

Case No.

1586

Application, Transcript,
Small Exhibits, Etc.

ATLANTIC

THE ATLANTIC REFINING COMPANY

INCORPORATED - 1970

PETROLEUM PRODUCTS

December 12, 1958

DOMESTIC PRODUCING DEPARTMENT
ROCKY MOUNTAIN REGION

R. T. COX, MANAGER
T. S. FACE, LAND MANAGER
A. D. KLOXIN, OPERATIONS MANAGER

WYOMING NAT'L BANK BLDG.

MAILING ADDRESS
P. O. BOX 520
CASPER, WYOMING

Oil Conservation Commission
of the State of New Mexico
P. O. Box 871
Santa Fe, New Mexico

RE: El Paso Natural Gas Products Company
Application for Exception to Rule
104-(c) of the Rules and Regulations
for Non-Standard Oil Proration Unit,
Horseshoe-Gallup Pool,
San Juan County, New Mexico

Gentlemen:

The application, dated December 5, 1958, of the El Paso Gas Products Company for administrative approval of a non-standard oil proration unit consisting of that portion of the SW/4 of the SW/4 (19.12 acres) and that portion of the NW/4 of the SW/4 (18.21 acres) lying within the Ute Mountain Indian Reservation, Section 33, T 31N-R 16W, San Juan County, New Mexico, is opposed by The Atlantic Refining Company for the following reasons:

Atlantic's preliminary studies of reservoir characteristics in the Horseshoe-Gallup pool indicate that this pool is a good prospect for a water flooding. The proposed well on the non-standard unit applied for by the El Paso Natural Gas Products Company would be off-pattern and occasion off-setting off-pattern wells by Atlantic on its adjacent lease. All such off-pattern wells would be detrimental to a water flood pattern. Atlantic is not unwilling to communitize its lease on acreage in the SW/4 of the SW/4 of Section 33, T 31N-R 16W, nor its lease on acreage in the NW/4 of the SW/4, Section 33, T 31N-R 16W, with El Paso Natural Gas Products Company, on a 40-acre pattern, however Atlantic has suggested the pooling of larger units in order to eliminate a number of operating problems which would occur if separate 40-acre units were communitized.

Yours very truly,

THE ATLANTIC REFINING COMPANY

By: *R. T. Cox*
R. T. Cox,
Regional Manager

TSP/hsc

cc: El Paso Natural Gas Products Company
U.S. Geological Survey

EL PASO NATURAL GAS PRODUCTS COMPANY

POST OFFICE BOX 1161 EL PASO, TEXAS

December 5, 1958

Oil Conservation Commission
of the State of New Mexico
P. O. Box 871
Santa Fe, New Mexico

175
NE
APPROVED BY THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
Due Dec 29.
Re: Application for Exception to Rule 104-(c)
of the Rules and Regulations
for Non-Standard Oil Proration Unit,
Horseshoe-Gallup Pool,
San Juan County, New Mexico

19.12
18.21
37.33
Gentlemen:

El Paso Natural Gas Products Company hereby submits its application for administrative approval of a non-standard oil proration unit consisting of that portion of the SW/4 SW/4 (19.12 acres) and that portion of the NW/4 SW/4 lying within the Ute Mountain Indian Reservation (18.21 acres), Section 33, Township 31 North, Range 16 West, San Juan County, New Mexico, and in support thereof states the following facts:

- (1) El Paso Natural Gas Products Company's Horseshoe Ute #3 Well will be located 1172' from the South line and 4250' from the East line of Section 33, Township 31 North, Range 16 West, and will be drilled as an oil well to the Gallup formation.
- (2) That said Horseshoe Ute #3 Well is located no closer than 330' to the acreage held by the only offset operator, The Atlantic Refining Company, but is located closer than 330' to the East boundary line of said non-standard oil proration unit for which applicant further applies for administrative approval of exception to the requirement set forth in Rule 104-(c) that each well shall not be drilled closer than 330' to any boundary line of such tract.
- (3) That the proposed non-standard oil proration unit contains 37.33 acres and consists of two governmental lots which are contiguous but are not substantially in the form of a square as is shown by the attached copy of certified plat.
- (4) That the proposed non-standard oil proration unit is composed of two contiguous governmental lots as outlined on the attached copy of certified

COPY

December 5, 1958

plats rather than being wholly within a single governmental quarter-quarter section or lot.

- (5) That the proposed non-standard oil proration unit may reasonably be presumed to be productive of oil, and that said unit and said Horseshoe Ute #3 Well are located either within the Horseshoe-Gallup Oil Pool or within one (1) mile of said pool limits.
- (6) That El Paso Natural Gas Products Company has made efforts to communitize the two governmental lots which comprise the proposed non-standard oil proration unit with offsetting acreage owned by The Atlantic Refining Company on a forty-acre pattern, the spacing pattern as set for the Horseshoe-Gallup Oil Pool under statewide rules and regulations but has been unsuccessful.
- (7) That El Paso Natural Gas Products Company is the owner of all the interest of that portion of the SW/4 SW/4 and that portion of the NW/4 SW/4 lying within the Ute Mountain Indian Reservation, Section 33, Township 31 North, Range 16 West, and that all operators owning interests in acreage offsetting the non-standard proration unit are notified by registered mail of this proposed non-standard oil proration unit.

Therefore, El Paso Natural Gas Products Company requests that the Secretary of the Commission grant exception to Rule 104-(c) without Notice and Hearing, and approve the subject non-standard oil proration unit and the unorthodox location of the Horseshoe Ute #3 Well.

Respectfully submitted,

EL PASO NATURAL GAS PRODUCTS COMPANY

By James C. Vandiver
James C. Vandiver, Division Landman

JCV:jh

A copy of this application is being sent by registered mail, return receipt requested, to that offset owner as shown by the attached list.

December 5, 1958

STATE OF NEW MEXICO)

COUNTY OF SAN JUAN)

James C. Vandiver, being first duly sworn, hereby states that he is Division Landman for El Paso Natural Gas Products Company, the Applicant in the foregoing application; that he has executed said application on behalf of El Paso Natural Gas Products Company; that he has read said application and, to the best of his knowledge, information and belief, all statements of fact therein contained are true and correct; that a copy of this application was duly deposited on December 8, 1958, in the United States post office as registered mail, with all charges prepaid, addressed to the party shown on the attached sheet of this application.

James C. Vandiver
James C. Vandiver

SUBSCRIBED AND SWORN to before me by the said James C. Vandiver this 7 day of December, 1958, to certify which witness my hand and seal of office.

