

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO
March 14, 1956

IN THE MATTER OF:

CASE NO. 1033

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
605 SIMMS BUILDING
TELEPHONE 3-6691
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 14, 1956

-----:
IN THE MATTER OF: :

Application of Great Western Drilling Company :
for an order granting approval of a unit agree- :
ment for the development and operation of the :
South Chaco Unit Area embracing All of Township: :
22 North, Range 8 West, and All of Township 22 :
North, Range 9 West, San Juan County, New :
Mexico. Applicant in the above-styled cause, :
seeks an order granting approval of its pro- : Case No.1033
posed Unit Agreement to which applicant, et al,:
are parties thereto; said Unit Agreement con- :
sists of 46,123.08 acres, more or less, :
embracing All of Township 22 North, Range 8 :
West, and All of Township 22 North, Range 9 :
West, San Juan County, New Mexico. :
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BEFORE:

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

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 1033.

FOSTER MORRELL,

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

MR. MORRELL: My name is Foster Morrell, Petroleum Consult-
ant, Roswell, New Mexico. I am appearing in Case No. 1033 on be-
half of Great Western Drilling Company, a Texas Corporation, as
applicant, and for Great Western Drilling Company, and Three States
Natural Gas Company as the principle working interest owners, for
approval of the Unit Agreement for the Development and Operation

2

of the South Chaco Unit Area, San Juan County, New Mexico.

Copies of the Unit Agreement have heretofore been filed with the Oil Conservation Commission. Copies have also been filed with the Land Commissioner of the State of New Mexico, and said Land Commissioner by letter dated November 21, 1955, approved the Unit Agreement as to form and context. The Unit Agreement, as to form, and the Unit Area involved were approved by the Director of the United States Geological Survey by letters dated September 16 and November 21, 1955. (Marked Exhibits 1 through 4, for identification)

In this connection I would like to offer as exhibits, Exhibit 1 being a Unit Agreement containing Exhibits A and B, attached. Exhibit 2, is the letter from the State Land Commissioner approving the Unit Agreement as to form and context. Exhibit 3 is the letter of the Acting Director of the United States Geological Survey, dated September 16, 1955, approving the Unit Agreement as to form, and Area. Exhibit 4 is the letter dated November 21, 1955, from the Acting Director of the United States Geological Survey, authorizing some changes in the form of Agreement that has been requested by the State Land Commissioner.

The Unit Area embraces 46,123.08 acres, more or less, in San Juan County, New Mexico, described as follows:

New Mexico Principal Meridian, Township 22 North, Range 8 West, Sections 1 through 36: All; Township 22 North, Range 9 West, Sections 1 through 36: All.

(Marked Exhibits 5 and 6, for identification.)

At this time I would like to offer in evidence Exhibits 5 and 6. Exhibit 5 is a map showing the general location of the South Chaco Unit Area, in relation to the adjoining Chaco Unit; and the

fact that the Unit Area is approximately 15 miles south of present gas production in the Pictured Cliffs production.

Exhibit 6 is a map of the South Chaco Unit Area, showing by symbols, the character of lands embraced within the Unit Area, and the names of the working interest owners of those lands.

Within the Unit Area there are 33,959.26 acres of Federal lands, representing 73.63 percent of the Unit Area; 9,762.58 acres of restricted Indian lands, or 21.16 percent, and 2,401.24 acres of State lands, or 5.21 percent. There are no patented or fee lands within the Unit Area.

The form of Unit Agreement follows essentially the standard form suggested by the Department of the Interior and set forth under Title 30, Code of Federal Regulations, Section 226.12, and is similar in most respects to the Unit Agreement approved by the Oil Conservation Commission by Order No. R-240 dated January 16, 1953, in Case No. 444 for the Chaco Unit Area which embraces all of Township 23 North, Ranges 8 and 9 West, being the two adjoining townships to the north of the South Chaco Unit Area which is the subject matter of Case Number 1033 now under consideration.

The Unit Agreement for the South Chaco Unit Area unitizes all oil and gas in any and all formations underlying said area. Great Western Drilling Company, as Unit Operator, pursuant to Section 9 of the Unit Agreement is required to commence within six (6) months after the effective date of said Agreement two (2) initial test wells one in Township 22 North, Range 8 West, and one in Township 22 North, Range 9 West, to be drilled to the base of the Dakota formation or not in excess of a depth of 5,700 feet, and not later than six (6) months after the respective completion of each said

4

initial test well to commence drilling a second Dakota test well in each of said townships. The four (4) exploratory test wells required under Section 9 of the Unit Agreement shall be located not less than one (1) mile from each other and shall be drilled without extensions of time for commencement thereof, and regardless of whether discovery of unitized substances in paying quantities as defined in said Agreement is made in any one or all of said wells.

As of the date of this hearing the owners of working interests under outstanding oil and gas leases holding approximately eighty-five percent of the acreage within the Unit Area have signed or indicated their intention to execute the Unit Agreement. Each and every holder of rights or interests in the Unit Area has been afforded the opportunity to subscribe to and to commit such rights or interests to the Unit Agreement. The majority of lessees of record and overriding royalty interests have heretofore executed Ratification and Joinders of the Unit Agreement.

In order to permit orderly exploration and development under existing leases of potential oil zones indicated in the general area by recent discoveries, it is necessary that the South Chaco Unit Agreement be approved by the Oil Conservation Commission at the earliest possible date.

It is further stated that the South Chaco Unit Agreement will tend to promote conservation of oil and gas and the better utilization of reservoir energy, and to prevent waste, and that such an agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources. Also, that the Unit Agreement is in other respects for the best interest of the State of New Mexico.

Great Western Drilling Company, as Unit Operator, agrees to file with the Oil Conservation Commission an executed original or executed counterpart of the South Chaco Unit Agreement not later than thirty (30) days after the effective date of said Agreement.

On the basis of the showing made it is respectfully requested that the Oil Conservation Commission, by appropriate order, approve the Unit Agreement for the Development and Operation of the South Chaco Unit Area at its earliest convenience.

It is requested that Exhibits 1 through 6 in Case Number 1033 be entered in the record of this hearing.

MR. MACEY: Is there objection to the introduction of Exhibits 1 through 6 in this case? If not they will be so entered. Are there any questions of Mr. Morrell?

CROSS EXAMINATION

By MR. NUTTER:

Q Mr. Morrell, I believe you have stated that preliminary approval of that unit has been obtained from United States Geological Survey?

A Yes, sir, Exhibits 3 and 4.

Q What percentage of the working interests in the Unit Area have committed their interests?

A 85 percent have actually signed, or indicated their intention to sign, as of this date.

Q One more question, Mr. Morrell, as I understand your drilling program there, your intention is to drill one Dakota test well within each of these, and then within six months, without extension of time, commence another Dakota well?

A That is right.

Q Is there any plan made for any further drilling after that?

A The normal provision that wells must be continued within six months of each other, until discovery is made.

Q Or until the Unit Area is proved non-productive?

A That is correct.

MR. NUTTER: Thank you.

MR. MACEY: Does anyone else have a question of the witness?
If not, the witness may be excused.

(Witness excused.)

MR. MACEY: Does anyone have anything further in this case?
If not we will take the case under advisement.

C E R T I F I C A T E

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

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

WITNESS MY HAND this, the 26th day of March, A. D., 1956.


Court Reporter