

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

TRANSCRIPT OF PROCEEDINGS
CASE NO. 361

April 15, 1952

ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 12, CROMWELL BLDG
PHONES 7-9645 AND 5-9546
ALBUQUERQUE NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

April 15, 1952

In the Matter of:

Sinclair's application for approval
of Cox Canyon Unit Agreement embrac-
ing 2584.60 acres in Township 32
North, Range 11 West, San Juan
County, New Mexico

Case No. 361

(Notice of Publication read by Mr. Graham.)

MR. PHILLIPS: If the Commission please, this is the
application of Sinclair Oil and Gas Company. I am their repre-
sentative, Dudley Phillips, from Tulsa, Oklahoma. Sinclair is
seeking approval of unit agreement covering certain lands in San
Juan County, New Mexico, which it calls the Cox Canyon Unit Area.
The unit agreement as submitted here is in the usual form approv-
ed by the state and the United States government authorities.

Call to the stand Mr. H. H. Lloyd.

H. H. L L O Y D,

LLwyd

having been first duly sworn, testified as follows:

By MR. PHILLIPS:

- Q State your name and address.
A H. H. Lloyd, Albuquerque, New Mexico.
Q By whom are you employed?

A Sinclair Oil and Gas Company.

Q In what capacity are you employed?

A Division Land Manager, southwestern division.

Q Are you appearing on behalf of Sinclair Oil and Gas Company in the matter of the application seeking approval of the Cox Canyon Unit Agreement located in San Juan County, New Mexico?

A Yes, sir.

Q Has Sinclair's application been filed on behalf of the signatory parties to said unit agreement and in particular on behalf of Earl Jones, the proposed unit operator?

A Yes.

Q In general, Mr. Lloyd, what is it that Sinclair has requested the Commission to do?

A Approve the Cox Canyon Unit consisting of 2584.60 acres located in San Juan County in Township 32, North Range 11 West.

Q Mr. Lloyd, I hand you herewith plat which we call Exhibit A. I will ask you if that was prepared under your supervision and direction and is it true and correct to the best of your knowledge?

A Yes, it is.

Q Does the plat have outlined thereon in red the proposed unit area?

A Yes.

Q Will you please describe by the governmental survey what area is included within the proposed?

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A All of fractional section 9; the east half of fractional section 8; the east three-quarters of Section 17, all of Section 16, all of Section 21, the northeast quarter and the east half of the southeast quarter of Section 20, and the north half of the northwest quarter of Section 28, 32 North Range 11 West, San Juan County, New Mexico.

Q Mr. Lloyd, will you please indicate which lands are owned by the United States and which lands are owned by the State of New Mexico.

A The State of New Mexico owns sections, all of Section 16, the remaining part of the unit is owned by the federal government.

Q Are there any other fee lands, are there any fee lands owned by any individual person?

A No patented lands at all.

Q Can you name the persons who own working interests on all the lands that you describe within the unit area?

A Yes. The Sinclair Oil and Gas Company, Earl Jones, Pebco Development Company, the Atlantic Refining Company, and the Delhi Oil Corporation.

Q Are the leases owned by these parties which you named indicated on the plat marked Exhibit A?

A Yes.

Q Are there other parties who own interests in these lands other than the State of New Mexico, the United States, and the

operating persons whom you named?

A There are various parties owning overriding royalties.

Q Have all the working interest owners signed the proposed unit agreement?

A Yes.

Q Have all the other owners, the overriding royalty owners, signed?

A All with the exception of under the Delhi Oil Corporation tract there are a group of overriding royalty owners who have not yet signed but which we expect to have in in the very near future.

Q They have not refused to sign?

A They have not refused to sign. As a matter of fact, they have indicated that they would sign.

Q Mr. Lloyd, I hand you herewith the unit agreement which has heretofore been referred to as Exhibit No. 2 and ask you if this is a photo copy of the unit agreement to which you have referred to.

A Yes. This is.

Q Have other parties than those shown thereon subsequently executed the agreement?

A Yes. We have some ratifications from two or three different parties who own overriding royalties.

Q And do you anticipate that before the unit is formed that all overriding unit royalty owners will have executed the

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agreement?

A Yes.

Q What is the date of the unit agreement?

A January 10, 1952.

Q When is it to become effective?

A It is to become effective six months after the effective date the operator shall commence drilling the location approved by the supervisor and the commissioners, and continue drilling until the Morrison sand is tested or when oil and gas is discovered at a lesser depth or further drilling is impracticable, but the operators shall not be required to drill deeper than 8500 feet. The operator shall continue drilling one well each six months until paying well is discovered.

Q Are these provisions the usual provisions in the unit agreements which have heretofore been approved by this Commission?

A They are.

Q Who is designated to be the operator?

A Earl Jones of Chicago, Illinois.

Q As I understand it, you have heretofore given the main drilling provisions of the contract?

A Yes. That is correct.

Q What provision is made in the unit agreement for sharing the production that might be obtained?

A The operator submits to the officials a schedule of the participating area approved by production on an acreage

basis. Separate participating area shall be established for each separate producing horizon. The participating areas may subsequently be expanded or contracted.

Q Is it true that the royalty owners who lie within the participating areas are approved by both state and federal officials and will be paid on acreage basis?

A Yes.

