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Keyes 7, 11

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

September 29, 1971
Examiner Hearing

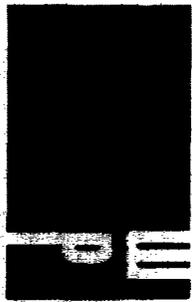
IN THE MATTER OF:)

Application of El Paso Natural)
Gas Company for a non-standard)
gas proration unit, Eddy County,)
New Mexico.)

Case No. 4600

BEFORE: ELVIS A. UTZ, EXAMINER

TRANSCRIPT OF HEARING



1 MR. UTZ: Case 4600.

2 MR. HATCH: Case 4600. Application of El Paso
3 Natural Gas Company for a non-standard gas proration unit,
4 Eddy County, New Mexico.

5 MR. MORRIS: Mr. Examiner, I am Dick Morris of
6 Montgomery, Federici, Andrews, Hannahs and Morris, Santa Fe,
7 and I have with me Mr. Dave Burleson.

8 Mr. Burleson and I are appearing for the applicant,
9 El Paso Natural Gas Company. We have one witness, Mr. Bob
10 Manning, and I ask that he be sworn at an appropriate time.

11 (Witness sworn)

12 MR. UTZ: Are there other appearances? If there are
13 none, you may proceed.

14 EUGENE R. MANNING

15 having been first duly sworn, according to law, upon his oath
16 testified as follows:

17 DIRECT EXAMINATION

18 BY MR. BURLESON:

19 Q Mr. Manning, will you please state your full name, where
20 you reside, by whom you are employed and the capacity in
21 which employed?

22 A My name is Eugene R. Manning. I reside in El Paso, Texas.
23 I am employed by El Paso Natural Gas Company as an
24 administrative assistant in the gas proration operations
25 department.

1 Q Have you testified previously before this Commission and
2 were your qualifications accepted by the Commission?

3 A Yes, I have testified previously, and my qualifications
4 are acceptable.

5 MR. BURLESON: Mr. Examiner, are the witness'
6 qualifications acceptable?

7 MR. UTZ: Yes, sir. He has qualified previously.

8 Q (Mr. Burleson continuing) Mr. Manning, I would like to
9 hand the reporter a little plat of the area in the
10 vicinity of the Grayburg-Morrow pool which I will hand to
11 you which will be given to you and we would like for you
12 to explain just what El Paso is proposing in this
13 proceeding, and you might explain the developments or
14 the drilling activity that has occurred which is relevant
15 to this case.

16 A Yes, sir. This is a plat showing the area surrounding
17 El Paso Natural Gas Company's Leonard State "Com" No. 1
18 in the Grayburg-Morrow field of Eddy County, New Mexico.

19 It doesn't have all of the wells that are in the
20 area on it, but it has all of the deposit tests in that
21 area, plus some Abo tests in the southern part of it that
22 I am aware of in that area.

23 This well is located in Section E or in Unit E of
24 Section 22, Township 17 South, Range 29 East, and El
25 Paso is requesting that the northwest quarter, the north

1 half of the southwest quarter and the southwest quarter of
2 the southwest quarter and the northwest quarter of the
3 northeast quarter in Section 22, which is a total of 320
4 acres be dedicated to this well.

5 Now, we believe that this acreage that we are
6 requesting here to be dedicated to this well has been
7 proven productive, and can be efficiently drained by the
8 Leonard State No. 1.

9 I will take it in a clockwise manner around our well,
10 and briefly describe some of the dry holes. To the east
11 in Section 23, T. P. drilled a well to 12,260 feet, and
12 they reported the top of the Devonian at 11,936 feet, which
13 is deeper than the Morrow pay.

14 In Section 15 Sunray drilled a well to 11,242 feet,
15 and they reported the top of the Chester, which is
16 Mississippian, at 11,106 feet.

17 In Section 16 to the west of Section 15 there, El
18 Paso Natural Gas drilled a well to 10,966 feet, which is
19 approximately 300 feet below the top of the Morrow.

20 In Section 21 to the south of them, El Paso Natural
21 Gas drilled another well to 12,196 feet, which is well
22 below the top of the Morrow pay in the offset well.

