

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 7, 1956

IN THE MATTER OF:

Case No. 1028

TRANSCRIPT OF PROCEEDINGS

BEFORE THE
OIL CONSERVATION COMMISSION
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-----)
Application of Monsanto Chemical Company)
for an order granting approval of the South)
Mescalero Unit Agreement embracing 480)
acres and covering the W/2 and the SE/4 of)
Section 34, Township 10 South, Range 32 East,)
Lea County, New Mexico.)
)

Applicant, in the above-styled cause, seeks an)
order granting approval of its unit agreement)
for the development and operation of the South)
Mescalero Unit area, Lea County, New Mexico,)
said agreement having been entered into by the)
Monsanto Chemical Company, as operator, and)
the Vickers Petroleum Company; said unit cover-)
ing an area consisting of all State of New Mexico)
lands and described as the W/2 and SE/4 Section)
34, Township 10 South, Range 32 East.)
-----)

Case No. 1028

BEFORE:

Warren W. Mankin, Examiner

TRANSCRIPT OF HEARING

EXAMINER MANKIN: The next case is Case No. 1028, which is the application of Monsanto Chemical Company, for an order granting approval of the South Mescalero Unit Agreement embracing 480 acres in Section 34, Township 10 South, Range 32 East, Lea County, New Mexico.

MR. HINKLE: If the Commission please, Clarence Hinkle, Hervey, Dow and Hinkle, Roswell, New Mexico, appearing on behalf of the Monsanto Chemical Company. We have one witness, Mr. Bill Clifton and I would like to have him sworn.

BILL B. CLIFTON

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

DIRECT EXAMINATION

By MR. HINKLE:

Q. Repeat your name please.

A. Billy B. Clifton

Q. Where do you reside, Mr. Clifton?

A. Roswell, New Mexico.

Q. By what company are you employed?

A. Monsanto Chemical Company.

Q. How long have you been employed by the Monsanto Chemical Company?

A. Five years.

Q. Have you been employed by the Monsanto or the Lion Oil Company for five years?

A. Well, Lion Oil Company until Monsanto purchased Lion Oil Company, we are now a division of the Monsanto Oil Company.

Q. When was that purchase made?

A. In the latter part of 55. I don't remember the exact date.

Q. So you were really employed by the Lion Oil Company and it has been taken over by the Monsanto since that time?

A. Yes.

Q. In what capacity have you been employed?

A. I have been the geologist, the sub-surface geologist, and the past year I have been district geologist for the Roswell district.

Q. Are you a graduate geologist?

A. Yes, I graduated with a BA degree from the Texas Christian University in 1950, did graduate work at Tech Texas Technical College at Lubbock, Texas and received my MS degree in geology in 1954.

Q. Have you been practicing your profession ever since you graduated?

A. Yes sir.

Q. And how long have you been engaged in geological practice in New Mexico?

A. Two years.

Q. You are familiar with the oil development and the fields that have been developed particularly in Northern Lea County?

A. Yes sir.

Q. You have made a study of the area?

A. Yes sir.

Q. Are the qualifications acceptable?

MANKIN: The qualifications are acceptable.

Q. Are you familiar with the application which has been filed before the Commission by the Monsanto Chemical Company for pooling of the South Mescalero Unit?

A. Yes sir.

Q. Do you know whether or not a similar application has been filed for approval with the Commissioner of Public Lands?

A. Yes sir.

Q. Was there a geological report filed with the application for the permission?

A. Yes sir, there was.

Q. Mr. Clifton, I hand you Monsanto's Exhibit No. 1 and ask you to state what that is.

A. This is a general geological review and report of the proposed South Mescalero Unit. Monsanto is the owner of a lease containing 320 acres described as being the W/2 of Section 34, Township 10 South, Range 32 East, a brief discussion of the geology is included in this report and we have recommended to have a unit approved consisting of 480 acres to include this 320 of Monsanto's and a 160 acres of Vickers which is described as being the SE/4 of Section 34, Township 10 South, Range 32 East.

