

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF BYRD-FROST, INC.,
FOR AN ORDER OF APPROVAL OF THE UNIT AGREEMENT FOR THE
DEVELOPMENT AND OPERATION OF THE ANGEL PEAK UNIT AREA,
WITHIN TOWNSHIPS 27, 28 and 29N, RANGES 10 and 11W,
N.M.P.M., CONTAINING 29,802.17 ACRES, MORE OR LESS, SAN
JUAN COUNTY, NEW MEXICO.

CASE NO. 88

Pursuant to notice by the Commission, duly made and published, setting December 6, 1946 at 10:00 o'clock A. M., for hearing in the above-entitled matter, said hearing was convened on said day at the said hour in the Senate Chambers, State Capitol, Santa Fe, New Mexico, and the Commission sitting as follows:

John E. Miles, Commissioner of Public Lands, Member
R. R. Spurrier, State Geologist, Secretary
Carl B. Livingston, Legal Adviser

R E G I S T E R

<u>NAME</u>	<u>COMPANY</u>	<u>ADDRESS</u>
J. O. Seth	American Employers' Ins. Co.	Santa Fe, N. M.
H. Petty	American Employers' Ins. Co.	Albuquerque, N. M.
Leo R. Manning		Roswell, N. M.
Roy Yarbrough	Oil Conservation Commission	Hobbs, N. M.
K. M. Wilson	Byrd-Frost, Inc.	Dallas, Texas
P. B. English	Byrd-Frost, Inc.	Dallas, Texas
W. B. Macey	Oil Conservation Commission	Artesia, N. M.
C. M. Milbourn	Land	Estancia, N. M.
Clarence E. Hinkle, Atty.	Byrd-Frost, Inc.	Roswell, N. M.

COMMISSIONER MILES:

The Commission is in session and we will proceed with the business.

CLARENCE E. HINKLE:

I am Clarence E. Hinkle, of Roswell, New Mexico, and am representing Byrd-Frost, Inc., in the case here today.

Governor Miles, Gentlemen - This matter is before the Commission on the application of Byrd-Frost, Inc., for the approval of the Angel Peak Unit Agreement as stated in the call for the meeting.

The proposed unit area covers 29,802.17 acres setting in Townships 27, 28 and 29N, Ranges 10 and 11W, N.M.P.M., in San Juan County. I think this is the first unit agreement to be proposed in San Juan County. The area is made up of federal, state and fee lands. Privately owned lands constitute 2.14%, the State owned lands 4.26%, and Federal Lands 93.26%. The state lands consist of 1280 acres which are in the extreme north portion of the unit area. Copies of the Unit Agreement have been filed with the Commission, and I am presenting an extra copy for them to look at.

The State lands are in Sections 32 and 36 and a little in Section 16, and the bulk is in the extreme north portion. The State lands in this case are divided up into 40 acre tracts so far as leases and ownership is concerned. It is doubtful as to how many state lease owners will join in the Unit Agreement,

inasmuch as Byrd-Frost, Inc., does not control the State lands. In all probability, so far as the State lands are concerned, probably less than 1% of the total area will be committed to the Unit Agreement.

The Unit Area has been approved by the Department of U. S. Geological Survey. That was approved pursuant to geological reports filed by Mr. K. M. Wilson, Consulting Geologist for Byrd-Frost, Inc., and also upon the strength of a report filed by Mark Whalen. The Unit Agreement itself follows substantially the same form that has heretofore been approved by the Commission, Land Commission and Secretary of Interior, under the terms of agreement Byrd-Frost, Inc., designated as operator. They are experienced operators, have operated in Texas, and now operate extensively in New Mexico.

The Operator agrees to commence a well within six (6) months from the effective date of the Agreement, and drill to a depth of 7,000 feet unless it is found that a lesser depth is sufficient. In this case the well has already been commenced and is 5,750 feet. The parties interested are anxious to have the Unit Agreement approved before their objective is reached. Only the horizons further below the Picture Cliff formation are unitized under this agreement, that is the reason in the northwest portion of this area there is already a gas field. In some of the upper formations and these lower beds are unitized here, so it will not conflict with the production of upper formations for gas.

Mr. K. M. Wilson, the one who originally made the geological report for Byrd-Frost, is here and I would like to have him sworn and have his testimony for the record.

(After being duly sworn, Mr. K. M. Wilson testified as follows)

MR. HINKEL:

Your name is K. M. Wilson?

MR. WILSON:

Yes, sir.

MR. HINKEL:

Are you a graduate geologist?

A. Yes, sir.

Q. From what university?

A. University of Colorado.

Q. What year?

A. 1920.

Q. Have you since that time been engaged in geological investigations?

A. Yes, sir.

Q. Any part of that time been spent in New Mexico?

A. Off and on for the last 20 years.

Q. All over New Mexico or just parts?

A. Southeast and Northwest and Central.

Q. Have you made a geological investigation? An investigation of the area known as the Angel Peak Unit Area?

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(After being duly sworn, Mr. K. M. Wilson testified as follows)

MR. HINKEL:

Your name is K. M. Wilson?

