

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 971

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
ROOMS 105, 106, 107 EL CORTEZ BUILDING
TELEPHONE 7-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
Santa Fe, New Mexico

October 17, 1955

REGISTER

Name	Representing	Address
C. F. Keller	Phillips Petroleum Company	Midland, Texas
H. N. Burton	Phillips Petroleum Company	Midland, Texas
S. J. Talley	Phillips Petroleum Company	Midland, Texas
O. Seth	Seth & Montgomery	Santa Fe, N. M.
Raymond Lamb	Wilson Oil Company	Artesia, N. M.
R. B. Johnston	Phillips Petroleum Company	Midland, Texas
J. W. Tunley	Oil Conservation Commission	Santa Fe, N. M.
W. B. Mankin	Oil Conservation Commission	Santa Fe, N. M.

IN THE MATTER OF:

Application of Phillips Petroleum Company
requesting approval of the proposed Ets
Deep Unit Agreement consisting of 7,928.48
acres of land in Lea County, New Mexico.

Case No. 971

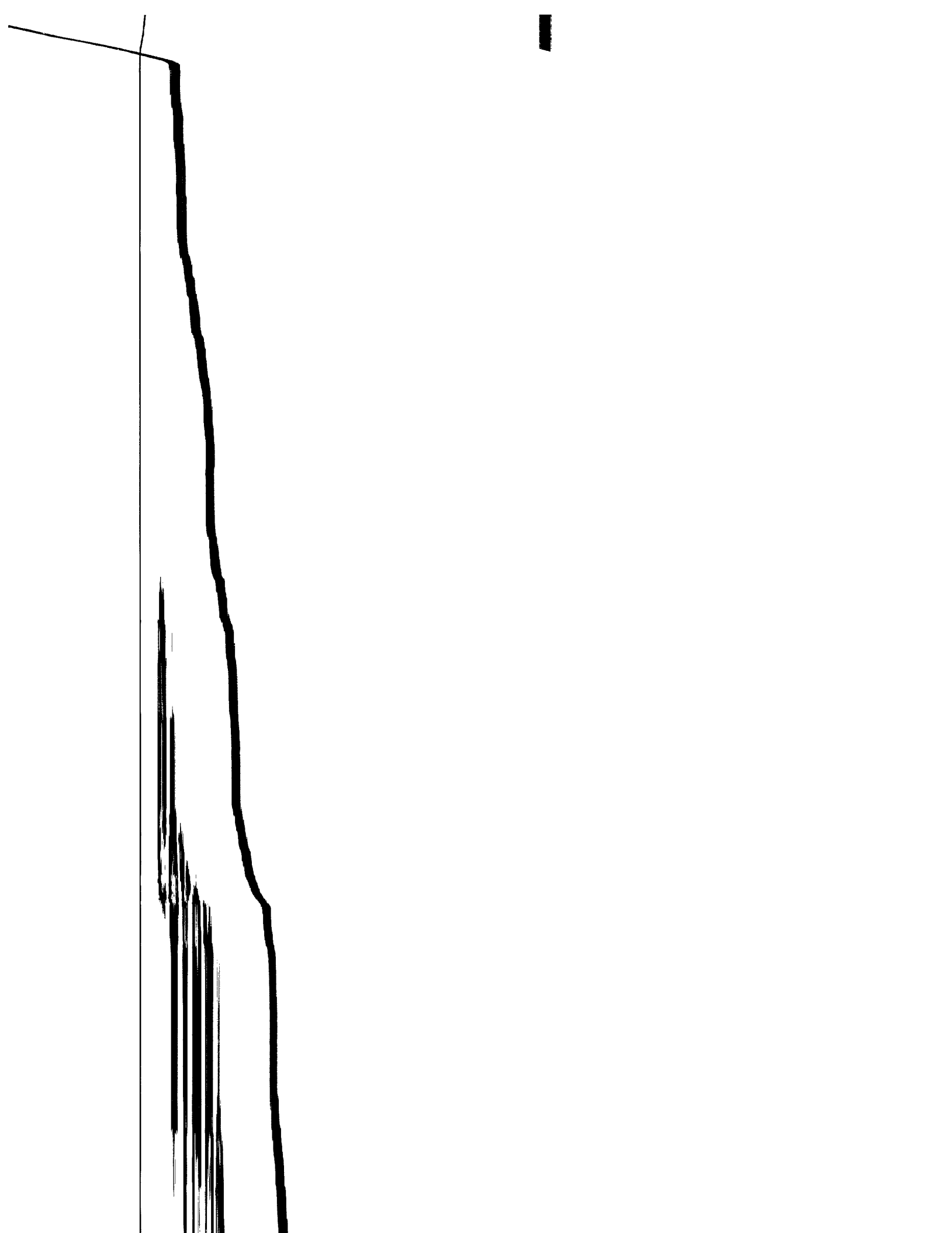
Before: Acting Chairman, Warren B. Mankin.

