

Mountain Oil and Gas Company

P. O. BOX 1202
Hobbs, New Mexico

June 22, 1948



Case 126

State Oil Conservation Commission
Santa Fe, New Mexico

Dear Sir:

I would like to state the opinion of this Company on the petition of Southern Union Gas Co. of 160 acre spacing in the Fulcher Kutz Canyon gas field were we have oil gas lease holdings and have laid plans for development of this property, and now have one well drilling.

It is this companys opinion that approval of this petition would greatly hinder operations of the Independent and small operator for the development of gas which is badly needed throughout the country. And on a standpoint of conservation of the States natural resoures the fourty acre spacing has proved very satisfactory. I remain

Very truly yours

David L. Mills
President

cm/DM

OIL CONSERVATION COMMISSION

SANTA FE, NEW MEXICO

13 May 1948

Mr. Willis L. Lea, Jr.
Attorney At Law
Burt Building
Dallas 1, Texas

Dear Willis:

Thank you very much for your letter of 14 May. Your work and opinions are very much appreciated.

Hope the Order for Case 126 is reasonable in your opinion.

Sincerely

PRS:bsp

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P

Y

WILLIS L. LEA, JR.

ATTORNEY AT LAW
BURT BUILDING
DALLAS 1, TEXAS

May 14, 1948

Mr. R. R. Spurrier,
State Geologist
Oil Conservation Commission
Santa Fe, New Mexico

Dear Dick:

My absence from Dallas has prevented earlier attention to your request for my views on the propriety under your statutes of holding Oil Conservation Commission hearings with only one member of the Commission present. I understand that your inquiry was raised because of the absence or expected absence of one or two members of the Commission and you have in mind that ultimately at least two (2) members of the Commission would concur, after review of the record, in any order which might be issued.

I have given the question considerable study and have, in addition, asked one of the men in my office, Robert M. Martin, to go into your question more deeply than I have done. It is unfortunate that your statute does not make express provision for the trial examiner procedure since that would clearly meet your requirements at this time.

For the reasons indicated below I cannot be convinced that it is safe for you to proceed with the conduct of hearings unless at least two (2) members of the Commission are, in fact, present and acting. While it is by no means clear that procedure with a one-man hearing and a two-man order is improper, I cannot give you an opinion that it is good procedure and, therefore, must advise against it.

The following provisions of your statute are significant:

"Two (2) members of the Commission shall constitute a quorum for all purposes." (Emphasis supplied.) Sec. 69-204.

"The Commission, or any member thereof, is hereby empowered to subpoena witnesses, to require their attendance and giving of testimony before it, and to require the production of books, papers or records in any proceeding before the Commission." (Emphasis supplied.) Sec. 69-207.

"Included in the power given to the Commission is the authority: . . . to hold hearings . . ." Sec. 69-211.

It is worthy of notice that, while the Legislature made express provision that one member of the Commission might administer oaths or might subpoena witnesses for giving testimony before the Commission, no provision is made for trial examiner procedure, and authority therefor must be found, if at all, in implications of the Act.

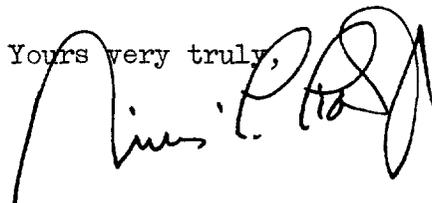
I realize there is, perhaps, as much argument in favor of propriety of the trial examiner procedure as there is opposed to it. For example, in Sec. 69.206 we find "The Commission shall prescribe its rules of order or of procedure in hearing or other proceedings before it under this Act", from which it may be ably contended that the Commission has authority to set up the trial examiner procedure by regulation. Sec. 69.210 gives support to such contention, and Sec. 69.221 provides that a hearing may be held "at such time, place and manner as may be prescribed by the Commission." While I believe the term "manner" must mean a manner consistent with statutory authorization, I, nevertheless, see the possibility that your courts might find the trial examiner procedure proper if expressly authorized by Commission regulation adopted after notice and hearing before a majority Commission. My associate here is inclined to the contrary view, and, as noted above, I definitely think it unsafe.