23 The Leonard State No. 1, now, all the wells -- excuse
24 me. I have one more well here now.

25 Very recently Moran Drilling Company in Section 22

1 in the southeast quarter drilled a well to 10,880 feet,
2 and they reported the top of the Atoka or Morrow, if you
3 please, at 10,240 feet.

4 Now, all of the wells that I have previously
5 mentioned, with the exception of El Paso Natural Gas,
6 Leonard State "Com" No. 1 are dry holes.

7 That is a total of five dry holes surrounding this
8 well. Now, fairly recently Manna Resources drilled a
9 well in the southwest or -- beg your pardon. Southeast
10 quarter of Section 21, and this well was drilled to
11 10,835 feet, and Manna Resources reported the top of the
12 Atoka at 10,220 feet, and top of the pay at 10,748.

13 Now, the --

14 MR. UTZ: Excuse me. What was the top of the Morrow?

15 THE WITNESS: I do not know. I did not pick it, did
16 not see the log.

17 MR. UTZ: What was the top of the pay?

18 THE WITNESS: Top of the pay at 10,748 feet.

19 MR. UTZ: Okay.

20 A Now, the wells that are on that little plat on south of
21 there only went to the Abo Reef formation, approximately
22 6900 feet, more or less deep.

23 Q (Mr. Burleson continuing) Does that conclude your
24 answer?

25 A Yes.

1 Q Mr. Manning, would you tell us the year in which the
2 Leonard State well was completed, El Paso's Leonard State
3 well was completed, and generally the time which it went
4 on production?

5 A Well, the well was completed in December of 1957, and it
6 first delivered December 26, 1957.

7 Q Okay. Would you describe the spacing pattern that
8 prevailed at the time El Paso drilled its Leonard State
9 No. 1 well and what the current applicable pattern is?

10 A At the time El Paso drilled the Leonard State No. 1, the
11 spacing pattern in southeast New Mexico was 160 acres.

12 Now, subsequently this has been changed, and it is
13 now 320 acres.

14 Q Would you describe the communitization agreement which
15 El Paso has circulated and has had executed by various
16 owners within the unit we are here proposing?

17 A Well, El Paso circulated a communitization agreement to
18 the State Land Office and to the other mineral interests
19 or lease holders or interested owners in the acreage that
20 I had previously described, and it was approved on June --
21 around June 1 of this year. Is this what you had in mind?

22 Q Yes. That is June 2, 1971?

23 A June 2. It was June 2, 1971 was when this communitization
24
25

1 agreement was approved.

2 Q At the time that El Paso was forming this communitized
3 unit, Mr. Manning, was there any particular reason why
4 a standard spacing pattern was not observed?

5 That is, why was not the communitized unit all of
6 the west half or all of the north half, for instance, of
7 that Section 22?

8 A At the time we were working this up and proposing this
9 communitization agreement Moran Drilling Company was
10 drilling the well in the southeast quarter of Section 22
11 and the person calling the shots on that was a gentleman
12 by the name of Mr. C. W. Trainer, and I got a hold of Mr.
13 Trainer by the phone and talked to him concerning any
14 objections that he might have to us expanding this from
15 160 acre dedication to 320 acres dedication, and he advised
16 me that he had no objections to this.

17 And he intimated to me or he told me that the southeast
18 quarter of the southwest quarter was committed to the well
19 that was presently being drilled, and in effect, he would
20 have a mirror image to any of our dedications there, or
21 any dedications that we were -- that we would propose to
22 for it, and therefore, he had no objection to it.

23 So far as I was concerned on it, the acreage was
24 obligated, and we couldn't very well propose on some
25 obligated acreage like that.

1 Q Mr. Manning, you have said that all the interested owners
2 executed the communitization agreement. You might refer
3 to the plat and give us some indication of what the
4 ownership is of the individual tracts that were within
5 our communitized unit and the unit which we are here
6 requesting.

7 A Yes, sir. Well, all of the land in which we propose to
8 dedicate to this well is state owned with the exception
9 of the northwest one-quarter of the northwest one-quarter,
10 and this is fee land.

11 Now, our communitization agreement that has been
12 executed and signed is such that all of these owners have
13 agreed to share in the production from this well.

