

MR. UTZ: The hearing will come to order, please.

Case 3352: Application of Bass Brothers Enterprises, Inc. for a unit agreement, Lea County, New Mexico.

MR. HINKLE: Clarence E. Hinkle; Hinkle, Bondurant and Christy, Roswell, representing Bass Brothers Enterprises. We have one witness and three exhibits.

(Witness sworn.)

(Whereupon, Applicant's Exhibits 1, 2 and 3 marked for identification.)

W I L L I A M J. P A R S O N S, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name?

A My name is Bill Parsons.

Q Where do you reside, Mr. Parsons?

A In Midland, Texas.

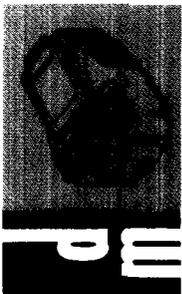
Q By whom are you employed?

A By Perry R. Bass Incorporated.

Q Are you a graduate geologist?

A I'm a graduate geologist. I received my degree at Southern Methodist University in 1950.

Q Have you practiced your profession since your graduation?



A I have been practicing since 1950.

Q By whom have you been employed?

A I was first employed by Sinclair in Roswell and then later by Texas Pacific Coal and Oil Company in Midland and now by Perry R. Bass.

Q How long have you been with Mr. Bass?

A I have been with Mr. Bass two years.

Q During this period of time has most of your geological work been in New Mexico?

A Thirteen out of the fifteen years of practical experience have been in New Mexico.

Q In southeastern New Mexico?

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Q What connection is there between Bass Brothers Enterprises, Inc. and Perry Bass?

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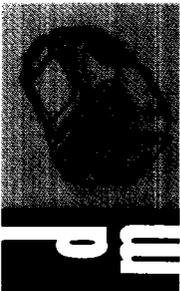
Q One of his corporations?

A Yes.

Q Have you done geological work in this particular area that's involved in the North Custer Mountain?

A Yes, I have.

Q Are you familiar with the application filed in this case?



A I am.

Q What do they seek to do by this application?

A We are proposing to form a four-section State unit for the purpose of drilling Siluro-Devonian tests located inside the unit boundary.

Q You call this the North Custer Mountain Unit Area. Why have you called it that?

A Primarily because it is located north of the Midwest Number 1 Custer Mountain drilled two miles south of the unit boundary.

Q Which is the Custer Mountain unit?

A Yes.

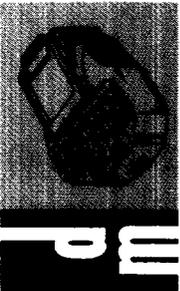
MR. PORTER: You kind of have to stretch your imagination, don't you, to call this Custer Mountain?

Q (By Mr. Hinkle) Now, refer to Applicant's Exhibit Number 1 and explain to the Commission what this exhibit is?

A This merely shows in red the outline of our proposed four section unit. It shows both the leasehold and the mineral ownership four miles surrounding this unit as well as the mineral and leasehold ownership inside the area.

Q Does it show the wells that have been drilled in the area?

A It shows all the wells that are located in the area and their total depth.



Q All of them but one are relatively shallow wells?

A That's right. There have been no tests whatsoever drilled inside the unit area. There have been several dry holes drilled around the area but they were all shallow tests and most of them have not penetrated past the Yates formation. There's only one well in the entire exhibit that went to the Siluro-Devonian formation or to any of the deeper markers and that was the Midwest Number 1 Custer Mountain well which is located two miles south of the unit boundary or the proposed unit boundary.

Q I believe you stated that all of the lands within the proposed boundary are State lands?

A That is right.

Q And the ownership of all the leases within the unit area?

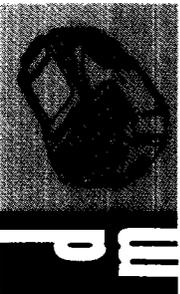
A That is right, as shown.

Q Do you have any further comments with respect to this exhibit?

A No, I do not.

Q Now, have you made some correlations from the shallow wells to determine the structural condition as prevails there with respect to the shallow wells?

A Yes. This prospect was originally -- If you will go to Exhibit 2, this area came to our attention from the shallow



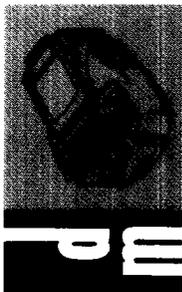
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Q What did you do to validate it?

A We did extensive seismic work in this area which we did late in 1964. We completed in December, 1964. And the seismic work, as you can see from this map, it would be impossible to prepare from subsurface information because there is only one point from which to map in the immediate area. So, we felt our only recourse was to do seismic work which we did and completed in December of 1964.

Q Now, refer to your Exhibit Number 3 and tell us what that is and what it shows?

A This is basically the Siluro-Devonian horizon as mapped from our reconnaissance seismic work. As you can see the various seismic lines are portrayed across there. We crossed this prospect roughly three times in an east-west direction and had additional two or three lines running in a north-south direction and we believe this information critically



evaluated the location of the high area, and by "high area" I mean higher than the Midwest Custer Mountain well. This roughly encompasses the four sections that we are requesting to be unitized for the proposed unit.

Q In other words there are four units out of the top?

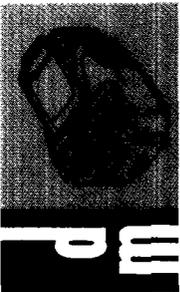
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Q In the event of production, is it your opinion that this area that has been delineated here would probably cover most all of the producing area?