Q. May I interrupt you there. Is this all state land?

A. Yes. We have presented what we considered evidence that if this unit be approved that development would be taken and carried out in an orderly manner in the best interests of conservation. I believe that is general in the report here, I have been told two plats, one showing the general relationship of the proposed unit to the producing fields in the general area, entitled Exhibit "A" in this report. Exhibit "B" shows the geophysical interpretation that we deem correct in that general area. Monsanto carried on this geophysical work and completed it in 1955.

Q. And that is the geophysicists interpretation of the-----

A. Yes sir. The present space of the area.

Q. Does this proposed unit of 480 acres cover all or substantially all of the feature involved?

A. Yes sir, I believe it does.

Q. I believe you stated all the lands involved are state lands.

A. State lands.

Q. There are only two state leases involved?

A. Yes sir. Two state leases involved in the proposed unit.

Q. Are you familiar with the proposed form of unit agreement which was filed in connection with the application in this case?

A. Yes sir, I am.

Q. Do you know whether or not that form has been approved by the Commissioner of Public Lands?

A. Yes sir, it has.

Q. Do you know whether or not it is substantially the same form as other units approved by the Commissioner of Public Lands where all State lands are involved?

A. Yes sir, it is.

Q. Who is named in the unit agreement as the operator?

A. Monsanto Chemical Company.

Q. Does the unit agreement require the drilling of the first well?

A. Yes sir, it does.

Q. When is the well to be commenced?

A. Within 90 days after the effective date of the unit agreement.

Q. And to what depth is it to be drilled?

A. The well will be drilled to a depth deep enough to penetrate the Devonian formation and test the Devonian or if production is found at a lessor depth it is not necessary to penetrate the Devonian. Regardless of where the Devonian is encountered we have a maximum depth of 11,000 feet that this will have to be drilled.

Q. And in your opinion is that sufficient to test the Devonian formation of this particular area?

A. Yes sir, it is.

Q. Has there been any other development in that particular area, any producing wells?

A. Not in this immediate area, no.

Q. What is the closest field?

A. The Mescalero Field is approximately 1 1/2 mile to the north, the Moore Field is approximately 2 1/2 miles to the south.

Q. And you know by the wells which have been drilled in those fields that 11,000 feet is apt to test the Devonian formation in this particular case?

A. Yes.

Q. Did you state when the well was to be commenced?

A. The well will be commenced 90 days after the effective date of the unit agreement.

Q. Do you know whether or not the Vickers Petroleum Company, the owner of the other lease involved has agreed to join the unit?

A. Yes sir. They have agreed.

Q. Have they actually signed the unit agreement?

A. Yes sir.

Q. The unit agreement then has been executed by both Monsanto and Vickers?

A. Yes sir.

Q. And is ready to be filed or final approval obtained with the Commissioner of Public Lands as soon as it is approved by the Oil Conservation Commission.

A. Yes sir.

Q. Now, Mr. Clifton, state whether or not in your opinion, if this unit agreement is approved, that it will be in the interests of conservation and prevention of waste.

A. Yes sir, I believe it will.

Q. I would like to offer in evidence Exhibit 1.

MANKIN: Is there objection to the entering of Exhibit 1 in evidence in this case? If not it will be so entered. Mr. Clifton, I notice from Exhibit "A" which is a portion of your Exhibit 1, is that correct? That the fields adjoining this is the Mescalero-Devonian and Mescalero Pennsylvanian Fields.

A. Yes sir.

MANKIN: That is producing-----the Devonian Field in that particular area is producing from 9 to 10,000 feet and the Pennsylvanian is producing from 8 to 9,000 feet, is that correct?

A. Well, around 83 to 8500 from the Pennsylvanian and around 93 to 96 from the Devonian.

MANKIN: I see. I take it from that and from your structure map that you feel that the Devonian-----that you anticipate the Devonian at a deeper depth in the well to be located on this unit-----than was found in the Mescalero.

A. Yes sir, we do.

MANKIN: You anticipate that will be a separate structure?

A. Yes sir, I do.

MANKIN: As shown by your Exhibit "B"?

A. Yes sir.

MANKIN: Of course, you realize that there is production anywhere from 1/2 mile to a mile north northeast of this particular field---you don't anticipate that those two fields will join up---it will be a separate structure?

A. No, I don't.

UTZ: Mr. Clifton, can you tell me whether Gulf and Magnolia in the northeast quarter of Section 34 were asked to participate in this unit or not?