While the trial examiner procedure is widely used, I know of no instance of its use in the absence of express legislative sanction. For example, in my own experience the trial examiner procedure is authorized by express statute in the Public Utility Holding Company Act (SEC), in the Federal Power Act and Natural Gas Act (FPC), in the Texas Railroad Commission statutes, in the National Labor Relations Act and in various workmen's compensation statutes, for example, Arizona, Utah and Oklahoma. When so authorized, the trial examiner may be either a member of the Commission itself or an agent appointed by the Commission to preside at the hearing. The doubts in my mind are not dispelled by the cases which hold that referees or trial examiners act in a quasi judicial capacity, not in a purely ministerial function. I will not burden you with the cases, although I will be glad to supply citations if you are interested in going deeper into the question.

I am sorry this investigation did not result in more useful information for you, but it just seems to me that the court could very well decide for or against trial examiner procedure, and, therefore, it is not a safe course in the present state of your statutes.

With best regards, I am

Yours very truly,



SOUTHERN UNION PRODUCTION COMPANY
BURT BUILDING
DALLAS, TEXAS

April 6, 1948

126

Graham

Mr. R. R. Spurrier, Secretary
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Dear Mr. Spurrier:

Having had an opportunity to review the stenographic transcript of our February 17 hearing, I wanted to call to your attention one or two minor discrepancies.

At page 8 in the center of the page Exhibit 4 should consist of "the chart and data accompanying Mr. Nichols' letter. . .". I notice that the letter is made a part of the transcript proper and to complete the record both the accompanying chart and data should be attached as Exhibit 4.

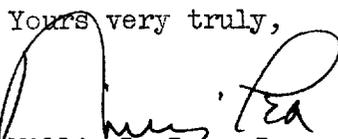
At page 10 the first sentence appearing below the appended core analysis information should be amended by deleting the word "to" so as to make the sentence read "From the data the average porosity is found to be 20%."

If you concur in these corrections, please advise me so that I may make them on my copy of the record. At the same time please call to my attention any other discrepancies which you observed.

Mr. Thompson has now returned to Dallas and we are trying to get together during the day with respect to revision of the suggested form of order. In any case, we will expedite our work and let you hear from us as promptly as possible.

I appreciate the very satisfactory conference we had in your office last week and trust that an appropriate order can be promptly entered.

With best regards and thanks, I am

Yours very truly,

Willis L. Lea, Jr.

WLL:fr
cc - Mr. George Graham

SOUTHERN UNION PRODUCTION COMPANY
BURT BUILDING
DALLAS, TEXAS

May 29, 1948



Mr. R. R. Spurrier, Secretary
Oil Conservation Commission
Santa Fe, New Mexico

Dear Dick:

I will make an effort to cover the points we discussed on the telephone with respect to the proposed form of order in Case No. 126, Southern Union Production Company's application for a spacing order in the Kutz Canon-Fulcher Basin area.

Most important, of course, is the definition of the pool. In some instances the proposed order expands the acreage over that we suggested. While the reason for this expansion is not immediately apparent to us it does not seem to be too important. On the other hand, certain contractions were made, presumably on the theory that by the last paragraph of the proposed order it would be made applicable also to lands within one-half mile of those specifically described. A close reading of the last paragraph convinces me that the order, as proposed, would not apply to any land not specifically described.

The language is "All additional lands located within one-half (1/2) mile of any part of a drilling unit established hereunder which includes land in the pool as defined or as it may be extended shall conform to these rules and regulations; . . ." Notice that to be a "drilling unit established hereunder" the unit would have to be composed of lands specifically described. The order does not say "All additional lands located within one-half (1/2) mile of any part of the above described lands". For this reason the suggested area we described was determined by including each quarter section offsetting a producing quarter section either directly or diagonally; hence, in order to avoid effect of the order anyone proposing to drill a new well would have to jump entirely a 160-acre tract flanking the nonproducing area.

