

T R A N S C R I P T

CASE 543:

SPECIAL HEARING 9 A. M., May 26, 1953

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

*file
51 78-6 Unit*

R E G I S T E R

New Mexico Oil Conservation Commission - Special Hearing - 5/26/53

<u>NAME</u>	<u>REPRESENTING</u>
R. L Hamblin	El Paso Natural Gas Company
William G Webb	El Paso Natural Gas Company
Foster Morrell	El Paso Natural Gas Company
Cecil A. Darnall	Sinclair Oil & Gas Company
Joseph S. Sprinkle	Sinclair Oil & Gas Company

For the Commission:

Governor Edwin L. Mechem, Chairman

R. R. Spurrier, Secretary

E. S. Walker, Member

George A. Graham, Attorney

MR. SPURRIER: The meeting will come to order. Mr. Webb, will you carry on? We will start with Case 543.

MR. GRAHAM: Case 543. In the matter of the application of El Paso Natural Gas Company for approval of a proposed Unit Agreement for the development and operation of the San Juan 28-6 Unit Area embracing 27,735.51 acres of land, more or less, in Rio Arriba County, New Mexico, as described:

NEW MEXICO PRINCIPAL MERIDIAN

Twp. 28 North, Rge. 6 West
All of partial sections
7 thru 12, incl.;
All of Sections 13 thru 36, incl.

Twp. 27 North, Rge. 6 West
All of Sections 1 thru 15, incl.;
All Sections 24 and 25.

MR. SPURRIER: Will you proceed, Mr. Webb?

MR. WEBB: I believe Mr. Morrell has been qualified before this Commission.

MR. GRAHAM: (Swears the witness)

MR. WEBB: Mr. Morrell, would you state for the Commission in outline form the character of the acreage which is to make up the San Juan Unit 28-6, situated in Rio Arriba County, New Mexico wherein El Paso Natural Gas Company is to be Unit Operator?

MR. MORRELL: The San Juan 28-6 Unit embraces 27,735.49 acres of land, of which 25,617.82 acres are federal lands, 680.42 acres are state land and 1,437.25 acres are patent lands. Percentages of these lands are approximately 92 percent Federal, 2½ percent State land and 5 percent patent land.

MR. WEBB: In connection with those figures, will you state to the Commission what percentage of the total land in

the unit area has been committed or agreed to be committed as of this date?

MR. MORRELL: 85.8 percent has been committed or agreed to be committed.

MR. WEBB: Assuming that figure to be correct then Mr. Morrell - would you state, assuming that there were no more lands committed to the Unit, would that percentage remaining to be unitized be sufficient to afford effective control?

MR. MORRELL: That percentage should be sufficient to afford effective control.

MR. WEBB: In your opinion as an expert in these matters is - does such type of unit agreement tend to promote conservation and prevent waste?

MR. MORRELL: In my opinion, it does.

MR. WEBB: Are the resources of the State of New Mexico and the rights of the State of New Mexico in those lands amply protected?

MR. MORRELL: They are.

MR. WEBB: In your opinion, Mr. Morrell, the people of the State of New Mexico and the Oil Conservation Commission and the State of New Mexico are amply protected in their rights?

MR. MORRELL: They would be, in my opinion.

MR. WEBB: If there are no further questions we rest our case.

MR. WALKER: Who of the eighty-five (85%) percent has not committed their lands?

MR. MORRELL: I would state that the people who haven't until a few months ago - the Lackey people with whom you must be familiar are not committed. We are going to have to go up there and explain the plan further to them. The Wood River Oil and Gas Company

has not committed but a one quarter interest in one tract and they own 7/8 interest below the Mesaverde.

MR. WALKER: How much of the fee land?

MR. MORRELL: All of the fee land except one 160 acre tract which has been unleased.

MR. WALKER: That is sufficient - that answers my question.

MR. SPURRIER: Any other questions?

MR. GRAHAM: As a geologist, Mr. Morrell, would you indicate on that wall map something of the geological structure?

MR. MORRELL: The Unit Area for San Juan County is very exceptional - it is a township form of unit agreement which was devised by the Geological Survey to cover unitization in an area within a structure. The structure as known at present is approximately one hundred miles long and approximately fifty miles wide.

MR. GRAHAM: Under the law with reference to the Land Office, is it your opinion that the Commissioner has the right to approve the commitment of part of the pool, or all of it?

MR. MORRELL: In my opinion he has the right to approve either one.

MR. GRAHAM: Would you roughly indicate on that map Mr. Morrell the general direction ---

MR. MORRELL: Of the geological structure?

MR. GRAHAM: Yes.

MR. MORRELL: The geological structure runs from the southeast to the northwest, being elongated (indicating on map)

MR. GRAHAM: Are there some Mesaverde wells in that area?

MR. MORRELL: There are some. There is one being drilled and one completed and there are wells that have been drilled to the Mesa-

verde to the east of the 26 Unit (indicating on map)

MR. GRAHAM: The Unit Agreement Development Plan - what is it - to what horizon do they plan to drill and how many wells?

MR. MORRELL: The Unit Agreement provides for a specified number of wells to be drilled to test the Mesaverde formation - five wells are the initial obligation by the unit operators.

MR. GRAHAM: With the option to abandon in successive dry holes?

MR. MORRELL: With the option of abandoning the entire unit. With reference to your question Mr. Graham, as to the location of this unit - for the benefit of the record. The San Juan 28-6 Unit is one of a series of township units, it is bounded on the east by the proposed 28-5 Unit and 28-4 Unit. To the north, by the 29-6 Unit and on the west by the 28-7 Unit, all of which are on the same township form of unit, the same form on which the subject unit now under discussion is prepared - some of which have been completed and have been approved by the Oil Conservation Commission. To the South, the 28-6 Unit is bounded by the Rincon which has now been drilled and proved productive.

MR. GRAHAM: It is the industry's intention to cover much of that formation by the Unit Area Plan, as possible?

MR. MORRELL: That is correct. The entire area from the Colorado line to Township 27 West, 32 North, 27 West from 8 West to 4 West will be covered entirely by Unit Agreements, and all entered under unitized spacing.

MR. GRAHAM: But the operation of course will be separate in several of the cases?

MR. MORRELL: That is right.

MR. GRAHAM: What are the market facilities in the 28-6 Unit?

MR. MORRELL: The market facilities on the 28-6 Unit are at the present, prospective only. Pipelines are near to the unit and will be extended into the Unit as soon as production has developed.

MR. SPURRIER: Any one else have a question? If not this completes the case and it will be taken under advisement and we will move on to Case 544.

MR. WEBB: I would like to reopen the 28-6 case. In Section 2, sub-paragraph (a) will be set up on an east half basis. The top of the unit area being Section 7 through 12, Township 28 North, Range 6 West which are short sections in that they contain something less than 320 acres each. There is only room for one well under the present spacing rules of the Commission so we propose to insert this amendment or further proviso on the bottom of the Sections 7 through 12 each of such sections are short sections. It is our opinion that they would more closely be followed by the operator in his development in that area.

MR. SPURRIER: Is there any objection to Mr. Webb's motion - if not the addition will be admitted.

MR. GRAHAM: In event of proration you would expect to be cut back?

MR. WEBB: Well I wouldn't want to go on record at the present time on that.

C E R T I F I C A T E

I, Virginia M Chavez, hereby certify that the foregoing record in Case 543 was by me taken and transcribed and that the same is correct to the best of my knowledge, skill and ability.

Virginia M. Chavez