

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 23, 1963

EXAMINER HEARING

IN THE MATTER OF:

Application of Aztec Oil and Gas Company)
for approval of a unit agreement, Lea and)
Eddy Counties, New Mexico. Applicant, in the) Case 2734
above-styled cause, seeks approval of the)
Aztec-Robinson Waterflood Unit, comprising)
approximately 682 acres of State and Federal)
Lands in the E/2 SE/4 and SW/4 SE/4 of)
Section 36, Township 16 South, Range 31 East,)
the SW/4 SE/4 of Section 30, the W/2, W/2 E/2)
and SE/4 SE/4 of Section 31, Township 16)
South, Range 32 East Lea and Eddy Counties,)
New Mexico.)

BEFORE: Elvis A. Utz, Examiner

TEANSCRIPT OF HEARING

MR. UTZ: We will now take Case 2734.

MR. DURRETT: Application of Aztec Oil and Gas Company
for approval of a unit agreement, Lea and Eddy Counties, New Mexico.

MR. MORRIS: Mr. Examiner, I am Richard Morris of the
Santa Fe law firm of Seth, Montgomery, Federici and Andrews,
appearing for the Applicant, Aztec Oil and Gas Company. We have
one witness to present testimony, Mr. Kenneth Swanson.

(Witness sworn.)

MR. UTZ: Any other appearances in this case? You may
proceed.

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K E N N E T H A . S W A N S O N

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

DIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Swanson, will you please state your name and position for the record, please?

A My name is Kenneth A Swanson. I'm an attorney in the Land Department of Aztec Oil and Gas Company, Dallas, Texas.

Q Mr. Swanson, in your duties with Aztec have you become familiar with the Robinson Waterflood Project and the ownership of mineral interests in that area?

A Yes, sir, I have.

Q Would you outline to the Examiner the background of the Aztec-Robinson Waterflood Project?

A Yes. We have appeared before the Commission previously for approval of the waterflood project. That has been granted. Originally it was designated as Case 2615, heard by an Examiner on August 8, 1962, Order Number R-2304 entered August 13, 1962 approving the project. A De Novo Hearing was had in the matter on October 18, 1962, Order R-2304-A entered November 21, 1962 also approved this waterflood project.

Q In your opinion, Mr. Swanson, is it desirable or necessary to form a unit in the area of the Robinson Waterflood Project in order to effectively carry out the purpose of that project?

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A Yes, it was a necessity. We have divergent ownership in the area. Some of the tracts are included in the various leases. We have included acreage which will bring in some other working interest owners.

Q Would you outline the nature of the leases and the properties in the area of that project?

A Yes. I might point out that the unit area coincides with that approved in Order R-2304-A.

MR. MORRIS: If I might interrupt, at a later point we will offer Aztec's unit agreement as an exhibit. At this time I will hand it to the Examiner and call his attention to Exhibit A of that agreement, which is a plat of this area.

Q Continue, please, Mr. Swanson.

A There are three State Leases included in the unit area, covering a total of 441.28 acres, which represents 65 percent of the unit. There are two Federal Leases, covering a total of 241.20 acres, which represents about 35 percent of the unit. We have some overriding royalty to perfect some of these leases and some of the leases are free of those lease burdens.

Q Who are the owners of working interest in this unit area?

A Aztec Oil and Gas Company owns approximately 83 percent of the working interest in this unit; Pomeroy Smith 59, Ltd., which is a partnership, owns a part of the working interest; R. Searle



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McGrath No. 1, Ltd., another partnership, also owns a working interest as does Oscar Bourg.

Q At this point, Mr. Swanson, has a unit been formed including all of the acreage in the Robinson Waterflood Project?

A We have essentially completed the forms of this unit. All working interest owners have executed the Unit Agreement and Operating Agreement. We have got ratification or consent expressed otherwise from those individuals owning the overriding royalty interest with the exception of two at the present time owning a total of 1.2 percent of Unit participation. We're hopeful that we will be successful in getting 100 percent commitment to this Unit.

Q Has the Commissioner of Public Lands and the United States Geological Survey been approached with respect to approving the form of this Unit Agreement?