14 My records indicate that the southeast quarter of the
15 southwest quarter has now reverted to Sun Oil Company and
16 is federal land.

17 Q Mr. Manning, do you have any opinion as to whether all of
18 the acreage proposed for inclusion in this proceeding is
19 productive and could be efficiently drained by the one
20 well which is located on that unit?

21 A Yes, sir. In my opinion, all of the acreage that we have
22 proposed to be dedicated to this well is productive and
23 can be efficiently drained by this well, and I am basing
24 this on the dry holes that are surrounding that well and
25 the trend that has been established by the Manna Resource

1 well in the southeast quarter of Section 21.

2 Q Mr. Manning, was Exhibit 1 prepared by you or under your
3 direct supervision?

4 A Yes, it was.

5 MR. BURLESON: Mr. Examiner, at this time I move the
6 introduction of El Paso's Exhibit No. 1 into evidence.

7 MR. UTZ: Without objection, Exhibit -- I believe you
8 marked it A.

9 MR. BURLESON: Exhibit A, yes, sir.

10 MR. UTZ: You asked for it to be marked A. We will
11 call it Exhibit A. It will be entered into the record of this
12 case.

13 MR. BURLESON: That concludes our examination. We
14 turn the witness over for cross-examination.

15 MR. UTZ: Are there questions of the witness?

16 MR. KELLAHIN: Mr. Utz, I am Jason Kellahin,
17 Kellahin and Fox, Santa Fe. I am appearing here on behalf of
18 Sun Oil Company. I would like to ask a couple of questions,
19 if I may.

20 CROSS-EXAMINATION

21 BY MR. KELLAHIN:

22 Q Mr. Manning, you testified that at the time this well was
23 drilled your spacing was 160 acres, but it was now 320. Do
24 you know when that occurred?

25 A Yes, sir. I have it here in my records. The effective

1 date of the order was the sixth day of May, 1971, and that
2 is Order R4137.

3 Q And when did you --

4 MR. UTZ: What was that year? Excuse me. What was
5 the year?

6 THE WITNESS: 1971.

7 Q (Mr. Kellahin continuing) When did you start circulating
8 your communitization agreement?

9 A I have a copy of -- I probably, Mr. Kellahin -- I can't
10 tell you when it started circulating. I can tell you when
11 it was signed.

12 Q Well, you have testified it was June 2, 1971.

13 A Well, I believe I will stand corrected on that. I believe
14 it was signed on June 1.

15 Q On June 1?

16 A The first day of June, yes, sir.

17 MR. BURLESON: That was the date it was approved?

18 THE WITNESS: It may have been approved.

19 A Well, here is one where it is approved on the nineteenth
20 day of May, so I would estimate that this thing was
21 probably circulating somewhere in April of 1971.

22 Q Prior to the adoption of the pool rules?

23 A No, sir, I don't think so. It may -- we may have had our
24 hearing on it, but it may have been after that.

25 Q You say you started circulating it in April?

1 A Probably.

2 Q Tell me, when did you contact Mr. Trainer, C. W. Trainer,
3 I believe you said?

4 A Would just the month be close enough, Mr. Kellahin?

5 Q Well, I would like to have it closer if you can.

6 A I don't -- it was by phone, sir, and I do not remember the
7 exact day on it.

8 Q If you could approximate it.

9 A Just one second here. Let me find -- let's see, this one
10 will be it. I have here that I talked to Mr. Trainer on
11 March 7, 1971.

12 Q And at that time the spacing was 160 acres?

13 A Yes, sir.

14 Q But you were proposing 320 acre units?

15 A We were asking him if he objected to the 320 acre unit.

16 Q Now, did I understand that he had a farm-out from Sun?

17 A Yes, sir. That is --

18 Q Do you know what acreage he covered?

19 A No, sir. I have -- he did not go into that with me, no,
20 sir. He just intimated to me or he said to me -- he said,
21 "Well, that will be fine."

