

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

MAIN OFFICE OCC

1958 OCT 10 AM 8:17

IN THE MATTER OF:

CASE 1512

TRANSCRIPT OF HEARING

OCTOBER 2, 1958

DEARNLEY - MEIER & ASSOCIATES
GENERAL LAW REPORTERS
ALBUQUERQUE NEW MEXICO
Phone CHapel 3-6691

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
OCTOBER 2, 1958

IN THE MATTER OF: :

CASE 1512 Application of Humble Oil & Refining Company: :
for approval of a unit agreement. Applicant: :
in the above-styled cause, seeks an order :
approving its Bandana Point Unit Agreement :
embracing approximately 14,293 acres of Fed- :
eral, state and fee acreage in Township 22 :
South, Range 23 East, and Township 23 South, :
Ranges 23 East and 24 East, all in Eddy :
County, New Mexico. :

BEFORE:

Mr. 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 1512.

MR. COOLEY: Case 1512. Application of Humble Oil & Refining Company for approval of a unit agreement.

MR. HINKLE: Mr. Examiner, I am Clarence Hinkle, Hervey, Dow & Hinkle, appearing on behalf of the Humble Oil & Refining Company. We have one witness, Mr. Johnson. We would like to have him sworn.

MR. UTZ: Are there any other appearances in this case? If not, you may proceed.

(Witness sworn)

WILLIAM J. JOHNSON,

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

as follows:

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name, please.

A William J. Johnson.

Q Are you a graduate geologist, Mr. Johnson?

A Yes. I graduated with a Bachelor of Science degree in petroleum engineering in 1956.

Q Whom are you employed by?

A Humble Oil Company.

Q How long have you been employed?

A Approximately two and a half years.

Q What has been the nature of your employment?

A I have been working for Humble in the districts that include Eddy and Chaves Counties.

Q Have you been in New Mexico all of the time?

A Yes, sir.

Q Have you made any particular study of the area in which the proposed Bandana Point Unit area is located?

A Yes, I have.

Q Have you made a geological survey of that area?

A Yes. It is contained in this report of the Bandana area.

MR. HINKLE: Are the witness' qualifications acceptable?

MR. UTZ: Yes, sir, they are.

Q State to the Commission the description of the proposed

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Bandana Point Unit area?

A It is all contained in Eddy County in New Mexico, Township 22 South, 23 East; all of Sections 34, 35 and 36, and 23 South, 23 East; all of Sections 1, 2 and 3, and 10 through 15, and 22 through 27.

Q How many acres does that --

A Well, that is not quite all, sir, Township 23 South, Range 24 East, Section 6, Lots 3,4,5,6 and 7, SE/4 NW/4 and the E/2 of the SW/4; all of Sections 7, 18, 19 and 30.

Q Of that land, how many acres are Federal land?

A There are 12,212.80 acres of Federal land.

Q How many acres of state land?

A 1,680.

Q Are there any fee lands involved?

A Yes, sir, 400 acres.

Q Do you know whether or not Humble has made application to the U. S. Geological Survey for the designation of this area as one suitable and proper for unitization?

A Yes, sir, they have.

Q Are you familiar with that application?

A Yes, sir, I am.

Q Do you know what the date of approval by the U. S. G. S. is?

A I think it is April the 27th of this year.

Q To refresh your memory, I believe that is August, --

A August. Beg your pardon.

Q -- 1958. Do you know whether a geological report was submitted with that application?

A Yes, it was.

Q Did you have anything to do with preparing that report?

A Yes, I prepared the report.

Q Refer to Humble's Exhibit A -- is that marked A-1?

Will you refer to Humble's Exhibit 1 and explain to the Commission what it is and what it shows?

A To begin with, there is a small map showing the relation of the proposed unit outlined to the major geologic features of this area, and following the introduction, a section on the sub-surface stratigraphy of the general area. Following that, a description of the structure on which the unit outlined is based, proposed unit outline is based, and the economic consideration, in which it is stated that the primary objective of a well drilled in the unit would be the Siluro-Devonian formation with primary secondary objectives at Bone Spring and Permo-Penn carbonites and Bend Sand.

Q Refer to the structural map in the report and explain to the Commission what it shows.

A This is a geophysical map contoured near the top, or contour on reflection from near the top of the Ellenburger formation.

Q Does it show the approximate depth there of the Ellenburger?

A No, it does not.

Q But it does in the report?

A Yes, sir.