A We believe essentially the production of the Siluro-Devonian if encountered will be confined to the outline of the proposed unit.

Q Now, have you designated, as yet, the location for the test well?

A We have a tentative location which is 1980 from the



from the west line and 660 from the north line of Section 28 is the proposed location.

Q What is the depth of the proposed well?

A The proposed test is for a Siluro-Devonian test to be encountered by not more than at a depth of 1650 feet.

Q In your opinion will the 1650 feet adequately test the Silurian?

A I believe it will.

Q What other producing horizons would you likely penetrate in the drilling of this well?

A Well, I think a possibility for production definitely exists in the Morrow section. This is the producing zone in the Midwest Custer Mountain well. I also think the area has a fair chance for Strong and Paduca production.

Q All of which will be tested as you go down?

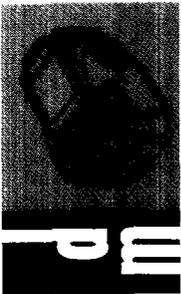
A Yes, of course our primary concern on account of reserves, our primary shot is the Siluro-Devonian. We consider that our primary objective.

Q The entire area being State land, has the area been formally approved by the Commissioner of Public Lands?

A It has.

Q You have filed in connection with the application a copy of the proposed unit agreement?

A We have.



Q Do you know whether or not that form has been approved by the Commissioner of Public Lands or his office?

A It has.

Q Is that the same form or substantially the same form that has heretofore been used where only State lands are involved?

A It is.

Q And does that agreement provide for the drilling of the initial test well which you have testified to?

A It does.

Q Who will be the unit operator under the terms of the agreement?

A Bass Brothers Enterprises, Incorporated.

Q In the event you should encounter production in paying quantities in the initial test well, state whether or not in your opinion the unit would be in the interest of conservation and prevention of waste?

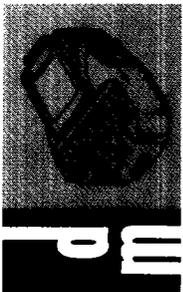
A I believe it will.

Q Is it your opinion that the development of this area under a unit agreement will promote the greatest ultimate recovery of unitized substances?

A Yes, I do. I believe it will.

Q And tend to protect correlative rights?

A Yes, sir.



MR. HINKLE: We would like to offer in evidence Exhibits 1, 2 and 3.

MR. UTZ: Without objection Exhibits 1, 2 and 3 will be entered into the record in this case.

(Whereupon, Applicant's Exhibits 1, 2 and 3 were offered and admitted into evidence.)

MR. HINKLE: That's all of the testimony.

CROSS EXAMINATION

BY MR. UTZ:

Q Did you state what per cent of your working interests had signed up?

A I didn't state but I think substantially all of our interest agreements have been signed up.

MR. HINKLE: You mean all of the working interests.

THE WITNESS: All the working interests owners have all signed up. They all agree that definitely to join in the well and there are a few technicalities to be worked out as to whether they will participate or farm out but they have all agreed to join in the drilling of the well.

Q (By Mr. Utz) How about royalty interests?

A I don't believe that there are any separate overriding royalty interests on it.

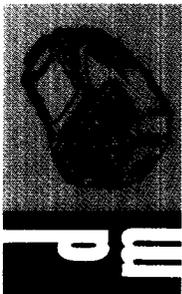
Q I see and no royalty interests signed up?

MR. HINKLE: It's the State of New Mexico.

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MR. UTZ: The State of New Mexico and they've agreed?

MR. HINKLE: Yes, subject to the approval of the Commission, of course.

Q (By Mr. Utz) Your Exhibit Number 2 you did say was seismic information?

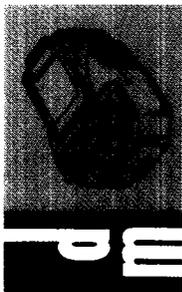
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MR. UTZ: Are there any other questions of the witness? If not, the witness may be excused.

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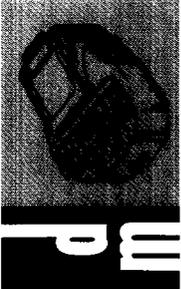


I N D E X

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Direct Examination by Mr. Hinkle	2
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STATE OF NEW MEXICO)
) SS
COUNTY OF BERNALILLO)

I, DEAN A. ROBINSON, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

Witness my Hand and Seal this 31st day of December, 1965.

Dean A. Robinson

NOTARY PUBLIC

My Commission Expires:

October 16, 1969.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 3352 held by me on December 14, 1965.

[Signature], Examiner
New Mexico Oil Conservation Commission

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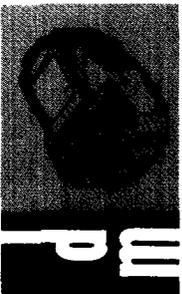
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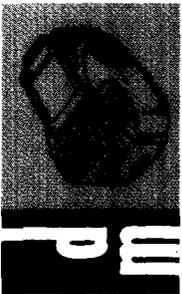
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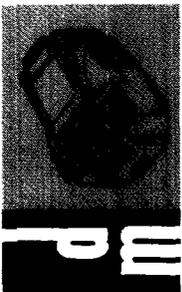
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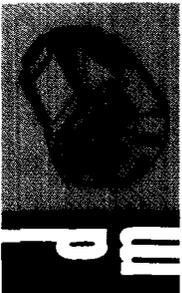
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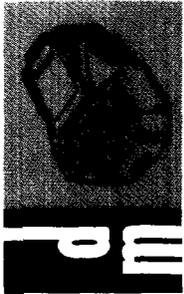
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