22 He said, "I have this acreage committed to this well,
23 and we can have a mirror image."

24 Q Did you ever contact Sun in connection with that?

25 A No, sir. No, sir.

- 1 Q Have you contacted them since the Moran well was drilled,
2 and as you stated that the acreage reverted to Sun?
- 3 A No, sir. I have not contacted Sun.
- 4 Q When was that Moran well completed or abandoned, I should
5 say?
- 6 A Oh, March 7 it was at 6500 feet, and I really -- I can't
7 answer that, Mr. Kellahin.
- 8 Q Well, would it have been in April, May, or do you have
9 any idea?
- 10 A I would guess it was in May.
- 11 Q Would have been in May?
- 12 A Now, that is a guess.
- 13 Q You don't know when?
- 14 A No, sir, I do not know.
- 15 Q But you made no effort to make any arrangement with Sun at
16 any time?
- 17 A No, I didn't, Mr. Kellahin, but you have got to bear in
18 mind it is not my -- this is kind of out of my bailiwick,
19 is dealing with Sun.
- 20 Q Well, you are the witness, and do you know whether your
21 company contacted Sun or made any effort to?
- 22 A No, no, I do not know whether the company did or not.
- 23 Q You can't testify that they did?
- 24 A No, sir, and I can't testify that they didn't.
- 25 Q But as far as you know --

1 A I know of nothing in any contact with Sun.

2 Q And the only contact that was made to your knowledge is
3 the one with Trainer?

4 A Yes, sir, Mr. Trainer.

5 Q And he works for Moran?

6 A Sir, I didn't understand the complication of that thing.

7 Q Well, that was my next question. Who does Mr. Trainer
8 work for?

9 A I do not know.

10 Q Do you know who was drilling the well?

11 A Yes, sir. Moran Drilling Company was drilling the well.

12 Q But you don't know who they were drilling it for?

13 A No, sir, I do not know who they were drilling it for. I
14 know who was calling the shots on it.

15 Q So you don't know who had a farm-out or what the
16 arrangements were?

17 A No, sir.

18 Q Not at all?

19 A No.

20 Q So you don't know whether you were contacting the right
21 person at that point to determine whether they had any
22 knowledge or not?

23 A I feel reasonably sure, because the application to drill
24 was filed in the name of C. W. Trainer, and Jerry Gross or
25 Mr. Gross.

1 Q Marvin Gross? The original application to drill was
2 filed in that name?

3 A Yes, sir.

4 Q Now, Mr. Manning, you are proposing to dedicate the
5 northwest quarter of the northeast quarter to your
6 Leonard State No. 1? I assume that acreage is offset on
7 three sides by dry holes, is it not?

8 You have a well to the north, a well to the east, and
9 a well to the south, all dry holes in the Morrow. Is
10 that correct?

11 A Well, there is a well to the north, a well to the east,
12 and a well to the south that are dry holes in there.

13 Q And you have no control to the south of Section 22 in the
14 Morrow; is that correct?

15 A Yes, I do, Mr. Kellahin. The Manna Resource well exercises
16 a certain amount of control in there.

17 Q And it is a producing well?

18 A Yes, sir. It is a producing well, and it is establishing
19 to me a trend in that area.

20 Q I see.

21 MR. KELLAHIN: That's all the questions I have.

22 A This is --

23 Q Go ahead.

24 A This is the base of my recommendation is the trend.

25 MR. KELLAHIN: That's all the questions I have. Thank

1 vou.

2 MR. UTZ: Are there other questions?

3 MR. TRAYWICK: Mr. Examiner, I would like to ask
4 one question. I am Carl Traywick, U.S.G.S., Roswell.

5 CROSS-EXAMINATION

6 BY MR. TRAYWICK:

7 Q Mr. Manning, if I could ask you, what is the approximate
8 current production on your Leonard State "Com" well, and
9 the price of the gas involved?

10 A Well, I am going to answer your last question first. I do
11 not know the price of the gas. I am going to have to say,
12 Mr. Traywick, I do not know the current production, either.

