

BEFORE THE OIL CONSERVATION
COMMISSION OF NEW MEXICO

APPLICATION OF THE PURE OIL)
COMPANY FOR APPROVAL OF A)
UNIT AGREEMENT, LEA COUNTY,)
NEW MEXICO.)

Case No. 2705

A P P L I C A T I O N

Comes now THE PURE OIL COMPANY, an Ohio corporation authorized to do business in New Mexico, and applies to the OIL CONSERVATION COMMISSION OF NEW MEXICO for the approval of a unit agreement, Lea County, New Mexico, and in support of its application states:

1. That the proposed unit comprises an area of 1,720 acres, more or less, of State lands located in Township 21 South, Range 34 East, Lea County, New Mexico, as follows:

Section 11: $E\frac{1}{2}$

Section 12: $S\frac{1}{2}$, $S\frac{1}{2}NW\frac{1}{4}$, $NW\frac{1}{4}NW\frac{1}{4}$

Section 13: $S\frac{1}{2}$, $NW\frac{1}{4}$, $E\frac{1}{2}NE\frac{1}{4}$

Section 14: $E\frac{1}{2}$

Section 23: $N\frac{1}{2}NE\frac{1}{4}$

2. That the proposed unit agreement will be an exploratory unit for the purpose of testing the Devonian formation in this area. The proposed unit agreement would obligate Pure to drill a test well to a depth sufficient to test the Devonian formation. The unit area will be unitized in all formations below the depth of 5,200 feet.

3. That the initial test well in this unit will be located in the $SE\frac{1}{4}NW\frac{1}{4}$ of Section 13, Township 21 South, Range 34 East, Lea County, New Mexico.

4. That negotiations are in progress to obtain the necessary approval of the Commissioner of Public Lands for the State of New Mexico.

DOCKET MAILED

Date _____

5. That a substantial majority of the working interest ownership in the proposed unit has tentatively agreed to join the unit.

6. That the approval of this application will be in the best interest of effecting conservation.

WHEREFORE, applicant requests that this application be set for hearing before one of the Commission's Examiners on November 20, 1962, or as soon as the case may be heard, and that upon the evidence to be presented at that hearing the Commission enter its order approving this application.

SETH, MONTGOMERY, FEDERICI & ANDREWS

By Richard S. Morris
Attorneys for The Pure Oil Company

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BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 20, 1962

EXAMINER HEARING

IN THE MATTER OF:)

Application of The Pure Oil Company for)
approval of a unit agreement, Lea County,)
New Mexico. Applicant, in the above-)
styled cause, seeks approval of a unit)
agreement covering 1,720 acres, more or)
less, of State lands in Sections 11, 12,)
13, 14 and 23, Township 21 South, Range)
34 East, Lea County, New Mexico.)

Case 2705

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: Case 2705.

MR. DURRETT: Application of The Pure Oil Company for approval of a unit agreement, Lea County, New Mexico.

MR. MORRIS: I'm Richard Morris of the law firm of Seth, Montgomery, Federici and Andrews, Santa Fe, New Mexico, appearing on behalf of the applicant. We will have two witnesses to present testimony in this case.

(Witnesses sworn.)

MR. UTZ: Are there other appearances in this case?

You may proceed.

M. T. PEYTON



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

DIRECT EXAMINATION

BY MR. MORRIS:

Q Please state your name and position.

A M. T. Peyton, District Land Man, Pure Oil Company in the district office at Midland, Texas.

Q Mr. Peyton, have you previously testified before this Commission?

A I have not.

Q Would you state to the Examiner your qualifications and your experience in the oil business?

A My education stopped with high school and business college, after which I was in the abstract business until June 3, 1926 I was employed by the Pure Oil Company in the Land Department. Since that time I have seen nearly every phase of land work.

Q You have been with the Pure Oil Company in land work since 1926?

A That's right.

Q And are you familiar with the application of the Pure Oil Company in Case 2705?

