

EXAMINER HEARING
OIL CONSERVATION COMMISSION
May 6, 1959

IN THE MATTER OF: Case 1657

TRANSCRIPT OF PROCEEDINGS

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DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name, please.

A M. R. Stipp, Roswell, New Mexico.

Q By whom are you employed, and in what capacity?

A District Geologist for Standard Oil Company of Texas.

MR. UTZ: S-t-i-p-p?

A That's correct.

Q How long have you been District Geologist for Standard of Texas?

A Seven years.

Q Have you testified before the Oil Conservation Commission on several occasions?

A Yes, I have.

Q Have you qualified as an expert?

A Yes, sir, I have.

Q As a graduate geologist?

A Yes.

Q Are you familiar with the area of the proposed Vac-Edge Unit as located?

A I am, sir.

MR. HINKLE: Are the qualifications of the witness acceptable?

MR. UTZ: Yes, sir.

Q Are you familiar with the application which has been

filed in this case by the Standard Oil Company of Texas for the approval of the Vac-Edge Unit?

A Yes, this is Case No. 1657.

Q What is sought by the application in this case?

A The application is for approval of a unit agreement for the development and operation of the Vac-Edge Unit Area in Lea County, New Mexico. The unit area embraces 2,078.43 acres and description of the acreage is the Southwest Quarter, South Half Northwest Quarter, Lots 3 and 4, in Section 3; all of Section 4; Southeast Quarter, South Half Northeast Quarter, Lots 1 and 2 in Section 5; all of Section 9; Northwest Quarter of Section 10, all in Township 18 South, Range 35 East.

Q All of the lands in the Unit are State lands?

A Yes, sir.

Q I believe that the Commission has before them, or the Examiners, copies of the proposed unit agreement which has been filed with the application and attached to that proposed agreement is Exhibit A. Will you explain to the Commission what that shows?

A Exhibit A is a plat of the proposed unit area and shows the oil and gas leasehold interests involved and the ownership thereof, all of which are State lands.

Q As District Geologist for the Standard of Texas, have you made or caused to be made a geological or geophysical survey of the proposed unit area?

A Yes, we have made both seismograph and magnetometer surveys of the proposed area.

(Standard Oil Company of Texas Exhibit 1 marked for identification.)

Q I hand you Standard's Exhibit No. 1 and ask you to explain to the Commission what it is and what it shows.

A I believe we have referred to this as Exhibit B, which shows the interpretation of the results of the magnetometer and seismic survey. The green contours are contours of second derivative of vertical intensity magnetometer. The purple lines represent data obtained in the seismic survey. The arrows pointing to the northeast, southwest, and southeast represent seismic dip vectors and those are actually measured; the one to the northwest is inferred from the position of the magnetometer, coincident with the other information gathered there. The dashed lines represent faults which were noted on our seismic surveys. In this particular area, the seismograph data is of such poor quality that we are unable to make quantitative measurements, but qualitatively we can measure the direction of dip.

Q Does Exhibit 1 also show the boundaries of the proposed unit?

A Yes, sir, it shows the boundaries of the proposed test well, which is located there approximately in the center of the Southwest Quarter Southeast Quarter, Section 4, 18, 35.

Q Does the proposed unit area include all the lands

that you anticipate might be reasonably productive of oil and gas in the event a discovery is made?

A Yes, sir, we think that this encompasses the area which, consistent with the data at hand, will be productive.

Q That is in the light of geophysical interpretations which you have already made?

A That is correct.

Q Are you familiar with the proposed unit agreement which has been filed with the Commission?

A Yes, I'm familiar with it.

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

A Yes, paragraph 8 of the unit agreement provides for the drilling of a test well to the Devonian formation, but not to a depth in excess of 12,000 feet. The well is to be commenced within sixty days from the effective date of the unit agreement.

Q Under all the terms of the unit agreement, are all the formations from the ground on down unitized?

A No, sir, since the proposed unit area includes a portion of the Vacuum Field, we propose to unitize from 5,000 feet to the Devonian.

