

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
5 August 1980

COMMISSION HEARING

IN THE MATTER OF:

Application of Getty Oil Company for
statutory unitization, Lea County,
New Mexico.

CASE
6987

BEFORE: Commissioner Ramey
Commissioner Arnold

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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Commission:

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HERMAN W. TERRY

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HARVEY O. WOODS

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1 Examiner's Hearing on October 31st, 1973. At this hearing
2 Skelly Oil Company, now Getty Oil Company, sought permission
3 to initiate a secondary recovery project in the Langlie-Mattix
4 Pool in Lea County, New Mexico.

5 Order No. R-4680 was issued by the Com-
6 mission on November 20th, 1973, authorizing the project. The
7 unit was effective on February 1st, 1974, and the unit agree-
8 ment was revised twice thereafter.

9 To date in excess of 99 percent of both
10 the working interest owners and royalty interest owners have
11 ratified the unit agreement, and Getty has made a concentrated
12 effort to obtain 100 percent ratification of the unit agree-
13 ment.

14 MR. NUTTER: What was the percentage again
15 please?

16 A In excess of 99 percent of both working
17 interest and royalty interest owners.

18 However, there still remain a total of
19 ~~13 tracts~~ for which we do not have 100 percent ratification
20 ~~of the~~ royalty interest owners. On these tracts we are main-
21 taining separate production facilities. Statutory unitization
22 of these unsigned royalty interests will greatly benefit
23 the working interest owners, royalty interest owners, as well
24 as overriding royalty interest owners, of the unit. It will
25 allow Getty as unit operator to enter into lease line agree-

1 ments with offset operators and more efficiently flood the
2 unit area. It will reduce operating costs, increase oil re-
3 covery, and extend the economic life of the unit.

4 Q Mr. Terry, are you familiar with the
5 New Mexico statutory unitization act?

6 A Yes, sir, I am.

7 Q Have you prepared certain exhibits for
8 introduction in this case today?

9 A Yes, sir, I have.

10 Q Will you please refer to what has been
11 marked for identification as Getty Oil Company Exhibit Number
12 One and explain to the Commission what this is and what it
13 shows?

14 A Exhibit Number One is an index map which
15 shows the location of the Myers Langlie-Mattix Unit in Lea
16 County, New Mexico. This unit is located approximately nine
17 miles north of Jal, New Mexico.

18 Q Will you now refer to Exhibit Number Two
19 and explain this to the Commission?

20 A Exhibit Number Two is an ownership map
21 on which the unitized area of the Myers Langlie-Mattix Unit
22 has been outlined in magenta. The tract numbers have been
23 identified and the Federal, State, and fee land is identified.
24 Those tracts of fee land are further identified to indicate
25 which tracts have less than 100 percent ratification of the

1 unit agreement.

2 As I previously mentioned, there are a
3 total of 13 unsigned tracts. These tracts being Tracts Nos.
4 ~~50, 52, 53, 54, 55, 56, 61, 64, 65, 66, and Tract 81.~~

5 Q Mr. Terry, I believe also Tracts 43 and
6 ~~45 are characterized as unsigned, is that correct?~~

7 A Yes, sir, that is correct.

8 Q And when you say unsigned fee land, it
9 doesn't mean that there are no interests in the tract that
10 are signed, it means that there are just some fractional in-
11 terests that have not committed, is that correct?

12 A Yes, there -- in most cases we have the
13 biggest majority of the interests signed and in most cases
14 it's one royalty interest owner that has not ratified the
15 agreement.

16 Q Now on this plat the area that's out-
17 lined in magenta, that is the existing unit boundary, is that
18 correct?

19 A Yes, sir, that is correct.

20 Q That is also the proposed unit boundary?

21 A Yes, sir, we're not proposing to change
22 the unit boundary in any way.

23 Q Mr. Terry, what formation is being unit-
24 ized?

25 A The Langlie-Mattix Pool.

1 Q How is the unitized interval being de-
2 fined? That is, what are the vertical limits of this --

3 A The unitized interval is defined as the
4 interval which extends from a point 100 feet above the base
5 of the Seven Rivers formation to the base of the Queen forma-
6 tion, this interval having been heretofore found to occur in
7 the Texas Pacific Oil Company Blinbry B No. 3 Well, which
8 is located 2310 feet from the west line and 330 feet from
9 the north line of Section 34, Township 23 South, Range 37
10 East, Lea County, New Mexico.