13 Now, let me explain. I am not avoiding your question.

14 Q No.

15 A This well is delivered to Southern Union.

16 Q Yes.

17 A And Southern Union swings on this well, and --

18 Q Singles?

19 A Yes, sir. In the winter as they need gas this well is just
20 cranked open to feed their system, and as they need less
21 gas, they pinch this well back, so we would have to look
22 at something else to really get --

23 Q Well, what I was fishing for, just for the record, is the
24 approximate value of the royalty interest or lease-hold
25 interest, which --

1 A I'm not -- I'm not -- I don't know that, the question of
2 the value of the royalty interests.

3 Q Okay. Well, thank you.

4 A Yes, sir.

5 MR. UTZ: Are there other questions? Witness may
6 be excused.

7 (Witness excused)

8 MR. UTZ: We had no appearances as far as other
9 testimony is concerned, did we? We will call for statements.

10 MR. KELLAHIN: If the Examiner please, on behalf of
11 Sun Oil Company I want to enter an objection to the application
12 which was been filed in this case by El Paso Natural Gas
13 Company.

14 There are several reasons for this. I think in the
15 first place they are attempting to dedicate a non-standard unit
16 which crosses the quarter-section line of the half-section line
17 to make a regular unit, dedicating their two acreages which is
18 offset on three sides by dry holes and will be of dubious
19 quality.

20 Of course there is no testimony in the record other
21 than the existence of the dry holes to show what acreage is
22 productive.

23 I think more significant, however, is the witness'
24 testimony that no effort whatever was ever made to pool this
25 acreage with Sun Oil Company's acreage, and Sun does own or hold

1 the rights under a federal lease in the southeast of the
2 southwest quarter.

3 We feel that that acreage should be dedicated to the
4 Leonard State No. 1 in order to form a standard proration unit.

5 Now, as the witness testified, this area was
6 originally under 160 acre spacing, and which Order R4137
7 entered on May 6 reverts it to 320 acres.

8 Now, they started circulating a communitization
9 agreement, according to the witness' testimony, some time in
10 April, which was prior to the effective date of 320 acre order.

11 They didn't contact Sun. They weren't sure whether
12 they contacted the right person insofar as the Moran well was
13 concerned, and the acreage apparently reverted to Sun sometime
14 in March of 1970.

15 Now, on that basis I think it was incumbent upon the
16 operator to at least make an effort to pool to form a standard
17 unit, and I would like to refer to Chapter 271 of the laws of
18 1969 which was adopted to provide a new section to our proration
19 status, Section 653-14.5, and I will call in particular your
20 attention to this language:

21 "Any Commission order that increases the size of a
22 standard present spacing or proration unit for a pool or
23 extends the boundaries of such a pool shall require dedication
24 of acreage to existing wells in the pool in accordance with the
25 acreage dedication requirement for said pool, and all interest

1 in the spacing of proration units that are dedicated to the
2 affected wells shall share in production from the effective
3 date of said order."

4 Now, the effective date of the order in this case
5 was May 6 of 1971, and the Sun acreage should have shared in
6 production from that date. There has been no effort to form
7 a standard unit as required by that section of the statute.

8 We submit that it is required, that that acreage be
9 dedicated to that well under the provision of the statute or
10 a good valid reason be given for not so dedicating the acreage.

11 Sun does object to the approval of the non-standard
12 unit.

13 MR. UTZ: Mr. Traywick?

14 MR. TRAYWICK: I would like to make a statement if
15 I am permitted.

16 MR. UTZ: You may at this time.

17 MR. TRAYWICK: Thank you. I am Carl Traywick,
18 U.S.G.S., Roswell. We are involved here because the portion
19 of Section 22 shown in white on El Paso's Exhibit A is all
20 federal land under one lease.

21 We do not concur with the El Paso application being
22 considered here in Case 4600 in view of the fact that standard
23 spacing governing this application involves federal acreage,
24 irrespective of whether it is faced north half or west half
25 of Section 22, 17 South, 29 East.

1 The recent Commission order provides for regular
2 320 acre spacing for the Grayburg-Morrow pool. The fact that
3 the well has already drilled does not appear to present any
4 legal justification for alteration of standard spacing as
5 established by Commission rules and regulations.

6 The proposed non-standard unit has no basis other
7 than lease ownership. Our studies of this area indicate that
8 the federal acreage in the southeast quarter, southwest quarter
9 of Section 22 is better geologically located and more likely
10 to be contributant to the production of the El Paso Leonard
11 State "Com" No. 1 than the proposed northwest quarter, northeast
12 quarter of Section 22 which is located between two dry holes.

