

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
August 5, 1970

EXAMINER HEARING

IN THE MATTER OF:)

Application of Phillips Petroleum)
Company for a unit agreement, Lea)
County, New Mexico.)

Case 4394

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

DEARNLEY-MEIER REPORTING SERVICE

MR. UTZ: Case 4394.

MR. HATCH: Case 4394, Application of Phillips Petroleum Company for a unit agreement, Lea County, New Mexico.

MR. UTZ: Appearances?

MR. KELLAHIN: Jason Kellahin, Kellahin & Fox, Santa Fe, appearing for the Applicant.

MR. UTZ: Other appearances?

DON FRASER

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A Don Fraser.

Q By whom are you employed and what is your position?

A Phillips Petroleum Company, my title is District Contractman.

Q How do you spell your last name?

A F-r-a-s-e-r.

Q Have you ever testified before the Oil Conservation Commission?

A No, sir.

Q For the benefit of the Examiner, would you briefly outline your experience in connection with your work as a

contractman?

A I have been employed by Phillips Petroleum Company for approximately eighteen years. I am in the Land Section of Exploration and Production Department. I have been located in our main office in Bartlesville, Oklahoma. I have served in Lafayette, Louisiana for about ten years in all phases of land work. I was in Houston as Regional Staff Landman and now presently in Midland.

Q In connection with your work as Contractman, have you had anything to do with the Plata Deep Unit agreement?

A Yes, sir, I prepared it.

MR. KELLAHIN: Are the witness's qualifications acceptable?

MR. UTZ: Yes, sir.

MR. KELLAHIN: Would you please mark these?

(Whereupon, Applicant's Exhibit 1 through 7 marked for identification.)

Q (By Mr. Kellahin) Referring to what has been marked as Applicant's Exhibit Number 1, would you identify that exhibit, please?

A Exhibit Number 1 is the unit agreement for the development and operation of the Plata Deep Unit area, County of Lea, State of New Mexico.

Q Approximately what area does this cover? How many

acres does that cover?

A Five-thousand six-hundred acres.

Q What is the nature of the ownership of the acreage involved here, is it Federal, State or fee?

A It is all Federal and State, no fee lands involved.

Q Could you give us percentage of Federal against State?

A The Federal lands total 4,840 acres or 86.42% and the State lands consist of 760 or 13.57 of the total unit.

Q The unit agreement is in a form that has heretofore been approved by this Commission?

A Yes, sir.

Q Has it been committed to the Commissioner of Public Lands?

A Yes, sir.

Q Have you received preliminary approval from the Commissioner of Public Lands?

A Yes, sir.

Q Have all the working interest owners agreed to this unit agreement?

A We have been advised that approximately 99% will agree to this unit agreement.

Q Is there a lease situation as to one tract involved here?

A Yes, sir, there is.

Q What acreage does that cover?

A That covers forty acres and the lease is owned by Steven S. Helbing and Frank W. Hopichant and covers the southwest quarter of the northeast quarter of Section E, Township 20, Range 32 East, Lea County.

Q Would that be on the edge of the unit area?

A It would be within a quarter of a mile of the edge.

Q Whether that acreage is committed or not, would it affect your ability to control the development of that unit?

A No, sir.

Q You do have some indication that that acreage will be committed to the unit?

A Yes, sir.

Q That is not certain?

A I feel it will be.

Q How about the royalty interest?

A We have requested that all the overriding and royalty owners sign consent and ratification and we have fourteen individuals and companies involved and we have received eleven of those back.

Q Do you anticipate that you will have substantially all of the royalty committed to this unit?

A Yes, sir.

Q Now what is the nature of this unit, Mr. Fraser, is it a development unit or exploratory unit or what is it?

A This is an exploratory unit.

Q Do you have a copy of the unit operating agreement as Exhibit Number 2?

A Yes, sir.

Q Does that have a drilling commitment in it?

A Yes, it does.

Q What will the operator do?

A The operator will drill a 13,000 Morrow test well at a location in Section 15 on or before September 15, 1970.

Q Do you anticipate that well will be drilled prior to that date?

A Yes, sir.

Q In connection with your unit agreement, is Phillips Petroleum Company designated as operator?

A Yes.

Q And is there a provision by subsequent joinder of acreage not committed to the unit?

A Yes, there is.

Q Mr. Fraser, isn't the area covered, Plata Deep Unit, under the area designated as potash area?

A Yes, it is.

Q Have you been able to get this release from the

potash area up to the present time?

A Release?

Q What is the status of it?

A The status of it is that there is a mine in this vicinity, would be over a mile from our location; however, we understand that no operation has been conducted out there for over a year. There are two potash leases in the vicinity, one covers the drill stie and we have obtained permission from the owner of that lease and the adjoining lease to drill this well.

Q Now referring to what has been marked as Exhibits 3 and 4, would you identify those exhibits, please?

A Exhibits 3 and 4 are one letter dated May 6, 1970 directed to Mr. D. S. Harroun and Mr. Russell Hayworth requesting permission for us to drill the well in Section 15 and it was approved by both the aforesaid persons on May 9, 1970.

Q Does that cover the well site?

A That is the well site release.

Q And they are the potash lease owners there, is that correct?

A Yes, sir.

Q Now the second exhibit?

