

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 27, 1965

EXAMINER HEARING

IN THE MATTER OF:

APPLICATION OF INTERNATIONAL OIL & GAS
CORPORATION FOR A UNIT AGREEMENT, EDDY
COUNTY, NEW MEXICO

Case No. 3193

BEFORE:

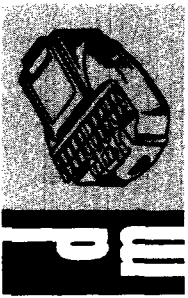
ELVIS A. UTZ

TRANSCRIPT OF HEARING

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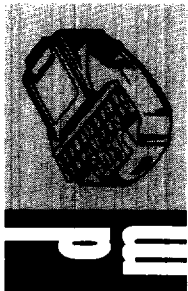
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MR. UTZ: Case Number 3193.

MR. DURRETT: Application of International Oil & Gas Corporation for a unit agreement, Eddy County, New Mexico.

MR. LOSEE: Mr. Examiner, A. J. Losee of Losee & Stewart, Artesia, appearing on behalf of the applicant. I have one witness, Mr. Conrad Appledorn. I wonder if the Examiner would like to consolidate this case with the second case on the docket, which is application to waterflood the unit area.

MR. UTZ: I think it would be perfectly all right. However, we'll have to write separate orders.

MR. LOSEE: We have no objection to putting them on separate orders--that would be real fine.

MR. UTZ: Are there other appearances in this case? If not, you may proceed.

MR. LOSEE: Mr. Examiner, this is an application for approval of a unit agreement in the High Lonesome Penrose pool; it comprises only 320 acres. It is in truth and in fact a pooling arrangement, inasmuch as there is only one working interest owner and it will permit us to flood the federal lease and the state lease. Mr. Appledorn, would you be sworn.

C O N R A D R. A P P L E D O R N, the witness, having been duly sworn, was examined and testified as follows:

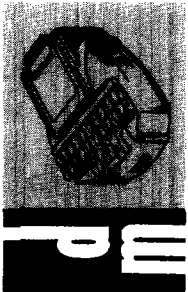
DIRECT EXAMINATION

BY MR. LOSEE:

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Q Mr. Appledorn, would you state your occupation and residence, please, sir.

A I live in Artesia, New Mexico; district superintendent for International Oil & Gas Corporation.

Q Have you previously testified before the Oil Conservation Commission and had your qualifications accepted?

A Yes.

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

MR. UTZ: Yes, they are.

MR. LOSEE: Mr. Appledorn, are you familiar with the application in this case, Number 3193, and with Exhibit 1 attached to it?

A Yes, sir.

Q Will you please refer to Exhibit 1 and tell the Examiner what it is.

A Exhibit Number 1 is the unit agreement for the proposed High Lonesome Penrose unit, Eddy County, New Mexico.

Q Will you please describe the unit area.

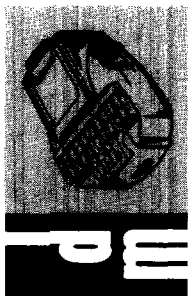
A The unit area comprises 320 acres in the east one-half of Section 15, Township 16 South, Range 29 East, Eddy County, New Mexico, and it is described in Section 2a, page 3 of the agreement, and shown on the attached Exhibit A plat.

Q What vertical interval is proposed to be unitized?

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A The Penrose sand of the Queen formation, as described in Section 2h, page 4 of the agreement.

Q At what depths is this Penrose sand found in the McCallister Number 4 well?

A It is found between the depths of 1970 and 2000 feet in Number 4, which is the reference file.

Q Is this interval a common source of supply throughout the unit area?

A Yes, all wells are completed in and produce from the Penrose sand.

Q What is the purpose of this unitization?

A International proposes to conduct waterflooding operations, and we must unitize the 40-acre state lease and the 200-acre federal lease to accomplish that.

Q Who is designated as the unit operator?

A International Oil & Gas Corporation is the sole owner of the working interest and is the unit operator.

Q On what basis do the tracts participate in the unit?

A Section 8 on page 8 of the agreement sets out the formula by which participation is calculated for each tract. It is determined by weighing the proportion which each tract bears to the entire unit area in cumulative production from 10/31/63, which is taken as an 80% formula, and current production from 5/1/63 to 10/1/63, 20%.

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Q Actually isn't that through October 31st?

A Yes.

Q In your opinion is this method of allocating production fair and equitable to all royalty and overriding royalty interest owners?

A Yes, I believe it is.

Q What date does this unit become effective?

A The effective date is given in Section 17, page 15 of the agreement, which provides that the unit will become effective on the first day of the month following ratification of the agreement by the working interest owner, which is International, and the approval agreement by the State Land Commissioner, the Secretary of the Interior, and the OCC. It is further provided that this must be accomplished by July 1, 1965.

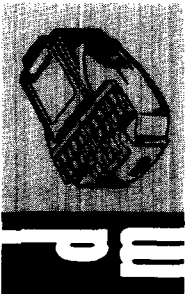
Q Has International executed this unit agreement?

A Yes.

Q Who are the royalty and overriding royalty interest owners under the unitization agreement?

A Under the unitization arrangement the overriding royalty is owned by Southern Union Production Company and by Blanche McCallister. The royalty interest is owned by the State of New Mexico and by the United States of America.

Q Has this unit agreement been executed by Southern Union



Production Company and Blanche McCallister?

A Yes, it has.

Q Has the Secretary of the Interior through the United States Geological Survey given tentative approval to this unit agreement?

A The Secretary of the Interior tentatively approved the unit arrangement and agreement on September 28, 1964.

Q Has the State Land Commissioner tentatively given approval to this unit agreement?

A The State Land Commission has tentatively approved it, I believe by telephone. We have not yet received a letter to this effect.

Q What lands in the unit are federal lands, state lands and are there any fee lands?

A Of the 320 acres in the unit area, 280 acres are federal lands, and 40 acres are state lands. There are no fee lands in the unit area.

Q Now, is there one tract in the unit area that is a non-participating tract?

A A tract of 40 acres in the southwest quarter of the southeast quarter is non-participating because of non-production.

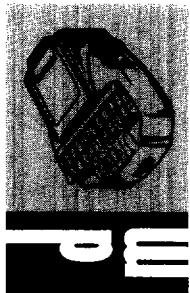
Q There is no dry hole or anything else on that tract?

A No, there isn't.

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Q In your opinion will this unit agreement protect correlative rights of the various interest owners?

A Yes, in my opinion it will.

MR. LOSEE: I have no further questions.

MR. UTZ: Is there a plan to develop the non-participating 40-acre tract?

A Not at this time. The tract was included because of the possibility of needing to expand the flood in that direction.


MR. UTZ: Are there other questions of the witness? ... The witness may be excused. Are there other statements in this case? ... The case will be taken under advisement.

* * *

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss

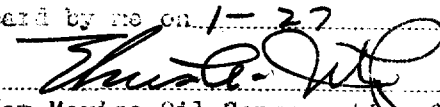
I, ELIZABETH K. HALE, Notary Public and Court Reporter, do hereby certify that the foregoing and attached transcript of hearing in Case Number 3193 was reported by me and that the same is a true and correct record of the said proceedings to the best of my knowledge, skill and ability.

Witness my hand and seal this 8th day of February, 1965.


Notary Public

My commission expires
May 23, 1968.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examinor hearing of Case No. 3193, heard by me on 1-22, 1965.


Examiner
New Mexico Oil Conservation Commission