

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 1140

TRANSCRIPT OF PROCEEDINGS

September 6, 1956

DEARNLEY-MEIER AND ASSOCIATES
COURT REPORTERS
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ALBUQUERQUE, NEW MEXICO

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO
September 6, 1956

IN THE MATTER OF:

CASE NO. 1140: Application of Magnolia Petroleum Company
for an order granting approval of its
proposed Tres Ranchos Unit Agreement
embracing 1200 acres, more or less, in
Eddy County, New Mexico, in accordance
with Rule 507 of the New Mexico Oil
Conservation Commission Rules and
Regulations. Applicant, in the above-
styled cause, seeks an order granting
approval of its proposed Tres Ranchos
Unit Agreement embracing 1200 acres, more
or less, of State lands described as:

Township 19 South, Range 23 East
All Section 10
W/2 W/2 Section 11
W/2 NW/4 Section 14
N/2 Section 15 (All in Eddy
County, New Mexico)

BEFORE:

Warren W. Mankin, Examiner.

T R A N S C R I P T O F P R O C E E D I N G S

MR. MANKIN: Since we are running so late today I hope
we have everybody here and nobody got lost. Let's proceed. The
hearing will come to order. The first case on the docket today
is case No. 1140; the application of Magnolia Petroleum Company
for an order granting approval of its proposed Tres Ranchos Unit
Agreement embracing 1200 acres, more or less, in Eddy County,
New Mexico.

MR. CHRISTY: Sir Christy, of Hervey, Dow & Hinkle. We
have two short witnesses, Mr. Bob Murphy and Mr. Hamifin.

MR. MANKIN: Will you both stand up and be sworn, please?

(Witnesses are sworn.)

R. E. MURPHY

called as a witness on behalf of the applicant, having been first duly sworn on oath, testified as follows:

DIRECT EXAMINATION

BY MR. CHRISTY:

Q What is your name, please, sir, and address?

A R. E. Murphy, Roswell, New Mexico.

Q What is your occupation and with whom are you employed?

A I am district geologist with the Magnolia Petroleum Company.

Q Have you ever testified before the Commission before?

A Yes, sir.

MR. MANKIN: Any questions on his qualifications? His qualifications are acceptable.

Q (By Mr. Christy) Mr. Murphy, are you familiar, generally speaking, with Township 19 South, Range 23 East, Eddy County, New Mexico?

A I am.

Q Have you conducted seismographic and other geological reports and investigations concerning that area as pertains to this Unit application?

A Yes, sir.

Q Have you prepared a map concerning the Unit application area?

A We have.

Q Is this the map, sir?

A That is the map.

MR. CHRISTY: I would like to offer in evidence Magnolia Petroleum Company's Exhibit A, being a map of the Unit area

application contoured on the Mississippian Formation. Was this map made by you based on seismographic information compiled under your direct supervision?

A Yes, sir, it was.

Q Mr. Murphy, in your opinion, would the application better utilize the reservoir energy?

A I do.

Q Would it promote the maximum recovery and make the development more economical and efficient?

A Yes, sir.

Q And would it promote conservation and prevent waste?

A Yes, sir.

Q Now, in your application you stated that a test well was to be started. Do you know whether or not that well has been started?

A That well has been started -- last week.

Q Was it spudded, and have all the Regulations of this Commission been complied with, in connection with the drilling?

A They have.

MR. CHRISTY: I would like to offer this in evidence.

MR. MANKIN: Do you have any other copies?

MR. CHRISTY: Yes, sir. That is all the questions I have. Does the Examiner have any questions?

BY MR. MANKIN:

Q Yes. First I want to ask, did you indicate this to be the Mississippian? What depth would that Mississippian be?

A That would be approximately between 8,000 and 8,500.

Q Is the Unit Agreement to provide that it be for approximately 10,000 feet on the Mississippian or to another horizon in paying quantities?

A I believe it does.

Q Will there be someone that will testify to that?

MR. CHRISTY: Yes, sir, we will put in evidence the Unit Agreement that will provide drilling through the Ellenburger not to exceed 10,000 or approximately. I believe I can develop where it is.

MR. MANKIN: That is what I was wondering.

Q Would you explain why you contoured it to the Mississippian when your proposed operations are for the Ellenburger or 10,000?

A Yes, sir. The Mississippian -- the top of the Mississippian in that area happens to be a very good marker that is fairly easy to recognize and we are more sure of our data there than on any other horizon.

Q Well, I was trying to relate it to the area which was subject to this application; the 100 acres with a shot picture and as it pretty well embraces this Unit area -- pretty well embraced by the shot picture showed by the Mississippian which might likewise be reflected in the Ellenburger.

A Yes, sir.

Q I believe that your plat shown here, your Exhibit No. A, includes Section 10. I couldn't quite visualize just what is involved. You show 10 and 15, but I couldn't see any of the other Sections shown here.

MR. CHRISTY: It shows the west half, west half of

Section 11, the west half, northwest quarter of Section 14, the north half of 15 and all of 10.

MR. MANKIN: Then, the area outlined in Exhibit A embraces the entire Unit?

A Yes, sir.

MR. CHRISTY: The figure 11 is missing, and the figure 14.

MR. MANKIN: That is what was confusing me. So you do feel that the area embraced in the Unit requested, is essentially that which is reflected by the shot picture?

A Yes, sir.

Q This was primarily a shot picture?

A Yes, sir.

BY MR. GURLEY:

Q Are all of these State lands or does just part of the Unit consist of State lands?

