

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

IN RE:

In the matter of the application of Shell Oil Company for approval of a unit agreement for the development of the stipulated Reeves Unit Area embracing 2540.48 acres of land, more or less, in Lea County, New Mexico, as described:

CASE 374

NEW MEXICO PRINCIPAL MERIDIAN

Township 18 South, Range 35 East

Section 25: SE/4

Section 36: E/2

Township 19 South, Range 35 East

Section 1: NE/4

Township 18 South, Range 36 East

Section 29: SW/4

Section 30: S/2

Section 31: All

Section 32: W/2

Township 19 South, Range 36 East

Section 5: NW/4

Section 6: N/2

TRANSCRIPT OF HEARING

REGISTER

BEFORE: Honorable R. R. Spurrier, Secretary-Director and Member

Paxton Howard
Shell Oil Company
Midland, Texas

W. A. Scott
Shell Oil Company
Hobbs, New Mexico

R. T. Wright
El Paso Natural Gas
Jal, New Mexico

A C Elliott
Shell Oil Company
Midland, Texas

O. Seth
Shell Oil Company
Santa Fe, New Mexico

W. B. Macey
Oil Conservation Commission
Santa Fe, New Mexico

George A. Graham
Oil Conservation Commission
Santa Fe, New Mexico

TRANSCRIPT OF HEARING

May 27, 1952

MR. SPURRIER: The meeting will come to order, please. The minutes of the Commission will show that the Commission met yesterday and directed me to sit for the purpose of taking the record only. Neither of the other Commissioners could be present this morning. Let the record show that the advertisement was read, and Mr. Howard, you may proceed.

MR. HOWARD: If the Commission please, this is the application for Shell Oil Company for the approval by this Commission of a unit agreement for the development and operation of certain lands in Lea County, New Mexico. The lands being designated as the Reeves Unit Area and which land will be more definitely described as we proceed with the hearing. The appearances I believe have been made - Messrs. Seth and Howard for Shell. I have two witnesses that I would like to be sworn, Mr. Elliott and Mr. Scott.

Our first witness will be Mr. Elliott

A. C. ELLIOTT

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

MR. HOWARD: Mr. Elliott, will you take the stand please?

Please state your name

A. A. C. Elliott

Q And what capacity?

A Division geologist for western division.

Q I take it you are a geologist?

A Yes sir.

Q Will you state for the record your education and training as a geologist.

A Graduate BS degree in geology Texas A & M College.

Q May I ask if these qualifications will be accepted?

MR. SPURRIER: They will be.

Q. In your capacity with Shell Oil Company, are you familiar with certain exploration work that the company has done in the area that is involved in this hearing and is designated as the Reeves Unit?

A. Yes sir.

Q. For the record will you read into the record the description of the lands involved in the unit.

A. SE/4 section 25 and E/2 section 36, T. 18 S, R. 35 E. NE/4 section 1, T. 19 S, R. 35 E; S/2 section 30, SW/4 section 29, All section 31, W/2 section 32, all in T. 18 S, R. 36 E; N/2 section 6, NW/4 section 5, T. 19 S, R. 36 E, Lea County, New Mexico.

Q. Those are the lands that are described in the application filed with the Oil Conservation Commission and also with the Land Commissioner, is that correct?

A. That's right.

Q. Will you mark that please as Exhibit "A". Mr. Elliott, I hand you what has been marked Exhibit "A: and ask you to state what that is, please

A. This is a seismic high. (interruption)

Q. Just a minute. That is a picture representation of the land involved in the unit, isn't it?

A. That's right.

Q. I ask that that be admitted please.

MR. SPURRIER: Without objection it will be admitted.

Q. Now, Mr. Elliott, has the Shell Oil Company conducted exploration work on this unit and in the area thereof?

A. Yes sir.

Q. Will you state to the Commission what that work consisted of, please.

A. We have conducted seismic reflection and seismic surveys of this area. And the work indicates that there is a seismic high in this area, a closed structure which we presume there are possibilities of the development of oil.

Q. Is that a structural high on the Devonian?

A. Yes sir. I worked the area near the well, four or five miles to the south, and we tied into that well with our seismic exploration. We feel that by tying in that well and coming up to this area there is possibly a simulation in the area.

Q. Is it your opinion that the area that is included in the proposed Reeves Unit will cover the probable producing area of this high if it is productive?

A. From our experience and nearby fields, we feel that this area so outlined will cover the area.

Q. And that if production of oil or gas is found on this structural high at any place within this unit in the Devonian that it will all be produced from a common source of supply on the same structure?

A. A common reservoir, that is right.

Q. Do you have anything else that you wish to add in the way of a statement?

A. No sir.

Q. If the Commission please, the detailed structural map has been filed with the Land Commissioner, as required, is attached to the application. If it is not required in this hearing, why we will rest with the map of the outline of the area.

MR. SPURRIER: Very well.

Q. Are there any questions from the Commission of Mr. Elliott?

MR. SPURRIER: If there are no questions, the witness may be excused.

