

Case 96E

J. M. HERVEY 1874-1953

HIRAM M. DOW  
CLARENCE E. HINKLE  
W. E. BONDURANT, JR.  
GEORGE H. HUNKER, JR.  
HOWARD C. BRATTON

S. B. CHRISTY IV  
J. PENROD TOLES

LAW OFFICES  
HERVEY, DOW & HINKLE  
FIRST NATIONAL BANK BUILDING  
ROSWELL, NEW MEXICO

September 7, 1955

TELEPHONE 2160  
L.D. 3

Mr. W. B. Macey  
Executive Secretary  
New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Re: Chalk Bluff Draw Unit Area

Dear Bill:

I enclose in triplicate application of the Humble Oil & Refining Company for approval of the Chalk Bluff Draw Unit Agreement by the Conservation Commission.

As I advised you over the telephone today, we would like to have this matter referred to an examiner and set down so that it can be heard and the order entered before October 1st, as we are anxious to file the unit agreement for final approval of the Director of the U.S.G.S. by the 1st part of October.

Yours sincerely,

HERVEY, DOW & HINKLE

By 

CEH:mp

Encl.

cc - Mr. R. M. Richardson  
Humble Oil & Refining Company  
Roswell, New Mexico

BEFORE THE OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR THE  
PURPOSE OF CONSIDERING:

CASE NO. 960

THE APPLICATION OF HUMBLE OIL &  
REFINING COMPANY FOR APPROVAL OF  
THE CHALK BLUFF DRAW UNIT AGREEMENT  
EMBRACING 7,512.92 ACRES, MORE OR  
LESS, EDDY COUNTY, NEW MEXICO,  
WITHIN TOWNSHIPS 17 and 18 S.,  
RANGE 27 E., N.M.P.M.

New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Comes the undersigned, the Humble Oil & Refining Company, a  
corporation with offices at Houston, Texas, and files herewith  
three copies of the proposed Unit Agreement for the Development and  
Operation of the Chalk Bluff Draw Unit Area, Eddy County, New Mexico,  
and hereby makes application for the approval of said Unit Agreement  
as provided by law, and in support thereof, shows:

1. That the proposed unit area covered by said agreement  
embraces 7,512.92 acres, more or less, more particularly described  
as follows:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

T. 17 S., R. 27 E.

Sec. 28:  $W\frac{1}{2}$   
Sec. 29:  $S\frac{1}{2}$ ,  $NE\frac{1}{4}$   
Sec. 30:  $SE\frac{1}{4}$   
Sec. 31: Lots 1,2,3,4,  $E\frac{1}{2}W\frac{1}{2}$ ,  $E\frac{1}{2}$   
Sec. 32: All  
Sec. 33:  $W\frac{1}{2}$

T. 18 S., R. 27 E.

Sec. 4: Lots 7,8,9,10,15,16,17,18  
Sec. 5: Lots 1,2,3,4,  $S\frac{1}{2}$ ,  $S\frac{1}{2}N\frac{1}{2}$   
Sec. 6: Lots 1 through 7 incl.,  $SE\frac{1}{4}$ ,  $S\frac{1}{2}NE\frac{1}{4}$ ,  
 $E\frac{1}{2}SW\frac{1}{4}$ ,  $SE\frac{1}{4}NW\frac{1}{4}$   
Sec. 7:  $E\frac{1}{2}$   
Sec. 8, 17, 20: All  
Sec. 9:  $W\frac{1}{2}$   
Sec. 16:  $W\frac{1}{2}$   
Sec. 21:  $S\frac{1}{2}$ ,  $NW\frac{1}{4}$

2. That of the lands embraced within the proposed unit area,  
5,832.88 acres or 77.638% are federal lands, 960 acres or  
12.778 % are lands of the State of New Mexico, and 720.04 acres or

9.584 % are fee or privately owned lands. That said area has heretofore, on March 1, 1955, been designated by the Acting Director of the United States Geological Survey as an area suitable and proper for unitization, a copy of said designation being attached hereto, made a part hereof and for purposes of identification marked Exhibit A.

3. That applicant is informed and believes, and upon such information and belief, states: That the proposed unit area covers a substantial part of the geological feature involved, and in the event of the discovery of oil or gas thereon, that said unit agreement will permit the producing area to be developed and operated in the interest of conservation and the prevention of waste of the unitized substances.

4. That the Humble Oil & Refining Company is designated as unit operator in said unit agreement, and as such is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas, subject to all applicable laws and regulations. That said unit agreement provides for the commencement of a test well for oil and gas upon some part of the lands embraced in the unit area within six months of the effective date of said unit agreement and for the drilling thereof with due diligence, until all formations to the top of the Mississippian have been tested or until, at a lesser depth, unitized substances shall be discovered which can be produced in paying quantities; provided, however, Operator shall not, in any event, be required to drill said well to a depth in excess of 9500 feet.

5. That said unit agreement is in substantially the same form as unit agreements heretofore approved by the Commissioner of Public Lands of the State of New Mexico and by the New Mexico Oil Conservation Commission, and it is believed that in the event oil or gas in paying quantities is discovered on the lands within the unit area, that the field or area can be developed more economically and efficiently under the terms of said agreement, to the end that the maximum recovery will be obtained, and that said unit agreement

is in the interest of the conservation of oil and gas and the prevention of waste as contemplated by the New Mexico Oil Conservation Commission statutes.