My Commission expires:

Expires March 25, 1962

Notary Public in and for
San Juan County, State of New Mexico



A copy of the foregoing application for non-standard oil proration unit on the proposed Horseshoe Ute #3 Well was forwarded by registered mail, return receipt requested, to the following listed party:

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

NEW MEXICO OIL CONSERVATION COMMISSION

Well Location and Acreage Dedication Plat

Section A.

Date: _____

Operator	EL PASO NATURAL GAS PRODUCTS COMPANY				Lease	Horseshoe-Ute				
Well No.	3	Unit Letter	M	Section	33	Township	31 NORTH	Range	16 WEST,	NMPM
Located	1172	Feet From	THE SOUTH	Line,	4250	Feet From	THE EAST		Line	
County	SAN JUAN	G. L. Elevation	5326.0			Dedicated Acreage			Acres	
Name of Producing Formation	Gallup					Pool	Horseshoe-Gallup			

1. Is the Operator the only owner in the dedicated average outlined on the plat below?
Yes ☒ No ☐
2. If the answer to question one is "no", have the interests of all the owners been consolidated by communitization agreement or otherwise? Yes ☐ No ☐ . If answer is "yes", Type of Consolidation, _____
3. If the answer to question two is "no", list all the owners and their respective interests below:

Owner

Land Description

Section B.

This is to certify that the information in Section A above is true and complete to the best of my knowledge and belief.

El Paso Natural Gas Products Company
(Operator)

(Representative)

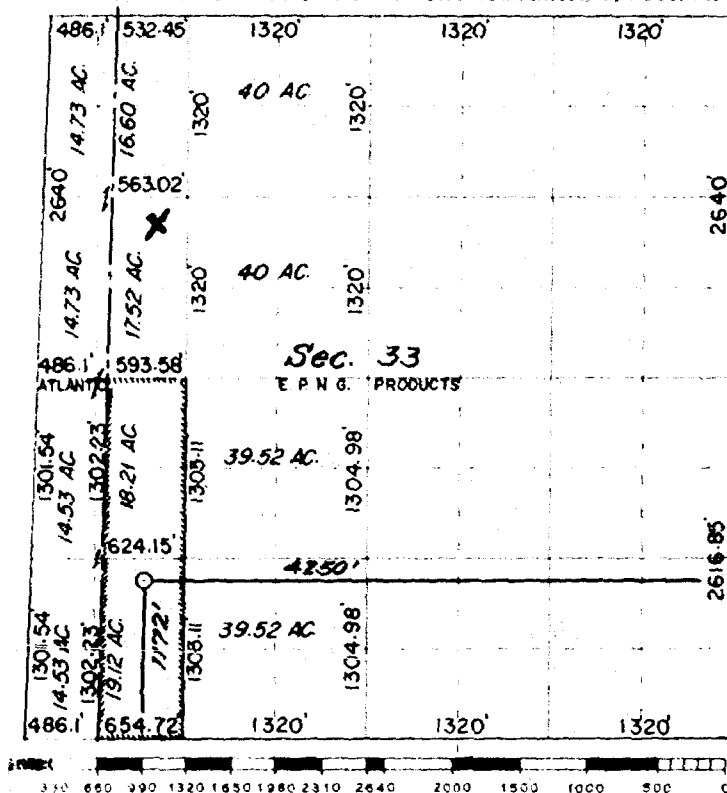
P. O. Box 1565

(Address)

Farmington, New Mexico

Ref: SJE Plat dated Sept. 1957

Note: All distances must be from outer boundaries of section.



Scale 4 inches equal 1 mile

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.

Date Surveyed 5 December 1958

James P. Lease
Registered Professional Engineer and/or Land Surveyor



Farmington, New Mexico

Well Location and Average Production Plat

Alternate LocationDate **JANUARY 16, 1959**

Section A.

Operator **EL PASO NATURAL GAS PRODUCTS CO.** Lease **Horseshoe Ute**
 Well No. **3** Unit Letter **M** Section **33** Township **31N** Range **16W** NMPM
 Located **650** Feet From **SOUTH** Line, **4500** Feet From **EAST** Line
 County **SAN JUAN** Surface Elevation **5326.0** Dist. to A.C. **38.25** ✓
 Name of Producing Formation **Gallup** Pool **Horseshoe Gallup**

1. Is the Operator the only owner and dedicatee of a lease outlined on this plat?
 Yes **X** No
2. If the answer to question one is "No", have the interest of all the owners been consolidated by a unitization agreement or otherwise? Yes No If answer is "No", type of consolidation
3. If the answer to question two is "No", list all the owners and their respective interests below:
 Owner _____ Land Description _____

Section B.

Note: All distances must be from corner boundaries of section.

This is to certify that the information in Section A above is true and complete to the best of my knowledge and belief.

El Paso Natural Gas Products Co.
 (Operator)

(Representative)

Post Office Box 1565

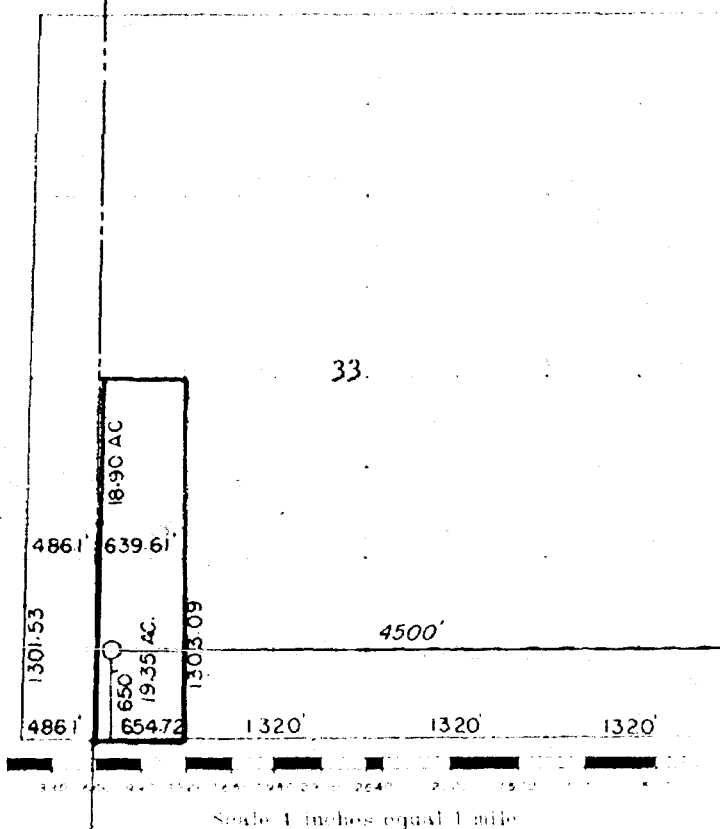
(Address)