A Well, yes, part of the Unit consists of State lands. I believe it is listed on the plat.

MR. CHRISTY: We are going to develop, from another witness, the ownership connection with the Unit area; however, it is all State land there.

MR. MANKIN: Any further questions of the witness? As to its development, there will be another witness as to its development -- wells that will be drilled other than the proposed location? Any other development wells that might be drilled?

A The present Unit Agreement does not provide for additional wells until we see what happens. It does provide for drilling of

one well, which, as it has been testified to, has been started.

MR. MANKIN: Is there any further questions of the witness?
If not, the witness may be excused.

(Witness excused.)

S. P. HAMIFIN

called as a witness on behalf of the applicant, having been first
duly sworn on oath, testified as follows:

DIRECT EXAMINATION

BY MR. CHRISTY:

Q You have been sworn. Will you state your name, address
and occupation?

A S. P. Hamifin, District Land Manager, Magnolia Petroleum
Company, Roswell.

Q Are you familiar with the Unit Agreement in question here
in the application? A Yes, sir.

Q I believe the Unit Agreement was drawn under your
supervision? A That is right.

Q How long have you been with Magnolia, engaged in unit
agreement drafting?

A Oh, the last ten or twelve years.

Q Is this Unit Agreement more or less standard with those,
roughly, used in New Mexico?

A It is standard; it is a standard that we use. It may be
a lot shorter form than the Government ones, because they require
a lot of land work on theirs that is not required when it is
State land.

Q I refer you to the map which is Magnolia's Exhibit A,

showing the land requested in the Unit Agreement. I will ask you who owns the minerals under all of the proposed units in this area?

A The State of New Mexico.

Q Who owns the working interest, if it is under lease?

A Comer Company owns 160 acres, Gulf owns 160, Union Oil Company owns 160, and Magnolia owns the balance.

Q So all of it, as on the Exhibit, is leased from the State of New Mexico and all of the royalties, as common throughout the Unit, all owned by the State?

A Yes.

Q Have you discussed this proposed Unit Agreement with Comer, Union and Gulf?

A They have all signed.

Q They have all agreed? A Yes, sir.

Q Have you discussed the Unit Agreement with officials of the public lands?

A Yes, sir.

Q And what is their report?

A Their attorney, Mr. Gordon, approved the Unit Agreement as to form.

Q Is this the Unit Agreement here?

A This one.

MR. CHRISTY: We would like to offer into evidence Magnolia's Exhibit No. 2, being the Unit Agreement, signed by the working interest and the owners, as testified to and approved as to form by Mr. Gordon, Official of the Commission of Public Lands, being the royalty owner involved.

MR. MANKIN: Is there any objection to its being entered?

MR. CHRISTY: I would like to offer this particular one

in evidence because of the situation, and I would appreciate it being allowed to be withdrawn since there is an Exhibit copy here. The reason I want to show it is because the signature shows.

MR. MANKIN: It wouldn't be necessary to submit additional copies as we have a copy previously received with the application, and, as such, would be adequate. You may withdraw the one which you are just showing us; the approval of the State Lands Office as to form.

Q (By Mr. Christy) Mr. Hamifin, I believe that there has not yet been an agreement as to subsequent wells after the first well.

A No, we wanted to wait the outcome of this one.

Q Now, the allowable production under the Unit Agreement -- is that spread along this royalty and working interest only?

A Your oil is common. The State has all the royalties and the working interest is spread among all of them.

Q According to acreage? So that the royalty owners and working interest owner would receive their fair share out of the Unit operations?

A Yes, sir.

MR. CHRISTY: I believe that is all.

BY MR. GURLEY:

Q Mr. Hamifin, although this has been approved as to form, did they indicate to you that upon approval of the Oil Conservation Commission -- by they I mean the State Lands Office -- that upon the approval by the Oil Conservation Commission of the Unit; that they would therefore give their approval?

A That is right.

Q That was indicated to you?

A Yes, sir.

MR. MANKIN: Mr. Hamifin, does this have a segregation clause in the Unit Agreement?

A Segregation clause?

Q Segregation clause as required by the New Mexico State Lands Office as to acreage within and without the Unit?

A I don't believe it has. I don't believe that is necessary, is it?

Q That is strictly something which they would require.

MR. CHRISTY: I believe this is a fully participating unit.

MR. MANKIN: Would Magnolia Petroleum Company be agreeable to furnish the normal requested information and reports every six months after the Unit has been approved?

A Yes.

MR. MANKIN: Is there any further questions of the witness in this case? If not -- I don't believe you have had Exhibit A introduced.

MR. CHRISTY: I was going to remind you -- offer this in evidence, but --

MR. MANKIN: Is there any objection to entering into evidence Exhibit A which was the geological picture of the Unit? If there is no objection, it will be entered. Is there any further questions of the witness? If not, the witness may be excused.

(Witness is excused.)

MR. CHRISTY: That is all for the Magnolia Petroleum Comapny.

MR. MANKIN: Is there anything further? Is there any statement to be made in this case? If not, we will take the case under advisement.

REPORTER'S CERTIFICATE

I, LOUIS R. GUEVARA, do hereby certify that the foregoing and attached Transcript of Proceedings, pages numbered 2 through 11, were reported by me in Stenograph at the time and place aforesaid; that the same was reduced to typewritten transcript by me and contains a true and correct record of said proceedings to the best of my knowledge, skill and ability.

DATED this 17th day of September, 1956, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Louis R. Guevara
LOUIS R. GUEVARA, COURT REPORTER