A It is directed to National Potash Company. They own a lease covering Section 8, 9 and 10, 20 South, 32 East

and we have requested the same permission to drill this well from them and it was received on May 21, 1970.

Q Is National Potash Company the operator of the mine you referred to earlier in your testimony?

A I believe that it is.

Q They have no objection to the formation of this unit or the drilling of a well?

A No, sir.

Q Now skipping over to what has been marked as Exhibit Number 7, is that a letter received from the U. S. Department of the Interior?

A Yes, sir.

Q What is the effect of that letter?

A The effect of this letter, it gives us approval from the U. S. Geological Survey in Washington, D. C. to form this unit and drill this well.

Q And designates this area as a logical unit area?

A Yes, sir.

Q Did you discuss with the U.S.G.S. the possibility that forty acres might not be immediately committed to this unit?

A Yes, sir.

Q Did you get any indication that would affect the approval of the U.S.G.S. of the unit?

A It was indicated it would not.

Q It would not affect the approval?

A No.

Q Mr. Fraser, were Exhibits 1 and 2 prepared by you or under your supervision?

A Yes, sir.

Q And Exhibits 3 and 4 are letters from your business files?

A Yes, sir.

Q And Exhibit 7 is a letter received by your company from U.S.G.S.?

A Yes, sir.

MR. KELLAHIN: At this time I would like to offer in evidence Exhibits 1, 2, 3, 4 and 7.

MR. UTZ: Exhibits 1, 2, 3, 4 and 7 will be entered into the record of this case.

MR. KELLAHIN: That is all we have on direct examination. We have a geological witness who will testify as to the geology.

MR. UTZ: Any questions of the witness? You may be excused.

B. C. LARGENT

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A B. C. Largent.

Q L-a-r-g-e-n-t?

A That's correct.

Q Mr. Largent, by whom are you employed and in what position?

A I am employed by Phillips Petroleum Company as a Staff Geologist in Midland, Texas.

Q And have you ever testified before the Oil Conservation Commission before one of its Examiners?

A No, sir.

Q For the benefit of the Examiner, would you outline your education and experience as a geologist?

A I received a Bachelor of Science in geology and mathematics in 1956 from Midwestern University. Since that time I have been employed by Phillips Petroleum Company in various capacities in exploration and production.

Q And where have you been located?

A In Bartlesville for twelve years and in this area for the past two years.

Q In this area you are including southeastern New Mexico?

A Yes, sir.

Q And in connection with your work, have you made any investigation of the unit area covered by the Plata Deep Unit?

A Yes, sir, I have supervised the preparation of the information presented in these exhibits.

MR. KELLAHIN: Are the witness's qualifications acceptable?

MR. UTZ: Yes.

Q (By Mr. Kellahin) In connection with your work for Phillips Petroleum Company, did you make some determination as to logical unit area to be included in the Plata Deep Unit?

A Yes, I did. We have prepared exhibits of shallow sub-surface which is controlled by number of wells that have been producing or are now producing by using well logs and sample logs. We have prepared a shallow sub-surface map.

Q That is Applicant's Exhibit Number 5?

A Yes, 5, that is correct.

Q Would you discuss the information that is shown on Exhibit Number 5?

A By using sample logs and well logs we have and subtracting the surface elevation, we have prepared a sub-surface map on the Yates Formation. We have also outlined the proposed area to be within the unit.

Q Now in your opinion and on the basis of your experience in this area, do you feel that the Yates reflects the sub-surface information on the wells?

A Yes, we do.

Q Is that the reason you have used that information to correlate with other information you have available?

A We have used this as a shallow marker and on this basis we were justified in using seismograph methods to show deeper prospective areas.

Q Referring to Exhibit Number 6, would you identify it?

A This exhibit is a contour map prepared from seismic information on approximate Strawn Formation, confirming the shallow picture as shown on the Yates.

Q On the basis of the information shown there, is the area covered by the Plata Deep Unit logically covering a sub-surface formation?

A Yes, it is.

Q Would approval of the unit give Phillips Petroleum Company as operator of the exploratory unit substantial control of the producing formation that you expect to encounter?

A Yes, it would.

Q Have you anything further to add?

A I might add that there is an area to the west that

adjoins it could possibly be productive but presently in a proration unit.

Q Is there a comparable area in the vicinity of the Plata Deep Unit?

A Yes, sir, there is to the northwest, the Lusk-Strawn Field, is a type of reservoir we are looking for here and by stratographic studies and certain methods we have used on a computer we feel this is on the same trend and has potential for being the same type reservoir.

Q And you feel that on the basis of the information you have it correlates the actual information found in the Lusk Pool?

A That's correct.

Q Were Exhibits 5 and 6 prepared by you or under your supervision?

A Yes, sir.

MR. KELLAHIN: At this time I would like to offer in evidence Exhibits 5 and 6.

MR. UTZ: Without objection 5 and 6 will be entered into the record of this case.

MR. KELLAHIN: That completes our testimony, Mr. Utz.

MR. UTZ: You made a statement that some of the area to the west was in a proration unit, do you mean a development unit?

A Yes, sir.

A Yes, sir.

MR. UTZ: What is the name of that unit?

A The Big Eddy.

MR. UTZ: Questions of the witness? The witness
may be excused. Statements?

The case will be taken under advisement.

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