On the contrary, your description of acreage would permit direct offset drilling in some instances, particularly noticeable in the northwestern part. Surely if the order is to accomplish its result it must apply to lands adjoining those which are now developed. While there may be some instances in which it is not necessary to include acreage offsetting very small wells, it seems to us that in general the acreage should be expanded to include all quarter sections offsetting producing quarter sections in any direction.

The last paragraph as suggested by us was intended to accomplish automatic extension of the area to which the order is applicable. For example, both forms of order describe the SW $\frac{1}{4}$ of Section 6, T. 29 N., R. 11 W. Suppose that this is established as a drilling unit under the order (as contemplated by Section 1(a)) so as to come within the intention of the last paragraph. Clearly it would include "lands in the pool as defined" since all the unit is initially defined. Then by application of the last paragraph the remainder of Section 6 would be subject to the order since all the rest of the section is within one-half mile of a "drilling unit" established under the order. Thereafter, if the SE $\frac{1}{4}$ of Section 6 should be designated as a drilling unit, then the pool would be automatically extended and the order automatically applicable to the W $\frac{1}{2}$ of Section 5 and the NW $\frac{1}{4}$ of Section 8. The intention here, of course, is to make the order automatically cover extensions resulting from regular outward development. On the other hand, if before the SW $\frac{1}{4}$ of Section 6 should be designated as a unit the SE $\frac{1}{4}$ of that section should be drilled, the order would not automatically apply so that its provisions need not be observed unless and until the Commission should see fit to extend it by supplemental order, redesignating the pool.

⊕ and the NE $\frac{1}{4}$
of Section 7

Under your proposed form it appears that anyone could drill, for example, the NE $\frac{1}{4}$ of Section 31, T. 30 N., R. 12 W., without complying with the spacing or density requirements of the order. Conceivably, several wells could be drilled simultaneously or consecutively before a supplemental order might be entered. Yet, this particular land is offset by production three ways. A similar situation prevails with respect to the SW $\frac{1}{4}$ of Section 20 and the SE $\frac{1}{4}$ of Section 19.

Going now to page 1 in finding D, it strikes us that the word "may" in the third line should be "will" since the word "conducive" provides sufficient latitude; moreover, in this same finding that the words "under present economic conditions" at the last should be deleted since the statement is true under any conditions.

In finding H the sentence beginning "Furthermore" seems more of a forecast than a fact. I believe the Commission could probably say as a fact that the number of such holdings will be likely to increase etc.

In the same finding we think that the last sentence should be deleted entirely since it is not a fact and since it can be construed as an invitation to request exceptions. In this connection it seems significant that everyone known to have any substantial interest in this area is apparently satisfied that the spacing rules proposed are proper and economically sound; in other words, that any opposition to the program has been abandoned. I believe Van told you of the expression we received from Al Greer, Jr. Therefore, if anything along this line is appropriate, it definitely seems to us that it should be de-emphasized and considered for what it is, i.e., an exception to the rule to be granted only in special situations.

The fact is that by express provisions of Section 2 a great majority of nonconforming situations are expressly identified and provided for; hence, other exceptions should be few and carefully scrutinized --- certainly not invited. Let's delete the last sentence of H.

In part (d) under Section 2 we suggest that the last three words of the second line be changed to "of the developed," and that the semicolon in the next line be changed to a comma so as to preserve the continuity. At the end of (d) you dropped a proviso we had suggested which seems worthwhile since it affords notice that the Commission does not intend to throw down the bars to anyone desiring to drill on the flanks. The proviso gives notice of a sound policy of the Commission, particularly with respect to location of a well at least 1,320 feet from other wells. These seem to be minimum requirements of which the operators are entitled to be notified.