Q What are the probable oil producing formations in the area and the probable depths as shown by the report?

A Well, the Bone Spring would be the first one which would have some possibility of production from the sand and carbonate in stratigraphic traps, which would be topped at a depth of about 2200 feet, and Permo-Penn carbonate, which would be encountered from a depth of approximately 7,000 feet to about 8,700 feet, and the Bend sand stone which would occur somewhere between 8,700 feet, and --

MR. UTZ: What kind of sand stone?

A Bend sand, Lower Pennsylvanian. And, of course, the primary objective would be the Siluro-Devonian formation with a depth of approximately 10,600 feet.

Q Does the structure map, as shown on the report there, represent the interpretation of Humble of the seismographic work that has been done in the area?

A Yes, it does.

Q Does the proposed structure there cover most of the proposed area?

A Yes, sir, it does.

Q Are you familiar with the application of Humble which has been filed for approval with the Oil Conservation Commission?

A Yes, sir.

Q Are you familiar with the form of unit agreement which has been filed with the application?

A Yes, sir, I am.

Q Under the terms of that agreement, who is designated as the operator?

A Humble Oil Company.

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

A Yes, sir, within six months after the date of approval.

Q And does it specify any depth it is to drill to?

A Sufficiently to test the Siluro-Devonian formation, not to extend 11,500 feet.

Q In other words, the operator is not required to go more than 11,500?

A Yes, sir.

Q Is this substantially the same form as heretofore approved by the Commission and by the Commissioner of Public Lands and by the U.S.G.S in similar units?

A Yes, sir, it is.

Q Has this particular form been approved by the U.S.G.S. and by the Commissioner of Public Lands?

A Yes, sir, it has.

Q Now, in the event unitized substance should be discovered in the unit area, state whether or not the unit agreement would be in the interest of conservation and prevention of waste.

A Yes, sir, it would.

Q In the event unitized substance should be discovered in the unit area, state whether or not the unit agreement would provide the greatest ultimate recovery of the unitized substance.

A Yes, sir.

Q Has the unit agreement been signed at the present time?

A No, sir, I don't think it has.

Q Have you contacted the principal parties involved, holding interest in the area?

A Yes. I think parties have been contacted and there was only one definite rejection of an 80-acre tract.

Q Do you anticipate that you will have a large percentage of the owners of the area join in the unit agreement?

A Yes, sir.

MR. HINKLE: I believe that's all. I would like to offer in evidence Humble's Exhibit 1, and I would like to have permission, after the time of appeal has elapsed, to withdraw this report and be treated as confidential. Of course, it will probably be public until that time, but we would like to withdraw it.

MR. COOLEY: Did you say after the time of an appeal?

MR. HINKLE: Yes.

MR. COOLEY: That is acceptable.

MR. UTZ: Without objection, the Exhibit will be accepted until after the time of appeal, at which time it shall be withdrawn as confidential.

MR. HINKLE: I believe that's all we have.

MR. UTZ: Any questions of the witness? Mr. Cooley.

CROSS EXAMINATION

BY MR. COOLEY:

Q Does the proposed form of unit agreement provide for expansion or contraction of the unit if it subsequently became necessary?

A Yes, sir, it does.

Q Does it provide for the periodic submission of reports of development?

A Yes, I think so.

Q Unitized substances include all oil and gas encountered in any formation?

A That's right.

Q Will separate participation in interest be established for each individual source of supply?

A Yes, sir, that's my understanding.

Q Do you have anything on percentage of commitment to date on the unit?

A No, I don't.

MR. HINKLE: I believe he testified that it has not been signed at all, but they have contacted the different owners in there, and they have an indication that they will have a large percentage. They didn't want to circulate it until such time as it has been approved.

MR. COOLEY: That's all the questions I have. Thank you.

MR. UTZ: Any other questions of the witness?

QUESTIONS BY MR. UTZ:

Q Mr. Johnson, does the last page of Exhibit 1 correctly show the proposed location of the well?

A Yes, sir.

Q That will be known as the Humble Bandana No. 1?