Q What probable productive formations do you expect to encounter below the 5,000 feet?

A In general, we expect to encounter possible production in the Leonard H. Carbonates at a depth of approximately

8400 feet; in the Wolfcamp at about 9700 feet; the Strong formation at about 10,500 feet; and we anticipate topping the Devonian at about 11,500. The proposed total depth of not in excess of 12,000 feet will allow some penetration of the Devonian.

Q You could make a discovery in any one or more of these formations?

A That is correct.

Q It is probable that you might do so. Is this proposed unit agreement in the same form or substantially the same form as heretofore approved by the Commission?

A Yes, sir.

Q Do you know whether or not the proposed form has been approved as to form by the Commissioner of Public Lands?

A It has been approved by the Commissioner as to form.

Q Does the unit agreement provide for reporting from time to time to the Commissioner of Public Lands the status of development and operations under the unit?

A Yes, sir, it provides for periodic reports to be made to the Commissioner of Public Lands with regard to the status of development.

Q Is Standard of Texas designated as the unit operator?

A They are.

Q In the event of a discovery of oil or gas in paying quantities within the unit area, state whether or not in your opinion the development of the unit area under the proposed unit

will be in the interest of conservation and the prevention of waste?

A In my opinion it will be in the interest of conservation and the prevention of waste.

Q If a discovery should be made, state whether or not in your opinion the unitized area can be more economically and efficiently developed under the terms of the proposed unit agreement to the end that maximum recovery will be obtained.

A That is my opinion as you have so stated.

Q In the event of the discovery of oil or gas of paying quantities in the unit area, will development under the unit agreement protect the correlative rights of all interested parties, including the State of New Mexico?

A Yes.

Q Is it your understanding that if the Commission should approve the proposed unit agreement that it will still be necessary for the Standard of Texas as the unit operator to comply with all applicable rules and regulations of the Commission with respect to the development of this area?

A Yes, we are aware of those facts.

Q Do you also realize or does Standard realize it will be necessary to file with the Commission a fully executed copy of the unit agreement or counterpart thereof?

A Yes, sir, as soon as the unit agreement has been approved by the Commissioner of Public Lands, a fully executed copy of the unit agreement or counterpart thereof will be filed

with the Commission.

Q Did you prepare Exhibit 1 or was it prepared under your direction?

A Exhibit A and B.

Q We referred to this as Exhibit 1.

A Exhibit 1, this was prepared under my direction.

Q It represents an interpretation from the information which you had of the seismographic and magnetometer surveys that were made of the area?

A That is correct.

MR. HINKLE: I would like to offer in evidence the Exhibit No. 1.

MR. UTZ: Is Exhibit 1 the only exhibit you have?

MR. HINKLE: Yes, the other one he referred to is attached to the unit agreement which is filed with the application. I don't think it's necessary, really, that it be introduced because it's part of the record anyway.

MR. UTZ: Without objection the Exhibit 1 will be entered into the record.

MR. HINKLE: That's all we have.

MR. UTZ: Are there questions of the witness? Mr. Payne.

CROSS EXAMINATION

BY MR. PAYNE:

Q Does this unit provide for extension or contraction?

A It is not so stated, but we are aware that we will have to get permission from the Commission, particularly since the ownership of all lands surrounding the proposed unit are State of New Mexico lands.

Q I assume that since all this is State land, it will either be 100 percent participation or none, is that right?

A That is correct.

MR. PAYNE: That's all.

MR. UTZ: Any other questions of the witness?

MR. HINKLE: I might ask one question, in view of the question asked by Mr. Payne.

REDIRECT EXAMINATION

BY MR. HINKLE:

Q Have you contacted all the operators owning acreage within the proposed unit, and have they indicated that they are willing to join?

A We have contacted all operators and we're all in agreement that the proposed unit should be drilled.

Q So you anticipate that you will get 100 percent committment, is that right?

A We anticipate that.

MR. HINKLE: That's all.

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

(Witness excused.)

