

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 13, 1958

IN THE MATTER OF: Case 1376

TRANSCRIPT OF PROCEEDINGS

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ALBUQUERQUE, NEW MEXICO
3-6691 5-9546

BEFORE THE
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IN THE MATTER OF:

Application of The Texas Company for approval
of a unit agreement. Applicant, in the above-
styled cause, seeks an order approving its
Little Lucky Lake Unit Agreement embracing
11,715 acres, more or less, of Federal and
State lands in Township 15 South, Range 29
East; Township 15 South, Range 30 East, and
Township 16 South, Range 30 East, in Chaves
and Eddy Counties, New Mexico.

) Case 1376

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BEFORE:

Mr. A. L. Porter, Jr.
Mr. Murray Morgan
Governor Edwin L. Mechem

TRANSCRIPT OF PROCEEDINGS

MR. PORTER: We will take up next Case 1376.

MR. COOLEY: Case 1376: Application of The Texas Company
for approval of a unit agreement.

MR. HINKLE: Clarence Hinkle of Hervey, Dow and Hinkle,
Roswell, appearing in Case 1376 on behalf of The Texas Company.
We have two witnesses that I would like to have sworn.

(Witnesses sworn.)

C. S. JOHNSON

a witness, of lawful age, having been first duly sworn on oath,
testified as follows:

DIRECT EXAMINATION

By MR. HINKLE:

Q State your name, please.

A My name is C. S. Johnson.

Q By whom are you employed?

A By The Texas Company.

Q In what capacity?

A As a geophysical interpretive supervisor.

Q Have you ever testified before the New Mexico Oil Conservation Commission?

A No, I haven't.

Q Are you a graduate engineer?

A I am a graduate electrical engineer.

Q What year?

A In 1936.

Q From what university?

A From Louisiana Polytechnic Institute.

Q How long have you been with The Texas Company?

A For about twenty-one years.

Q In the capacity of geophysical interpretive --

A (Interrupting) Geophysical interpretive and geophysical supervisor.

Q -- where do you live at the present time?

A In Midland, Texas.

Q Are you in charge of the southeast New Mexico area at the

present time?

A Yes, I am.

Q Are all geophysical surveys of the Texas Company in New Mexico, southeast New Mexico, made under your supervision?

A Yes, they are.

Q Do you know whether or not The Texas Company has made a geophysical survey of the so-called Little Lucky Lake Unit area, proposed unit area?

A Yes, I do. In fact, they made two surveys.

Q When were those surveys made?

A One in 1951 and another one in 1956.

Q Do you know whether or not The Texas Company made application to the United States Geological Survey for designation of this particular area as an area suitable and proper for unitization?

A Yes, they did.

Q About when was that application made?

A That application was made last year, I believe in the late summer or early fall.

Q In connection with that application, did you file a report and structural plat showing the results of the geophysical survey which had been made?

A Yes, we did.

Q Do you have a copy of that report and the plat?

A Yes, I do, I have several copies.

(The Texas Company's Exhibit No. 1
marked for identification.)

Q Mr. Johnson, will you refer to Texas Company Exhibit 1 and explain to the Commission what that is?

A Exhibit 1 is a geophysical and geological report with a contour plat of an area proposed to be put under a unit agreement.

Q Was this report prepared by you or under your direction?

A Yes, it was.

Q Did anybody else have anything to do with the preparation of the report?

A Mr. J. R. MacMurray was consulted in the preparation of the report.

Q Who is Mr. MacMurray?

A He is the district geologist with our company in Midland, Texas.

Q You both prepared the report?

A Yes, sir.

Q Is this the same report that was submitted with the application to the United States Geological Survey for designation of the area?

A Yes, it is.

Q In substance what does this report show?

A This report shows that we have made a seismic survey across the area of this proposed unit. It also shows the prospective horizons that we expect to find in the area. It shows contours of

the structure that we found under the area.

Q Where is this area situated?

A This area is situated in Township 15, Range 30, in Eddy and Chaves Counties.

Q 29 and 30?

A Yes.

Q 29 and 30?

A 29 and 30.

