

BEFORE THE
OIL CONSERVATION COMMISSION

Case 653

February 17, 1954

ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 105-106, EL CORTEZ BLDG.
PHONES 7-9645 AND 3-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

February 17, 1954

IN THE MATTER OF:

In the matter of the application of Sinclair Oil and Gas Company for approval of the Sand Hills Unit Agreement for development of a unit area consisting of 21,397.02 acres, more or less, in Lea County, New Mexico, as described:

Case No. 653

NEW MEXICO PRINCIPAL MERIDIAN

Twp. 25 South, Rge. 36 East

Section 28: S/2
Section 29: S/2
Section 30: S/2
Section 31: All
Section 32: All
Section 33: All

Twp. 26 South, Rge. 36 East

All of Sections 3, 4, 5, 6, 7,
8, 9, 10, 16, 17, 18, 19,
20, 21, 29, 30, 31 and 32.

Twp. 26 South, Rge. 35 East

All of Sections 1, 10, 11, 12,
13, 14, 15, 22, 23, 24, 25 and
26.

(Notice of publication read.)

A. H. L L O Y D

the witness, having been duly sworn, testified as follows:

DIRECT EXAMINATION

By: MR. PHILLIPS:

- Q Please state your name and address?
A A. H. Lloyd, Roswell, New Mexico.
Q By whom are you employed, Mr. Lloyd?
A By the Sinclair Oil and Gas Company.
Q In what capacity are you employed?

A District land man.

Q Mr. Lloyd, are you acquainted with this present application of Sinclair Oil and Gas Company for approval of the Sand Hills unit agreement?

A Yes.

Q What is the location of the Sand Hills unit area to be covered by the proposed agreement?

A In 25 South, 36 East, in Lea County, New Mexico, it embraces the south half of 28, south half of 29, south half of 30, all of 31, 32, 33. In Township 26 South, Range 36 East, it embraces Sections 3 through 10 inclusive. Sections 16 through 21 inclusive, and Sections 29 through 32 inclusive. In Township 26 South, Range 35 East, it embraces all of Section 1 and 10 through 15 inclusive, 22 through 26 inclusive.

(Marked Exhibit No. 1, for identification.)

Q I hand you herewith a platt marked Exhibit No. 1 and ask you if this platt shows the outline of the proposed Sand Hills unit area?

A Yes, it does.

Q Mr. Lloyd, is this the same platt which is attached to a copy of the unit agreement which heretofore has been filed with this Commission with the application?

A Yes, it is.

Q Is the Unit Agreement which you will hereafter refer to the same Unit Agreement which has heretofore been submitted to the Commission?

A It is.

Q What are the total number of acres to be within the unit area?

A 21,397.02 acres.

Q Of the total acres within the unit, how many acres are owned by the State, how many by the Federal Government and how many acres are fee lands?

A The Federal Government owns 17,426.75 acres. The State owns 2,806.72 acres and fee lands are 1,113.56 acres.

Q How much of the acreage in the proposed unit area has been already committed to the unit by the working interest owners?

A Total of 20,067.02 or percentage of 93.78 14 percent.

Q How many acres are now uncommitted by the working interest owners?

A Total of 1,330 acres.

Q Is provision made in the unit agreement for allowing the uncommitted acreage into the unit after the Unit Agreement becomes effective?

A Yes.

Q Does the proposed Unit Agreement contain a segregation clause whereby any lease lands within the unit are segregated from leased lands which lie without the unit for the purpose of continuing the lease by payment of delay rentals or productions?

A Yes, the Unit Agreement does contain a segregation clause.

Q Has the Federal Government approved the proposed Unit Agreement?

A They have approved it as to form and approved the unit area, but final approval has not yet been secured.

Q Is the proposed Unit Agreement in substantially the same form that has heretofore been approved by the Federal Government as by the State of New Mexico?

A That is true.

Q Will the State of New Mexico and other mineral interest owners in the unit area receive their fair share of the oil and gas

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in place under their land?

A Yes, they will.

Q What is the formula for proportioning the proceeds from the sale of oil and gas among the various tracts within the unit?

A They will share in proportion to the amount of acreage they hold in the participating area of the unit.

Q Mr. Lloyd, in your opinion, will conservation and the better utilization of reservoir energy be promoted by developing the Sand Hills unit area under the plan set forth in the agreement and which has hereto been submitted to the Commission?

A Yes.

Q Is there a proposed modification of the Unit Agreement which has been submitted to the Commission? A Yes, there is.

Q What is the purpose of that modification?

A The original Unit Agreement failed to provide for the perpetuation of State leases that are in their secondary term in the event of production.

Q Does the modification cure that defect?

A It does.

Q Has Phillips Petroleum Company agreed to this modification so far as the affects the State lease owned by it within the unit area?

A I understand they will.

Q Will that substantially enlarge the number of working interest owners who have agreed to the proposed agreement?

A Yes.

MR. PHILLIPS: I have no further questions of this witness. I have a geologist who will testify.

MR. SPURRIER: Are there any questions of this witness?
If not, the witness may be excused.

(Witness excused.)

F R A N K E. P O U L S O N

the witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By: MR. PHILLIPS:

Q State your name and address?

A My name is Frank E. Poulson, Fort Worth, Texas.

Q By whom are you employed, Mr. Poulson?

A I am employed by the Sinclair Oil and Gas Company.

Q In what capacity are you employed?

A I am exploration geologist.

Q How long have you practiced as a geologist, Mr. Poulson?

A 35 years.

Q In what areas have you practiced your profession?

A I have worked in two foreign countries and in every oil province in the United States west of the Mississippi River save one, the Wiley Stone Basin.

Q Mr. Poulson, have you studied the geology in the proposed Sand Hills unit area?

