

at
Santa Fe, New Mexico
December 17, 1953

The application of Stanolind Oil & Gas Company for approval of the Welch Unit Agreement for development and operation of a unit area embracing 18,694.16 acres, more or less, in Eddy County, New Mexico, as described:

NEW MEXICO PRINCIPAL MERIDIAN

Section 29: South Half;
Section 30: South Half;
Sections 31 and 32: All;
Section 33: W/2, SE/4

Section 1: $E/2$ $E/2$;
 Section 12: $E/2$ $E/2$;
 Section 13: $E/2$;
 Section 24: All;
 Section 25: $E/2$ $E/2$

Section 3: S/2 NE/4, W/2, SE/4;
Sections 4 - 10, Incl., all;
Section 11: W/2;
Section 14: W/2;
Sections 15 - 22, incl., all;
Section 23: W/2;
Section 26: NW/4;
Sections 27 - 30, incl., all;
Sections 31 - 34, incl., all (fractional)

MR. SETH: I wish to call two witnesses.

W. A. BLANKENSHIP, JR.

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. SETH:

Q Just state your name, please, for the record.

A Wayne A. Blankenship, Jr.

Q By whom are you employed?

A Stanolind Oil and Gas Company.

Q In what capacity?

A District land man in our eastern New Mexico office in Roswell,
New Mexico.

Q To consider first the form of the unit agreement does the
form here proposed ^{for the} ~~Welch~~ Unit compare with the forms previously
submitted in recent unit agreements?

A Yes, sir, it does. It follows in all pertinent particulars
the recent Buffalo unit agreement which the Commission approved.

Q Who will be the operator in this proposed unit?

A Stanolind will be.

Q What test wells are required by the unit agreement?

A There is one test well required to a depth of 11,500 feet,
or the Pennsylvanian formations tested at a lesser depth, or unitized
substances discovered in paying quantities at a lesser depth, or at
a lesser depth the Unit Operator establishes further drilling is
unwarranted or impracticable to the satisfaction of the Supervisor
and the Commission. That well must be commenced within six months
after final approval of the unit agreement. Copies of the unit
agreement have been submitted to the Commission and the Commissioner
of Public Lands.

Q Are they attached there to Exhibits showing the ownership?

A Yes, sir, they are.

Q Is there a map attached showing the unit boundaries?

A Yes, sir, there is.

Q Just state for the Commission and the Commissioner the ownership of the land within the proposed area.

A Of the total of approximately 18,694.16^{acres} within the boundaries of the unit agreement 16,287.91 acres are federal land, for a percentage of 87.128. State lands cover 1,366.36 percent acres, or 7.309. Fee lands cover 1,039.89 acres for 5.563 percent. Breaking that down further as to commitments that we have received on the percentage of commitments on the entire acreage we have committed in writing 14,311.439 acres or 76.5556 percent. We have verbally committed an additional 1400 acres, this being 760 acres of Magnolia and 640 acres of Humble for a total percentage of 7.4890 percent, which makes our total comitment to date 84.0446 percent of the entire unit. On the federal acreage we have 13,516.55 acres comitted in writing for a total percentage of 82.9853 percent. On the state acreage we have 560 acres comitted in writing for 40.9848 percent. We have additional verbal comitment from Humble of 640 acres, or 46.8398 percent on the state acreage. The fee acreage, we have committed 234.890 acres for a percentage of 22.5880 percent, with an additional verbal commitment from Magnolia of 760 acres or 73.0846 percent, making a total commitment on fee acreage of 95.6726 percent.

Q Does the unit agreement itself provide for unitization of all formations?

A Yes, it does.

Q Is there a possibility that in a portion of the area the

shallow rights will not be committed?

A Yes, sir, that is right. I might explain that in connection with the percentage commitment on the entire unit that 440 acres of that commitment cover rights below the base of the Delaware Sand, or 4000 feet, whichever is deeper, and we do not expect to probably get commitment on the shallow rights. That is 2.3537 percent. There is a possibility that there would be an additional 360 acres of shallow rights not committed and these rights might be - -

Q Is that federal fee or state land?

A That is all federal acreage.

Q That adjustment won't materially effect your total commitments?

A No, sir, it doesn't. It effects, based on the federal acreage alone the 440 acres would reduce the full commitment by only 2.7014 percent with the possibility of an additional 2.20102 percent not being committed under federal acreage.

Q Does the agreement provide for segregation of leases within and without the unit boundary?

A Yes, sir, it does.

Q Does it provide for subsequent commitments being made by anyone who wishes?

A Yes, sir, it does.

Q Was application made to the Commissioner of Public Lands for his approval?

A Yes, sir, it has been.

Q Do you have an executed copy of the unit agreement?

A Yes, sir, I do.