A I am.

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Q What is it that Pure is seeking by this application, Mr. Peyton?

A We desire the Commission to allow us to form what we would like to call the Wilson Deep Unit, which is comprised of 1720 acres, all state lands, situated in Sections 11, 12, 13, 14 and 23, Township 21 South, Range 34 East, Lea County, New Mexico.

Q Are those lands in this unit area shown on what has been marked Exhibit A?

A They are. The hashed lines.

(Whereupon, Pure Oil Company's Exhibit A was marked for identification.)

Q Is this proposed as an exploratory unit?

A It is.

Q We're referring to what has been marked as Exhibit A, will you state what is shown on that exhibit?

A By the hashed lines we have enclosed the area that we would like to include in the unit which, as I stated, includes 1720 acres. There is one tract of 80 acres, being the West Half of the Northeast Quarter of Section 13, that is not included in the unit.

Q That's the tract shown on Exhibit A as the Amerada tract?



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A It is.

Q Where would the initial well be located in this unit area?

A In the Southeast Quarter of the Northwest Quarter of Section 13.

Q You've stated that this is an exploratory unit. To what formations or what depths is Pure obligated to drill the initial well in this area?

A Well, it's set up to drill to the Devonian not to exceed 13,900 feet. It's limited below 5200 feet.

Q When you say "limited below 5200 feet" --

A Limited above 5200 feet.

Q -- you mean the lands involved in the unit area are unitized below that depth?

A That is correct.

Q Do you have with you, Mr. Peyton, copies of the Unit Agreement of which Pure is seeking approval here today?

A I do.

MR. MORRIS: Could I have that marked Exhibit B?

(Whereupon, Pure Oil Company's Exhibit B was marked for identification.)

MR. UTZ: Is the location of that well in the Southeast of the Northwest of 13?



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A Yes, sir.

Q Referring to what has been marked as Exhibit B in this case, is that the Unit Agreement, or the tentative form at least of the Unit Agreement which you propose for this Wilson Deep Unit area?

A It is.

Q Has this form of Unit Agreement been submitted to and approved by the State Land Office?

A It has.

Q Are all of the lands involved in the unit state lands?

A They're all state lands.

Q You testified that the initial well would be projected to the Devonian formation or 13,900 feet, is that more specifically set forth in paragraph 8 on page three of Exhibit B?

A It is.

Q And that the unitized area covers formations below the 5200 feet that is also covered in this Unit Agreement?

A It is.

Q Does the Unit Agreement contain provisions making the operation of the unit subject to state conservation laws and regulations?

A It does.

Q Is the Pure Oil Company designated as the operator of



this unit?

A Pure Oil Company is the designated operator.

Q Mr. Peyton, inasmuch as Amerada has 80 acres that has been excluded from this unit area, it's a possibility, is it not, that the subsequent joinder of Amerada might be obtained at a later date?

A It's possible, yes, sir.

Q Does the Unit Agreement contain standard provisions with respect to subsequent joinder?

A It does.

Q Now, with respect to the working interest in the leases that will be in the proposed unit area, what is the situation with respect to the joinder of those working interests?

A All of the working interest owners have agreed to either join or farm out, that is participate or farm out their interest to the unit.

Q At the present time do you actually have any of the working interests signed to the Unit Agreement?

A We do not have.

Q But they have all indicated they will join in one way or another?

A They have.

Q At such time as you have secured the signatures of all

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the working interests to the Unit Agreement, will you be willing to furnish the Commission with an executed counterpart of that agreement?

A Be glad to.

Q Assuming for the moment, Mr. Peyton, that the Commission will grant approval of this Unit Agreement, when will the initial well be started?

A Just as soon as we can get all of the working interest owners signed up and get a contract for the well. We would like to start it before the end of the year.

Q What is your opinion, Mr. Peyton, with respect to the effectiveness of the operation of this area under the Unit Agreement as you have proposed it?