Farmington, New Mexico

BEFORE EXAMINER NUTTER

OIL CONSERVATION COMMISSION

James P. Leese
 C.A.B. 1586



Scale 1 inch equals 1 mile

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

Date Surveyed

JANUARY 16, 1959

James P. Leese
 Registered Professional Engineer and Land Surveyor
James P. Leese N. Mex. Reg. No. 1453

(Seal)

Farmington, New Mexico

EL PASO NATURAL GAS PRODUCTS COMPANY

EL PASO, TEXAS

December 5, 1958

Oil Conservation Commission
of the State of New Mexico
P. O. Box 871
Santa Fe, New Mexico

464
Due 1/29/59
NSP-(001)
ADDRESS REPLY TO:
POST OFFICE BOX 100
SARASOTA, FLORIDA

Re: Application for Exception to Rule 104-(c)
of the Rules and Regulations
for Non-Standard Oil Proration Unit,
Horseshoe-Gallup Pool,
San Juan County, New Mexico

Gentlemen:

El Paso Natural Gas Products Company hereby submits its application for administrative approval of a non-standard oil proration unit consisting of that portion of the SW/4 SW/4 (19.12 acres) and that portion of the NW/4 SW/4 lying within the Ute Mountain Indian Reservation (18.21 acres), Section 33, Township 31 North, Range 16 West, San Juan County, New Mexico, and in support thereof states the following facts:

- (1) El Paso Natural Gas Products Company's Horseshoe Ute #3 Well will be located 1172' from the South line and 4250' from the East line of Section 33, Township 31 North, Range 16 West, and will be drilled as an oil well to the Gallup formation.
- (2) That said Horseshoe Ute #3 Well is located no closer than 330' to the acreage held by the only offset operator, The Atlantic Refining Company, but is located closer than 330' to the East boundary line of said non-standard oil proration unit for which applicant further applies for administrative approval of exception to the requirement set forth in Rule 104-(c) that each well shall not be drilled closer than 330' to any boundary line of such tract.
- (3) That the proposed non-standard oil proration unit contains 37.33 acres and consists of two governmental lots which are contiguous but are not substantially in the form of a square as is shown by the attached copy of certified plat.
- (4) That the proposed non-standard oil proration unit is composed of two contiguous governmental lots as outlined on the attached copy of certified

December 5, 1958

plats rather than being wholly within a single governmental quarter-quarter section or lot.

- (5) That the proposed non-standard oil proration unit may reasonably be presumed to be productive of oil, and that said unit and said Horseshoe Ute #3 Well are located either within the Horseshoe-Gallup Oil Pool or within one (1) mile of said pool limits.
- (6) That El Paso Natural Gas Products Company has made efforts to communitize the two governmental lots which comprise the proposed non-standard oil proration unit with offsetting acreage owned by The Atlantic Refining Company on a forty-acre pattern, the spacing pattern as set for the Horseshoe-Gallup Oil Pool under statewide rules and regulations but has been unsuccessful.
- (7) That El Paso Natural Gas Products Company is the owner of all the interest of that portion of the SW/4 SW/4 and that portion of the NW/4 SW/4 lying within the Ute Mountain Indian Reservation, Section 33, Township 31 North, Range 16 West, and that all operators owning interests in acreage offsetting the non-standard proration unit are notified by registered mail of this proposed non-standard oil proration unit.

Therefore, El Paso Natural Gas Products Company requests that the Secretary of the Commission grant exception to Rule 104-(c) without Notice and Hearing, and approve the subject non-standard oil proration unit and the unorthodox location of the Horseshoe Ute #3 Well.

Respectfully submitted,

EL PASO NATURAL GAS PRODUCTS COMPANY

By James C. Vandiver
James C. Vandiver, Division Landman

JCV:jh

A copy of this application is being sent by registered mail, return receipt requested, to that offset owner as shown by the attached list.

Oil Conservation Commission
of the State of New Mexico

-3-

December 5, 1958

STATE OF NEW MEXICO)

COUNTY OF SAN JUAN)

James C. Vandiver, being first duly sworn, hereby states that he is Division Landman for El Paso Natural Gas Products Company, the Applicant in the foregoing application; that he has executed said application on behalf of El Paso Natural Gas Products Company; that he has read said application and, to the best of his knowledge, information and belief, all statements of fact therein contained are true and correct; that a copy of this application was duly deposited on December 3, 1958, in the United States post office as registered mail, with all charges prepaid, addressed to the party shown on the attached sheet of this application.

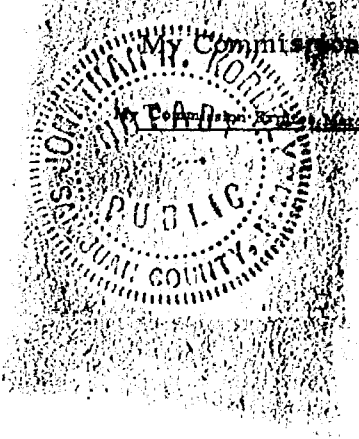
James C. Vandiver
James C. Vandiver

SUBSCRIBED AND SWORN to before me by the said James C. Vandiver this 5 day of December, 1958, to certify which witness my hand and seal of office.

My Commission expires:

My Commission Expires March 23, 1962

Notary Public in and for
San Juan County, State of New Mexico



A copy of the foregoing application for non-standard oil proration unit on the proposed Horseshoe Ute #3 Well was forwarded by registered mail, return receipt requested, to the following listed party:

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

Well Location and Acreage Dedication Plat

Section A.

Date

Operator **EL PASO NATURAL GAS PRODUCTS COMPANY** Lease **Horseshoe-Ute**
 Well No. **3** Unit Letter **N** Section **33** Township **31 NORTH** Range **16 WEST**, NMPM
 Located **1172** Feet From **THE SOUTH** Line, **4250** Feet From **THE EAST** Line
 County **SAN JUAN** G. L. Elevation **5326.0** Dedicated Acreage
 Name of Producing Formation **Gallup** Pool **Horseshoe-Gallup** Acres

1. Is the Operator the only owner in the dedicated acreage outlined on the plat below?
 Yes ☒ No
2. If the answer to question one is "no", have the interests of all the owners been consolidated by communitization agreement or otherwise? Yes No If answer is "yes", Type of Consolidation

3. If the answer to question two is "no", list all the owners and their respective interests below:

Owner

Land Description

Section B.

This is to certify that the information in Section A above is true and complete to the best of my knowledge and belief.

