

BEFORE THE
OIL CONSERVATION COMMISSION
State of New Mexico
Santa Fe, New Mexico

TRANSCRIPT OF PROCEEDINGS

Case No. 695
Special Hearing
May 7, 1954

- REGISTER -

NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

May 7, 1954

Hearing in Case No. 695

NAME

B. J. Ferris	Shell Oil Company	Roswell, New Mexico
O. V. Lawrence	Shell Oil Company	Roswell, New Mexico
Mel Yost	Oil Conservation Comm.	Santa Fe, New Mexico
W. B. Macey	Oil Conservation Comm.	Santa Fe, New Mexico

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 7, 1954

IN THE MATTER OF:

The Application of Shell Oil Company
for approval of Spencer Unit Agreement,
said unit consisting of 3,840 acres of
land, more or less, in Lea County, New
Mexico, as described: Township 17 South,
Range 36 East, all Sections 23, 24, 25,
26, 35 and 36.

Case No. 695

BEFORE:

Honorable Edwin L. Mechem, Chairman
Mr. E. S. (Johnny) Walker, Member
Mr. R. R. Spurrier, Secretary & Director

(Notice of Publication read by Mr. Spurrier)

TRANSCRIPT OF PROCEEDINGS

MR. FEDERICI: Shell Oil Company, Applicant, appearing by
counsel, Mr. William Federici. I have two witnesses this morning.
First, I wish to offer in evidence here an executed copy of the
unit agreement.

MR. SPURRIER: It will be admitted.

O. V. LAWRENCE

called as a witness, being first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. FEDERICI:

Q Will you state your name, please?

A O. V. Lawrence.

Q What is your occupation?

A I am employed by Shell Oil Company as Roswell District Land Agent.

Q Have you testified before this Commission before?

A I have.

MR. FEDERICI: Need I go further with Mr. Lawrence's qualifications?

MR. SPURRIER: No. They will be accepted.

Q Will you state the acreage involved in this unit?

A The Spencer Unit covers Sections 23, 24, 25, 26, 35, 36, Township 17 South, Range 36 East, Lea County, New Mexico. The acreage covered totals 3,840, that is the total of six sections. The unit area is located approximately three miles south of the South Lovington Field and approximately five miles east of the Vacuum Field, Lea County. Incidentally, all the acreage in the unit is State owned.

Q Did you stake the general area in relation to other fields?

A Yes, sir, I did.

Q Would this unitization accomplish the best development on a structural basis?

A Yes, sir, it would.

Q And that is one of the purposes for which the unit is requested?

A Yes, sir.

Q Would this unit accomplish the best reservoir practices?

A Yes, sir.

Q Is this unit agreement in the usual form?

A The Spencer unit agreement follows very closely previous unit agreements which have been submitted to the Oil Conservation Commission and have been approved by the Commissioner and the Com-

mission.

MR. SPURRIER: What are the deviations, if any?

A The deviations are the fact this is a communitization type of unit rather than participating area type unit, which means that all the working interest owners will share in the cost of development, and also share in the production all over the entire unit area. The State, of course, owns all the royalty and would share as production developed.

Q Is the minimum size of the unit stated in the agreement?

A Yes.

Q And the entire unit area participates in production?

A That is true.

Q Are all lands involved State lands?

A All are State.

Q Will you show or state to the Commission what percentage of the lease owners have executed the agreement?

A To date, 93% of the total acreage is committed to the unit through execution of the agreement. Phillips, owner of 3% interest, has agreed to sign, which would make a total of 96%.

MR. SPURRIER: Who is left out, the 4%?

A Gulf Oil.

MR. SPURRIER: With what?

A 160 acres, or 4%.

Q Would you state the date when the initial well is to be commenced?

A The unit agreement provides for the drilling of a well to a depth of 12,300 feet to test the Devonian formation. This well is to be commenced on or before June 9, 1954.

Q (Interrupting) Does the agreement provide that others may join?

A Before we go into that, sir, I would like to qualify this Devonian test. (Continuing) --unless, of course, unitized substances are discovered in paying quantities. The unit agreement also provides the usual provision for the period of six months between the completion of one well and the commencement of another.

Q Does the agreement provide that others may join?

A Yes, sir, it does.

MR. SPURRIER: In other words, for enlargement?