6. That application is being made for the approval of said unit agreement by the Commissioner of Public Lands of the State of New Mexico.

7. That upon an order being entered by the New Mexico Oil Conservation Commission approving said unit agreement and after approval thereof by the Commissioner of Public Lands of the State of New Mexico and the Director of the United States Geological Survey, an approved copy thereof will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant respectfully requests that a public hearing be held on the matter of the approval of said unit agreement and that upon said hearing, said unit agreement be approved by the New Mexico Oil Conservation Commission as being in the interest of conservation and prevention of waste.

DATED this the 7<sup>th</sup> day of September, 1955.

Respectfully submitted,

HUMBLE OIL & REFINING COMPANY

By

Raymond Maldron

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
GEOLOGICAL SURVEY

Washington 25, D.C.

March 1, 1955

Humble Oil & Refining Company  
Box 1287  
Roswell, New Mexico

Re: Chalk Bluff Draw Unit  
Area, New Mexico

Gentlemen:

Reference is made to your application of January 10, 1955, filed with the Oil and Gas Supervisor, Roswell, New Mexico, requesting designation of 7,512.92 acres, more or less, in Eddy County, New Mexico, as an area logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended. Three copies of a proposed form of agreement also were submitted for preliminary approval.

Pursuant to regulations of December 22, 1950, 30 CFR 226.3, the following land is designated as a logical unit for all formations below the top of the Yeso to be known as the Chalk Bluff Draw unit area:

EDDY COUNTY, NEW MEXICO

<u>T. 17 S., R. 27 E., N.M.P.M.</u>		<u>Acres</u>
Sec. 28:	$W\frac{1}{2}$	320.00
Sec. 29:	$S\frac{1}{2}$ , $NE\frac{1}{4}$	480.00
Sec. 30:	$SE\frac{1}{4}$	160.00
Sec. 31:	Lots 1,2,3,4, $E\frac{1}{2}W\frac{1}{2}$ , $E\frac{1}{2}$ (All)	636.88
Sec. 32:	All	640.00
Sec. 33:	$W\frac{1}{2}$	320.00
<u>T. 18 S., R. 27 E., N.M.P.M.</u>		
Sec. 4:	Lots 7,8,9,10,15,16,17,18 ( $W\frac{1}{2}$ )	311.21
Sec. 5:	Lots 1,2,3,4, $S\frac{1}{2}$ , $S\frac{1}{2}N\frac{1}{2}$ (All)	643.88
Sec. 6:	Lots 1 through 7 incl., $SE\frac{1}{4}$ , $S\frac{1}{2}NE\frac{1}{4}$ , $E\frac{1}{2}SW\frac{1}{4}$ , $SE\frac{1}{4}NW\frac{1}{4}$ (All)	640.95
Sec. 7:	$E\frac{1}{2}$	320.00
Sec. 8:	All	640.00
Sec. 9:	$W\frac{1}{2}$	320.00
Sec. 16:	$W\frac{1}{2}$	320.00
Sec. 17:	All	640.00
Sec. 20:	All	640.00
Sec. 21:	$S\frac{1}{2}$ , $NW\frac{1}{4}$	480.00
		<u>7,512.92</u>

The proposed test well to the top of the Mississippian formation or to a depth of 9500 feet is deemed acceptable.

The proposed form substantially follows the standard form except for a few modifications heretofore approved in other unit agreements. Certain other changes deemed advisable have been made in red pencil and attached riders. Special attention is called to the rider on page 16 for Section 14 which retains in the Secretary the right to fix the royalty rate on 20-year-5% leases at the same rate as would be applicable to renewal of the same leases in the absence of unitization, at the end of the 20 year terms or any extensions thereof resulting from approved relief. It is deemed inadvisable and not in the public interest to perpetuate through unitization the 5% royalty rate for any period not applicable in the absence of unitization. One copy so marked is returned herewith, one copy is being furnished the Oil and Gas Supervisor, and one copy is being retained.

In the absence of any objections not now apparent, and subject to further consideration of the lease segregation problem indicated below, a duly executed agreement identical with the above-mentioned form will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which, in my opinion, does not have the full commitment of sufficient lands to afford effective control of unit operations. When the executed agreement is transmitted to the Supervisor for approval, include the latest status of all Federal acreage, showing the current record owner of all issued leases and the current status of lease applications, if any.

It is noted that this proposed unit plan only for deeper zones includes leases now producing from upper zones, and that a number of the leases embrace Federal lands partly within and partly outside of the proposed unit area. It is assumed, in these circumstances, that Humble and other owners of working interests and of record title to leases will wish to consider possible adverse effects upon particular leases, as respects rental and minimum royalty credits and possible loss of leasehold rights, if complete segregation of certain of the Federal leases is required by the recent amendatory statute (Amendment No. (4) in the Act of July 29, 1954, Public Law 555, 83d Cong.). It is our present thinking that lease segregation probably was not intended to apply, and possibly does not apply, to unit plans that do not provide for unitization of all zones. However, no ruling on this has been obtained from the Department. It is suggested that Mr. Hinkle, who was instrumental in preparing the legislation, be consulted, and we would appreciate receiving his analysis of the problem with reference to the subject unit plan, and a statement of his views.

Very truly yours,

/s/ Thomas B. Nolen

Acting Director