

BEFORE THE

Oil Conservation Commission

SANTA FE, NEW MEXICO

February 17, 1955

IN THE MATTER OF:

CASE NO. 828 - Regular Hearing

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES

COURT REPORTERS

Rooms 105, 106, 107 EL CORTIZ BUILDING

TELEPHONE 7-9548

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BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 17, 1955

IN THE MATTER OF:

The application of the Oil Conservation Commission for revision of an administrative order in creation of a non-standard gas proration unit.

Applicant, in the above-styled cause, seeks an order amending Administrative Order NSP-29 and directing Aztec Oil and Gas Company to reduce the size of the non-standard gas proration unit permitted therein to conform to provisions of Paragraph 3 of Rule 5(a) of the Special Rules and Regulations for the Eumont Gas Pool, as set forth in Order R-520; the resulting proration unit to consist of SW/4 of Section 35, Township 20 South, Range 37 East, Lea County, New Mexico.

Case No. 828

BEFORE:

Honorable John Simms, Jr.
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case No. 828.

(Statement of Policy on the Formation of Non-Standard Gas Proration Units - (Presented at February 16 Hearing by W. F. Kitts, Attorney).

Considerable confusion has developed in recent weeks regarding the formation of non-standard gas proration units in Lea County gas pools, and the following statement is presented in an effort to eliminate this confusion and to clarify the requirements in filing applications for approval of non-standard gas proration units in the Southeast gas pools.

The basic considerations for approval of all applications

will be that the formation of such unit will:

1. Prevent Waste
2. Protect Correlative Rights
3. Serve the Best Interests of Conservation

For an application to receive consideration of administrative approval, the unit for which the exception is requested must in all respects meet the requirements of Rule 5(a) paragraph 3 and Rule 5(b) of the various pool rules contained in Order R-520. Any application which does not meet these requirements for administrative approval must be heard after notice at a hearing of the Commission at which time the merits of the application can be considered.

Further, the Commission Staff feels that Order R-520 clearly implies the radius of influence for one well in the various Southeast gas pools, covered by Order R-520, to be 3735' -- that is, the radius of a circle which will totally enclose a 640-acre section. And that such radius should be applied to all applications for exception to the provisions of Order R-520. Quite naturally, this radius of influence cannot be the only consideration and factors of economics, offset counter-drainage, and good operating practice must be considered. The Commission Staff is aware that each request for approval of a non-standard gas proration unit must stand on its own merits, and be treated individually - and we take note of this fact.

We have briefly outlined our position in an effort to assist the operators in making application for and securing non-standard proration units, and with the hope that the operators can assist the Commission Staff by keeping their units within the limits as set out in this statement, insofar as economics and good operating

practice will permit.

We are certain that we can count on the full support of all of the operators.)

MR. DAVIS: Quilman Davis. Case 828, like two cases we heard yesterday, is a show-cause Order NSP - 29, which was granted to Aztec Oil and Gas Company November 21st, granting a 320-acre proration unit for its State "E" No. 1. We felt it was a valid and proper order, and we still feel that way, and we propose to show to this Commission, that the order should be continued in effect. We would like to have the record, in our application for administrative order, made a part of this record here.

MR. MACEY: Yes.

V A N T H O M P S O N ,

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

DIRECT EXAMINATION

By MR. DAVIS:

Q Please state your name.

A Van Thompson.

Q By whom are you employed?

A Aztec Oil and Gas Company.

Q In what position?

A Vice-president.

Q Have you testified before this Commission before?

A Several times.

MR. DAVIS: Are Mr. Thompson's qualifications accepted?

MR. MACEY: They are.

(Marked Aztec Oil & Gas Company's
Exhibit "A", for identification.)

Q I want to direct your attention to Aztec Oil and Gas Company's Exhibit "A". Mr. Thompson, will you tell the Commission what Aztec Oil and Gas Company's Exhibit "A" purports to show?

A It shows the location of Aztec Oil and Gas Company unit in the south half of Section 35, Township 20 South, Range 37 East.

Q South half of Section 35?

A Yes, sir.

Q Who are the owners of that acreage in that unit?