In the last paragraph of Section 2, beginning "or, irrespective of such findings," you may want to add back, perhaps as a new sentence, the idea now expressed under finding H that the Commission will take such action as is necessary "in order to equally protect the interests of all property owners and leaseholders within the Kutz-Canon-Fulcher Basin pool" by granting of exceptions in cases where it can be demonstrated, by petition and hearing, as provided by law, that compliance would cause undue hardship, loss or expense. Personally, I think addition of this would be surplus, but it is a matter of preference. We do feel that exceptions should not be emphasized or invited.

In the next paragraph beginning "It is further ordered" the word "initially" is omitted after the word "include" in the fourth line. This should be replaced since it furthers the idea of automatic extension provided for in the last paragraph. Referring again to the last paragraph of the order, it seems to us that the saving of a few words sacrifices definiteness and clarity in the provisions for automatic extensions to cover orderly flank development, and that the last paragraph we suggested should be reinstated with the substitution of 1/2 for 3/4.

To comply with the theory of Section 1(a), wherein it is provided that the drilling unit be designated, and to avoid any confusion on an operator's part, we suggest addition of a new Section 2 (changing present Section 2 to Section 3), as follows:

* (Section 2.) In connection with wells hereafter proposed to be drilled or completed or recompleted in the pool, as initially defined or as it may be extended, there shall be included on the form C-101, "Notice of Intention to Drill", in addition to the other required information, a designation of the drilling unit established hereunder for such well, by legal subdivisions of the United States Land Surveys, in substantially the following manner: "Pursuant to the Commission's Order No. 748, the drilling unit for this well is _____ acres, more or less, being the _____ (here describe lands constituting the unit) _____, N.M.P.M."

*

Should you want to discuss any of these ideas by telephone during my absence from town next week, please call Mr. Van Thompson collect.

With best regards and thanks, I am

Yours very truly,

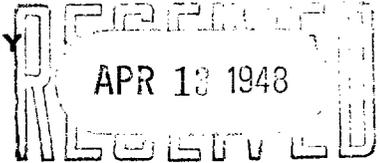
Willis L. Lea, Jr.
WLL

WLL:FG
Encl.

cc: Mr. J. R. Cole, Santa Fe

SOUTHERN UNION PRODUCTION COMPANY
BURT BUILDING
DALLAS, TEXAS

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO



April 12, 1948

Air Mail

Mr. R. R. Spurrier
State Geologist
Oil Conservation Commission
Santa Fe, New Mexico

Case 126

Dear Mr. Spurrier:

As previously arranged, I am glad to enclose several copies of the form of a suggested order which may be acceptable in connection with the Kutz Canon-Fulcher Basin spacing matter. This incorporates some revision from the tentative draft previously submitted. For example, provision is now made in Section 1(c) for the continuation of offset rights.

I was prepared to write you at considerable length about the form of this order or come back out to Santa Fe for a discussion; however, it developed that Mr. Van Thompson was required to be in San Juan County during the early part of this week and I have arranged with him to drop by Santa Fe for a discussion with you before returning here.

My suggestion would be that the form of this order be reviewed by you and Governor Miles and the Commission's staff so that any questions which arise may be discussed with Mr. Thompson upon his arrival at Santa in a day or so. I am uncertain about the formal matters of heading and conclusion and call them to your attention for such adjustment as you may think advisable.

With best regards, I am

Yours very truly,

Willis L. Lea, Jr.

WLL:fr
encls.
cc - Mr. J. R. Cole
Mr. Van Thompson

P.S. Under separate cover I am forwarding two copies of a map showing the Kutz Canon-Fulcher Basin wells and identifying the state, federal and fee lands, respectively, by distinctive colors. Please see that Geo. Graham gets a map.

SOUTHERN UNION PRODUCTION COMPANY
BURT BUILDING
DALLAS, TEXAS

April 22, 1948

Case 126

Air Mail

Mr. R. R. Spurrier, Secretary
Oil Conservation Commission
Santa Fe, New Mexico

Dear Dick:

Confirming our long-distance conversation this morning it has been suggested, and we agree, that at the bottom of page 2 of the suggested form of order heretofore submitted, there should be deleted the words "authorized by the Commission to be" so that the phrase at the bottom of the page will be "apply to wells hereafter drilled. . . ."; moreover, that the word "granted" appearing in the third line of Section 1, page 3, should be change to "approved".

