

BEFORE THE OIL CONSERVATION COMMISSION FOR THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
EL PASO NATURAL GAS COMPANY, A DELAWARE
CORPORATION, FOR APPROVAL OF THE SAN JUAN
29-7 UNIT AGREEMENT EMBRACING 22,500.14
ACRES OF LAND, MORE OR LESS, IN TOWNSHIP
29 NORTH, RANGE 7 WEST, RIO ARriba COUNTY,
NEW MEXICO

NO. 674

EL PASO NATURAL GAS COMPANY, a Delaware corporation, would respectfully show the Commission as follows:

1. That the Oil Conservation Commission of the State of New Mexico is authorized by an Act of Legislature of the State of New Mexico (Chapter 72, Laws of 1935 as amended) to approve the operation and development of lands lying within the State of New Mexico in accordance with a unit plan of development and operation;

2. That the unit area, approval of which is here sought, comprises the following land situated in Rio Arriba County, New Mexico, to wit:

New Mexico Principal Meridian

Township 29 North, Range 7 West
Sections 1 through 36, All

containing 22,500.14 acres, more or less;

3. That a preliminary approval of the proposed Unit Agreement, a copy of which is attached hereto and made a part of this application for all purposes, and approval of the unit area and of the drilling program contained therein, has been given by the United States Geological Survey of the United States Department of the Interior;

4. That Applicant is the owner and holder of a substantial portion of the working interest in and under the lands sought to be embraced by the proposed Unit Agreement and is the operator named in the Unit Agreement;

5. That the proposed unit plan will, in principle, tend to promote the conservation of oil and gas and the prevention of waste.

Premises considered, Applicant requests that notice issue in compliance with the rules of the Commission and that this Petition be set down for hearing and approval at the convenience of the Commission.

EL PASO NATURAL GAS COMPANY

By Foster Marshall
Its Agent

Dated: February 10, 1954.

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UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
Washington 25, D. C.

Jul 1 1953

Southern Union Gas Co.
Burt Building
Dallas 1, Texas

Gentlemen:

Reference is made to your application dated March 30, 1953, filed with the Oil and Gas Supervisor, Roswell, New Mexico, requesting designation of 22,500 acres, more or less, in Rio Arriba County, New Mexico, as an area logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to regulations of December 22, 1950, 30 C.F.R., sec. 226.3, the following described land is designated as a logical unit area, to be known as the San Juan 29-7 unit area:

T. 29N., R. 7W., New Mexico Principal Meridian

Sec. 1 through 36, all

Any unit agreement submitted for the area described above should conform with sec. 226.12 of the above-cited regulations and provide for the drilling of two wells to a depth sufficient to test the Mesaverde formation. The location of these two wells in sections 13 and 35 as proposed appears satisfactory. The first of these wells shall be commenced not later than 60 days after the date of final approval of the unit agreement, and the second well will be commenced not more than 30 days after completion of the initial well.

You have requested authorization to use the same form of agreement as heretofore approved for the San Juan 32-9 unit area. No objection will be offered to the use of that form in this area provided certain changes are made in order to conform to the peculiar conditions incident to this area. Inasmuch as commercial production has already been established within the San Juan 29-7 unit area, the form should be modified as follows:

Relocate section 22, "Automatic Elimination" as subsection 2(e) in order to better coordinate all the provisions incident to the unit area and possible revisions thereof.

(Note - In lieu of sec. 9 of the San Juan 32-9 form)
Sec. 9. Discovery Well - Inasmuch as several wells capable of producing unitized substances in paying quantities from the Mesaverde formation have already been drilled, tested, and completed on committed lands

and several other wells within the unit area are in various stages of drilling, no initial test well for discovery shall be required under the terms of this unit agreement.

(Note - In lieu of sec. 10 of the San Juan 32-9 form)
Sec. 10. Plan for Further Development and Operation - Within 30 days after the effective date hereof, the unit operator shall submit for the approval of the Supervisor, the Commissioner, and the Commission an acceptable plan of development and operation for the unitized lands, which, when approved by the Supervisor, the Commissioner, and Commission, shall constitute the further drilling and operating obligations of the unit operator under this agreement for the period specified therein. Within 60 days after the effective date hereof, unit operator shall commence the drilling of at least two wells, one in sec. 13 and one in sec. 35, at locations approved by the Supervisor if on Federal land or the Commission, if on State or patented land, pursuant to said initial plan of development, and thereafter continue such drilling diligently until such wells have reached the Mesaverde formation or until, at a lesser depth, unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) or the unit operator shall at any time establish to the satisfaction of the Supervisor if on Federal lands, the Commissioner if on State land, or the Commission if on patented land that further drilling of such wells or any of them would be unwarranted or impracticable. Unit operator shall not in any event be required to drill any well in the initial plan of development to a depth in excess of 6100 feet. Thereafter, from time to time before the expiration of any existing plan, the unit operator shall submit for the approval of the Supervisor, the Commissioner, and the Commission a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor, the Commissioner, and the Commission may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall (a) specify the number and location of any wells to be drilled and the proposed order and time for such

drilling; and (b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor, the Commissioner, and the Commission. Said plan or plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. No wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor, the Commissioner, and Commission shall be drilled except in accordance with a plan of development approved as herein provided.

(Note - Changes in sec. 11)

Add, "on or after the effective date of this unit agreement" to the end of the third sentence of paragraph two of sec. 11(a) which ends in "...effective as of the date of first production," and also to the end of the first sentence of the first paragraph of sec. 11(b) which ends in the same language.

(Note - In lieu of sec. 20 of the San Juan 32-9 form)
Sec. 20. Effective Date and Term - This agreement shall become effective upon approval by the Secretary or his duly authorized representative and shall remain in effect so long as unitized substances can be produced in paying quantities, i.e., in this particular instance in quantities sufficient to pay for the costs of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as unitized substances so discovered can be produced as aforesaid, or it is terminated as heretofore provided in this agreement.

Upon the premise that no Indian lands are involved and in the absence of any objections not now apparent, a duly executed unit agreement identical with the San Juan 32-9 form, modified as herein prescribed, will be approved if submitted in approvable status within a reasonable period of time.

When the executed agreement is transmitted to the Supervisor for approval, include the latest status of all Federal acreage showing

the current record owner of all issued leases and the current status of all lease applications, or any. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which, in my opinion, does not have the full commitment of sufficient lands to afford effective control of unit operations.

Very truly yours,

/s/ Arthur A. Baker

Acting Director

EAFinley:EMPilkinton:dp 6/30/53

Copy to: Roswell 2

BLM 2

Santa Fe
Washington

Serial Nos. Santa Fe 077842, 078392, 078423, 078424, 078424-A, 078424-B, 078425, 078425-A, 078503, 078503-A, 078919, 078943, 078945, 078951, 079514, 079956, New Mexico 03600, 05219.