A Aztec Oil and Gas Company owns the south half of the south half of Section 35, State of New Mexico is a lessor. Stanolind Oil and Gas Company owns the north half, southwest quarter, and the northwest quarter, southeast quarter of Section 35. State of New Mexico is also lessor under that tract. Makin Oil Company, Morris Antweil and Stanolind own northeast, southeast quarter of Section 35. This 40 acre tract is patented or fee land and under lease to Makin Oil Company.

Q Has a well been drilled on this south half of Section 35?

A Yes, sir, it has.

Q What is the name of that well?

A It is Aztec Oil and Gas Company State Unit "C" No. 1.

Q What is the location of it?

A Well, it is located 990 feet from the west, and south of Section 35.

Q When was the well completed, Mr. Thompson?

A April 1, 1954.

Q It was tied into a pipeline very shortly after completion?

A July 3, 1954.

Q In other words, that was prior to the adoption and the

effective date of Order R-520?

A Yes, sir.

Q What formation is the State "E" Unit Well producing from?

A Queens formation.

Q Is it within the limits of the Eumont Field?

A Yes, sir.

Q Did this well conform to the spacing requirements in effect at the time it was drilled?

A Yes, sir, it did.

Q Mr. Thompson, referring again to the plat, is it practical to pool the lands to the north and make that a full 640-acre section in accordance with R-520?

A No, sir, because, if you will notice on the plat, there are two wells already drilled to the north, and as far as we know, the whole north half is dedicated to those two wells.

Q Has the company received any objections to the formation of this unit?

A No, sir. In fact, we have received waivers from the Gulf Oil Corporation, Cities Service Oil Company, and John Kelly.

Q What disposition was made of the waivers?

A They were filed with the Commission.

Q Mr. Thompson, would you point out in general what the conditions are with respect to drainage to the surrounding or off-set tracts of this proposed unit, and our well?

A Well, you will notice from the plat there are two wells north of the unit, one well to the west and two wells to the south. There is also a well that is not shown on this plat, in Township -- or in Section 36, I believe it is, that is off the plat.

Q That is --

A (Interrupting) It is practically, completely surrounded with Queens sand wells.

Q Are all of them producing in the Queens, as far as you know?

A That is right.

Q Mr. Thompson, these wells, and the off-set operators have either waived notice or do own an interest in this proposed unit, is that true?

A That is right.

Q In your opinion, is this 320-acre tract productive of gas?

A Yes, sir, I believe it is.

Q What is the potential of the State "E" Unit Well?

A The potential is 6,550,000.

Q Is there any doubt in your mind that it will be able to produce a 320-acre unit?

A No, sir. In fact, it already has been for several months.

Q In other words, since the Commission order, administrative order, allowing the 320-acre allowable, with some variations, depending on pipeline take?

A That is right.

Q Do you think that the correlative rights of all parties, royalty and working interests, are fully protected?

A Yes, sir, I do. The reason I say that is because all of the acreage to the west and the south, and all of the acreage in our unit, with the exception of one 40 is State land. The State is the royalty owner. The acreage to the north is apparently Federal land, and fully protected by wells already.

MR. DAVIS: I believe that is all we have.

MR. MACEY: Mr. Thompson, on your Exhibit "A", I notice that the northeast of the southeast is shown as Stanolind Crawford, or is it Makin?

A It actually belongs to Makin . That is the way it has been shown on our map for several years, and we simply didn't change it.

MR. MACEY: Anyone have a question of the witness? If not the witness may be excused.

(Witness excused.)

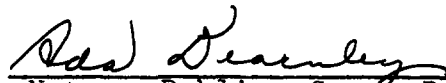
MR. DAVIS: I would like to introduce Aztec Oil and Gas Company's Exhibit "A" as part of this record.

MR. MACEY: Is there objection to the introduction of Exhibit "A" in this case? If not the Exhibit will be received in evidence and we will take the case under advisement.