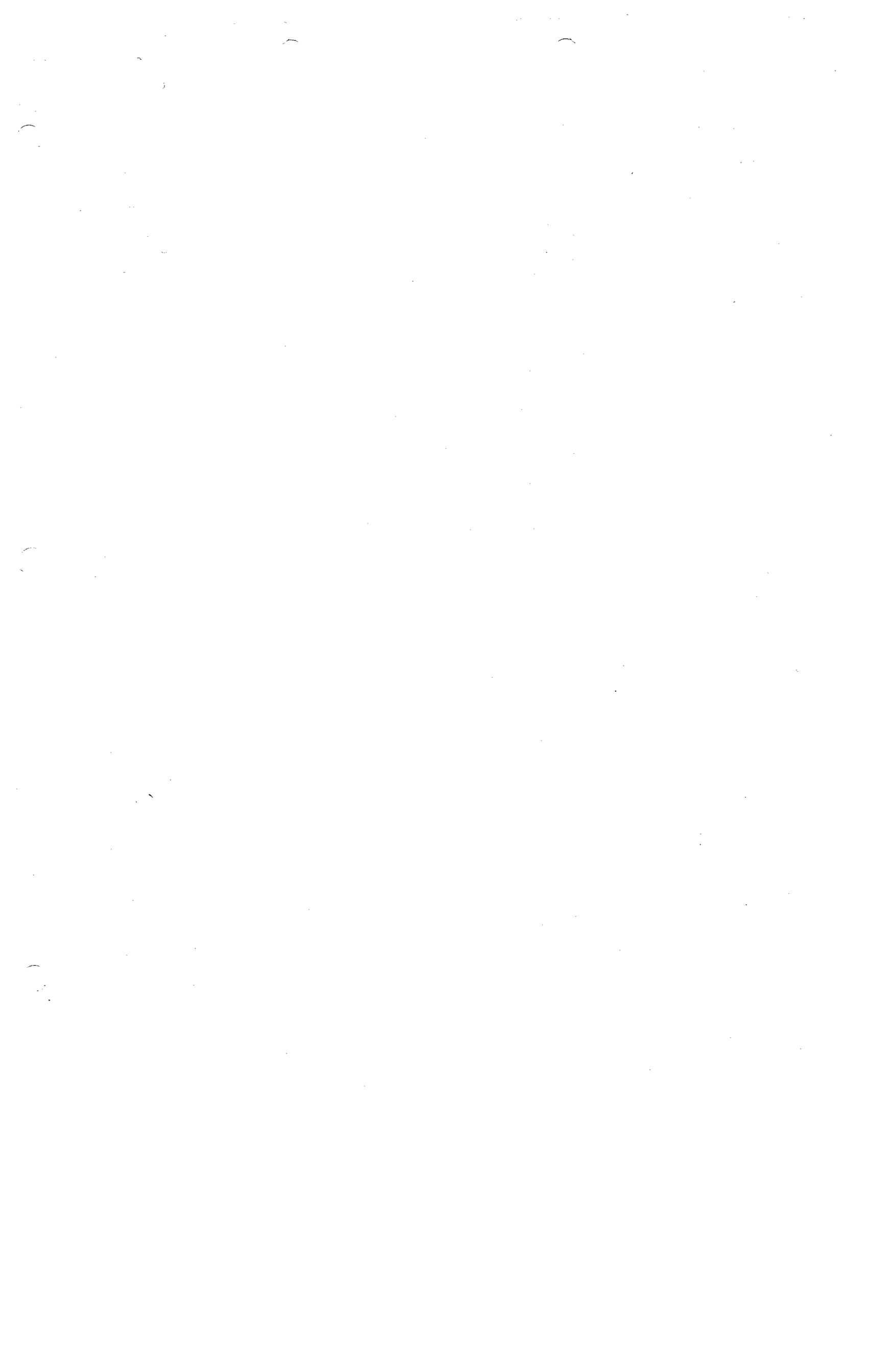
A Bandana Unit No. 1.

MR. UTZ: Any other questions of the witness? If not, the witness may be excused.

(Witness excused)

MR. UTZ: Any other statements to be made in this case?

The case will be taken under advisement.



1512

MAIN OFFICE OCC

1963 FEB 5 PM 4 47

February 5, 1963

Humble Oil & Refining Company
P. O. Box 1597
Roswell, New Mexico

Re: Termination of Bandana Point
Unit, Eddy County, New Mexico

Attention: Mr. John S. Cron

Gentlemen:

The Commissioner of Public Lands has approved the termination of Bandana Point Unit, Eddy County, New Mexico as of February 4, 1963.

This termination is being made in accordance with Section 20 of the Unit Agreement and the request for termination carries at least 75% on an acreage basis, of the working interests committed to the Unit Agreement.