El Paso Natural Gas Products Company
 (Operator)

(Representative)

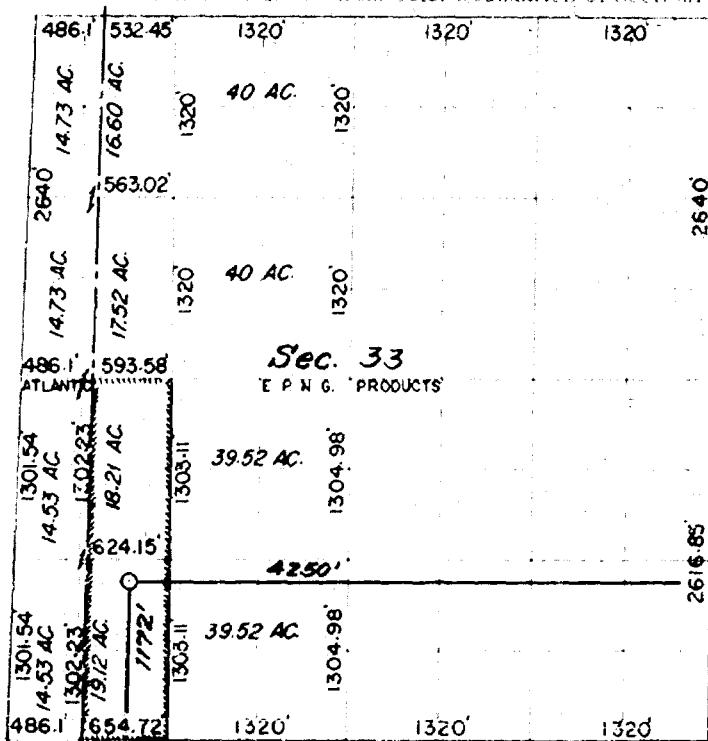
P. O. Box 1565

(Address)

Farmington, New Mexico

Ref: SJE Plat dated Sept. 1957

Note: All distances must be from outer boundaries of section.



Scale 1 inch equal 1 mile

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.

Date Surveyed 5 december 1958

James P. Lave
 Registered Professional Engineer and/or Land Surveyor



Farmington, New Mexico

Alternate Location

JANUARY 16, 1959

Section A

Operator **EL PASO NATURAL GAS PRODUCTS CO.** Locality **Horseshoe Ute**
 Well No. **3** East-Header **M** Section **33** Township **31N** Range **16W**
 Located **650** Feet From **SOUTH** Line, **4500** Feet From **EAST** Line
 County **SAN JUAN** Elevation **5326.0** Feet Above Sea Level **38.25** Acres
 Name of Producing Formation **Gallup** **Horseshoe Gallup**

1. Is the Operator the only owner of the well located on this property?
 Yes ☒ No ☐
2. If the answer to question one is "No", have the interests of all owners been obtained by a written agreement or otherwise? Yes ☐ No ☐ If answer is "No", list all owners below:
 Owner _____
3. If the answer to question two is "No", list all the owners, and their respective shares, below:
 Owner _____

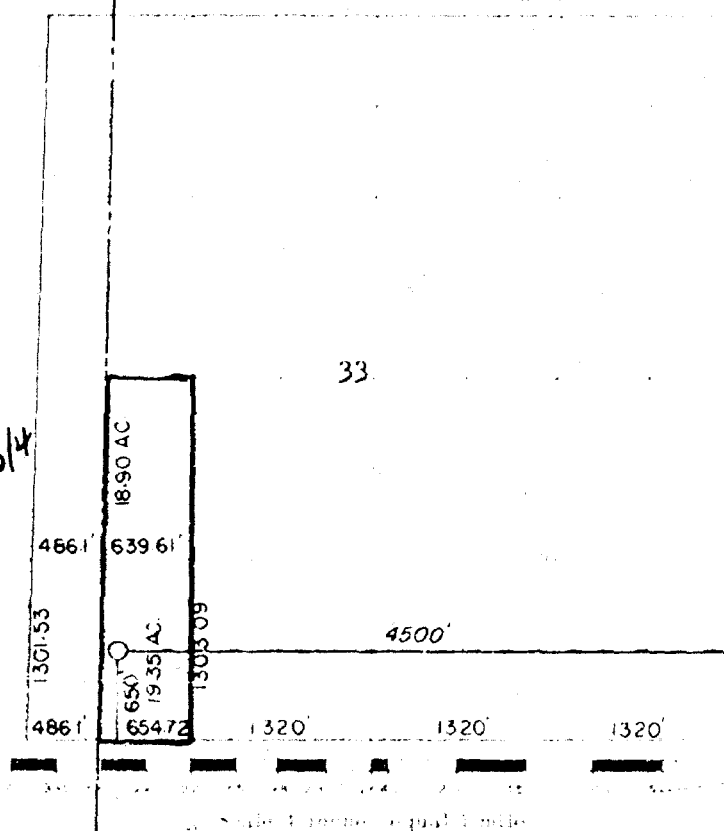
Section B

This is to certify that the information in Section A above is true and complete to the best of my knowledge and belief.

El Paso Natural Gas Products Co.
 (Operator)

(Representative)
Post Office Box 1565
 Address:
Farmington, New Mexico

Note: All distances must be from corner to corner, if correct.



Scale: 1 inch = equal 1 mile

This is to certify that the acreage and area required from this well is as stated and made by me or under my supervision, and that the same are true and correct to the best of my knowledge and belief.

JANUARY 16, 1959

(Seal)

Farmington, New Mexico

James P. Lease
 James P. Lease N. Mex. Reg. No. 1463

Section A.

Alternate Location

DATE: JANUARY 16, 1959

Operator **EL PASO NATURAL GAS PRODUCTS CO.** Lease **Horseshoe Ute**
 Well No. **5** Unit Letter **E** Section **33** Township **31N** Range **16W** Meridian
 Located **1980** East From **NORTH** Line, **4470** East From **EAST** Line
 County **SAN JUAN** G. L. Box No. **5393.0** Distance to Acreage **36.92**
 Name of Producing Formation **Gallup** Pool **Horseshoe Gallup Extension**

1. Is the Operator the only owner in the designated acreage within the pool?
 Yes ☒ No ☐
2. If the answer to question one is "No", have the interests of all the owners been acquired by a pooling agreement or otherwise? Yes ☐ No ☐ If answer is "No", list the owners.

3. If the answer to question two is "No", list all the owners and their respective interests below:
- | Owner | Interest |
|-------|----------|
|-------|----------|

Section B.

This is to certify that the information in Section A above is true and complete to the best of my knowledge and belief.

El Paso Natural Gas Products Co.