Q Will the State of New Mexico under this formula receive its fair share of the oil and gas in place under its lands which fall within the proposed units?

A Yes.

Q How are the rentals to be paid?

A By the working interest owners.

Q They are paid by the leases?

A That is correct.

Q In your opinion, as an experienced oil and gas operator, will the proposed unit provide an economic basis for the production of the oil and gas?

A Yes.

Q Will such development conserve the natural resources by the prevention of waste and the better utilization of the reservoir energies that might be there?

A Yes, it will.

MR. PHILLIPS: I have no further questions, and I would like to introduce Exhibits 1 and 2 into evidence.

MR. SPURRIER: Without objection they will be received.

Any question of this witness?

MR. GRAHAM: Have you fixed the location of the first test well?

A As I recall it the first location will be in the south-east of the southwest of Section 16, 32 North 11 West on State land.

Q Subject to the approval of the Commissioner of public lands and the United States Geologic Survey.

MR. SPURRIER: Any further questions? If not, the witness may be excused. Any further comment in this case?

MR. PHILLIPS: I have a geological witness.

MR. SPURRIER: All right.

(Witness excused.) .

C. D. J O H N S O N,
having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. PHILLIPS:

Q Will you please state your name and address.

A My name is C. D. Johnson. I live in Albuquerque, New Mexico.

Q By whom are you employed, Mr. Johnson?

A Sinclair Oil and Gas Company.

Q In what capacity are you employed?

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A I am employed as division geologist of the southwestern division.

Q Have you ever previously testified as a geologist before this Commission?

A I have not.

Q Are you a professionally qualified geologist?

A Yes, sir.

Q How long have you been practicing your profession?

A Since June of 1916.

Q Do you possess a professional degree from a recognized school and, if so, what degree?

A University of Missouri, 1946, with an AB degree in geology.

Q Are you familiar with the geology of the State of New Mexico?

A I am.

Q How long have you practiced in this state?

A First work in New Mexico was about 1920.

Q In particular, Mr. Johnson, are you familiar with the geological information now available as it effects the proposed Cox Canyon area?

A I am.

MR. PHILLIPS: I move that the witness' qualifications be accepted.

MR. SPURRIER: They are.

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Q I hand you herewith Exhibit No. 3 and ask you whether this was prepared under your supervision and direction.

A It was.

Q Is this a geological structural map and resume of the geology of the Cox Canyon unit structure?

A It is.

Q Is the structural map fairly representative and true and correct to the best of your knowledge?

A Yes, sir.

Q Is the resume equally correct?

A Resume is equally correct with the exception of the expected depths to the possible producing horizons on the photo-static copy of the resume.

Q Would you care to correct the information you have on the resume?

A Yes, very definitely. This resume was made shortly after the map was completed and the subsequent development has given us more geologic data and we have revised the top of the possible producing horizon. The Pictured Cliff's top is expected at 3500 feet. Top of Cliff House around 5100. The Point Lookout 5800. The Dakato at 7900, and the top of the Morrison at about 8250.

Q Is it true that the proposed unit agreement contemplates a well which will test the Morrison sand?

A That is true.

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Q How was the structural map in your hands prepared, Mr. Johnson?

A This is a photostatic copy of the original plain table mapping done under my supervision. It is a surface map and it was surveyed by the standard plain table surface method of geological mapping.

Q Will you explain where the structure appears to lie? What is the description of the lands that seem to lie within the structure?

A The structure embraces portions of Sections 8, 9, 16, 17, 20, 21, 28 down here, in Township 32 North, Range 11 West, San Juan County, New Mexico, northern part of the San Juan basin.

Q Does the apparent structure you described seem to lie wholly within the proposed unit area?

A It does.

Q If oil and gas is discovered in the structure in any of the various possible producing horizons, in your opinion, would unit operation best develop this area and promote the conservation of oil and gas?

A It would.

Q Mr. Johnson, has the acting director of the United States Geological Survey approved the proposed unit area as a logical unit to be known as the Cox Canyon unit area?

A I am so informed by Mr. Boyd.

Q I hand you herewith a paper marked Exhibit 4 and ask

you if this is a photo copy of a letter received by your company from the acting director of the United States Geologic Survey.

A It is.

Q Does that letter in effect approve the proposed unit area as logically adopted?

A It does.

Q Does the acting director indicate that he is interested in seeing that the proposed unit area establish effective control of the producing horizons that may be discovered?

A Yes.

Q Effectively control?

A Yes, sir.

Q In your opinion will the structure if developed by the proposed unit agreement effectively control the structure?

A It will.

MR. PHILLIPS: I have no further questions.

MR. SPURRIER: Any questions of this witness? If not, the witness may be excused. Do you have anything further?

MR. PHILLIPS: No, sir. I would like to introduce these into evidence.

MR. SPURRIER: Without objection they will be received.

No further comment? The case will be taken under advisement.

The next case is 364.

(Witness excused.)

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STATE OF NEW MEXICO)
 :
COUNTY OF BERNALILLO)

I HEREBY CERTIFY that the foregoing and attached transcript of hearing in Case No. 361 before the Oil Conservation Commission, State of New Mexico, at Santa Fe, on April 15, 1952, is a true and correct record of the same to the best of my knowledge, skill and ability.

DATED at Albuquerque, New Mexico, this 21st day of April, 1952.

Ada Dearnley
REPORTER

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