Our second witness will be Mr. Scott

W. A. SCOTT

having been first duly sworn, testified as follows:

MR. HOWARD: Mr. Scott

MR. SPURRIER: Mr. Scott has testified before the Commission.

Q. And he is qualified?

A. And he is qualified.

Q. State your name please.

A. W. A. Scott

Q. You are employed by Shell Oil Company?

A. Yes sir, in Hobbs, New Mexico.

Q. And in what capacity are you employed?

A. As a petroleum exploitation engineer.

Q. And you have qualified before the Commission, and your qualifications have been accepted?

A. Yes sir.

Q. In your capacity with Shell Oil Company are you familiar with the area known as the Reeves Unit, that is under consideration here today?

A. Yes sir, I am.

Q. Are you familiar with the unit agreement that has been executed between the operators owning leaseholds in the Reeves area?

A. Yes sir, I am.

Q. Will you state into the record the names of the companies holding leaseholds in this Reeves unit.

A. Yes sir. Shell, Cities Service Oil Company, Sinclair Oil & Gas Company, Gulf Oil Corporation, Texas-Gulf Producing Company, Ohio Oil Company, Tide Water Associated Oil Company, Magnolia Petroleum Company.

Q. They are the leasehold owners in the area?

A. Yes sir.

Q. As to the royalty ownership, all of the lands involved in this unit are State owned lands, are they not?

A. They are.

Q. Will you mark this please as Exhibit "B". I hand you what has been marked as Exhibit "B" and ask you to state please what that is.

A. This is the unit agreement for the development and operation of the Reeves Unit in Lea County, New Mexico.

Q. And it has been executed by all of the leasehold owners in the area?

A. Yes sir, it has.

Q. I ask that this be admitted please.

MR. SPURRIER: Without objection it will be admitted.

Q. For the information of the Commission, I have with me executed copies showing the signature of all of the operators. If you will dispense with them, I will not introduce the executed copies.

MR. SPURRIER: That's very well.

Q. Mr. Scott, is this unit agreement as prepared and signed by the operators in the usual form that has been approved heretofore by the Commission for unit operation?

A. Yes sir, it is.

Q. And in addition to this unit agreement there has also been executed an operating agreement for the operation of the properties, I believe.

A. Yes sir, it has.

Q. If the Commission please, I have that if the Commission wants them. If it doesn't I will not introduce them.

MR. SPURRIER: That's not necessary.

Q. Under that unit agreement Shell Oil Company is named as the operator of the properties, I believe.

A. Yes sir.

Q. Does that unit agreement contain a commitment for the drilling of a well?

A. Yes sir, it does.

Q. State please what that is?

A. It provides for the commencement of a well on this unit by or on June 9, 1952, the well to be drilled to a total depth of approximately 12,750 feet.

Q. As a Devonian test?

A. As a Devonian test.

Q. Unless oil or gas in paying quantities is found at a lesser depth. Is that correct?

A. Yes sir.

Q. Now, you are familiar with the contents and provisions of this operating agreement - the operating agreement and also this unit agreement?

A. I am.

Q. In your opinion as an engineer, will the operation of this property under this unit agreement result in the conservation of oil and gas, if oil and gas is discovered on this structure?

A. Yes sir, it will.

Q. Will you state to the Commission your reason for that statement?

A. Well, there are several reasons; one being the production practices are aided by the formation of a unit and the operation will permit the most proper and efficient utilization of the reservoir energy. The third, by producing the most amount of oil and gas from the accumulation we can conserve reservoir energy. Another point is, by the formation of this unit it will allow us to instigate recovery methods that might not be possible to install in a smaller area. And if we conserve the oil and gas, we can institute any kind of recovery method that we might plan later on from engineering data and studies that we determine necessary to most efficiently deplete the reservoir and at the same time to conserve to the greatest extent the reservoir energy. Another thing would be the critical steel shortage -- would enable us to develop this acreage most efficiently. It would eliminate any intermediate wells, and it would allow us to eliminate any fire hazards and it would lead to proper development.

Q. It is your opinion then, as an engineer, that the forming of this unit is a conservation measure?

A. Yes sir.

Q. And that under the operation of this unit, the royalty owner, being the State of New Mexico in this case, will receive the greatest amount of recoverable oil.

A. It is my belief that by the formation of this unit the State would benefit in that we would practice conservation measures to the utmost degree by engineering studies and proper technical development of this unit.

Q. Do you have anything else to state for the record?

A. No sir.

Q. Does the Commission have any question?

MR. SPURRIER: Is there a question? Are there any further questions, if not the witness may be excused. Mr. Paxton do you have any?

MR. HOWARD: I have no further statement, Mr. Commissioner. All I do have, in accordance with the Commission's statement of policy - I have a form of order which is in line with the orders heretofore issued by the Commission in this type case which order I would like to submit to the Commission.

MR. SPURRIER: Very well, that being true I will recommend to the Commission that the order be signed.

MR. HOWARD: Thank you sir. I have nothing further.

MR. SPURRIER: If there is nothing further, the case is ended and the meeting is adjourned.