MR. WILSON:

Yes, sir.

MR. HINKEL:

Are you a graduate geologist?

A. Yes, sir.

Q. From what university?

A. University of Colorado.

Q. What year?

A. 1920.

Q. Have you since that time been engaged in geological investigations?

A. Yes, sir.

Q. Any part of that time been spent in New Mexico?

A. Off and on for the last 20 years.

Q. All over New Mexico or just parts?

A. Southeast and Northwest and Central.

Q. Have you made a geological investigation? An investigation of the area known as the Angel Peak Unit Area?

A. Yes, sir.

Q. When did you make that geological survey?

A. I started work in that area in October of 1945, and have been working in and around there practically ever since.

Q. For whom did you perform your work?

A. For Byrd-Frost, Dallas.

Q. As a consulting geologist?

A. Yes, sir.

Q. Did you prepare for Byrd-Frost a geological report in connection with the U. S. Geological Survey in connection with approval for this area?

A. Yes, sir.

Q. I hand you a report which purports to be addressed to the Department of Interior, under date of May 31, 1946, and ask you whether or not that is a copy of the report which was filed with the Department?

A. (After looking over the report rather closely) Yes, sir, that is my report.

Q. Is this map also a copy of the map attached to the geological report?

A. (After looking at the map) Yes, sir, that is it.

Q. What does this map show?

A. The area of compromise in and around Angels Peak, running north toward the area of Basin area.

Q. I introduce the map and letter as Exhibit "A", in this case.

(Exhibit A - Letter and Map presented as part of the record)

Q. Do you know whether or not any other geological investigation was made of this area?

A. Yes - Mr. Mark Whelan made a survey also.

Q. When was it made?

A. About the same time that mine was made.

Q. Did Mark Whelan also submit a map and report to the U. S. Geological Survey?

A. Yes, he did.

Q. I hand you Exhibit "B", and ask you whether or not that is a copy of the geological map submitted to the Director by Mark Whelan?

A. Yes, sir, that is it.

Q. What does the map show?

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A. It shows the area in closer - running north. Very similar to the work that I did.

Q. In other words, the magnetometer structure is the same?

A. In the north part.

MR. HINKLE: I would like to introduce Exhibit "B" into the record.

Q. Mr. Wilson, are you familiar with the proposed unit agreement in this case?

A. Somewhat, yes.

Q. State whether or not, in your opinion, it would tend to promote the conservation of oil and prevention of waste in this area?

A. Yes, sir, I believe it would help to prevent waste and be beneficial in the event of discovery.

MR. HINKLE: That is all - do any of you gentlemen have any questions?
(No response)

COMMISSIONER MILES:

Mr. Wilson, to your knowledge of the agreement, do you feel that the State's interest would be better protected by becoming a party to the agreement?

A. Yes, sir, I believe it would.

Q. Why?

A. In the development of the unit area there, there will be no probability of close line drilling or irregular development in that area. If it is unitized it will standardize and protect the development of the area.

Q. That is all - any other questions?

(No response)

COMMISSIONER MILES:

The Commission the Order of the Agreement.

MR. HINKLE:

Thank you.

MR. SPURRIER:

An Order will be issued right away.

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CASE NO. 89

IN THE MATTER OF THE APPLICATION OF AMERICAN EMPLOYERS INSURANCE COMPANY, SURETY UPON THE PLUGGING BOND FOR THE HEREINAFTER DESCRIBED WELL, REQUIRING THE INTERESTED PARTIES TO SHOW CAUSE WHY ORVILLE LEE - C. M. MILBOURN WELL NO. 1, CENTER SW $\frac{1}{4}$, SECTION 36, TOWNSHIP 7N, RANGE 7E, N.M.P.M., TORRANCE COUNTY, SHOULD NOT BE DECLARED ABANDONED AND ORDERED PLUGGED IN ACCORDANCE WITH THE REGULATIONS OF THE NEW MEXICO OIL CONSERVATION COMMISSION AND THE PROVISIONS OF SAID BOND.

BY MR. J. O. SETH - Attorney for the Bonding Company.

If the Commission please, my name is J. O. Seth, I represent the American Employers' Insurance Company, the Petitioner. This involves a carbon-dioxide well in the Estancia Valley, which was drilled in 1941. A small amount of gas I believe was produced at one time. It was at one time connected with the dry ice plant at McIntosh, but for the past several years nothing has been done, the well sets there and no premiums have been paid on the bond for several years.

If we have to plug it under the bond we want to find out. That is the purpose of this petition. If anybody else wants to come in and give a new bond it is all right with the American Employers' Insurance Company.

I understand Mr. Macey of this Commission has examined the well and I suggest he be called as the first witness.

(After being duly sworn, Mr. W. D. Macey testified as follows)

MR. SETH:

Your name is W. D. Macey?