As I told you, the reason for including lands adjacent to the Byrd-Frost #1 Hargrave in this suggested form of order is the fact that this well encountered a good "kick" (using the words of Mr. Van Thompson) in the Pictured Cliff, thus clearly indicating the extension of the Pictured Cliff productive area to lands adjacent to the Hargrave well. I understand that this fact can be readily and easily established, probably with information in our possession.

Referring to the mechanics of extending the area subject to this order, it does not matter particularly to us whether the suggested procedure for automatic extensions is followed or not. It strikes us that the suggested procedure is sound and convenient and workable, that it saves time and trouble, and that it is a more modern approach to gas field extensions; however, if you prefer to follow the practice of periodic supplemental orders extending the area, that is certainly all right. We think it is important that the original territory be described, as suggested in the proposed order, sufficiently large to incorporate all possible direct and diagonal 160-acre tracts on the flanks of the developed area which offset existing wells; otherwise, the order will not accomplish its purpose. Our land description was prepared with the thought in mind that the order should as a minimum include all the flanking 160-acre tracts on which wells might be drilled offsetting present production.

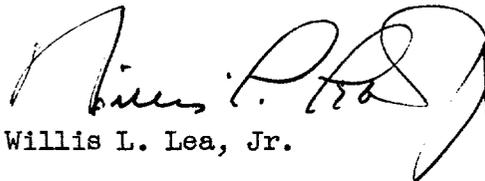
Mr. Morrell said on the telephone the other day that he was not pleased with the 750-foot provision in Section 1(c), and that he might discuss it with you. We think there is ample basis to change this to 990 feet and would, in fact, prefer to see it 990 instead of 750. The present 750-foot provision was suggested in deference to ideas expressed at and after the hearing. It is just a middle-ground approach which does not seriously affect the 160-acre spacing program. Either 750' or 990' or some intermediate figure will be satisfactory with us.

I urge you to complete consideration of this matter, discussing it with Mr. Graham and others of your staff, to the end that it may be concluded without further delay. Should there be any further questions or problems, please do not hesitate to call me collect in Dallas, Central-8010, through Saturday, or in care of the Company's offices at El Paso during the day Monday, as under those circumstances I will expect to meet with you in Santa Fe at the earliest convenient time.

Just as soon as I can I will consider the question you asked on the telephone and give you a memorandum.

With best regards, I am

Yours very truly,



Willis L. Lea, Jr.

WLL:fr

cc - Mr. Van Thompson

April 5, 1948

CASE NO. 126, Southern Union
Production Company.

MEMORANDUM:

Testimony shows that in Fulcher Basin-Kutz Canyon, San Juan County, that there was an original rock pressure of 585 pounds as of 1927 and 1928. A pressure survey in 1947 showed that the average rock pressure of gas to be 385 pounds, and it is indicated that since 1947 test the gas pressure has declined from the average of 385 pounds.

Certain wells, some of which have been drilled during recent years, are shown by chart to be below the original 585-pound pressure, but slightly above the 385-pound average of 1947. Evidence was submitted to the effect that approximately one-third of the gas of the field has already been taken out.

Upon the plat or diagram submitted there are "two sinks" indicating roughly the two old fields. In these the pressure is down to about to 350 pounds. Some of the recent wells drilled showed the pressure of between 400 and 500 pounds, which is below the pressure in the Feasel Well to the northwest end of the field which has 565-pound pressure indicating that the closely drilled wells has caused pressure decline.