We assume the Director of the United States Geological Survey will approve this termination sometime during February therefore we will consider March 1, 1963 as the effective date of termination. Please furnish us a copy of this termination after it is approved by the Director.

We are returning eight copies of each counterpart.

Very truly yours,

E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

BY:
(Mrs.) Marian M. Rhea, Supervisor
Unit Division

ESW/mmr/e

cc: United States Geological Survey
encl: Roswell, New Mexico

Oil Conservation Commission
Santa Fe, New Mexico

1512

April 19, 1962

Humble Oil & Refining Company
P. O. Box 1597
Roswell, New Mexico

Re: Tract 2, Bandana Point
Unit, Eddy County, New
Mexico

Attention: Mr. Robert J. Walker, Jr.

Gentlemen:

We have received a copy of a letter dated April 10, 1962, in which the Regional Oil and Gas Supervisor, U. S. Geological Survey at Roswell acknowledges receipt of a ratification and joinder to the Bandana Point Unit Agreement and Unit Operating Agreement.

May we call your attention to Sec. 29 of the Unit Agreement entitled Non-Joinder and Subsequent Joinder. I find nothing in this unit which relieves subsequent joinders from having to file these ratifications and joinders not only with the Supervisor, but with the Commissioner and the Commission.

May we hear from you concerning this matter at your earliest convenience.

Very truly yours,

E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

ESW/umr/v

cc: U.S. Geological Survey
Roswell, N. M.
Oil Conservation Commission
Santa Fe, N. M.

BY:
(Mrs.) Marian M. Rhea, Supervisor
Unit Division

C
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In Reply: Refer
to Unit Division

Case 1512

August 7, 1961

Humble Oil & Refining Company
P. O. Box 1597
Roswell, New Mexico

Re: Bandana Point Unit
Eddy County, New Mexico

Attention: Mr. Robert J. Walker, Jr.

Gentlemen:

The Commissioner of Public Lands has of this date approved your application for extension of time within which to further comply with the drilling requirements for the development and operation of the Bandana Point Unit.

This extension is for a one year period from September 8, 1961 to September 8, 1962 and approval is subject to like approval by the United States Geological Survey.

We are herewith returning four approved copies, please furnish us another copy when fully approved.

Very truly yours,

E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

ESW/mar/v
Encl:

cc: U.S. Geological Survey, Roswell, N.M.
Oil Conservation Commission, Santa Fe, N.M.

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Case # 1512

UNITED STATES GOVERNMENT
EDWARDS, CALIF. 94501

March 24, 1961

**Humble Oil and Refining Company
P. O. Box 1287
Roswell, New Mexico**

**Re: Bandana Point Unit
Eddy County, New Mexico**

Attention: Mr. Robert J. Walker, Jr.

Gentlemen:

We have received two copies of Ratification and Joinder to the Bandana Point Unit and Operating Agreement by the Monsanto Chemical Company.

This Ratification and Joinder was accepted and approved by Humble Oil and Refining Company, Operator of the Unit, as of January 6, 1961.

This commits State Tract No. 22, which is contained in State of New Mexico Lease E-10172 Assignment Number 1 and covering the SE/4NW/4, SE/4SW/4, SE/4NE/4 of Section 2, Township 23-S, Range 23-East, and the NW/4NE/4, SE/4NE/4, N/2SE/4 of Sec. 3, Twp. 23-S, Rgs. 23-E.

The Commissioner of Public Lands considers this State Tract effectively committed as of April 1, 1961 unless within sixty days under the terms of Section 29 of the Unit Agreement the Director or the Commission, object to this tract of State land being committed to the Unit Agreement.

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Y

Humble Oil and Refining Company
P. O. Box 1287
Roswell, New Mexico

March 24, 1961
(Page 2.)

Very truly yours,
E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

BY:
Ted Bilberry, Supervisor
Oil and Gas Division

ESW/mmr/s
cc:

Oil Conservation Commission
Santa Fe, New Mexico

United States Geological Survey
Roswell, New Mexico

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HUMBLE OIL & REFINING COMPANY

HUMBLE DIVISION

P. O. BOX 1287
ROSWELL, NEW MEXICO

MARCH 13, 1961

In re: Bandana Point Unit
Eddy County, New Mexico

United States Geological Survey
P. O. Box 6741
Roswell, New Mexico

Attention: Mr. Edwin M. Thomason

Gentlemen:

Pursuant to your recent request in regard to the captioned unit, we have evaluated the completion information on the Bandana Point Unit well No. 1, and it is our opinion that this well cannot be classified as a well capable of producing unitized substances in commercial quantities.