11 In this well the unitized interval was
12 present at an indicated depth interval of 3168 feet to 3570
13 feet, as recorded on the Schlumberger electrical log run num-
14 ber one, taken December 26th, 1952, this log having been
15 measured from a derrick floor elevation of 3300 feet above
16 sea level.

17 Q Has the portion of the reservoir that you
18 propose to unitize been reasonably defined by development?

19 A Yes, sir, it has.

20 Q Are there windows within the present
21 unit area?

22 A Yes, sir, there are. Referring back to
23 Exhibit Two, you'll note that there are three windows which
24 are present in the unit. The two smaller windows in the
25 western half of the unit present little, if any, operational

1 difficulties as far as secondary recovery operations are con-
2 cerned; however, I wish to point out that it's not the pur-
3 pose of this hearing to close either of these two windows
4 in the western half or the larger window in the eastern half
5 of the unit.

6 Q Now, I direct your attention to this
7 larger unit in the eastern portion of the unit area. Will
8 granting of this application facilitate your being able to
9 cooperatively waterflood this area?

10 A Yes, sir, in this statutory unitization
11 we'll facilitate the execution of a cooperative lease line
12 agreement with this large window and our other offset oper-
13 ators in this portion of the field.

14 Q Will you now refer to Getty's Exhibit
15 Number Three and explain this to the Commission?

16 A Exhibit Number Three is a map which shows
17 the status of wells contained in the Myers Langlie-Mattix
18 Unit and proposed wells and conversions.

19 You will note that there are a number
20 of wells which have been converted to injection service but
21 are shut-in because of the delay in executing a lease line
22 cooperative flood agreement with offset operators. The un-
23 signed royalty interests are the primary reason for this
24 delay. For example, Well No. 226 in the southeast corner
25 of the unit is proposed for injection service and is a key

1 well for any lease line agreement that we might execute; how-
2 ever, Well No. 226 ~~is the only producing well on~~ Tract 81,
3 which is one of the unsigned tracts and cannot be converted
4 to injection service at this time.

5 Q What is the status of the sign-up in that
6 particular tract?

7 A It is less than 100 percent.

8 Q Is all the working interest committed?

9 A Yes, sir, all the working interest is
10 committed.

11 Q But you do have an outstanding royalty
12 interest owner that --

13 A Yes, sir, we do --

14 Q -- has not signed?

15 A -- have an outstanding royalty interest
16 that has not ratified.

17 Q Will you please refer to what has been
18 marked for identification as Getty Exhibit Number Four and
19 explain the data contained on this exhibit to the Commission?

20 A Yes, sir. Exhibit Number Four is a com-
21 parative production schedule which anticipates production
22 with and without statutory unitization.

23 Case number two, the case number two
24 schedule reflects the anticipated benefits of statutory
25 unitization. With the lease line agreement and the drilling

1 and conversion of wells, as shown on Exhibit Three, it is an-
2 ticipated that 500,000 barrels of additional secondary re-
3 covery of oil will be recovered.

4 Production facilities on these unsigned
5 tracts are old and in any case only temporary. Without
6 statutory unitization investment of \$600,000 will be required
7 in the near future for new production facilities on the un-
8 signed tracts, and operating expenses are estimated to be
9 \$90,000 greater per month than with a statutory unitization.

10 It is further anticipated that the life
11 of the unit will be shortened by two years because of the
12 higher operating expenses without statutory unitization.

13 Q Mr. Terry, will you now refer to Exhibit
14 Number Five and review this for the Commission?

15 A Exhibit Number Five is a listing of esti-
16 mated reserves by well which will be lost if the unsigned
17 tracts are not statutorily unitized. This is a very conser-
18 vative estimate based upon our recovery in other areas of the
19 unit with fully developed waterflood pattern.

20 Q Mr. Terry, is unitized management, oper-
21 ation, and further development of a portion of the Myers
22 Langlie-Mattix Pool covered by this application reasonably
23 necessary to substantially increase the ultimate recovery of
24 oil from the unitized portion thereof?

25 A Yes, sir, they are.