The petitioner offered in evidence the results of an

COPY

interference test covering seven wells on a 160-acre spacing to substantiate claim that there was gas drainage across 160 acres. The test consisted of Walker No. 1, Walker No. 2, McGrath 1, 2, and 3, Kattler No. 1, and Hudson No. 2 wells. All were shut in for twelve days, then all except Walker No. 1 were put on production against a line pressure of 261 P F I. Thereafter, on the following day, the six surrounding wells were taken off the gas line and blown to the air, with the Walker No. 1 continuing to be shut in. A recording pressure chart on the wellhead of Walker No. 1, the shut in well, showed a considerable gain in pressure, explained as the normal build up. Pressures on the third and fourth days continued this build up. On the fourth day, the six surrounding wells were put back on production. On the fifth day, the pressure of Walker No. 1 fell back below because of previous delays, thus indicating pressure interference. The average pressures dropped 1.8 pounds pressure, (not large but petitioner urges that in consideration of other reservoir factors is conclusive for a material drainage under 160 acres). The drop-back was about two pounds. Figures submitted were that the porosity of the Pictured Cliff was about 20%, estimated from about 20 core samples. The engineer calculated that under 160 acres under original pressure of 585 pounds that there was an approximate 1,878,000,000 cubic feet. The field would not be any good

after the pressure goes down to 150 pounds, figured about
72% of the initial gas in place

COPY

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

P. O. Box 997
Roswell, New Mexico
July 2, 1948



Mr. R. R. Spurrier
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Dick:

With your letter of May 13 you forwarded a copy of a proposed order covering the petition of Southern Union Production Company for an order fixing 160-acre well spacing in the Kutz Canyon-Fulcher Basin gas field and requested comments or suggestions thereon.

In my opinion the proposed order as drafted is very satisfactory and should be very helpful to maintain and encourage orderly development of the gas reserves of this field. I offer minor suggestions and changes as follows:

Paragraph D, third line, change the word "may" to "would".

Beginning at the end of the fourth line, delete the words "under present economic conditions".

Paragraph H, eighth line, change the word "will" to "may".

In Sec. 2(d), second line, change the word "a" to "the".

In the same line, change the semicolon to a comma.

It is my impression that section 2(d) would provide for a reduction in gas allowable if exceptions were granted to permit drilling on less than 160-acre drilling units.

In view of the recent formulation of the Northwest New Mexico Nomenclature Committee, it is assumed of course that you will use the name of that Committee in the second line of the paragraph beginning "It is further ordered", also that the definition of the Kutz Canyon-Fulcher Basin gas field will be revised to conform with the definition recommended by the said Nomenclature Committee as indicated on a list recently prepared by Mr. Barnes of your office which appears complete and correct as to this field.

I regret that the press of other business has unduly delayed my reply to you on this matter. However, I have previously concurred in the order and discussed these particular changes in personal conferences with you on June 15. This letter will confirm those statements and may be filed with your record of the case to show the concurrence of this office in the proposed order.

Very truly yours,

A handwritten signature in cursive script that reads "Foster Morrell". The letters are fluid and connected, with a prominent initial "F".

Foster Morrell,
Supervisor, Oil and Gas Operations.

economically justifiable.

6. It is realized that some action may be necessary to protect the investment of operators who drilled wells on 160-acre tracts. It is possible, however that the entire situation could best be handled by an operators committee formed by active operators in the area. Regular meetings could be held and all additional information studied and discussed. In the event of failure of such a committee to bring reasonable agreement among the operators, resort could be had to legal action by the Oil Conservation Commission.

Yours very truly,

/s/

Albert E. Greer
Albert E. Greer

* The decrease in the cost of drilling would result from improved methods and competition in drilling as more activity centers in this area.

C
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Y

ALBERT R. GESSER
Registered Petroleum Engineer
State of New Mexico

1020 North Shipp
Hobbs, New Mexico
February 21, 1948

The New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Concerning: Brief submitted on behalf
of some of the independent
operators and small land owners
of San Juan County in regard to:

Case Number 126, relative to the
request of the Southern Union Gas
Company for a spacing ruling for
the Fulcher Basin-Kutz Canyon Gas
Fields, San Juan County.