(Operator)

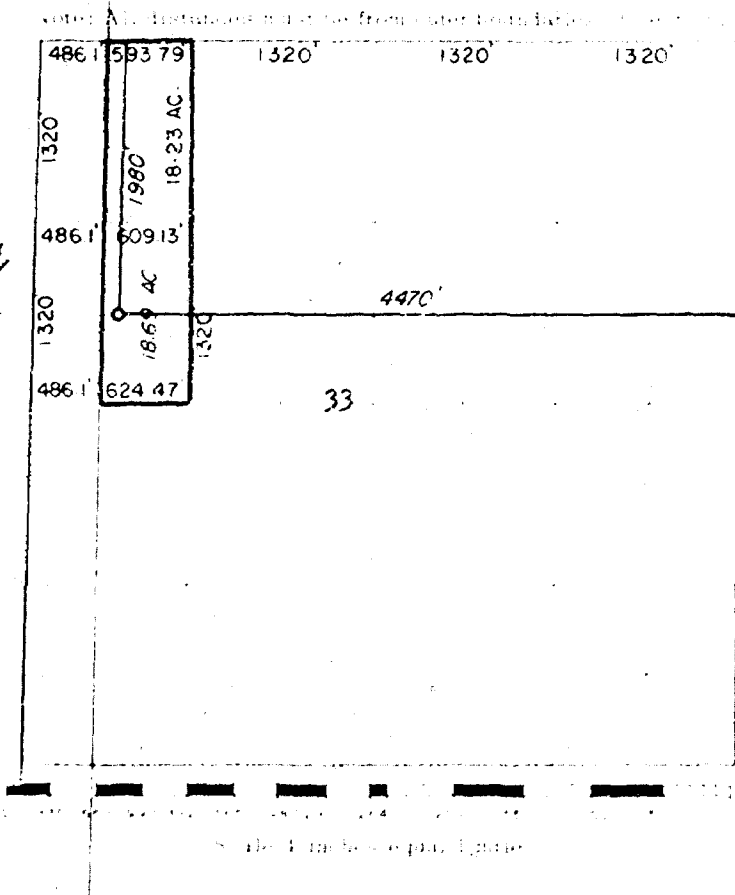
(Representative)

Post Office Box 1565

(Address)

Farmington, New Mexico

W/2 NW/4



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

Date Surveyed: **JANUARY 16, 1959**

James P. Leese

Registered Professional Engineer and a Licensed Surveyor

James P. Leese N. Mex. Reg. No. 1463



Farmington, New Mexico

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 1-22-59

CASE NO. 1586

HEARING DATE 9 am 1-22-59
DSN @ SF

My recommendations for an order in the above numbered case(s) are as follows:

Enter an order approving the two non-stk proration units and two unorthodox well locations requested by El Paso in the subject case. Show ^{if necessary} that the well locations were amended, as well as the acreage contained in the units, at the hearing to vary from the advertisement. Be ~~at~~ sure also to show that the only affected offset operators, as well as the regional supervisor of the USGS, waived objection to the revision of well location and acreage.

Heumann
Staff Member
Heumann

EL PASO NATURAL GAS PRODUCTS COMPANY

POST OFFICE BOX 1161 EL PASO TEXAS

December 17, 1953

The Atlantic Refining Company

P. O. Box 301

Okla. City, Oklahoma

Attn: Mr. R. F. Cox, Asst. General Manager

Re: Application of El Paso Natural
Gas Products Co. for acquisition
of 40-acre non-stationary
oil spacing units in the
Hampton Oil Pool, San Juan County,
New Mexico.

Dear Sir:

We are in receipt of your letter dated December 15, 1953, to the
Oil Conservation Commission advising them that you oppose our application dated
December 3, 1953, for non-stationary and proration units in the above oil pool. Our principal
concern is your statement to the Commission that you are not willing to
communitize the NW 1/4 SW 1/4 of Section 33, Township 33 North, Range 16 West as one
unit and the NW 1/4 SW 1/4 of Section 33, Township 33 North, Range 16 West as another
unit.

We were under the impression that you were willing to communitize
so as to form 40-acre spacing units, but were unwilling to communitize so as to form
40-acre spacing units. In order to substantiate our understanding, we are enclosing
herewith a copy of our letter to you dated October 22, 1953, requesting your approval to
join with us in communitizing both the NW 1/4 SW 1/4 and the NW 1/4 SW 1/4 of Section 33
together with your reply of November 11, 1953. We did consider your letter of November
11, 1953 rather vague and perhaps non-committal as to our request to communitize but
it indicated to us your desire to go to an 80-acre spacing pattern rather than the 40-acre
spacing pattern which is presently being followed in the field.

In order to get a definite answer and to clarify any possible mis-
understanding as to the intent of your letter of November 11, 1953, we sent our Mr.
J. C. Vanciver, Division Landman in Farmington, and Mr. E. V. Walter, Division
Engineer in Farmington, all the way to Casper, Wyoming, to further discuss the
matter with you. They both came away with the impression that you were not willing

COPY

Page 2

The Atlantic Refining Company
December 17, 1955

to communitize on a 40-acre spacing pattern, but not on an 80-acre spacing pattern.

Therefore we are going, on the assumption that you have in effect retained no communitize with us for the SW/4 NW/4 and the NE/4 NW/4 of Section 33 as oil proration units. If you are willing to communitize with us the SW/4 NW/4 of Section 33 for one oil proration unit and the NW/4 NW/4 of Section 33 for another separate oil proration unit, please so advise us prior to the January hearing of the New Mexico Oil Conservation Commission as we plan to go ahead and have both applications heard at the January hearing unless we receive prior thereto your written unequivocal acceptance to so communitize both tracts.

We are still ready and willing to communitize with you the NE/4 NW/4 of Section 33 as one oil proration unit and the NW/4 NW/4 as another oil proration unit. In view of your last letter we are changing our two applications of December 5, 1955 to ask for non-standard oil proration units as previously requested, or in the alternative for forced pooling.

Copies of this letter are being sent to the New Mexico Oil Conservation Commission and to the United States Geological Survey for their information, as they are both concerned in the matter.

Yours very truly,

EL PASO RAPIDFUEL GAS PRODUCTS COMPANY

By R. L. Garfield
R. L. Garfield, Manager Land Department

RL:ams
Encl.

cc: Oil Conservation Commission
Santa Fe, New Mexico

Mr. John Anderson
U. S. Geological Survey
Roswell, New Mexico

Mr. Charles Spann
Albuquerque, New Mexico

Mr. J. C. Vandiver
Farmington, New Mexico

1. The NW/4 of Section 33, Township 31 North, Range 36 East, T13N R36E, of which lands are 40 acres, more or less, is the owner and holder of said portion lying within the boundary of the survey, a total of 14.03 acres more or less and 14.03 acres more or less is the owner and holder of said portion lying within the boundary of the survey, a total of 14.03 acres more or less.

2. The NW/4 of Section 33, Township 31 North, Range 36 East, T13N R36E, of which lands are 40 acres, more or less, is the owner and holder of said portion lying within the boundary of the survey, a total of 14.03 acres more or less.