A We think that a well of this type, this depth, is about the only way that you could economically drill it. No one company could economically go in and drill their leases alone and by unitizing all the working interest would participate in this one well and additional wells.

Q Is the Unit Agreement as you have proposed it substantially in accordance with unit agreements that have been previously approved by this Commission covering exclusively State of New Mexico lands?

A Yes, it is so prepared.



Q Were Exhibits A and B prepared by you or under your direction?

A They were.

MR. MORRIS: We offer Exhibits A and B, and that concludes the direct examination of Mr. Peyton.

MR. UTZ: Without objection Exhibits A and B will be entered into the record of this case.

(Whereupon, Pure Oil Company's Exhibits A and B were admitted into evidence.)

MR. UTZ: Any questions of the witness?

MR. DURRETT: Yes, sir, I have a question.

MR. UTZ: Mr. Durrett.

CROSS EXAMINATION

BY MR. DURRETT:

Q Mr. Peyton, as a point of clarification, there are 1720 acres involved, is that correct?

A That's right.

Q Have you contacted Amerada about joining in the unit?

A Yes, sir, we have.

Q Would you give us some indication as to their response to you?

A Amerada refused to be a participant and they refused to farm out their acreage to the other unit operators. They have



done this. They have agreed to give us, to give to the unit \$10,000 bottom hole money in support of the well.

MR. DURRETT: Thank you. I believe that's all I have.

MR. UTZ: It would seem if the well is a commercial well they intend to develop their own acreage?

A Presumably so, yes, sir.

MR. MORRIS: As pointed out, Mr. Examiner, the Unit Agreement does contain the standard provisions for subsequent joinder if Amerada should decide they want in the unit.

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

(Witness excused.)

H. G. ALEXANDER

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

DIRECT EXAMINATION

BY MR. MORRIS:

Q State your name and position for the record.

A H. G. Alexander, District Geologist, Pure Oil Company, Midland, Texas.

Q Have you previously testified before this Commission?

A Yes, I have.

Q Have you prepared an exhibit showing the geologic

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structure of this area?

A Yes, I have.

MR. MORRIS: I ask that be marked Exhibit C, please.

(Whereupon, Pure Oil Company's Exhibit C was marked for identification.)

Q Referring to Exhibit C, Mr. Alexander, would you state what is shown on that exhibit?

A This is a map reflects seismograph work on the approximate Devonian horizon. This map shows a structure of approximately 300 feet of closure, with approximately 500 feet of structural advantage over the Ohio Wilson Well in the Northwest, Southwest, Section 24, Township 21 South, Range 34 East.

Q That well was a dry hole?

A Yes, sir, it's a dry hole in the Devonian. The unit outline is controlled by the lowest closing contour minus 10,500 feet.

Q In your opinion, Mr. Alexander, does the unit outline fairly cover the geologic structure in the Devonian as you have depicted it on this exhibit?

A Yes, it does.

Q Where is the closest Devonian production to this unit?

A It is approximately six miles north in the Leadevonian Unit.



Q Mr. Alexander, we're furnishing the Commission with Exhibit C, a structure map. Do you have any special request of the Commission with respect to this exhibit?

A Yes. We would like that this be kept confidential and returned to me, H. G. Alexander, Box 671, Midland, Texas when the Commission is through with it.

Q Was Exhibit C prepared by you or under your direction?

A Yes, it was.

MR. MORRIS: We offer Exhibit C at this time. Mr. Examiner, that concludes the direct examination of this witness.

MR. UTZ: Without objection, Exhibit C will be entered into the record of this case.

(Whereupon, Pure Oil Company's Exhibit C was admitted into evidence.)

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Alexander, the points marked with 14, 25 and so forth are shot points?

A Yes, sir, they are. There's two different periods of seismic work in here. The points designated by "P", Petty Geophysical and those "W" by Western Geophysical.

Q Your contours are based on those shot points?

A Yes, they are.