Gentlemen:

I wish to submit herewith for your consideration in this matter
a few written statements summarizing this case and testimony per-
taining thereto, as I have analyzed it.

1. The general problem of optimum spacing in any field requires
careful study and a large amount of carefully gathered and compiled
information.

2. Until approximately two weeks prior to this hearing, all
of the necessary information has been available only to the Southern
Union Gas Company. At that time part of this necessary information
has been compiled by them from their files and made available to
interested parties. Two weeks is not sufficient time, however,
to permit a study of this nature by an outside company or individual.
Moreover, the information assembled at that time was not adequate
to provide a definite solution.

3. A spacing ruling in an old field without regard to proration--or without a proration ruling--would, in effect, be a direct contradiction to the conception of correlative rights as understood in the petroleum industry.

For, just as new 40-acre wells offsetting old wells on 100 acres would unfairly drain the 100-acre tract; so would new 100-acre units be drained by old wells on 40-acre tracts.

4. The problem of increased wells without an unlimited market, and resulting smaller per well production rate as brought out by Mr. Foster Correll of the USGS would, in my opinion, be more likely aggravated by 100-acre units than relieved; due to the increased number of forced offsets.

5. In regard to the evidence presented at the hearing, February 17, 1948 it was shown that old wells had a drainage influence over extended distances in some areas, and in interference test conducted on adjoining wells established communication between them: but the evidence presented did not show how much gas will be left unrecovered in the reservoir at abandonment for various well spacings; nor did the testimony describe the manner in which wells would be located on 100-acre units in order that wells could later be infilled on smaller tracts, if proven economically feasible.

To briefly clarify these points, I wish to point out:

(a) That, although drainage over extended distances has been proven and communication has been established between adjoining wells; the Kutz Canyon-Alcher Basin Field is not unique in this respect. The same can be shown for most of the oil and gas fields now in existence.

(b) In view of this, a decision on a spacing ruling should be based--not from evidence of communication and some drainage alone--but also from a consideration of the value of the ultimately unrecoverable gas left

in the reservoir for various well spacings; for which subject inadequate testimony was presented.

(c) A provision should be made, if a spacing of 160 acres per well is contemplated, to permit later infilled drilling on a closer spacing, if ever proven economically feasible. It should be recognized that the next smallest, practical spacing from 160-acre units is 80 acres per well; and this is possible only if the wells on the initial 160-acre tracts are spotted on 80-acre patterns. If a rigid center-spot location on 160 acres is required, the only uniform spacing on infilled drilling, for each 160-acre tract, would require 4 more wells, or an average of 32 acres per well.

From the testimony presented at the hearing it can be seen that an increase in the price of gas, plus a decrease in the cost of drilling the wells (both of which are normal trends*) would justify infilled drilling on 80-acre locations if it is found later that as much as approximately 25% more gas can be recovered on the closer spacing. This same information indicates that infilled drilling of 32 acres per well would probably never be economically feasible. Hence, 160-acre center-spot locations would make later infilled drilling on individual 160-acre tracts forever impossible.

Moreover, a study of the field indicates that a large number of the drilling units can be more effectively drained by locating the wells in the most permeable part of the unit; and this permeable part is not necessarily in the center of 160-acre tracts. For the same number of wells, the field can be more effectively drained by placing the wells in the most permeable parts of units rather than rigid center-spot locations.

It is therefore requested, that in the event the Commission decides to set a spacing ruling requiring 160-acres per well, that consideration be given to flexibility of locating each well on its unit; in order that maximum advantage may be realized from the continuously developed geological and engineering information; and in order that operators may have the opportunity to locate their wells on 80-acre patterns if they so choose, so that they would be in position in the future ^{to} infill wells if proven

Dempsey Realty Company

Santa Fe, New Mexico

March 3, 1948

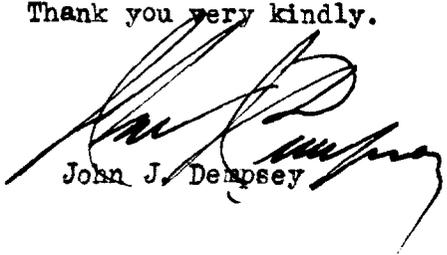
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Mr. Dick Spurrier
State Geologist
Santa Fe, N. M.