3. The NW/4 of Section 33, Township 31 North, Range 36 East, T13N R36E, of which lands are 40 acres, more or less, is the owner and holder of said portion lying within the boundary of the survey, a total of 14.03 acres more or less.

4. The NW/4 of Section 33, Township 31 North, Range 36 East, T13N R36E, of which lands are 40 acres, more or less, is the owner and holder of said portion lying within the boundary of the survey, a total of 14.03 acres more or less.

1. The NW/4 of Section 33, Township 31 North, Range 36 East, T13N R36E, of which lands are 40 acres, more or less, is the owner and holder of said portion lying within the boundary of the survey, a total of 14.03 acres more or less.
2. The NW/4 of Section 33, Township 31 North, Range 36 East, T13N R36E, of which lands are 40 acres, more or less, is the owner and holder of said portion lying within the boundary of the survey, a total of 14.03 acres more or less.

We would appreciate your replying to this request at your earliest convenience, and if you have any questions concerning this matter, please do not hesitate to contact us.

Very truly yours,

James C. Smith
Director, Bureau of Land Management

JCV/gh

ATLANTA

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

BEST AVAILABLE COPY

Mr. J. M. [unclear]
[unclear]
[unclear]
[unclear]

Mr. J. M. [unclear]
31 State National Insurance Company
Washington, D.C.

Dear Sir:

Your letter of October 22, 1958 in which you are asking whether we proposed that the Atlantic acreage in the 10/1, 10/1, and the 10/1 10/1 of Section 32, Township 31 North, Range 10 West, N. 10. E. 34. be combined with 50 Acre acreage lying in the same subdivision in order to form one 100-acre unit has been forwarded for our consideration.

We are anxious of course to work out some type of arrangement which will protect our basic interest that acreage and provide a profit from the oil produced. As each of the proposed wells could embrace up to approximately 34 acres, only 34/100th of a well allowable will be granted to completed wells on the proposed units. Even this reduced allowable will return a profit for development drilling, however, the completed drilling wells will not provide a rate of return comparable to the well allowable acreage of the area and we are investigating the possibility of obtaining our acreage to a production production unit in Section 32 for production purposes.

In order to do this it would be necessary to establish to the satisfaction of the United States Geological Survey and the Bureau of Land Management that a well in the Horaceston drilling pool is capable of producing at least substantially greater than 10 acres. We feel that the measure information being developed in our current drilling program is providing the engineering data for well spacing and we would appreciate an opportunity of discussing these data with you before spending money for the drilling of unnecessary wells in the pool.

It is becoming obvious that the primary reserves, irrespective of their size, do not represent the principal source of the oil and hence the need for the well in the final analysis at least to provide the necessary data for the well. It becomes important therefore, that the wells be spaced in a manner that will make the greatest contribution to the acreage, reserve or program.

Page 2. Mr. James H. ...

At this stage of development we must be prepared that the most efficient type of flood will be one that the nation and people would not be seriously the danger of operating a large amount of capital for increasing value is inherent in a program of blindly accepting state-wide spending when it is based on developed ability. When resources are being developed as rapidly as it is in the American public pool, we are of the opinion that enough precious information will be in our hands by December 15, 1956 upon which a petition for 30 years spending can be made. It also after the information is developed as it potentially, a pending strategy for the public will be requested of the New Mexico Conservation Commission.

Yours very truly

WFO:fr

Edward T. Cox
Regional Manager

cc: Mr. T. S. Fenn, Cooper
Mr. L. P. Farris, Dallas
Mr. J. A. Latta, Durango
Mr. T. O. Davis, Jr., Cooper

BEST AVAILABLE COPY

BEFORE THE
OIL CONSERVATION COMMISSION
JANUARY 22, 1959

IN THE MATTER OF:

APPLICATION OF EL PASO NATURAL GAS PRODUCTS COMPANY,
CASE 1586

TRANSCRIPT OF HEARING

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

BEFORE THE
OIL CONSERVATION COMMISSION
JANUARY 22, 1959

IN THE MATTER OF:)

Application of El Paso Natural Gas Products)
Company for two non-standard oil proration)
units and for two unorthodox well locations.)
Applicant, in the above-styled cause, seeks)
an order authorizing the establishment of a)
34.12 acre non-standard oil proration unit)
in the Horseshoe Gallup Oil Pool consisting)
of that portion of the SW/4 NW/4 and that)
portion of the NW/4 NW/4 of Section 33,)
Township 31 North, Range 16 West, San Juan)
County, New Mexico, lying within the Ute)
Mountain Indian Reservation, said unit to be)
dedicated to a well to be located 1470 feet)
from the North line and 4190 feet from the)
East line of said Section 33. Applicant)
further seeks establishment of a 37.33 acre)
non-standard oil proration unit in the)
Horseshoe Gallup Oil Pool consisting of)
that portion of the SW/4 SW/4 and that por-)
tion of the NW/4 SW/4 of Section 33 lying)
within the Ute Mountain Indian Reservation,)
said unit to be dedicated to a well to be)
located 1172 feet from the South line and)
4250 feet from the East line of said Sec-)
tion 33. Applicant further seeks approval)
of these unorthodox locations for said wells.)

Case 1586

BEFORE:

Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

MR. NUTTER: The next case on the Docket will be
Case 1586.

MR. PAYNE: Case 1586: Application of El Paso
Natural Gas Products Company for two non-standard proration units
and for two unorthodox well locations.

MR. NUTTER: Off the record.

(Discussion off the record.)

MR. SPANN: In behalf of the Applicant, El Paso Natural Gas Products Company, and referring to the application which concerns the southwest quarter of the southwest quarter (19.12 acres) and that portion of the northwest quarter southwest quarter lying within the Ute Mountain Indian Reservation (18.21 acres), Section 33, Township 31 North, Range 16 West, San Juan County, New Mexico, I would like to amend that application and attach as Exhibit A a plat showing a new location of the well to be drilled in that non-standard unit, and I hand the Commission the copies.

MR. NUTTER: Mr. Spann, what was the original location for the subject well?

MR. SPANN: As contained in the plat attached to the original application and which is, of course, described in your notice.

MR. NUTTER: That will be a well 4250 feet from the East line and 1172 feet from the South line of Section 33?

MR. SPANN: That is correct.

MR. NUTTER: You are now amending that application by attaching an alternate plat showing a well located 4500 feet from the East line and 650 feet from the South line of Section 33?

MR. SPANN: Thirty-three, that is correct. With reference to the application that concerns the southwest quarter of

the northwest quarter (17.52 acres) and that portion of the northwest quarter northwest quarter lying within the Ute Mountain Indian Reservation (16.00 acres), Section 33, Township 31 North, Range 16 West, San Juan County, New Mexico, I would like to amend that and attach as Exhibit B a plat showing an alternate location which is 4470 feet from the East boundary and 1980 feet from the North boundary and which are, of course, more fully described in these exhibits.