Q Have you recommended to The Texas Company that they drill a well as a result of this geophysical survey?

A Yes, we have.

Q Where do you propose to locate the well?

A We propose to locate this well, I would rather refer to the plat. We propose to locate the well in the southwest corner of the northeast quarter of Section 29.

Q Is that Township 15 South, Range --

A (Interrupting) Township 15 South, Range 30 East.

Q To what depth have you recommended that the well be drilled?

A To the Ellenburger or approximately 12,000 feet.

Q Do you think that 12,000 feet is enough depth to test the Ellenburger?

A Yes, sir, I do.

Q What formations or probably producing formations would be encountered in this area?

A We'll probably encounter the Yates at about 950 feet, the

Queen about 1700 feet, and the Grayburg and San Andres at 2250 and 2350, the Wolfcamp at 7200 and the Cisco at 7600, the Canyon about 8,000 feet, the Devonian about 10,800 feet, and the Ellenburger about 11,700 feet.

Q These are all probable oil producing formations?

A Yes.

Q Does the plat which is attached to Exhibit 1 show the outlines of the proposed unit area?

A Yes, it does.

Q Does the area cover all or substantially all of the geophysical anomaly?

A Yes, it does.

Q Is the plat and the contours shown on the plat the result of the interpretation made by you or under your direction of the seismic work which was done in the area?

A Yes, it is.

Q And as a result of two different surveys which have been made?

A That's right.

MR. HINKLE: I believe that's all.

MR. PORTER: Any questions of the witness?

MR. HINKLE: We would like to offer in evidence Texas Company's Exhibit 1.

MR. PORTER: Without objection it will be admitted. Mr. Nutter, do you have a question?

MR. NUTTER: Yes, sir, I have a couple.

CROSS EXAMINATION

By MR. NUTTER:

Q Do you feel certain that the unit boundaries as proposed here are sufficiently large to provide the unit operators with adequate control in the structure should production be encountered?

A We think so, yes, sir.

Q Do you think that the unit boundaries are unnecessarily large to include any acreage that may not be productive?

A No, sir, I don't. We gave that careful consideration, taking into account all of the prospective horizons that we might encounter in here.

Q These contours that are drawn on this exhibit are on the lower ^{Pennsylvanian} Paynan horizon?

A Right, yes, sir.

Q Do you have any seismic evidence as to what the structure would be in the Ellenburger?

A No, we don't.

Q What is the highest closure that is shown on your lower Paynan horizon?

A The highest closure on the low Paynan is a 5600 contour over in Section 30 of Township 15, Range 30 East.

Q What is the lowest closure that is completely included within the unit area?

A The lowest closure is about a 5750 foot contour. We think

that there would be other closing contours. If you will notice in the report, we had trouble getting all of the data we wanted on the west side of this unit.

Q And you believe if you had further data, you would show more closure on the structure than you showed at the present time?

A That's right, yes, sir.

Q Does this unit area embrace Federal lands or State lands or a mixture of the two, or just what?

A As far as I know, it involves a mixture of the two, both Federal and State.

Q Are there any fee lands in the unit area?

A I wouldn't be able to answer that.

MR. HINKLE: The next witness will go into that.

MR. NUTTER: I think that is all I have at this time.

MR. PORTER: Anyone else have a question? The witness will be excused.

(Witness excused.)

MR. HINKLE: You admitted Exhibit No. 1?

MR. PORTER: Yes, sir.

J. H. GRIFFIN

a witness, of lawful age, having been first duly sworn on oath, testified as follows:

DIRECT EXAMINATION

By MR. HINKLE:

Q State your name, please.

A J. H. Griffin.

Q Where do you live, Mr. Griffin?

A I'm out of Midland.

Q Are you an employee of The Texas Company?

A Yes, I am.

Q What capacity?

A I am the District Land man in Midland, being the West Texas-Southeast New Mexico area.

Q You have charge of all the land matters pertaining to The Texas Company operation in southeast New Mexico?

A Yes, I do.

Q Are you familiar with the efforts of The Texas Company in unitizing the so-called Little Lucky Lake Unit area?

A Yes, I am.