STATE OF NEW MEXICO)
 : ss.
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

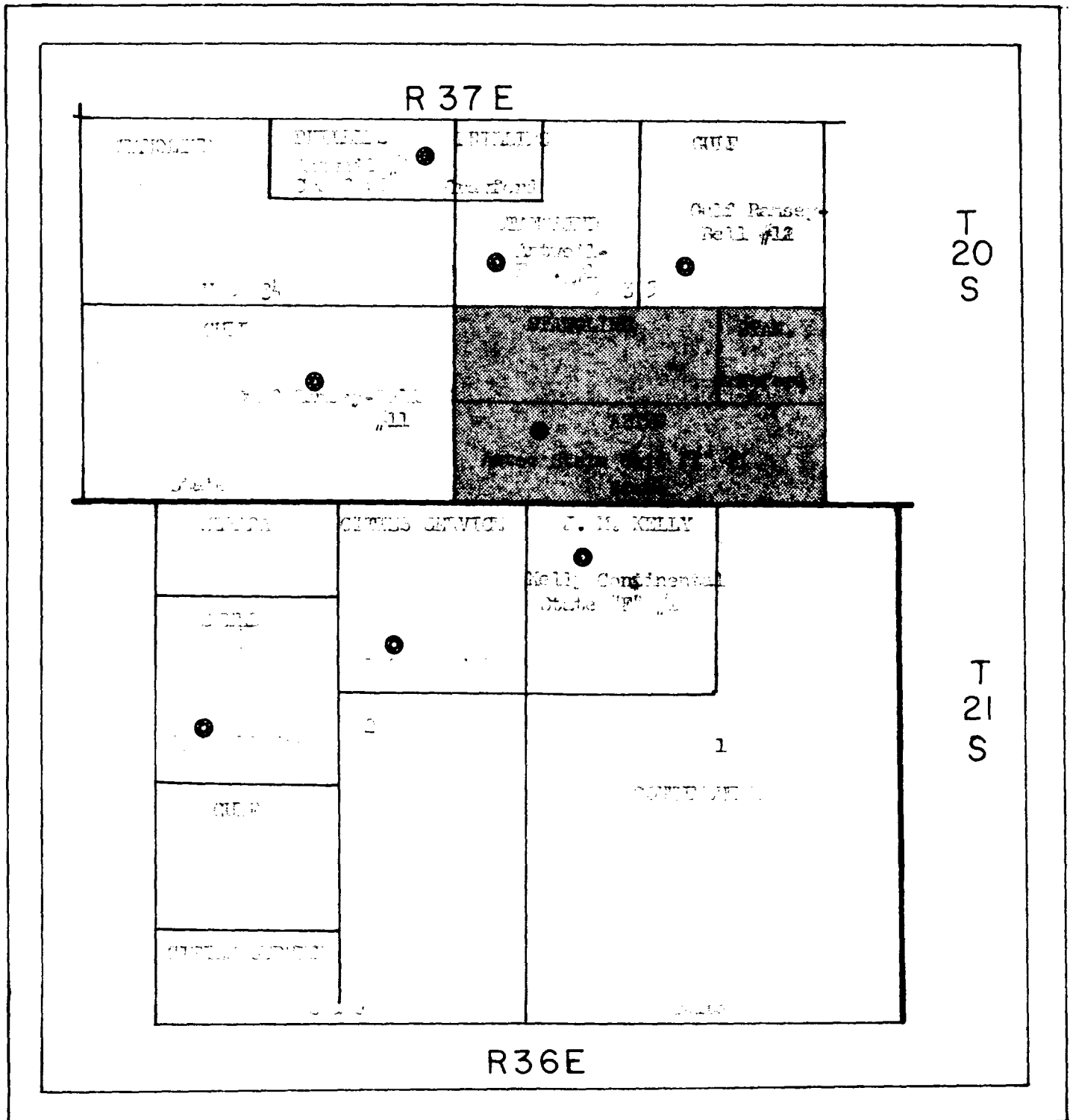
IN WITNESS WHEREOF I have affixed my hand and notarial seal this 23rd day of February, 1955.


Notary Public, Court Reporter

My Commission Expires:

June 19, 1955

Aztec Oil & Gas Co.
Exhibit "A"



Continental Oil Company, Inc.

Continental Oil Company, Inc.

ILLEGIBLE