MR. NUTTER: Is there objection to the amendment of the application by attachment of the Exhibits A and B to the two applications?

MR. SPANN: I would also like to ask if there is objection to the notice having reference to the prior location as contained in the original?

MR. BRATTON: Howard Bratton, of Hervey, Dow and Hinkle, appearing on behalf of The Atlantic Refining Company. We have no objection to the amendment of the application to the new location as designated.

MR. NUTTER: Is Atlantic offset operator?

MR. BRATTON: Atlantic is offset operator to the immediate west of both wells.

MR. ANDERSON: John Anderson of the United States Geological Survey, Roswell, New Mexico. We have no objection to the amended locations.

MR. NUTTER: Thank you. The Examiner would also

like to call attention to the fact this case was advertised with the pool designation in error. The pool is commonly referred to as Horseshoe Canyon Pool. The application was for the Horseshoe Gallup Pool; the advertisement of the subject case listed it as the Horseshoe Canyon, which is the commonly used terminology for the pool. Is there objection to correction in the record at this time to designate this as Horseshoe Gallup rather than the Horseshoe Canyon? The record will show this is the Horseshoe Gallup Pool.

MR. SPANN: I'd like to call Mr. Jim Vandiver.

(Witness sworn.)

JAMES C. VANDIVER

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

DIRECT EXAMINATION

BY MR. SPANN:

Q Would you state your name, please?

A James C. Vandiver.

Q By whom are you employed?

A El Paso Natural Gas Products Company.

Q How long have you been employed by that company?

A Some five years, approximately five years.

Q And what is your official position or capacity with that company?

A I'm division landman in Farmington, New Mexico, over

the San Juan Division.

Q And what is your educational background qualification?

A In 1949 I entered the University of South Dakota. I graduated in 1954 with a Master of Science Degree in Business Administration and a Bachelor of Law Degree in Law.

Q Are you familiar with the applications filed by El Paso Natural Gas Products Company, two such applications, and which concern non-standard oil proration units and unorthodox locations in the Horseshoe Gallup Pool?

A These applications were filed by me on behalf of El Paso Natural Gas Products Company.

Q Directing your attention to the application which I will describe as concerning the location of the southwest quarter of the southwest quarter (19.12 acres) and that portion of the northwest quarter southwest quarter lying within the Ute Mountain Indian Reservation (18.21 acres), Section 33, Township 31 North, Range 16 West, San Juan County, New Mexico, you are familiar with that application as you stated?

A Yes, sir.

Q And have attached to the application an amended location of your proposed well. Now, would you state to the Commission why the well was located in that position?

A At first we had located the well here (indicating), but we amended this so as to give an ideal location here as to development on the strip.

MR. SPANN: Excuse me, you are referring to an exhibit which I would like marked as Exhibit One.

(Whereupon the document above referred to was marked Applicant's Exhibit One for identification.)

Q (By Mr. Spann) I'd like to withdraw that question I asked you and refer to this exhibit for a moment, Mr. Vandiver. What does that Exhibit One show?

A Exhibit One shows the ownership in this immediate area where we have made application. It also shows the Navajo Lands, the Federal Lands and the Ute Mountain Tribal Lands; it shows our proposed units on our application here and here (indicating) and shows the offset operator to the proposed location.

Q The tracts with which we are here concerned are the ones marked in yellow, I take it?

A They are.

Q Those are what you've been pointing to, and the locations are within those tracts, the original proposed location and the new location as contained on the amended plat?

A The original location is noted by a circle with a "P" in the center; the alternate locations are shown by a circle with a cross or "X" in the center.

Q Now, would you just state why, what was the cause or result of these locations and what you contemplate concerning the operation of that acreage?

A Well, we changed or asked for the amended location

because we think that is the ideal location for proper development along the strip there between the units and the Navajo Lands with the possible future communitization of these lands either on 40 or probably on 80 acres.

Q No definite communitization agreement has been obtained?

A No, no definite communitization agreement has been entered into between the respective companies.

Q What is El Paso's position concerning communitization?

A El Paso is willing to communitize our acreage with that of the offset operator, Atlantic Refining Company, on a 40-acre basis.

Q The plat shows these tracts are contiguous, is that correct?

A Yes, sir, they are contiguous.

Q Now, does that Exhibit One also show the development in that area up to date?

A Yes, sir. Exhibit One shows the majority of your development in the Horseshoe Gallup Field has been on a 40-acre-spacing pattern. However, there is some development in the field on an 80-acre pattern.

Q At least your development to date has been on 40 acres?

A All of our development has been on a 40-acre pattern.

Q And I assume you have reason to believe these locations will be productive of oil?

9
A We do.

Q As based upon the other development, I take it, in the area and your exploration?

A That is right.

Q Now, you have notified all of the adjoining operators of the hearing, I take it?

A Yes, sir. Atlantic Refining Company was the only offset operator, and they were duly notified of this application.

Q Is there any alternative in this development except as you have requested or applied for here under the present circumstances?

A No, sir, not that I know of.

Q I believe those locations were, the last locations were made with the agreement through and agreement with Atlantic, is that right?

A Yes, sir.

Q With the contingency in view there may be communitization later?

A Yes, sir.

MR. SPANN: That is all. Does the Commission have any questions?

MR. NUTTER: Any questions of Mr. Vandiver?

CROSS EXAMINATION

BY MR. PAYNE: :

Q Are these two proposed units actually in the Horseshoe

Gallup Pool?

A Part of it, yes, sir; on one application, part of the lands are within the Horseshoe Gallup Pool, the other they are not.

Q All would be within one mile, though?

A Yes, sir.

EXAMINATION BY MR. NUTTER:

Q What is the total amount of acreage in the proration unit located in the southwest quarter of Section 33, the proposed proration unit?

A In the southwest?

Q That is the southernmost unit?

A 18.69 acres plus 18.90; it would give about 37.59, I think.

Q What is the acreage contained in the northernmost proposed proration unit?

A That is 18.23 acres plus 19.35, which would be 37.58.

Q Mr. Vandiver, this, the acreage as described on the exhibit is also somewhat different from the acreage which was on the original exhibit and the application?

A Yes, sir. There was an error in survey. We had it resurveyed.

MR. NUTTER: Mr. Spann, you wish your amended exhibits to also cover the correction?

MR. SPANN: I certainly do; I wasn't aware of that.

Q (By Mr. Nutter) Mr. Vandiver, considering the acreage that El Paso is the owner of, are the proposed prorations units as near as possible that El Paso could devise to come to the presently existing 40-acre rules for this pool?

