

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
July 10, 1974

EXAMINER HEARING

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 IN THE MATTER OF:)
)
 Application of Union Oil Company of)
 California for a unit agreement, Lea) CASE 5269
 County, New Mexico.)
)
 -----)

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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| For the New Mexico Oil Conservation Commission: | Thomas Derryberry, Esq. Legal Counsel for the Commission State Land Office Building Santa Fe, New Mexico |
| For the Applicant: | James T. Jennings, Esq. JENNINGS, CHRISTY & COPPLE 1012 Security National Bank Bldg. Roswell, New Mexico |

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| | <u>Marked</u> | <u>Admitted</u> |
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MR. NUTTER: We will call Case Number 5269.

MR. DERRYBERRY: Case 5269, application of Union Oil Company of California for a unit agreement, Lea County, New Mexico.

MR. JENNINGS: I am James T. Jennings of Jennings, Christy and Copple in Roswell and I have one witness, Mr. Darrel Wilson.

(Whereupon, the witness was sworn.)

MR. JENNINGS: Mr. Examiner, we stated in our application that we would file a unit agreement at the time of the Hearing and we will file it as our Exhibit Number 1.

MR. NUTTER: That's fine.

DARREL WILSON

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

DIRECT EXAMINATION

BY MR. JENNINGS:

Q Would you state your name and occupation, please, sir?

A My name is Darrel Wilson and I am a geologist with Union Oil Company of California in Roswell.

Q Mr. Wilson, on prior occasions have you testified before this Commission and had your qualifications as an

expert accepted?

A Yes.

Q Are you familiar with the application that has been filed in Case Number 5269?

A I am.

Q Briefly what is the nature of the application?

A Union Oil Company of California is proposing forming a 1280-acre State unit comprising the two sections shown outlined on the block, and drilling a 13,600-foot Morrow test. We feel that by the unit agreement we will promote the prevention of waste and the protection of correlative rights within the unit.

Q I hand you what has been marked Exhibit 1 which is the unit agreement which has been offered to the Commission. Referring to the plat on the back of the unit agreement, does that outline the proposed unit area?

A Yes, Sections 8 and 17 of 14 South, 35 East, Lea County, New Mexico.

Q Generally what type of land is that?

A With practically all with the exception of 80 acres is State acreage, this one 80-acre "B" tract.

Q Who is the proposed unit operator?

A Union Oil Company of California.

Q Have all the other owners in the area joined in the unit agreement?

A Yes. We have not yet received word from Warren American, but they told us that they will do what Hamon has done and Hamon has joined and accepted the unit agreement.

Q Would you locate the wells, please, and tell the proposed depths?

A We will probably drill the well in the northwest corner of the southwest quarter of Section 8, and we plan to drill a 13,600 foot Morrow test.

Q I hand you what has been marked Exhibit 2 and ask you to identify that if you would, please?

A This is a letter to Mr. Stanley, Union Oil Company of California's District Landman in Roswell from Mr. Ray Graham, the Director of the Oil and Gas Department here in the State of New Mexico, in which he states that as of June 17th, the agreement as we outlined it meets with the requirements of the Commissioner of Public Lands, and they have, therefore, approved the agreement as to its form and content.

Q What zones do you propose to test, Mr. Wilson?

A Our primary objectives in this area are what we call the lower Wolfcamp or what may be termed, under the State nomenclature, as the Permo-Penn, and the Morrow sands

which are much deeper.

Q I hand you what has been marked as Exhibit 3, and ask you to identify that if you will, please?

A Exhibit 3, first, is a structure map contoured on top of the lower Wolfcamp "A" zone. The scale of this map is 1 inch to 2000 feet. It shows the structural configuration of the lower Wolfcamp, extending from the Morton Field on the south to the north Morton Field and our proposed unit in Section 8 and 17. Superposed over the structure map are the blue-shaded areas that you see where we feel porosity developments are found in this lower Wolfcamp. You can see the productive porosity development in the north Morton Field in Section 31. The old Amerada State well drilled in Section 19 encountered good porosity in this zone, but tested salt water. We have a low relief high centered in the unit area, and we feel like if we get high to the Amerada well we can encounter the porosity and perhaps have an oil column.

Q Do you feel that this prospect underlies basically all of the two sections in question?

A Yes.

Q I hand you what has been marked Exhibit 4 and ask you to identify that if you will, please?

A Exhibit 4 is a structure map contoured on top of the Missippian-Chester formation which directly underlies the Morrow in this area. This map was made to illustrate a possible productive trend within the Morrow clastics. There is a structural ridge extending from the Morton field northward, and on the east side of this structural trend we have what we feel like are clean Morrow sands; whereas on the west side of the line that we have marked, the Morrow is primarily limestone and very limey-type sands, so we feel like there is a potential Morrow stratigraphic trap involved in the area of the unit agreement.

Q Again you feel that these two Sections are underlain by the same formation?

A I do.

Q Is there a likelihood that it will drain this area?

A Yes.

Q Again referring you to the unit agreement, I believe that unitized substances are defined as all zones, it covers all zones?

A Yes.

Q Mr. Wilson, in your opinion will the unitization of these two sections be in the nature of conservation and prevent waste?

A I believe that, yes.

Q Will it impair the correlative rights of any of the other operators in the pool?

A No.

Q Were Exhibits Numbers 3 and 4 prepared by you or under your supervision?

A They were prepared by me.

MR. JENNINGS: We would offer Exhibits 3 and 4, and we also offer Exhibit 1 which is an unit agreement and Exhibit 2 which is a copy of a letter from the Commissioner of Public Lands.

MR. NUTTER: Applicant's Exhibits 1 through 4 will be admitted into evidence.

(Whereupon, Applicant's Exhibits 1 through 4 were admitted into evidence.)

MR. JENNINGS: That is all we have.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Wilson, as I understand it, if you do get production in the Wolfcamp you are anticipating that would be oil, is that correct?

A We anticipate oil in the Wolfcamp and gas in the
—Morrow.

Q And the location of the well you said would be in the northwest of the southwest of 8?

A That is correct? We feel like that is the most common location that would have the best chance for both the Wolfcamp and the Morrow.

Q I see.

A Our primary locations.

Q Now Warren American you mentioned had not executed the unit agreement yet, will they be a working-interest owner or are they an overriding-interest owner?

A They indicated that they will farmout to Union Oil Company of California their acreage within the unit agreement.

Q So then they would be an overriding interest?

A Yes.

Q And you would have all working interests committed then?

A Yes. Union Oil Company would be 100 percent working interest.

MR. NUTTER: I see. Are there any further questions of Mr. Wilson? You may be excused.

Do you have anything further, Mr. Jennings?

MR. JENNINGS: No, sir.

MR. NUTTER: Does anyone have anything they wish
to offer in Case 5269?

We will take the Case under advisement.

