

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
October 25, 1961

EXAMINER HEARING

IN THE MATTER OF:

Application of Shell Oil Company for approval  
of the Cabezon Unit Agreement, Sandoval  
County, New Mexico. Applicant, in the above-  
styled cause, seeks approval of the Cabezon  
Unit Agreement embracing 22,743 acres, more  
or less, of State, fee and Federal lands in  
Townships 16 and 17 North, Ranges 2, 3 and  
4 West, Sandoval County, New Mexico.

CASE NO.  
2407

BEFORE: Dan S. Nutter, Examiner.

TRANSCRIPT OF HEARING

EXAMINER NUTTER: We will call Case No. 2407.

MR. MORRIS: Application of Shell Oil Company for  
approval of the Cabezon Unit Agreement, Sandoval County, New  
Mexico.

MR. SETH: Oliver Seth appearing on behalf of the  
Applicant. Associated with me is Leslie Kell.

MR. KELL: We would like to submit and mark for identifi-  
cation Exhibits 1 and 2, copies of the revised Unit Agreement for  
the Cabezon area. Changes were made at the request of the  
Commissioner of Public Lands office with the approval of the  
USGS which we will cover in the testimony of the witnesses.

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called by and on behalf of the Applicant, having been first duly

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BY MR. KELL:

Q Would you state your name, please.

A Ernest Hoskins.

Q By whom are you employed?

A Shell Oil Company.

Q What is your present position with Shell Oil Company?

A I am district geologist of the Farmington district in charge of their petroleum explorations in western New Mexico, Arizona and the southern portions of Utah and Colorado.

Q You have not previously testified before this Commission?

A No, I have not.

Q Would you state briefly, then, your educational background?

A I received a BS degree from Stanford University in 1949.

Q Since then, what experience have you had in the oil industry?

A Since being employed by Shell as a geologist for four years with Shell I spent largely in field geology in central California. The second four years I spent in their Bakersfield office doing a variety of surface geology assignments. Since 1957, the fall of '57, I have been assigned as district geologist in Farmington.

Q Have you made a study of the geology in the proposed

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MR. KELL: Are the witness's qualifications acceptable?

EXAMINER NUTTER: Yes.

Q (By Mr. Kell) Would you state generally the geological work that has thus far been done in the Unit area?

A In the southeast corner of the San Juan Basin Shell has reconnaissanced the general area which indicates a regional dip or inclination of the sediments of approximately 150 feet per mile to the northwest. Reconnaissance in the Unit area indicates a principle objective depth an anticlinal structure the outlines of which are defined by the proposed boundaries. The principle objective based on our regional stratigraphic studies of well control is the marine carbonate section of the Pennsylvanian Medera formation which should occur at between the interval of 5600 and 7100 feet Apex location within the proposed Unit.

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Q Are you familiar with the Cabezon Unit Agreement?

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MR. KELL: Fine.

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Q So, this is the southeast flank of the basin?

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A Yes, they have stated that to us.

Q Now, has the USGS previously given approval to the Unit boundaries?

A Yes.

Q Do you also have a concurrence from the Commissioner of Public Lands office as to the proposed Unit boundaries?

A Yes, we have.

Q Approximately what is the size of the Unit area in terms of acreage?

A The Unit area contains 22,742 acres and some fraction.

Q In what Township and Range are these?

A The Unit lies in Township 16 North, Ranges 2 and 3 West and Township 17 North, Ranges 2 and 3 and 4 West, all NMPM, in Sandoval County, New Mexico.

Q With regard to the status of lands within the Unit area, could you tell us the approximate percentage of, first, the Federal acreage?

A Yes, the Federal acreage is 17,846 acres comprising 78.47 per cent of the entire Unit area.



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Q And State acreage?

A 3,207.72 acres; 14.1 or per cent of the Unit area.

Q And what is the fee or privately owned acreage?

A 1,688, comprising 7.43 per cent of the Unit area.

Q As of this date we are just - - As I understand it, the Agreement has not yet been submitted for execution?

A No, it hasn't.

Q That was due to making the authorized changes and getting the agreement of the Public Lands office and the USGS on these changes?

A That's correct. We expect these changes to be put in the body of the Unit Agreement within the week.

Q What percentage of the working interest within the Unit area does Shell Oil own?

A Shell Oil controls through lease and option 82.71 per cent of the Unit area.

Q Do these various leases and options and similar agreements which Shell has covering the acreage provide that other parties will join in a unit of the type contemplated here?