Dear Mr. Spurrier:

I wrote you requesting before a decision was made by the State Oil Conservation Commission in connection with the spacing request in an area of San Juan County by the Southern Union Gas Company, that I would be permitted to incorporate a statement in the proceedings. I now find that the lands I am developing are not in the area embraced by the hearing. Therefore, I have no further interest in the matter.

Thank you very kindly.


John J. Dempsey

JJD:jw

Handwritten signature

El Fidel Hotel
Albuquerque, New Mexico

February 13, 1948

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO.
FEB 16 1948

Oil Conservation Commission
Santa Fe, New Mexico

Gentlemen:

The writer has made a study of the petition of Southern Union Production Company for a spacing order fixing the spacing of wells hereafter drilled in the Kutz-Canyon-Fulcher Basin gas fields, looking towards the best interest of the United States, the State of New Mexico and the development of potential areas involved. It is my opinion that this proposed program is sound. No doubt, there will be instances where exceptions are warranted, which would come under the wise discretion of the New Mexico Oil Conservation Commission.

Respectfully,

J. J. Hudson

J. J. Hudson

JJH:fr

cc - Southern Union Production Company
Burt Building
Dallas 1, Texas

San Juan County, New Mexico.
February, 1948.

The New Mexico Oil and Gas Conservation
Commission.
Santa Fe, New Mexico.
Gentlemen;

file
Case # 126

The undersigned owners of fee lands situated in San Juan County, respectfully submit their opposition to the granting of the petition of Southern Union Production Company, now pending before the Commission, such petition being entitled;

"In the matter of the petition for an order fixing the spacing of wells hereinafter drilled in the Kutz Canyon and Pulcher Basin fields in San Juan County, AS THEY MAY BE EXTENDED and related matters."

Our opposition includes the following.

1. We deem the granting of the petition will result in a disadvantage to operators as a whole, and to the State of New Mexico, and to the fee land owners.
2. In particular we oppose any rule or regulation whereunder the present Kutz Canyon and Pulcher Basin fields may be EXTENDED.
3. A major part of the lands in the county (including State lands) are undeveloped, both as to oil and gas.
4. Numerous oil and gas leases have been secured by major and independent operators embracing units less than 160 acres.
5. The State of New Mexico has issued many oil and gas leases, on state and institutional lands and many of such leases are in smaller units than 160 acres, many being for 40 acres, 80 acres and 120 acres. The Commissioner of Public Lands (and the State) will be in a position of having issued oil and gas leases, accepting many therefor, and then not allowing development of such leased lands. (If a 160 unit be adopted). *Not True*
6. The petitioner, who have heretofore developed certain of the lands now within the area of the Kutz Canyon and Pulcher Basin fields, disposed of natural gas to the Southern Union Gas Company, its associate, under some arrangement unknown to protestants. The Southern Union Gas Company is the only purchaser of gas produced in these two fields, and therefore the two corporations have a MONOPOLY as pertains to the present disposition and transportation of gas, and have been able to (and do) dictate and fix the price of gas produced by independent operators, and it now appears that said two corporations have succeeded in getting the gas situation in said two fields in a condition to meet its desires, and now wish an order from the Commission, which would prevent independent operators from drilling, as to units of less than 160 acres.
7. The limits of the present Kutz Canyon and Pulcher Basin fields should be definitely determined. Gas has been discovered in other parts of the county, to-wit, several wells near Blanco, wells at Bloomfield, at Atee, and near the State line to the north. It should be made certain that neither the petitioner, or any one else, might successfully claim that the Kutz Canyon and Pulcher Basin fields be EXTENDED to embrace other parts of the county.

ILLEGIBLE