13 The approval of El Paso's application will deny the
14 leasee and the leaser of the southeast quarter, southwest
15 quarter of Section 22 their just and equitable share of the
16 oil and gas produced from the Grayburg-Morrow pool and would be
17 contrary to the correlative rights fundamental of space and
18 objectives.

19 Section 65-3-14 of the New Mexico statutes recommends
20 or recognizes correlative rights as a fundamental to be
21 considered when one owner who has the right to drill has drilled
22 or proposes to drill a well on a drilling unit established by
23 the Commission and authorizes the Commission to pool the
24 interests involved and the spacing of proration unit as a unit
25 to avoid the drilling unnecessary wells to protect correlative

1 rights or to prevent waste.

2 We believe the Commission should consider deferring
3 its decision on Case 4600 and require the working interest
4 owners involved to attempt to negotiate participation on the
5 basis of either the west half or the north half of Section 22,
6 17 South, 29 East, the standard spacing units for the El Paso
7 Leonard State "Com" No. 1 well as required by Order No. 2707.

8 Thank you, Mr. Examiner.

9 MR. UTZ: Mr. Traywick, may I ask you a question?

10 MR. TRAYWICK: Yes, sir.

11 MR. UTZ: Why would you prefer the north half instead
12 of the east half or the west half, or do you have a preference?

13 MR. TRAYWICK: The 2707 gives the operator the
14 option. We have no handle on which way. It is just possible
15 to go either way under regular spacing, so that was the only
16 reason we mentioned that.

17 MR. UTZ: Well, now, you are talking about productive
18 acreage. Wouldn't the west half be more --

19 MR. TRAYWICK: The west half would be more equally
20 productive, yes.

21 MR. UTZ: Are there other statements?

22 MR. MORRIS: A very brief statement.

23 MR. UTZ: I guess we are ready for you.

24 MR. MORRIS: Mr. Examiner, I just want to touch on a
25 couple of points. I don't want to belabor the situation which

1 I think is clear.

2 Mr. Kellahin, by his cross-examination and statement
3 insinuated that when Mr. Manning talked to Mr. Trainer that he
4 might not have been talking to the right party, but I want to
5 emphasize that Mr. Manning's testimony was that he believed
6 that he was talking to the right party and he believed that
7 Mr. Trainer had a farm-out on the Sun acreage in the southwest
8 quarter -- excuse me. The southeast quarter of the southwest
9 quarter.

10 Sun has not seen fit to present a witness in the
11 hearing, and if they had in some way established that there was
12 not a farm-out there, well, then the record would be clear, but
13 they really haven't done that, and it is our best information
14 as presented here by Mr. Manning that he was talking to the
15 right man when he talked to Mr. Trainer, and that Mr. Trainer
16 had indicated to him that the well, his well was successful,
17 the Sun acreage would be included in a mirror image 320 acre
18 spacing unit.

19 So the point being here today that the Sun acreage
20 was ready to participate in that well if it had been a producing
21 well, and it is somewhat ironic now that Sun wants to shift
22 off of that prospect and try to get into -- and participate in
23 the El Paso well.

24 We would suggest that Sun had made its farm-out, had
25 taken its position, and it is just too bad that the Trainer well

1 was not a producing well.

2 Just one other point that I wanted to make, and that
3 is with reference to the statute that Mr. Kellahin cited,
4 65-3-14.5.

5 Mr. Kellahin read a portion of that statute, but did
6 not read all of it. Sub-paragraph C of that same statute
7 specifically refers to non-standard spacing units being
8 established.

9 It does not require that a standard spacing unit be
10 established when the spacing in a pool is expanded as in this
11 case from 160 to 320, sub-paragraph C specifically says
12 non-standard spacing or proration units may be established by
13 the Commission and all mineral and lease-hold interests in such
14 non-standard unit shall share in production from that unit from
15 the date of the order establishing the said non-standard unit.

16 So we certainly think that the Commission has expressed
17 statutory authority to establish a non-standard unit in this
18 circumstance.

19 Thank you, Mr. Examiner.

20 MR. TRAYWICK: Mr. Examiner, may I offer one comment
21 which concerns only record information which may be of some
22 interest to the Commission?