A That is correct.

Q Have you had any other contact with representatives of the other working interest owners who have land?

A Yes. There are five other working interest other than Shell, British American, Continental, Trans Mountain Oil Company, Delti Taylor and Elizabeth L. White, and we have contacted all



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these people. We have proposed to them the type of unit which is the general statutory form with such changes as the State might request the divided type unit operating agreement, and all of these parties have replied in the affirmative, that they will join our Unit subject only to insertion of terms in the operating agreement. I have copies of these letters here indicating the approval which would bring us up to 100 per cent of the Unit area.

MR. KELL: I would like to mark these for identification as Exhibit 3, the letters from the other working interest owners indicating general approval of the Unit Agreement.

Q (By Mr. Kell) Does the Unit Agreement contain a segregation provision?

A Yes, it does.

Q Does it provide for the fair allocation of all unit production?

A In my opinion, yes.

Q Does it contain adequate provision for subsequent joinder.

A Yes, it does.

Q In your opinion will the State of New Mexico and all other beneficiaries receive a fair share of the Unit production?

A That is my opinion.

Q Does the Unit Agreement provide that the Commissioner of Public Lands as well as the USGS must approve either the



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establishment or revision of a participating area?

A That's correct.

Q Is the primary purpose of this Unit Agreement unitization pursuant to promoting conservation?

A That's right.

Q Will it, in your opinion, accomplish this purpose?

A Yes, it will.

Q What is your opinion as to whether or not approval of this Unit Agreement would be in the best interest of the State?

A In my opinion, the approval of the Unit Agreement would definitely be in the best interest of the State.

MR. KELL: That's all the direct examination I have of this witness.

EXAMINER NUTTER: Are there any questions of Mr. Freeman?

# EXAMINATION

BY EXAMINER NUTTER:

Q While these five haven't signed the agreement, they have all consented to join?

A That is correct. They have given their approval to join.

EXAMINER NUTTER: That's all. Thank you.

MR. KELL: I move at this time for admission into evidence Shells' Exhibit 3.

EXAMINER NUTTER: Applicant's Exhibit 3 will be admitted



in evidence.

Are there any further questions of Mr. Freeman?

He may be excused.

(Witness excused.)

EXAMINER NUTTER: Do you have anything further,  
Mr. Kell?

MR. KELL: No, sir.

EXAMINER NUTTER: Are there any further statements  
in Case No. 2407?

If not, the case will be taken under advisement.

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STATE OF NEW MEXICO )  
                                   ) ss  
 COUNTY OF SAN JUAN ) .

I, THOMAS F. HORNE, Court Reporter, in and for the County of San Juan, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in machine shorthand and reduced to typewritten transcript under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.

*Thomas F. Horne*  
 Notary Public

My Commission expires:

*10-2-65*

I do hereby certify that the foregoing is  
 a complete record of the proceedings in  
 the Examiner hearing of Case No. *2407*  
 heard by me on *10/25*, 19*61*.

*Stumm*, Examiner  
 New Mexico Oil Conservation Commission

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Q That was due to making the authorized changes and getting the agreement of the Public Lands office and the USGS on these changes?

A That's correct. We expect these changes to be put in the body of the Unit Agreement within the week.

Q What percentage of the working interest within the Unit area does Shell Oil own?

A Shell Oil controls through lease and option 82.71 per cent of the Unit area.

Q Do these various leases and options and similar agreements which Shell has covering the acreage provide that other parties will join in a unit of the type contemplated here?

A That is correct.

Q Have you had any other contact with representatives of the other working interest owners who have land?

A Yes. There are five other working interest other than Shell, British American, Continental, Trans Mountain Oil Company, Delti Taylor and Elizabeth L. White, and we have contacted all



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these people. We have proposed to them the type of unit which is the general statutory form with such changes as the State might request the divided type unit operating agreement, and all of these parties have replied in the affirmative, that they will join our Unit subject only to insertion of terms in the operating agreement. I have copies of these letters here indicating the approval which would bring us up to 100 per cent of the Unit area.

MR. KELL: I would like to mark these for identification as Exhibit 3, the letters from the other working interest owners indicating general approval of the Unit Agreement.

Q (By Mr. Kell) Does the Unit Agreement contain a segregation provision?

A Yes, it does.

Q Does it provide for the fair allocation of all unit production?

A In my opinion, yes.

Q Does it contain adequate provision for subsequent joinder.

A Yes, it does.