Q How many acres does the proposed area comprise?

A The proposed area comprises approximately 11,714.96 acres out of Townships 15, 16 South, Ranges 29 and 30 East.

Q How many acres are Federal lands?

A The unit comprises, is comprised of approximately 10,072.28 acres, or about 85.98 percent Federal. The balance, being 1,642.68 acres, or 14.02 percent, is State land, no fee lands involved in this unit.

Q Are you familiar with the proposed form of unit agreement which has been filed--

A Yes, I am.

Q -- with the application in this case? Do you know whether or not that form is substantially the same form as heretofore approved by the Commission and used in connection with cases where both Federal and State lands are involved?

A Yes, sir, it is.

Q Is The Texas Company designated as the unit operators under the terms of the proposed unit?

A We are.

Q Does the unit agreement provide for the drilling of a test well?

A Yes, it provides for the drilling of the well within six months of the effective date of the unit in the location at the southeast of the northeast, Section 29.

Q To what depth is the well to be drilled?

A To Ellenburger formation at approximately 12,000 feet, but we will not be required under the terms of the agreement to drill deeper than 12,100 feet.

Q Do you know whether or not this particular form has been approved by the Commissioner of Public Lands or by his staff?

A To my knowledge it has been.

Q What is the status of the, present status of the execution of this agreement by the different parties owning acreage within the area?

A At the present time we have committed approximately 93 percent of the working interest owners, have signed this agreement.

Q In your opinion is that sufficient committment to give effective control of the unit area?

A Yes, sir, we have very good coverage in the area. I believe we have effective control.

Q In the event that a discovery should be made of unitized substances in paying quantities, state whether or not in your opinion the unit agreement would be in the interest of conservation and prevention of waste?

A Yes, I do, the fact that it will be an orderly development among the parties.

Q Would the unit agreement in that case, in case of discovery, also tend to promote the greatest ultimate recovery of unitized substances?

A Yes, in my opinion it would.

MR. HINKLE: That's all.

MR. PORTER: Anyone have a question of Mr. Griffin? Mr. Nutter.

CROSS EXAMINATION

By MR. NUTTER:

Q Mr. Griffin, you stated that 93 percent of the working interest had been committed to the unit agreement?

A Yes.

Q Now what about the royalty interest here, have you received tentative approval from the Commissioner of Public Lands on this unit?

A Yes, we have.

Q How about the United States Geological Survey?

A We have also received it from them.

Q Does the unit agreement contain a segregation clause as to the State leases?

A I may not be following the question exactly. I assume by that, do you mean does the -- well, I'm not following it.

Q If a State lease lies partly within the unit area and partly outside the unit area --

A Yes.

Q -- and no production is encountered on the lease that is in the unit area --

A Right.

Q -- does that part of the lease, is it segregated from the rest of the State leases?

A Yes, that is my understanding, definitely. I'm following you now.

Q How about an elimination clause?

A Within a certain length of time it has the automatic reduction of the unit area to exclude those areas not included in a participating area.

Q Is provision made in the unit agreement for the expansion of the unit area?

A Yes, it is provided that it can be expanded if development proves that is the logical move to make.

MR. NUTTER: That's all. Thank you.

MR. HINKLE: Is the designation of the unit area by the United States Geological Survey attached to the application filed here?

A I believe that it is. I'm not absolutely sure.

MR. PORTER: Anyone else have a question? Mr. Cooley.

By MR. COOLEY:

Q Are all the formations unitized?

A Yes, all depths.

Q Unitized substances are both oil and gas?

A Right.

MR. PORTER: Any further questions? The witness may be excused.

(Witness excused.)

MR. PORTER: Anyone else have testimony to present or statements to make in this case?

MR. HINKLE: In our application, we request, I believe, that the report be treated as confidential. We would like, after the Commission has made up its mind as to the decision in this case, to withdraw the geologic report and the seismic map which has been submitted as Exhibit No. 1.

MR. COOLEY: Mr. Hinkle, in connection with that, they will be withdrawn after the time for rehearing and time for appeal have expired.

MR. MORGAN: How can this be kept confidential? Off the