A Yes, the Unit Agreement has been filed both with the Commissioner of Public Lands and the United States Geological Survey. The Commissioner of Public Lands office has advised us that they're ready to approve the form of Unit Agreement if we will modify to provide that the Commissioner's approval is a necessity for the selection of a successor operator. This change is perfectly acceptable to us and other working interest owners. The Roswell office of the United States Geological Survey has given a preliminary approval of the form of Unit Agreement. It has been forwarded to the Washington Office. We were advised by the



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Washington Office just before Christmas that they were hopeful of giving us their approval or comments at an early date. However, we have not received it so far. This form of unit agreement coincides almost exactly with the form of unit agreement which was used in another unit, the Aztec-Totah Gallup Unit that the Washington office of the Geological Survey did finally approve. It's possible there might be some minor changes but we feel confident that we will have United States Geological Survey's approval in a short time.

Q Do you have copies of the Unit Agreement available that you can offer as an exhibit in this case?

A Yes, I have one fully executed copy of the Unit Agreement and two copies that have not been executed.

MR. MORRIS: I'll ask that one of the unexecuted copies be marked as Exhibit Number 1.

(Applicant's Exhibit No. 1 was marked for identification.)

Q (By Mr. Morris) Was this Unit Agreement prepared by you or under your direction?

A Yes, it was.

MR. MORRIS: At this time, Mr. Examiner, we offer as Exhibit Number 1, in this case, the Unit Agreement for the development and operation of the Aztec-Robinson Waterflood Unit Area, and I hand the Examiner an executed copy and two unexecuted copies of that agreement.



MR. UTZ: Without objection Exhibit 1 in this case will be entered into the record.

(Whereupon, Applicant's Exhibit No. 1 was entered in evidence.)

Q (By Mr. Morris) Mr. Swanson, will you briefly describe the form and the main provisions of this Unit Agreement?

A Basically the form follows that that's prescribed by the Bureau of Land Management Regulations for exploratory units. It has been revised, as would be necessary to allow the operation of a waterflood project in an area where development is essentially complete. As I pointed out, it is almost identical with the form used for the Totah Gallup Unit formed by Aztec that has been submitted to this Commission previously. It provides for the injection of water into the Grayburg Formation. It will be effective the first of the month following the approval of the Commissioner and Director. It's subject to State conservation laws and regulations. The rate of production is to be regulated by applicable State or Federal law, and it may be altered by the Director if not in conformity with such laws. Basically, those cover the main provisions, I believe, of the Unit Agreement.

Q What further action will Aztec take with respect to the owners of overriding royalty interests that have not so far ratified the agreement, and with respect to the United States Geological Survey, and the Commissioner of Public Lands?

A We will attempt to expedite ratification by the remain-

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Q But at the present time you have nearly 100 percent of the total interest committed to the Unit Agreement?

A Yes, I think, assuming eventual approval by the United States Geological Survey and the Commissioner, that even if we didn't succeed in committing any additional interest, we still have got 98.8 percent of the unit committed at this time.

Q I believe at the outset of your testimony, Mr. Swanson, you stated that one of the main purposes for forming this unit was to protect the correlative rights of all owners within the Unit area?

A Yes, we feel it's necessary to protect them.

MR. MORRIS: That's all we have at this time, Mr. Examiner.

MR. UTZ: Are there any questions of the witness? I have one question. The waterflood area as granted in R-2304-A is



identical to the Unit area?

A Yes, sir, it is.

MR. UTZ: That's all I have. Are there other questions?

The witness may be excused. Any statements in this case? The case will be taken under advisement.

MR. MORRIS: It is hardship case Number 2, I appreciate being allowed to go ahead of theirs, and thank you.

MR. UTZ: We will take a ten minute recess.

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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 15th day of February, 1963.

Ida Learnley
Notary Public - Court Reporter

My Commission Expires:
June 19, 1963

I do hereby certify that the foregoing is
a copy of the record of the proceedings in
the Executive Hearing of Case No. 2734
heard by me on Jan. 23, 1963.
Thur. G. [Signature], Examiner
New Mexico Oil Conservation Commission

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MR. UTE: Are there any questions of the witness? I have one question. The waterflood area as granted in E-2304-A is



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MR. MORRIS: It is hardship case Number 2, I appreciate being allowed to go ahead of theirs, and thank you.

MR. UTZ: We will take a two minute recess.

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STATE OF NEW MEXICO)
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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 15th day of February, 1963.

Ada Dearnley
Notary Public - Court Reporter

My Commission Expires:
June 19, 1963

I do hereby certify that the foregoing is a correct copy of the proceedings in the examination of Case No. 2234 heard by me on Jan. 23, 1963.
Thos A. [Signature]
Examiner
New Mexico Oil Conservation Commission