Q In your opinion will the State of New Mexico and all other beneficiaries receive a fair share of the Unit production?

A That is my opinion.

Q Does the Unit Agreement provide that the Commissioner of Public Lands as well as the USGS must approve either the



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establishment or revision of a participating area?

A That's correct.

Q Is the primary purpose of this Unit Agreement unitization pursuant to promoting conservation?

A That's right.

Q Will it, in your opinion, accomplish this purpose?

A Yes, it will.

Q What is your opinion as to whether or not approval of this Unit Agreement would be in the best interest of the State?

A In my opinion, the approval of the Unit Agreement would definitely be in the best interest of the State.

MR. KELL: That's all the direct examination I have of this witness.

EXAMINER NUTTER: Are there any questions of Mr. Freeman?

# EXAMINATION

## BY EXAMINER NUTTER:

Q While these five haven't signed the agreement, they have all consented to join?

A That is correct. They have given their approval to join.

EXAMINER NUTTER: That's all. Thank you.

MR. KELL: I move at this time for admission into evidence Shells' Exhibit 3.

EXAMINER NUTTER: Applicant's Exhibit 3 will be admitted



in evidence.

Are there any further questions of Mr. Freeman?

He may be excused.

(Witness excused.)

EXAMINER NUTTER: Do you have anything further,  
Mr. Kell?

MR. KELL: No, sir.

EXAMINER NUTTER: Are there any further statements  
in Case No. 2407?

If not, the case will be taken under advisement.

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STATE OF NEW MEXICO )  
 ) SS  
 COUNTY OF SAN JUAN )

I, THOMAS F. HORNE, Court Reporter, in and for the County of San Juan, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in machine shorthand and reduced to typewritten transcript under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.

*Thomas F. Horne*  
 Notary Public

My Commission expires ✓

10-2-65

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2907 heard by me on 10/25, 1961.  
*J. Starn*, Examiner  
 New Mexico Oil Conservation Commission

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
 PHONE 325-1182

ALBUQUERQUE, N. M.  
 PHONE 243-6691



2407

113 APR 16 PM 3 00

April 16, 1963

BEST AVAILABLE COPY

Shell Oil Company  
P. O. Box 1200  
Farmington, New Mexico

Re: Expansion Cabezon Unit  
Area, Sandoval County,  
New Mexico

Attention: Mr. F. W. Nantker

Gentlemen:

The Commissioner of Public Lands has approved  
as of April 16, 1963 the Expansion to the Cabezon  
Unit Area, Sandoval County, New Mexico.

We are enclosing five originally signed Cert-  
ificates of Approval.

Very truly yours,

E. S. JOHNNY WALKER  
COMMISSIONER OF PUBLIC LANDS,

BY:  
(Mrs.) Marian M. Rhea, Supervisor  
Unit Division

ESW/mar/v

encl:

cc: Oil Conservation Commission

U. S. Department of Interior  
Geological Survey  
Roswell, New Mexico  
Attention: Mr. John A. Anderson



2707

SHELL OIL COMPANY

Post Office Box 1200  
Farmington, New Mexico

January 21, 1964

Subject: Cabazon Unit  
No. 14-08-0001-7820  
Sandoval County, New Mexico

BEST AVAILABLE COPY

State of New Mexico  
Commissioner of Public Lands  
Post Office Box 791  
Santa Fe, New Mexico

Attention Mrs. Marian Rhea

Gentlemen:

Reference is made to your letter of November 27, 1963 whereby the Commissioner of Public Lands approved the termination of the subject Unit as of November 29, 1963. In your letter you requested to be advised immediately as to the effective date given to this Unit by the United States Geological Survey. In this connection we are forwarding for your files an approved copy of the Request for Termination which was returned to us by the United States Geological Survey.

We feel that this copy will be sufficient for your use; if, however, you are in need of further information, please do not hesitate to contact us.

Very truly yours,

Original Signed by:  
James E. Mathews  
James E. Mathews  
District Land Agent

JEM:GL

Enclosure

cc - State of New Mexico ← THIS COPY FOR  
Oil Conservation Commission  
Post Office Box 871  
Santa Fe, New Mexico



OIL CONSERVATION COMMISSION

P. O. BOX 871  
SANTA FE, NEW MEXICO

2407

November 7, 1962

Shell Oil Company  
P. O. Box 1200  
Farmington, New Mexico

BEST AVAILABLE COPY

Attention: Mr. F. W. Mantaker

Re: Cabezon Unit  
Sandoval County,  
New Mexico

Gentlemen:

This is to advise that the New Mexico Oil Conservation Commission has this date approved a six month extension in which to commence the drilling of a second exploratory well on the Cabezon Unit, subject to like approval by the United States Geological Survey and the Commissioner of Public Lands of the State of New Mexico.