A Yes, sir.

Q Are the locations of the wells as amended here today more ideally located insofar as the presently existing 40-acre spacing is concerned than the original locations are concerned?

A We think so, yes, sir.

Q Especially in the event of possible communitization of the tracts with the offsetting acreage to the west?

A Yes, sir.

MR. NUTTER: Any further questions of Mr. Vandiver?

MR. SPANN: Mr. Nutter, I would like to let the record also show the acreage as shown on Exhibit One is incorrect and varies from the last exhibit we attached to the plat, and the last plat is the correct plat as to acreage.

MR. NUTTER: The record will so show, Mr. Spann. Any further questions of Mr. Vandiver? If not, he may be excused.

(Witness excused.)

MR. SPANN: I believe that is all.

MR. NUTTER: Anyone have anything further they wish to offer in this case? Mr. Spann, you wanted to introduce Exhibit One in this case?

MR. SPANN: Yes, excuse me. Perhaps I should qualify

Mr. Vandiver. Let me ask a question or two about that.

JAMES C. VANDIVER

recalled as a witness, having been previously sworn, testified further as follows:

REDIRECT EXAMINATION

BY MR. SPANN:

Q You are familiar with Exhibit One, Mr. Vandiver?

A I am.

Q Was it prepared by you or under your direction?

A It was.

MR. SPANN: I'd like to tender it in evidence.

MR. NUTTER: Is there any objection to the introduction of El Paso's Exhibit One in this case? Exhibits A and B the record will show are attached to the application.

MR. SPANN: They were attached, yes.

MR. NUTTER: Does anyone have anything further they would like to offer in Case 1586? If not, we will take the case under advisement, and the hearing is adjourned.

(Whereupon the hearing was adjourned at 10:45 A.M.)

STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

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

WITNESS, my Hand and Seal this 23rd day of January, 1959, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

John Calvin Bevell
 NOTARY PUBLIC

My Commission Expires:

January 24, 1962

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1586 heard by me on 1-22, 1959.

Samuel Martin, Examiner
 New Mexico Oil Conservation Commission

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July 6, 1959

Ida Rodriguez
Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Ida:

May we please borrow a copy of case 1586 taken January 22, 1959-El Paso Natural gas case. Please may we have it as soon as possible.

Thanks.

ADA.

*Copy of Trans. sent
7-7-59 JPM*

DEARNLEY-MEIER REPORTING SERVICE, Inc.

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P. O. BOX 1092

PHONE CH 3-6691

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July 9, 1959

Dear Ida:

Enclosed please find your copy of case 1586 which we
borrowed a couple of days ago.

Thanks loads

Stella

Our Experience Assures Superior Service

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

February 3, 1959

Mr. Charles Spann
Grantham, Spann & Sanchez
P.O. Box 1031
Albuquerque, New Mexico

Dear Mr. Spann:

On behalf of your client, El Paso Natural Gas Products Company, we enclose a copy of Order R-1331 issued February 2, 1959, by the Oil Conservation Commission in Case 1586, which was heard on January 22nd at Santa Fe before an examiner.

Very truly yours,

A. L. Porter, Jr.
Secretary - Director

bp
Encl.

*Copy sent to:
Howard Bratton for Atlantic
John Anderson*

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:

32.51 1/2 1/2 COPY

CASE NO. 1586
Order No. R-1331

APPLICATION OF EL PASO NATURAL GAS
PRODUCTS COMPANY FOR TWO NON-STANDARD
OIL PRORATION UNITS AND FOR TWO UNORTHODOX
WELL LOCATIONS 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 January 22, 1959, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 2nd day of February, 1959, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, El Paso Natural Gas Products Company, proposes the establishment of the two following-described non-standard oil proration units in the Horseshoe Gallup Oil Pool, San Juan County, New Mexico:

- (a) A 36.92-acre non-standard oil proration unit consisting of that portion of the W/2 NW/4 of Section 33, Township 31 North, Range 16 West, lying within the Ute Mountain Indian Reservation.
- (b) A 38.25-acre non-standard oil proration unit consisting of that portion of the W/2 SW/4 of said Section 33 lying within the Ute Mountain Indian Reservation.

(3) That the applicant proposes to dedicate the above-described units respectively to the following-described wells:

Horseshoe Ute Well No. 5, to be located 1980 feet from the North line and 4470 feet from the East line of said Section 33.

Horseshoe Ute Well No. 3, to be located 650 feet from the South line and 4500 feet from the East line of said Section 33.

(4) That the applicant further seeks approval of these unorthodox oil well locations.

(5) That the only affected offset operator, Atlantic Refining Company, as well as the United States Geological Survey, waived objection to these well locations and the formation of the proposed non-standard oil proration units.

(6) That approval of the subject application will not cause waste nor impair correlative rights.

IT IS THEREFORE ORDERED:

(1) That a 36.92-acre non-standard oil proration unit in the Horseshoe Gallup Oil Pool consisting of that portion of the W/2 NW/4 of Section 33, Township 31 North, Range 16 West, NMPM, San Juan County, New Mexico, lying within the Ute Mountain Indian Reservation be and the same is hereby established. Said unit is to be dedicated to the applicant's Horseshoe Ute Well No. 5, to be located 1980 feet from the North line and 4470 feet from the East line of said Section 33.

(2) That a 38.25-acre non-standard oil proration unit in the Horseshoe Gallup Oil Pool consisting of that portion of the W/2 SW/4 of said Section 33 lying within the Ute Mountain Indian Reservation be and the same is hereby established. Said unit is to be dedicated to the applicant's Horseshoe Ute Well No. 3, to be located 650 feet from the South line and 4500 feet from the East line of said Section 33.

(3) That the above-described unorthodox oil well locations be and the same are hereby approved.

(4) That the said unit wells shall be granted an allowable in the proportion that the acreage in said units bears to the

-3-

Case No. 1586

Order No. R-1331

WEST ANTI-CORRUPT

acreage in a standard oil proration unit for the Horseshoe Gallup Oil Pool.

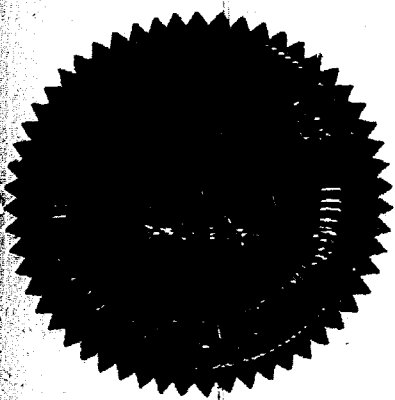
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

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



ir/

& 2 unorthodox well locations, 33-34N-13W-13E
Horseshoe Canyon Oil Pool,