(Stanolind Oil & Gas Company's
Exhibit No. 1 Marked for Identification)

ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 105-106, EL CORTEZ BLDG.
PHONES 7-9645 AND 5-9546
ALBUQUERQUE, NEW MEXICO

MR. SETH: We would like to offer an executed copy of the agreement with the right to withdraw it at a later date for submission to United States Geological Survey and will substitute an executed copy.

MR. SPURRIER: Without objection it will be admitted.

Q Are there some subsequent ratifications which you have recently received?

A Yes, sir, there are.

Q Will you submit those to the Commission sometime today?

A Yes, sir, we will.

MR. SETH: We would like to have those received if the Commission will ~~subject~~ to the same provisions.

MR. SPURRIER: Without objection they will be admitted.

Q Any other comments you would like to make on the form of the agreement or commitment?

A No, sir. I might say if the first well is a dry hole then we would have six months to commence a second test well unless an extension of time were granted by the Director and Commissioner. If the well is ^a/producer we would have six months to submit for the approval of the Supervisor, Commission, and Commissioner an acceptable plan of development.

MR. SETH: That is all the direct questions.

MR. SPURRIER: Is there a question of the witness? If not the witness may be excused.

(Witness excused)

TOM L. INGRAM

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. SETH:

Q Would you state your name, please?

A Tom L. Ingram.

Q By whom are you employed, Mr. Ingram?

A Stanolind Oil and Gas Company.

Q In what capacity?

A District Geologist of the Roswell district.

Q Have you testified before the Commission as a geologist in previous hearings?

A I have.

MR. SETH: Will his qualifications be accepted?

MR. SPURRIER: They will.

Q Would you state to the Commission, please, the general geology of the area proposed to be included in the Welch unit?

A Geographically the unit is located approximately 20 miles south of the Carlsbad, geologically is located along the western margin of the New Mexico portion of the Delaware Basin. The interpretation of our reflection seismograph data in the top of the pay has delineated a structural anomalous condition approximately seven miles long and five and a half miles wide. A minimum of 300 feet of critical depth is present at this level. The most favorable portion is included within the pledged proposed unit boundaries as our data below the pay has failed to delineate anticlinal features of a definite or reliable nature we believe that test well should be drilled to a depth of approximately 11,500 feet to test the pay. In younger formations the following are the possible beds

that we expect to encounter as taken from the formation tops found in the Humble No. 1 Federal Wiggs a dry hole located in the northeast quarter of Section 31, Township 24 South, Range 27 East. We expect the Rustler at the surface, the Castille at the 590 Delaware limit, 1890 Feet Delaware Sand, 1950 feet Bone Springs 5600 feet; the Wolf-Camp at 9600 and undifferentiated pay from 10,600 to total depth. Zones were good, reservoir characterizations are expected in the Delaware Sand, BoneSprings, Wolf Camp and in the pay.

Q Are the proposed boundaries drawn to form a compact boundary as possible?

A They are.

Q And to include a minimum amount of acreage which is anticipated being productive?

A That is true.

Q In your opinion will the operation of this area under the unit plan lead to the greatest ultimate recovery of oil and gas?

A I believe it will since any plan for development will be based on our structural relationships.

Q And lead to the best utilization of the reservoir energy and be in the best interest of the State of New Mexico?

A That is true.

Q Will the state, as such, receive its fair share of the oil and gas in place?

A It will and any and all participating units which are formed.

Q Is there a producing well within the unit boundaries at the present time?

A There is one well, the Buck Jones No. 1 Gates Federal, located

in Section 29, Township 26 South, Range 27 East. It is one well in the Glen Castille Pool and is producing from the Castille. It was initially completed in August 22 of 1952 for 20 barrels of oil per day.

Q Is it contemplated that the acreage on which that well is located will be committed to the unit agreement, or do you know?

A As Mr. Blankenship testified I believe the shallow rights will not be committed. However, the deep rights are. In other words, the rights below 4000 feet.

Q Any other comments on the application you would like to make?

A The proposed location of the well offset state acreage in the northwest quarter of ^{the} northwest quarter of Section 21, Township 26 South, Range 27 East.

MR. SETH: That is all the direct examination.

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

(Witness excused)

MR. SETH: We have no further testimony. Anyone have anything further in this case?

MR. SPURRIER: Does anyone have any further testimony in this case? If not we will take it under advisement and move on to Case 613.

STATE OF NEW MEXICO)
)
COUNTY OF BERNALILLO)

I HEREBY CERTIFY that the foregoing and attached transcript of hearing in Case No. 609 before the Oil Conservation Commission, State of New Mexico, at Santa Fe, on December 17, 1953, is a true and correct record of the same to the best of my knowledge, skill and ability.

DATED at Albuquerque, New Mexico, this 30TH day of December, 1953.

Ada Dearnley
COURT REPORTER