

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 1450

TRANSCRIPT OF HEARING

MAY 28, 1958

DEARNLEY - MEIER & ASSOCIATES  
INCORPORATED  
GENERAL LAW REPORTERS  
ALBUQUERQUE, NEW MEXICO  
3-6691 5-9546

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO  
MAY 28, 1958

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IN THE MATTER OF: :  
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CASE NO. 1450 Application of Neville G. Penrose, Inc. :  
 for approval of a unit agreement. Ap- :  
 plicant, in the above-styled cause, :  
 seeks an order approving its November :  
 State Unit comprising 913 acres, more :  
 or less, of State of New Mexico and :  
 patented lands, located in Township 10 :  
 South, Range 37 and 38 East, and Town- :  
 ship 11 South, Range 38 East, Lea :  
 County, New Mexico. :  
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BEFORE:

Elvis A. Utz, Examiner

T R A N S C R I P T    O F    P R O C E E D I N G S

MR. UTZ: Next case on the docket will be Case 1450.

MR. PAYNE: Application of Neville G. Penrose, Inc. for approval of a unit agreement.

MR. CHURCHILL: Mr. Examiner, R. T. Churchill, attorney, Fort Worth, appearing for the applicant, that will be Penrose, Inc. I have one witness and two exhibits.

(Witness sworn)

J. R. FRENCH,

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

DIRECT EXAMINATION

BY MR. CHURCHILL:

Q Will you state your name and address for the records, please?

A J. R. French.

Q By whom are you employed?

A Midland, Texas. I am employed by Neville G. Penrose.

Q In what capacity?

A Geologist, geophysicist.

Q How long have you been employed by Penrose?

A Since January 1st, 1958.

Q Have you ever appeared before this Commission as an expert witness?

A No.

Q Will you please state to the Commission your educational background and experience?

A I am a graduate of St. Luke's University, 1951, Bachelor of Science degree in geophysical engineering, with a minor in geology. Upon graduation, I was employed by Major Oil Company doing seismic field work and interpretation. After three years, I was appointed seismic party chief. At the conclusion of one year of that, I was appointed district geophysicist in Midland, Texas, and in that capacity was actively engaged in the evaluation and interpretation of geological and geophysical data.

MR. CHURCHILL: Will the Commission accept Mr. French's qualifications as an expert witness?

MR. UTZ: They will be accepted.

Q Mr. French, are you familiar with the acreage which has been proposed for the unit?

A Yes, I am.

Q You have before you now a copy of the Exhibit which has been marked Penrose's Exhibit 1. Would you explain to the Examiner the purpose and what is shown by that Exhibit?

A We have outlined in red the proposed November State Unit, including the west half of the west half, Section 31, Township 10 South, Range 38 East, all of Section 36, Township 10 South, Range 37 East, except the southwest, northwest and west half, southwest, all of section -- let me correct that -- in Section 4 immediately to the south, which is in Township 11 South, 38 East. We have included lots 1, 2, 3 and 4 in the north half of the southwest quarter in the north half of the southeast quarter. All of this acreage is State acreage with the exception of the west half, west half Section 31, which is fee acreage.

Q How much acreage is involved in the proposed unit?

A Nine hundred and thirteen acres, --

Q What is the --

A -- more or less.

Q What is the occasion of the odd acreage there?

A We have a plat --

Q In other words, -- my question, Mr. French -- in other words, you have 113.3 acres. Does that come about because of the lot acreage?

A Lots 1, 2 3 and 4 comprise slightly over 73 acres.

Q How many tracts are involved -- separate tracts are involved in this proposed unit?

A Nine.

Q And did I understand you to testify that all of these tracts with the exception of the west half, west half of Section 31 are State lease tracts?

A That's correct.

Q Have all of the working interest owners under these nine tracts executed the proposed unit agreement?

A Yes. One hundred per cent.

Q Have all of the royalty and overriding royalty interest owners executed this unit agreement?

A No. There are two royalty owners in the west half, west half of Section 31 who have not signed the unit agreement.

Q Has an attempt been made to secure their execution?

A Yes.

Q What was the result of that?

A We were unable to obtain the signature of Miss Anita Field who owns a one-eighth royalty in the west half, northwest of Section 4, and we were also unable to obtain a signature of Miss Lorine Longwell who owns a one-sixty-fourth royalty in the west half, southwest of 4, Section 4.