23 MR. UTZ: Yes, sir.

24 MR. TRAYWICK: Our acreage, our notice to drill on
25 the Moran well, a copy of which is in the Commission's files,

1 the Commission dedication plat attached to the notice to drill
2 which we approved on March 19 dedicates officially the
3 southeast quarter of Section 22 to the Moran well.

4 The notice to the location of this well was staked
5 on March 10. It was spudded on March 21, completed as a dry
6 hole April 28, but the official dedication was the southeast
7 quarter of Section 22.

8 MR. UTZ: Along with the northwest quarter?

9 MR. TRAYWICK: No, sir. It was 160 acre dedication.

10 MR. BURLESON: Would you care to look at the --

11 MR. UTZ: Yes, I would.

12 MR. BURLESON: You might point out at this time the
13 Commission had not established 120 acre spacing so it was
14 apparent that 160 acre dedication would be shown. That was the
15 applicable spacing pattern at that time although moves were
16 underway to establish or it was clear that El Paso was making
17 efforts to establish 320 acre spacing pattern.

18 MR. UTZ: Well, in view of these statements I think
19 I have one more question which I think I will have to recall
20 Mr. Manning and that is what was your purpose in calling C. W.
21 Trainer and talking to him?

22 MR. MANNING: My purpose in calling Mr. Trainer was to
23 see if he had any objections to us expanding that to a 320 acre
24 spacing unit out there.

25 MR. UTZ: I see you didn't.

1 MR. MANNING: The field, to expanding the field to
2 320 acres because at the time, Mr. Examiner, we firmly believed
3 Mr. Trainer was going to get a well where he was drilling.

4 MR. UTZ: Yes. So it had no reference to whether he
5 wanted to join your unit or --

6 MR. MANNING: No, sir. It had no reference on that.
7 Now, let me say one other thing.

8 I believe I said on March 17 he was at 6500 feet. I
9 would like to correct that to April. It was the fourth, the
10 seventh of '71 that the Moran well was at 6500 feet.

11 MR. UTZ: Mr. Hatch, do you have another question?

12 MR. HATCH: No. Mr. Morris mentioned Section C of
13 this statute, 65314, and I would like his opinion on whether
14 that contemplates a non-standard proration unit of less than a
15 standard one, and within what would be in this case 300 and --
16 or in the half-section.

17 MR. MORRIS: Well, my opinion is that the intent of
18 sub-section C was simply to allow the Commission latitude to
19 consider non-standard units. I don't see anything in that
20 language that talks about non-standard unit of less or more than
21 the standard size, whatever it might be.

22 I think the thing behind this statute was simply to
23 preserve to the Commission its traditional flexibility in a
24 proper case to establish a non-standard unit rather than being
25 locked in by statute to nothing but the standard unit as

1 described by the field rules.

2 MR. HATCH: I would like to ask Mr. Kellahin if he
3 has any comment on that.

4 MR. KELLAHIN: Mr. Hatch, I reluctantly would have to
5 agree to some extent, at least, with Mr. Morris for the reason
6 that at the time this bill was introduced into the legislature
7 I'm sure you were familiar it is introduced for the purpose of
8 protecting those within a standard spacing unit whose acreage
9 was not dedicated to a well or was dedicated to a well without
10 any pooling agreement.

11 If you read Sections A and B it very clearly
12 establishes that those people are going to share in the
13 production from that well. Now, the bill caused some concern
14 over here to the Commission, and I think that was the reason
15 that paragraph C was added to preserve to the Commission the
16 right to form a non-standard proration unit, but if you read
17 the thing as a whole, it would seem to indicate they are talking
18 about a unit of less than a standard size, because they covered
19 a standard unit in Sections A and B, so I would like to see the
20 flexibility of the Commission preserved, frankly.

21 I think it would be a bad thing perhaps if we say
22 you can't form anything but a non-standard unit of less than a
23 standard size.

24 You have done it frequently over and over and over
25 again, seldom over the objection of one who was within the

1 standard unit in that area.

2 MR. UTZ: Any further statements? No further
3 statements, it will be taken under advisement.

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