

BEFORE THE

Oil Conservation Commission

SANTA FE, NEW MEXICO
November 17, 1954

IN THE MATTER OF:

CASE NO. 788 - Regular Hearing

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES

COURT REPORTERS

ROOMS 105, 106, 107 EL CORTEZ BUILDING

TELEPHONE 7-9546

ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 17, 1954

IN THE MATTER OF:

The application of Stanolind Oil and Gas Company for approval of a unit agreement.)

Application in the above-styled cause, seeks approval of a unit agreement for the development and operation of the Logan Draw Unit Area embracing a total of 13,123.95 acres of land, more or less in Eddy County, New Mexico, as described:

NEW MEXICO PRINCIPAL MERIDIAN

Twp. 17 South, Rge. 27 East

Section 15: W/2 NW/4, SW/4;
Section 16: all;
Section 17: E/2 E/2;
Section 20: E/2;
Section 21: all;
Section 22: all;
Section 23: W/2, W/2 E/2;
Section 25: W/2 W/2;
Section 26: all;
Section 27: all;
Section 28: E/2;
Section 33: E/2;
Section 34: all;
Section 35: all;
Section 36: W/2 W/2

Twp. 18 South, Rge. 27 East

Section 1: Lots 3 and 4, S/2 NW/4, SW/4;
Section 2: all;
Section 3: all;
Section 4: Lots 5, 6, 11, 12, 13, 14, 19, 20;
Section 9: E/2;
Section 10: all;
Section 11: all;
Section 12: W/2, W/2 SE/4;
Section 13: W/2, W/2 E/2;
Section 14: all;
Section 15: all;
Section 16: E/2;
Section 21: NE/4;
Section 22: N/2

Case No. 788

BEFORE:

Honorable Edwin L. Mechem
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 788.

MR. SETH: This is an application by Stanolind for approval of the Logan Draw Unit Agreement. This Unit Agreement includes approximately 13,000 acres in Township 17 South, Range 27 East, in Eddy County. The unitized substances are those below the base of the San Andres formation. Our first witness.

H A R O L D S H E R R O D ,

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

DIRECT EXAMINATION

By MR. SETH:

Q Would you state your name, please?

A Harold Sherrod.

Q You have not previously testified before the Commission, have you, Mr. Sherrod?

A No, sir.

Q Would you state your educational qualifications?

A In January, 1949 I received a Bachelor of Science Degree in Geological Engineering from the University of Oklahoma.

Q Following your graduation from the University of Oklahoma, by whom were you employed?

A Immediately upon graduation I was employed by Stanolind Oil and Gas as a surface geologist.

Q Have you been employed by them ever since that time?

A Yes, I have.

Q What type of work have you been doing during that period mostly?

A Approximately the first two years was employed in sub-surface work of which the major portion was well setting. Then for the next year I was employed as the assistant to an area geologist. The next three years I was employed as area geologist, that is up until November 1st of this year, at which time I was transferred to Roswell as district geologist.

Q You are, presently, district geologist at Roswell?

A Yes.

Q Is this unit area within your district at the present time?

A Yes.

Q Are you generally familiar with the geology in this area?

A Yes.

MR. SETH: Will the Commission accept his qualifications as an expert witness?

MR. MACEY: Yes, sir.

Q Would you state, please, briefly, the geology of the area proposed to be covered by the Logan Draw Unit?

A Let me get your question again.

Q Would you outline briefly the geology which is proposed to be covered by the Logan Draw Unit? What is the basis of your conclusions that you have reached as to the geology?

A Our seismograph interpretation data near the Mississippian level has delineated a structural anomaly approximately seven and a half miles long, in the north-south direction. The principal feature on this anomaly is about three miles wide in an east-west direction.

It embraces approximately a hundred feet of critical relief.

Q How was the unit boundary determined with relation --

A (Interrupting) The unit boundary was determined on the basis of our closing contour on the structural anomaly.

Q In your opinion, does the unit area fairly enclose the indicated structure without an excessive amount of acreage?

A Yes, it does.

Q Briefly, what formation do you expect to encounter in the test well?

A We expect to encounter the normal Permian formations, being the Yates, Seven Rivers, Queens, Grayburg, San Andres, Yeso, Drinkard, Abo, Wolfcamp and the Pennsylvanian.

Q The initial well will be a Pennsylvanian test well.

A It will be a Pennsylvanian test to be drilled to a maximum depth of 11,000 feet or commercial production at a lesser depth.

Q In your opinion, if development is had under the Unit Agreement, will it lead to an orderly development of this particular area?

A Yes, sir.

Q Will it lead to the best utilization of the reservoir energy?

A Yes, sir.

Q In your opinion, will it permit the State to receive its fair share of oil and gas?

A Yes, sir.

Q Will it lead generally to conservation, good conservation practices?

A Yes, sir.

Q Are you aware of the fact that a certain amount of the

State leases, the State acreage has not been committed to the unit? Have you been advised that a portion of the State acreage within the unit boundaries has not been committed to the Unit Agreement?