Approval is granted with the understanding that Shell Oil Company will take steps to terminate the Cabezon Unit if drilling obligations have not been fulfilled prior to June 14, 1963.

Two approved copies of the application for extension are returned herewith.

Very truly yours,

A. L. PORTER, Jr.,  
Secretary-Director

ALP/JEK/ig

cc: United States Geological Survey - Roswell

Commissioner of Public Lands - Santa Fe



# SHELL OIL COMPANY

2407

Post Office Box 1200  
Farmington, New Mexico

October 24, 1962

Subject: Cabezon Unit  
Contract No. 14-08-0001-7820  
Sandoval County, New Mexico

Director,  
United States Geological Survey  
Washington 25, D.C.

**BEST AVAILABLE COPY**

Through

Supervisor,  
United States Geological Survey  
Drawer 1857  
Roswell, New Mexico

Gentlemen:

On May 8, 1962 we directed a letter to the Director, United States Geological Survey, Washington 25, D.C., through the Supervisor, United States Geological Survey, Roswell, New Mexico, carboning the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission. By this letter we requested a six-month extension of time in which to meet our second well obligation under the subject Unit. This extension was granted by response from the United States Geological Survey dated June 4, 1962, and from the Commissioner of Public Lands and the Oil Conservation Commission dated June 8, 1962.

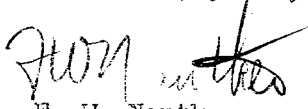
Recently we discussed with Mr. Anderson of the U.S.G.S., the drilling of a second well in the proposed Expanded Unit Area, but due to the unfavorable economic outlook and to the inauspicious time for auctioning our offshore acreage off Louisiana last March; our company finds itself strapped for money to do exploration drilling in the Rocky Mountain area when it is so heavily committed in the Louisiana offshore area. Consequently, we have been trying to promote this well by the use of outside capital and have to date found some encouragement.

Director,  
United States Geological Survey  
Through  
Supervisor,  
United States Geological Survey

2

In discussing this matter with Mr. Anderson in Santa Fe, we pointed this out to him and he suggested that we ask for an additional six-month extension on the Cabezon Unit with the provision that should we fail to secure the drilling of this well within the additional six-month period, we will take the necessary steps to terminate the Cabezon Unit.

Very truly yours,



F. W. Nantker  
Division Land Manager

FWN:BG

Six-Month Extension Granted:

Date \_\_\_\_\_

\_\_\_\_\_  
Acting Director  
United States Geological Survey


cc - State of New Mexico  
Commissioner of Public Lands  
Santa Fe, New Mexico

Six-Month Extension Granted:

Date \_\_\_\_\_

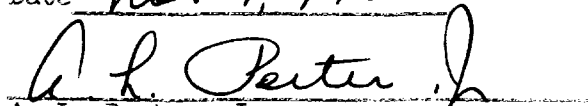
\_\_\_\_\_  
E. S. Johnny Walker  
Commissioner of Public Lands

cc - State of New Mexico  
Oil Conservation Commission  
Santa Fe, New Mexico

← THIS COPY FOR 

Six-Month Extension Granted:

Date Nov 7, 1962

  
\_\_\_\_\_  
A. L. Porter, Jr.  
Secretary-Director

1007  
November 2, 1962

RECEIVED NOV 5 1962

Shell Oil Company  
P. O. Box 1200  
Farmington, New Mexico

Re: Cabezon Unit,  
Sandoval County,  
New Mexico

Attention: Mr. Fred W. Nantker

Gentlemen:

The Commissioner of Public Lands approves an additional six month extension on the Cabezon Unit in which to drill the second exploratory well on this unit. This extension would extend this obligation from December 14, 1962 to June 14, 1963.

If the obligation for drilling this well is not fulfilled within this aforementioned period it is our understanding that Shell Oil Company will follow the necessary procedure to terminate the Cabezon Unit.

We are returning one approved copy of your application for this extension.

Very truly yours,

E. S. JOHNNY WALKER  
COMMISSIONER OF PUBLIC LANDS

BY:

(Mrs.) Marian M. Rea, Supervisor  
Unit Division

ESW/mm/e