MR. MACEY:

Yes, sir.

Q. You are an Inspector for the Oil Conservation Commission?

A. Yes, sir - I am Engineer.

Q. Have you examined this well involved in this Case No. 89 - and if so will you tell the Commission what you found there and give the history of the well?

A. The history of the well is rather inadequate, all we had on it was a scout ticket which was made in 1941 when the well was drilled.

COMMISSIONER MILES:

When was the well drilled?

MR. MACEY:

In 1941.

It was drilled to a total depth of 1860 feet, shows carbon-dioxide gas from 1717 feet to 1813 feet, the initial production was shown as 50,000 CF Carbon Dioxide per day.

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The gas original was sold to the Witt Ice and Gas Company
at McIntosh, which is five miles north of Estancia.

COMMISSIONER MILES:

What was sold to that Company?

A. Carbon-dioxide. The plant was located in a small town north
of Estancia, we do not have any records on the amount of gas
produced, there was a rather small amount and the well started
making a considerable amount of water, and was shut down and
abandoned.

Since that time, the line running from the well to the plant
has been picked up and salvaged and the machinery in the
plant itself has been moved out. The plant is abandoned also.

There is no market for the gas.

COMMISSIONER MILES:

Have you a picture showing the present condition of the well?

A. Yes, I have a picture and history of the well.

JUDGE SETH:

This photograph was taken within the last few days?

A. Approximately one week ago.

Q. Shows the present condition of the well?

A. Yes, sir.

JUDGE SETH: I would like to present this picture as Exhibit "A", in this
case.

This 50,000 CF of Carbon Dioxide - even if that were produced as a productive
well is a small amount isn't it?

A. Yes, quite small. It would barely pay operating expenses
I believe.

Q. In your opinion it wouldn't recover anything from the well?

A. No, sir, it wouldn't.

Q. At the present time it is not connected up with anything?

A. No, sir.

Q. Abandoned in your opinion?

A. Yes, sir.

MR. SPURRIER:

Do you know what the chemical analysis was in the gas?

A. I believe it was 90%

MR. SPIERRIER:

90% Carbon-dioxide?

A. I believe that is the figure the State Bureau of Mines had on their record, I may be in error but I believe that is the figure.

COMMISSIONER MILES:

Who drilled the well in the beginning?

A. Orval J. Lee.

Who made the bond?

JUDGE SETH:

Lee made the bond.

A. I think so.

JUDGE SETH:

And there has been litigation over the well for quite a while hasn't there?

A. I think so.

MR. LIVINGSTON: Mr. Lee died a few years ago in Albuquerque.

JUDGE SETH:

Lee is dead, the Surety is the Applicant.

COMMISSIONER MILES:

When was that well abandoned?

A. I don't know, maybe Mr. Milburn knows.

(After being duly sworn, Mr. C. M. Milburn testified as follows)

JUDGE SETH:

Your name is Charles Milburn?

MR. MILBURN:

Yes, sir.

Q. You own the land on which this well is located?

A. I do.

Q. You and Mrs. Milburn executed the lease to O. J. Lee?

A. Yes, sir.

Q. The well was drilled in 1941?

A. That is correct.

Q. How long did it produce - approximately?

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A. Well, I presume until about sometime in 1944. The line has been taken up since that time but production stopped in 1943 or 1944.

Q. There has been nothing done on the well since that time?

A. No, sir.

Q. You have a case pending to cancel the lease?

A. I am trying to straighten up the title.

Q. Mr. Lee died, didn't he?

A. That is right.

Q. Who is representing you in the lease proceedings?

A. Bob Bennett and Neil Gelatin.

Q. You want to get the matter closed up to make a new lease?

A. Not necessarily - I want the title cleared up.

Q. You never got any royalty to speak of did you?

A. Didn't amount to anything.

Q. You have no objection to the well being plugged?

A. No, sir.

MR. LIVINGSTON:

Mr. Milburn, I believe you stated you had no objection to the well being plugged?

A. That is right, I have no objection.

JUDGE SETH: I think, if the Commission orders it plugged, it should give 60 or 90 days. Mr. Harris has written in he has some kind of Commission on the case. If we can get somebody to plug it without our having to pay for it we are perfectly willing to do so. We want the well plugged even if we have to do it.

A. I suppose Harris will do it.

JUDGE SETH: Our files show no premium has been paid on this \$5,000 bond for the last three years. We offer in evidence a statement of the Bonding Company to that effect.

COMMISSIONER MILES: The Commission is going to issue an order that the well be plugged under the provisions as written in the order.

JUDGE SETH: That is all right.

MR. SPURRIER: That is all for today.

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I, Vastie Fowler, Reporter for the Oil
Conservation Commission, hereby certify
that I took the oral testimony in Cases
Nos. 88 and 89, and that the same are
true and correct according to my know-
ledge and belief.

Vastie Fowler
Reporter

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