A Yes, sir.

MR. PHILLIPS: Would this witness's qualifications be received?

MR. SPURRIER: They will.

Q Mr. Poulson, does the Sand Hills unit area as proposed overlie a prospective reservoir for oil and gas?

A We think it does.

(Exhibit marked Number 2,
for identification.)

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Q Mr. Poulson, will you describe the nature of the prospective reservoir within the Sand Hills unit area and give your reasons for believing such a reservoir may exist?

A Our belief that a reservoir exists is predicated on the record of the Sun Harper Federal, a well that was drilled last year and they had quite a quantity of oil in what we think is the lower Leonard Section and which others think is the Wolf Camp but they made 600 feet of free oil on a drill stem on that well at 13,000 feet. However, almost 12,000 feet. They weren't able to produce it perhaps we will say on account of mechanical difficulties but we feel like there is a reservoir down there that will produce 3600 feet of oil on a drill stem test.

Q Do you have the location of the Sun Oil Company well?

A Yes, sir, it is in 25 - 35, I don't remember the Section but in the south east quarter of that Township. This is the Sun Harper Federal here.

Q Have you correlated the information obtained from that well with other wells drilled within the general area?

A Yes. We made this, it is not strictly a cross section, it is a stratigraphic section.

Q You are referring now to Exhibit 2?

A That is Exhibit 2.

Q Does Exhibit 2 show the cross section that you have?

A It shows the stratigraphic section. This well to the west is the Humble Federal Wiggs.

Q Is that west of the proposed unit area?

A That is 50 miles west, but this Exhibit is or was made to show the relation of the Sand Hills unit, the relation between the

unit and the Delaware Basin versus the Central Basin platform. You will recognize this as being the truncated Central Basin platform.

Q That is to the east of the proposed unit area?

A To the east, yes, sir, about 12 miles.

Q And is a well proposed to be drilled under the terms of the Unit Agreement?

A Yes, to about the same depth that will test the horizon that showed so well in the Sun Harper Federal.

Q What is the proposed location of that well?

A The location is about 7 miles south east of the Sun Harper Federal along the strike. This application is based on a purely stratigraphic play not a structural one to a geologist, it becomes apparent that to drill a well in here on a structure would be rather hopeless. Sinclair Oil and Gas Company in 1951, drilled a shallow test which is a mile east of our, of the proposed location.

Q Does that shallow test tell you that the beds dip in the way you have them there?

A Yes, unfortunately we hoped to get a high well and got a low well. On the upper markers, that well was drilled through the Yates into the Seven Rivers and abandoned at 4100 feet. It was low and it was drilled after shallow refraction work. We felt like the refraction work wasn't very good after drilling the well.

Q Can you describe the location of the well which would be drilled under the terms of the proposed unit agreement?

A The proposed well would be about one mile west of the shallow.

Q Do you know more particularly its legal description?

A It is 660 from the south and east of Section 27, 25, 35, pardon 26, 36.

Q Mr. Poulson --

A (Interrupting) Wait a minute, did I say 27, I believe it is 17, I am sorry.

Q Mr. Poulson, will conservation and the better utilization of reservoir energy be promoted by developing the Sand Hills under the unit plan set forth in the agreement which has been submitted to the Commission?

A I believe so, yes, sir.

Q Do you have any way now of estimating the areal extent of this prospective stratigraphic trap?

A I think that is rather an impossible objective to estimate especially on a stratigraphic play. If it were structural, I might make a guess but on a stratigraphic deal, I don't believe it would be possible.

MR. PHILLIPS: I have no further questions of the witness.

MR. SPURRIER: Does anyone have a question of the witness? If not the witness may be excused.

(Witness excused.)

MR. PHILLIPS: I would like to make a statement if the Commission please. I have been unable to find in the Statutes or regulations of this Commission or of the Commissioner of Public Lands, any requirement that proposed units on wholly undeveloped acreage should be submitted to this Commission, although I recognize that it has long been the practice to present such an agreement to the Commission and have a hearing of this kind prior to their approval. Rule 507 which has been promulgated by this Commission provides in substance that it is necessary to have a hearing where the applicants desire to put together several producing, drilling and spacing units. Nothing so far as I am able to ascertain has been

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provided where we have here wholly undeveloped acreage. I am informed and my experience has been that it is quite generally the practice to have these matters handled as administrative matter by the agencies who are involved. In this Case by the Commissioner of Public Lands and by the Oil and Gas Conservation Commission. Therefore, I would suggest that the Commission take under advisement the question of whether or not this could be better done in someone's office as an administrative matter rather than providing for notices and requiring the presence of several witnesses who must travel over long distances to present these things. Possibly, much as in the case of presenting proposed units to the U. S. G. S. this matter could be done in such a way. I have not canvassed other operators on the matter but I believe that it would be possible to satisfy all the Commission's needs and at the same time make it somewhat easier on the operators.

MR. YOST: Do you care to put in the Exhibits?

MR. PHILLIPS: Yes, I would like to present Exhibits 1 and 2 in evidence and ask that the Commission take this matter under advisement. I do not know whether the Commission might feel that some notice would be required prior to consideration of issuing a new Rule to cover this sort of situation but I believe that it should be considered and it would result in greater ease of administering this problem.

MR. SPURRIER: Without objection, the Exhibits will be admitted. Does anyone have anything further in this Case? If not, we will take it under advisement and move on to Case 654. We will take a short recess.

C E R T I F I C A T E

I hereby certify that the above and foregoing transcript in Case 653 taken before the Oil Conservation Commission at Santa Fe on February 17, 1954, is a true and correct copy to the best of my knowledge, skill and ability.

Dated At Albuquerque this 23rd day of February, 1954.


REPORTER