If you should have any further question, or if we can be of any further assistance in this ~~matter~~, please advise.

Yours very truly,

Robert J. Walker, Jr.

RJW/dm

cc: The Ohio Oil Company
The Superior Oil Company
Socony Mobil Oil Company
U. S. Smelting Refining and Mining Company
Mr. L. C. Harris
Monsanto Chemical Company

In reply refer to:
Unit Division

October 3, 1960

Case #1512

C

Humble Oil & Refining Company
P. O. Box 1287
Roswell, New Mexico

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Re: Bandana Point Unit Area,
Eddy County, New Mexico

Attention: Mr. R. M. Richardson

P

Gentlemen:

The Commissioner of Public Lands has of this date approved your request for an additional sixty (60) days from October 1, 1960, within which to start drilling another test well on the Bandana Point Unit Area.

Y

We trust Humble Oil & Refining Company will be able to start drilling the second test well by November 30, 1960 as we believe a further extension would be unwarranted.

Very truly yours,
MURRAY E. MORGAN
Commissioner of Public Lands

BY:
Ted Bilberry, Supervisor
Oil and Gas Division

MEM/mmz/s

cc: OCC- Santa Fe, New Mexico
USGS- Roswell, New Mexico

In reply refer to:
Unit Division

April 1, 1960

Case #1512

C
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Humble Oil & Refining Company
P. O. Box 1287
Roswell, New Mexico

ATTENTION: Mr. R. M. Richardson

P
Re: Bandana Point Unit
Eddy County, New Mexico

Gentlemen:

Y
We have approved an extension of time within which to commence another test well on your Bandana Point Unit Area.

Our approval amends your application limiting this extension to a six months extension or to October 1, 1960, in place of your request for a one year extension.

Please remit eight dollars (\$8.00) for the approval filing of these documents.

Very truly yours,
MURRAY E. MORGAN
Commissioner of Public Lands

BY:
Ted Bilberry, Supervisor
Oil and Gas Division

MEM/MMR/m

cc:

OCC-Santa Fe
USGS-Roswell

In reply refer to:
Unit Division

March 25, 1960

Case #1512

Humble Oil and Refining Company
P. O. Box 1287
Roswell, New Mexico

Re: Bandana Point Unit
Eddy County, New Mexico

ATTENTION: Mr. R. M. Richardson

Gentlemen:

We have received your application for extension of time within which to commence additional drilling on Bandana Point Unit Area.

Our last report on the unit well was a United States Geological Survey Form 9-330 and shows the well completed as of August 9, 1959. We have no report showing the completion as of October 5, 1959.

We believe the status of this No. 1 unit well, should be established by the Supervisor of the United States Geological Survey and that such determination would be based on Section 9 of the unit agreement, which doesn't state the well must be producing but capable of producing.

Therefore, a determination concerning this well should be obtained and if it is capable of producing in paying quantities as defined by the unit agreement, the operator could ask for a reasonable extension of time in which to file a Plan of Develop-

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Humble Oil and Refining Company
P. O. Box 1287
Roswell, New Mexico

March 25, 1960
(Page 2.)

ment, the length of this extension being specified under Section 10 (b) as a six months period.

Very truly yours,
MURRAY E. MORGAN
Commissioner of Public Lands

BY:
Ted Bilberry, Supervisor
Oil and Gas Division

MEM/MMR/s
cc:

Oil Conservation Commission
Santa Fe, New Mexico

United States Geological Survey
Roswell, New Mexico

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HUMBLE OIL & REFINING COMPANY

HUMBLE DIVISION
P. O. BOX 1287

ROSWELL, NEW MEXICO

March 7, 1961

Case # 1512

In re: Bandana Point Unit
Eddy County, New Mexico

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Gentlemen:

Enclosed herewith we are forwarding to you for your record and further handling, one copy each of Monsanto Chemical Company's consent and ratification to the Bandana Point Unit Agreement and Bandana Point Unit Operating Agreement. The above mentioned papers are filed pursuant to Sec. 29 of the Bandana Point Unit Agreement.

If you should have any further question, or if we can be of any further assistance in this regard, please advise.

Yours very truly,

Robert J. Walker, Jr.
Robert J. Walker, Jr.

RJW/dm
Encls.