TRANSCRIPT OF HEARING

ACTING CHAIRMAN MANKIN: The hearing will come to order.
The first Case is 971. Will all the witnesses who are to give testimony stand and be sworn?

Let's proceed with Case 971.

MR. BURTON: My name is H. N. Burton, B-u-r-t-o-n. The application of Phillips Petroleum Company has been filed with the Commission for approval of the proposed Ets Deep Unit. This unit



covers certain land in Lea County, New Mexico. Our first witness will be Sterling Talley.

S T E R L I N G T A L L E Y

having first been duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. BURTON:

- Q State your name. A Sterling Talley.
- Q By whom are you employed? A Phillips Petroleum Company.
- Q In what capacity? A As a geologist.
- Q Have you previously testified before the Commission?
- A No, I have not.
- Q As geologist? A No.
- Q Would you state your training and experience in the field of geology?

A I received a Bachelor of Science degree in the School of Geological Engineering from the University of Oklahoma in 1951. Shortly thereafter was employed by Phillips, and approximately the first two years I was employed as a subsurface geologist primarily doing well sitting and solving subsurface problems in the home office. Since that time I have been area supervisor for what we call our Western Area which includes southern New Mexico.

Q Have you made a study or --

MR. BURTON: Do you accept his qualifications?

ACTING CHAIRMAN MANKIN: His qualifications are accepted.

Q Have you made a study or investigation of the geology in the area of the proposed Etz Deep Unit? A Yes, sir.

Q What data or information have you had available?

A Primary data is interpretation from seismic information.

Q Has there been any development in the area?

A There has to the extent of several dry holes which are shallow which have been drilled within the unit outline.

Q In your opinion would you expect to encounter production above 4,000 feet?

A No, sir.

Q Have you developed any prospective or possible producing structure or structures below 4,000 feet?

A Yes, we have. As I mentioned, the seismic interpretation.

Q One or more structures?

A One.

Q Would you describe the structure that you have found?

A This structure that we have depicted which is from seismic information was taken what we believe to be at the approximate level of the Devonian and could be described as a north-south trending anticlinal which is approximately four and a half miles in its north-southwest, and some three miles in its east-west breadth, exhibits in excess possibly 300 feet of enclosure. On the major feature there appears to be two local knobs, so to speak, which are separated by a possible saddle.

Q Do you have a map that depicts this formation of this structure?

A Yes.

Q Would you identify the map?

A It is our seismic interpretation as we see it.

(Marked Phillip's Exhibit No. 1,
for identification.)

Q In your opinion, or would you state your opinion as to whether or not all of the possible producing part of the structure is included within the boundaries of the Etz Unit?

A We believe it is.

Q Does it fairly include that part of the structure without an

undue excess amount of acreage?

A Yes, sir.

Q What is your opinion as to whether or not the unit development of this prospect will promote conservation?

A I believe it will.

Q Do you believe that the approval of this unit agreement is to the best interest of the State?

A I do.

Q The agreement provides for a test well, does it not?

A As I understand it, it does.

Q What is the maximum depth provided for the well?

A The well is not to be carried deeper than 15,000 or to commercial production at a lesser depth.

Q Can you make an estimate of the depth at which you would expect to encounter the top of the Devonian formation?

A As near as we can anticipate, we figure it might be encountered at 14,500 feet.

Q Will the maximum depth of the well, 15,000 feet, permit a full test of the structure that you have described?

A We believe it will.

MR. BURTON: That is all.

ACTING CHAIRMAN MANKIN: Did you have any other copies of Exhibit 1 other than the one copy that you will introduce?

A No, we don't.

ACTING CHAIRMAN MANKIN: You do not have?

MR. NUTTER: We have the copy in our office.

ACTING CHAIRMAN MANKIN: I wanted to be sure that the Staff had a chance to look at it.

MR. GURLEY: I think the rule is that certain copies be presented with the application. At regular Commission hearings it is

original and five if I am not mistaken. Perhaps we should make a ruling that at least three be presented.

ACTING CHAIRMAN MANKIN: Apparently they are not aware of it. We will manage with this.

MR. GURLEY: We will put out a memorandum on it.

ACTING CHAIRMAN MANKIN: Did you have something else?

MR. BURTON: No more questions. Do you have any questions?

ACTING CHAIRMAN MANKIN: Are there any questions of the witness?

CROSS EXAMINATION

By MR. GURLEY:

Q This application has been presented to the United States Geological Survey?