A The unit can be expanded, yes, sir. Also, Gulf, if they should decide to join the unit later, they may do so.

Q Who will be the operator under this agreement?

A Shell Oil Company is designated as unit operator.

Q Under this agreement, if approved, will the State receive its fair share of the oil and gas?

A Yes, sir.

Q Will the agreement tend to the orderly development in the area?

A Yes, sir, it will.

Q Will development under the proposed unit lead to better utilization of reservoir energy and promote the conservancy of oil and gas?

A Yes, sir.

Q Will development under the agreement be to the best interests of the State of New Mexico?

A Yes, sir.

Q Does the agreement purport to modify the terms of the State

leases in their entirety?

A The unit agreement contains the usual provision for segregation of State leases.

Q Has this agreement been submitted to the Commissioner of Public Lands for approval, and fees paid?

A Yes, sir, it has been submitted to the Commissioner for approval, and filing fee in the amount of \$30.00 has been paid.

MR. FEDERICI: That is all.

MR. SPURRIER: Anyone have a question of the witness? If not, the witness may be excused.

(Witness excused)

B. J. FERRIS

called as a witness, being first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. FEDERICI:

Q Will you state your name?

A B. J. Ferris.

Q What is your occupation?

A District Geologist, Roswell District, Shell Oil Company, Roswell, New Mexico.

Q Have you testified before this Commission before?

A Yes, sir, I have.

MR. FEDERICI: Will the qualifications of this witness be accepted by the Commission?

MR. SPURRIER: They will.

Q Are you acquainted with this unit agreement?

A Yes, sir, I am.

Q Would you give a brief statement of the geology of the

area covered by the unit agreement?

A In terms of regional geology, the Spencer unit area is situated in the north basin geological province immediately northwest of the central basin platform. Our sources of geological information in this area were two, one being a few scattered wells which have been drilled in the area, and the other source, which is most important, is seismic data. These data have been obtained through extensive surveys throughout the area whereby seismic profiles were run at intervals of one-half to one mile both north-south and east-west in direction. The data derived from these seismic lines provided us with information which enabled us to make an interpretation of geological structure. This interpretation indicates an anticlinal axis of fault drilling north-south between Lovington Field and Monument Fields. Superimposed upon this anticlinal axis there are local anticlinal closures which are separated one from the other by normal faulting. It is our plan to drill a Siluro-Devonian well upon one of these local closures.

Q If there is an indicated structure, is it within the area?

A There is an indicated structure, yes, sir, and it is within the unit area.

Q Does the unit area include an excessive amount of acreage outside of the indicated structure?

A No, sir, it does not.

Q Is there a reasonable expectation of encountering oil or gas?

A Yes, there is.

Q Will you state, please, the formations which are expected to be encountered?

A We expect to penetrate with our proposed test about 1600 feet of surface beds, 8850 feet of Permian beds, 750 feet of Pennsylvanian beds, 900 feet of Mississippian beds, and 200 feet of Siluro-Devonian strata, the Siluro-Devonian being the lowermost formation to be tested.

Q Would you state to the Commission the proposed location of the initial well?

A Yes, sir. We propose that this initial location be in the southwest quarter of the southwest quarter, Section 25, Township 17 South, Range 36 East.

MR. SPURRIER: Which is all State land, Commissioner, it is all State land.

Q Will unit operation under the agreement lead to better utilization of reservoir energy and lead to greater ultimate recovery?

A Yes, sir.

Q Will the State receive its fair share of the oil and gas?

A Yes, sir, it will.

Q Will the agreement promote the development of the area?

A Yes, sir, it will.

MR. FEDERICI: I think that is all I have.

MR. SPURRIER: Anyone have a question of the witness?

Witness may be excused.

(Witness excused)

MR. SPURRIER: Does anyone else have a comment or a question? If not, we will take the case under advisement, and the meeting is adjourned.

STATE OF NEW MEXICO)
 : ss.
COUNTY OF BERNALILLO)

I, Bernice Lopez, Court Reporter, do hereby
certify that the foregoing and attached transcript of proceedings
before the New Mexico Oil Conservation Commission at Santa Fe,
New Mexico, is a true and correct record to the best of my
knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial
seal this 8th day of May, 1954.

Bernice Lopez
Notary Public, Court Reporter

My Commission Expires:

December 18, 1957.