Q When you speak of one-eighth and one-sixty-fourth royalty owned by those two royalty owners, you are referring to the mineral interest owned by them subject to the lease?

A Right.

Q For what reason have we been unable to secure the signature of Anita Field?

A She is involved in a family dispute or situation, which she feels does not justify her signing the unit agreement.

Q And how about Lorine Longwell?

A We are unable to contact her. She is on location in -- at a construction job in Utah and is not available by mail or telephone or telegraph.

Q Does the unit agreement -- proposed unit agreement provide for subsequent signature by non-signers or subsequent joiners?

A Yes, sir.

Q Will any of the cost of the development operation under the proposed November State unit be charged against either of these two royalty owners who have not yet signed?

A No.

Q Does the proposed unit agreement provide for subsequent extension or enlargement of the unit area.--

A Yes, it does.

Q -- that would be subject to the consent of the working interest owners, the Land Commissioner and to the Oil Conservation Commission?

A Yes, sir.

Q You have with you a plat which has been identified as Penrose's Exhibit 2. Will you please explain for the Commission the Exhibit which has been identified as Penrose's Exhibit 2?

A Exhibit 2 is a contour map on top of the Devonian formation with the -- in the general vicinity of the November State Unit. I believe we have outlined in red the extent of this unit.

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

A Yes.

Q And upon what basis was this geological data secured?

A Sub-surface and seismic data involved in the compilation of this plat.

Q Would you explain for the Commission the geological data which led to the formation of the proposed size of the unit agreement?

A I feel, in my opinion, that the minus eight thousand contour should be the extent of production in the area, in the vicinity of this unit; not the fault on the west side of this unit, which we feel precludes production west of this fault line.

Q Will you have good sub-surface control in this area by reason of previous tests which have been drilled in the area?

A Yes. There are quite a few -- dry holes ring the unit, outlining the unit itself.

Q And this is the Devonian formation that you have shown here on this sub-surface map?

A That's right, the top of the Devonian.

Q And have each or all of these surrounding wells tested the Devonian formation in this area?

A That is correct.

Q In your opinion, as an expert witness, do you believe that all of the acreage presently included in the proposed November State unit to be reasonably productive of gas or oil from the Devonian formation?

A I believe it can reasonably be presumed to be productive.

Q At approximately what depth is the Devonian formation expected?

A At a depth of 1107 to 1109, or minus 7,800 to minus 8,000 subsea.

Q What is the proposed location of the first unit well or the initial unit well?

A Nineteen hundred eighty feet from the North and East line, Section 36, Township 10 South, Range 37 East.

Q Has this well been spudded as of this time?

A Yes, it was spudded on May 8, 1958.

Q And to what depth is that well projected?

A Not to exceed 12,500 feet to the Devonian formation.

Q In your opinion, as an expert witness, does that proposed unit area embrace sufficient acreage to provide for efficient testing and further development if productive of the Devonian formation?

A Yes, I do.

Q Do you believe that this unit, if approved, will tend to be in the best interest of conservation and to protect correlative rights?

A Yes, I do, and I would like to elaborate on that a little bit.

The largest tract committed to the unit is a 160 acres, and to drill a Devonian test to this depth, we think that in a wildcat area such as this, it is not feasible to drill such a test on any smaller amount of acreage than we have outlined here.

Q You also feel that on the information available to you at this time that the unit is not reasonably subject to enlargement, from the information available to you at this time?

A That is correct. I think the amount of dips that we have shown in the different directions together with the fault precludes the enlargement of the unit at this time.

Q However, the unit agreement provides for subsequent enlargement if geological data and information then available would suggest that?

A That's right. If this well is productive, subsequent offsets justify the extension. The agreement does make provision for that.

MR. CHURCHILL: At this time, Mr. Examiner, we would like to offer Penrose's Exhibits 1 and 2 in evidence.

MR. UTZ: Are there objections to the entrance of Exhibits 1 and 2? If not, they will be accepted.

MR. CHURCHILL: I believe that's all we have to offer at this time.

MR. UTZ: Are there any questions of the witness?

MR. PAYNE: Mr. French, does the unit agreement contain a provision that non-signing royalty owners will not bear any cost of development and operation?

A Yes, sir.

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

MR. UTZ: Are there any other questions of the witness?

If not, you may be excused.

(Witness excused)

MR. UTZ: Are there any other statements in this case? If there are no other statements, the case will be taken under advisement.

