productive. This is supported by these data which are posted to the plat of the area entered as our Exhibit No. 1. The red numbers opposite wells in the area

indicate the 1955 deliverability of Blanco-Mesaverde wells surrounding the lease. The green numbers represent the actual average daily production from the Blanco-Mesaverde Pool based on a period from July to December, 1955. You will note that there are no wells south of the proposed unit but there are wells to the southeast and to the northwest which indicates to me that the entire 331-acre non-standard unit is productive.

Q. Now your application, Mr. Eaton, also covers the proposed well location, does it not?

A. Yes, it does.

Q. Would you state the proposed location?

A. The proposed locations for the Sammons Gas Unit "B" No. 1 is 990 feet out of the Northeast corner of Section 18, Township 29 North, Range 9 West.

Q. Is that reasonably or as near as possible to an orthodox location?

A. It is a location most consistent with the existing field rules of the Blanco-Mesaverde Pool and with the irregularities associated with these narrow sections along Range 9 and 10 boundary line.

Q. Is there anything further you would like to say to the Commission?

A. I would like to state one other thing. In view of the title situation on our leases within this proposed non-standard unit, even though we believe that the proposed drill site is held by production from another lease, another unit, Stanolind is taking no chances in having that lease expire and has on location at this time a drilling rig and is prepared to begin drilling that well as soon as the Commission issues its order in this case.

MR. SMITH: What is the expiration date on that lease?

A. It is shown on this plat and in our application as March 13, 1956. The next expiration date is April 1, 1956. That is on Stanolind's Eluterio A. Lobato

lease. In summary, I would like to add that in my opinion, that the formation of this non-standard gas proration unit would not only prevent the confiscation of Stanolind's property but will protect its correlative rights and justify the share of its gas which lies under this acreage in the Blanco-Mesaverde Pool.

MR. SMITH: If it please the Commission, I would like to state that the declaration of unitization and the operating agreement has been executed or we understand will be executed today or tommorro by El Paso Natural Gas. Of course we have already executed it ourselves so that as soon as the Commission grants approval we will be able to proceed with our drilling operations. We have pooling clauses in the leases so that it will be 100% communitized. Both the royalty and the working interest.

MR. SETH: That is all of the direct testimony we have.

MR. MACEY: Does anyone have a question of the witness?

MR. GURLEY: What type lands are included in these leases?

MR. EATON: I believe all of these are fee lands.

MR. GURLEY: All fee. Now, you made the statement, sir, that it looked to you as though the titles in some of them were not good. Just to what extent to you---"

MR. EATON: I believe our lawyers call them defendable.

MR. SMITH: I guess maybe I should answer the question rather than Mr. Eaton. The drill site as far as the well is located, is on what we believe to be a perfectly sound title. The other titles are what we term in legal forms defendable titles. In other words the people who preport to own it have had a break or some cloud back in their record. The title---it is possible that someone might

institute a suit. But in the opinion of the lawyers who examined the titles we are convinced that the people from whom we have the leases will be able to defend it successfully and that they are the true owners.

MR. GURLEY: How much of that land is under cloud?

MR. SMITH: Well, I can't tell you off hand. Let me see the plat here. I think the Lobato lease is partially under, the Sammons is alright, and I believe the Garcia is in pretty good shape.

MR. GURLEY: That would be approximately how many acres?

MR. SMITH: I would say approximately 190 acres.

MR. GURLEY: Well over half then is under question, is that right?

MR. SMITH: Well, let me put it this way. It is not under question because no one has attack the title now. The reason Mr. Eaton mentioned it, I am putting words in his mouth, is that in drilling a well we want to make certain that is anyone does come in and by some mischance the lawyers might be wrong in saying its a defendable title, they might be able to take the well away from you if it is on that tract of land. So that is one of the reasons we have located the well where we have. And, I think that is one of the reasons that Mr. Eaton mentioned it. It is my opinion, as a lawyer, however, the question of titles have bearing before the Commission only in respect to protection of correlative rights and until such time as some one should attack the title, I think the Commission must take the record owner, that is the people who have the record owner accounting.

MR. GURLEY: Thats all the questions I have.

MR. MACEY: Anyone else have a question of the witness? If there are no further questions, the witness may be excused. Do you have anything further Mr. Seth.

MR. SETH: We would like to introduce Stanolind's Exhibit No. 1 as evidence.

MR. MACEY: Exhibit will be received. If there is nothing further, we will take the case under advisement. The hearing is adjourned.

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

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

Dated this 26th day of April, 1956.