A Not to my knowledge.

Q Do you believe that if acreage around the edges of the Unit area is not committed to the Unit Agreement it will result in a failure to have sufficient control of the Unit area to properly develop it?

A In my opinion, no.

MR. SETH: That is all of this witness.

MR. MACEY: Any questions of the witness? Would the 11,000 feet, or the proposed drilling of the well, will it test the zone productive in the State A B Gas Unit?

A That is the reason for setting it up to the 11,000 feet to test the Pennsylvanian sand producing in the A B.

(Witness excused.)

J O H N T H O M P S O N ,

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

DIRECT EXAMINATION

By MR. SETH:

Q State your name, please?

A John Thompson.

Q By whom employed?

A Stanolind Oil and Gas Company.

Q What capacity?

A District Land man at Roswell, New Mexico.

Q Are you familiar with the Logan Draw Unit Agreement and the

commitments to the Unit Agreement?

A Yes, sir.

Q Does this Unit Agreement cover land in Township 17 and 18 South, Range 27 East in Eddy County?

A Yes, sir.

Q And the agreement itself contains a detailed description of the lands covered?

A Yes, sir.

Q Would you state, please, for the Commission approximate percentages of acreage within the unit boundaries that is classified as Federal acreage?

A There are 78.96 percent of the total unit that is Federal leases.

Q What percent is State?

A 20.74 percent.

Q Fee land?

A .3 or three-tenths of one percent.

Q The total area within the unit boundaries is how much?

A 13,123.95 acres.

Q Would you state in each of the categories the percentage of the acreage that is committed, how much Federal acreage has been committed to the Unit Agreement?

A 86.49 percent of the Federal acreage is committed to the Unit Agreement.

Q How many acres of fee land?

A A 40 acre tract.

Q That is not committed?

A That is not committed.

Q The State acreage, what is the percentage of State acreage committed?

A 60.32 percent.

Q As to the State acreage not committed, would you describe to the Commission or if you have a map prepared, show the Commission the location of the un-committed acreage?

A I have shown on this map which is a part of the Unit Agreement all of the State acreage.

MR. SETH: Mark Exhibit Number 1.

(Marked Stanolind's Exhibit No. 1, Case 788, for identification.)

Q Would you indicate to the Commission the location of the acreage not committed, the State acreage not committed?

A The State acreage that is not committed is mostly on the edge of the Unit Area, there are two tracts, each 40 acres, that are not committed, that are not on the edge of the area.

Q As to the State leases, are some of the State leases which are not committed, are they held by production at a shallow depth outside the Unit Area?

A Yes, sir.

Q In your opinion, is the failure to have these leases committed due in part to the Segregation Clause contained in the Unit Agreement?

A That is what we have been advised by the parties owning the leases?

Q That, in effect, the lease owners do not wish the portions of their State leases within the unit segregated from the portions outside the unit, all of which leases are held by production, is that correct?

A That is right.

Q Is the Segregation Clause in the Logan Draw Unit, is it in the usual form?

A Yes, sir.

Q Referring to the Unit Agreement itself again, are the other terms and provisions of the Unit Agreement similar or identical to those previously considered by the Commissioner of Public Lands and by the Oil Conservation Commission?

A Yes, sir.

Q Is there anything in the Agreement which is not usual or typical?

A No, sir.

Q Does it provide for joinder at a later date by other interest owners?

A Yes, sir.

Q It provides a Segregation Clause?

A Yes.

Q Does it provide for the drilling of an initial well within a six months period?

A Yes, sir, six months from approval date.

Q Do you have any further observation you would like to make on any of the points on on this State lease matter, Mr. Thompson? I might ask you this question. In your opinion, will the fact that a portion of the State lease land around the edge of the unit is not committed, will that interfere substantially with the operators control of the Unit Area?

A In my opinion it won't interfere.

Q Of the proper development based on structure?

A No, sir.

Q Do you have an executed copy of the Unit Agreement?

MR. SETH: Mark Stanolind's Exhibit Number 2 in Case 788.

(Marked Stanolind's Exhibit No. 2,
in Case 788 for identification.)

MR. SETH: If the Commission please, we would like to offer Exhibit 1 and also offer Stanolind's Exhibit 2, and request permission to withdraw Number 2 and submit a copy not executed.

MR. MACEY: Is there objection to the introduction of these exhibits? If not they will be received.

MR. SETH: That is all of the testimony we have.

MR. MACEY: Mr. Seth, we have a copy of the Unit Agreement.

MR. SETH: We may withdraw the original?

MR. MACEY: Any questions of the witness? What percentage of the total acreage in the unit do you have committed?

A 80.8 percent.

MR. MACEY: A little over 80 percent?

A A little over 80 percent.

MR. MACEY: I have no further questions. Do you have anything further?

MR. SETH: No, that is all.

(Witness excused.)

MR. MACEY: We will take the case under advisement.

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 23rd day of November, 1954.


Notary Public, Court Reporter

My Commission Expires:

June 19, 1955