A To my knowledge it has.

Q The unit has been approved?

A I think it has been approved in primary form.

Q Do you know whether or not it has?

A I think it has.

ACTING CHAIRMAN MANKIN: I presume your other witness will tell about the type of land and participation and so on. If nothing further from this witness, he may be excused.

(Witness excused.)

You wish to present this as evidence?

MR. BURTON: Yes, we offer the Exhibit 1 in evidence.

ACTING CHAIRMAN MANKIN: Is there objection to the entering of Exhibit 1 in evidence in this case? If not it will be so entered.

C. F. KELLER

having first been duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. BURTON:

Q State your name.

A C. F. Keller.

Q What is your employment?

A Division land man for Phillips Petroleum Company at Midland, Texas.

Q You have personal knowledge of the proposed Etz Deep Unit area?

A Yes, sir.

Q Phillips Petroleum Company is designated operator of the unit, is it not?

A That is correct.

Q Will you describe the land included in the unit and its ownership?

A There are 7,928.48 acres included in the unit. The lands are all state and federal lands, of which 1,396.76 acres are state lands representing 17.62 percent of the unit area. There are 6,531.72 acres which are federal lands which represents 82.38% of the unit area.

Q The unit agreement only covers the depths below 4,000 feet, does it not?

A That is correct.

Q At this date what parties have executed the unit agreement?

A One hundred percent of the working owners have executed the unit agreement.

Q Has it been submitted to the Director of the United States Geological Survey?

A It has been submitted to the Director and we have obtained preliminary approval.

Q Has it been formally approved? A No.

~~Q Do you have a copy of the agreement executed by the working~~

interest owners?

A Yes, I do.

Q Would you identify and have the reporter to mark it as Applicant's Exhibit No. 2 in Case No. 971?

A This is the unit agreement for the development and operation of the Ertz Deep Unit area, Lea County, New Mexico.

(Marked Phillip's Exhibit No. 2,
for identification.)

MR. BURTON: The exhibit is offered in evidence.

ACTING CHAIRMAN MANKIN: This is the partially executed copy?

A It is fully executed.

MR. GURLEY: It has all the working interest owners?

A All the working interest owners.

ACTING CHAIRMAN MANKIN: Did you desire to submit this in evidence or have it replaced with a similar copy?

MR. BURTON: We have a limited number of executed copies. We want to furnish the Commission with an executed copy either as part of the record or in your file. We will substitute a conformed copy or an executed copy in the record or leave the original in evidence as you may wish.

ACTING CHAIRMAN MANKIN: If that is satisfactory this can be submitted in evidence and we will so stipulate. Is there any objection to the introduction of the Exhibit 2 in evidence? If not it will be entered in evidence.

Q Does the unit agreement provide for the allocation of production on an acreage basis in the unit?

A Yes, it does.

Q That is in the participating area?

A That is correct.

~~Q The participating area is to be approved by the Commission as~~

well as the Commissioner of Public Lands?

A That is correct.

Q In your opinion does that provision insure that the State and the beneficiary funds of the State land will receive their fair share of the production from the unit? A Yes, sir.

Q Is the purpose of the unit to conserve natural resources?

A Yes, sir.

Q What is your opinion as to whether or not the approval of the unit agreement is to the best interest of the State?

A I definitely believe that it will be to the best interest of the State.

MR. BURTON: That is all.

ACTING CHAIRMAN MANKIN: Are there any questions of the witness?

CROSS EXAMINATION

By MR. GURLEY:

Q Do you have an official approval from the Commissioner of Public Lands as yet? A No, we do not.

Q You have not received that at all then?

A No, sir.

Q You mentioned that you had preliminary approval from the United States Geological Survey. By "preliminary approval", is that the standard form?

A They have approved the unit operating agreement in its present form.

Q Subject to the standard qualifications that they make?

A Yes, sir.

ACTING CHAIRMAN MANKIN: Any other questions of the witness?

Mr. Nutter.

MR. NUTTER: I believe United States Geological Survey withholds final approval until the state has approved it.

A I think that is correct.

ACTING CHAIRMAN MANKIN: Any other questions of the witness? If not the witness may be excused.

(Witness excused.)

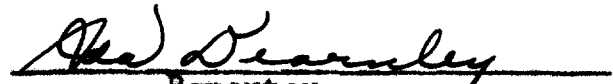
Did you have anything else, Mr. Burton?

MR. BURTON: No.

ACTING CHAIRMAN MANKIN: Are there any statements to be made in this case? If not we will take the case under advisement.

C E R T I F I C A T E

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings in the matter of Case No. 971, were taken by me on October 17, 1955, that the same is a true and correct record to the best of my knowledge, skill and ability.


Reporter