A. Yes sir, we approached Gulf and they refused.

UTZ: In your opinion is the northeast quarter of this section a part of the geophysical picture?

A. Yes sir.

UTZ: So the unit does not actually cover the entire structure?

A. Not the entire structure, but a lower portion of the entire structure. We have attempted to obtain Gulf in this unit and they refused us so there was nothing else to do but attempt to get what we could in there.

HINKLE: I believe this will answer your question. Can you tell him why the Gulf refused the lease and why they didn't want to join the unit?

A. I imagine the best reason would be the Ashmun and Hilliard dry hole to the west.

UTZ: To the Pennsylvanian?

A. Yes sir.

UTZ: Actually your proposed unit does cover over 80% of the structure you interpreted?

A. Yes sir. I believe it will cover the majority of it.

UTZ: Mr. Clifton are you aware of the Commission's ruling or request that there is a 6-month activity report due the Commission on each unit?

A. A 6-month-----

UTZ: Activity report.

A. That doesn't mean your drilling of your wells in a 6-month period does it?

UTZ: No, that merely means that when we approve your unit you are obligated to make an activity report to the Commission each six months so that we will know what is going on in regard to the unit, what your drilling is, what your plans are and so forth.

A. Yes sir.

UTZ: I just want to get that correct. That's all I have.

MANKIN: Also to mention, Mr. Clifton, that when Gulf wasn't agreeable to joining the unit was Magnolia approached?

A. Magnolia was approached down south there but not there-----since Gulf would not go we just knew Magnolia would not go and if we couldn't get both of them there it was just useless to try.

MANKIN: So really they were not approached?

A. Magnolia was not approached, no.

MANKIN: Would there be provisions in your unit agreement if at some future date they desire to join in the unit---is that---would that be in a normal unit?

HINKLE: No, this particular unit formed does not provide for expansion of the unit. The reason for that is that the last few units that have been approved on state acreage haven't contained that provision because practically it works out that the only way you can expand it is by 100% agreement anyway and what you have to do is to get everybody to approve it and support it---to the unit agreement plus the consent of the Commissioner of Public Lands so as a practical matter it can be expanded if all the parties are willing to agree to it and the Commissioner of Public Lands is willing to agree to it. That's the way it works out practically. So that provision for expansion has been eliminated in the last few of these unit agreements that cover only State land.

MANKIN: I also ask you Mr. Clifton, is this particular agreement, between all state lands, does it include a segregation clause? or is that necessary---in other words is this all of the leases involved here. I believe it is not, because I believe Vickers lease includes other leases that had production. Is there a segregation clause which is normally required by the State Land office?

A. Well, if Vickers had additional acreage in there, this is the only acreage in the unit, I am sure it is.

MANKIN: Was that presented to the State Land office --include a segregation clause?

A. Yes.

HINKLE: In that connection I would like to call the Commission's attention to -----

MANKIN: It is included there.

HINKLE: In Section 12, the last paragraph, it says "Any lease having only a portion of its lands committed hereto shall be segregated as to the portion committed and to the portion not committed".

MANKIN: So that would be agreeable to the state.

HINKLE: That's right.

MANKIN: I have only one other question, Mr. Clifton. In regard to the Ashmun and Hilliard dry hole. Do you anticipate, as a result of that dry hole, on your side of the picture that the Pennsylvanian will likely not be productive or do you feel that you have possibilities?

A. I feel that there is possibilities.

MANKIN: In other words that didn't void the entire unit as far as production from the Pennsylvanian-----

A. No, sir.

MANKIN: In addition to a good possibility for Devonian production?

A. In the Pennsylvanian its very erratic in its porosity development, it comes and goes and one well will certainly not condemn it.

MANKIN: You do have Pennsylvanian production on the south, I believe, you have had some in the Moore.

A. Yes sir. There are three or four wells in the Moore Field producing from the Permo-Pennsylvanian and six wells in the Mescalero Field.

HINKLE: I would like to ask one or two more questions. Mr. Clifton, approximately what would be the cost of drilling a well on this unit to test the Devonian?

A. It would run close to \$200,000.

Q. Could that expenditure be justified in being more or less of a wildcat well, without forming this unit and getting additional acreage other than that owned by the Monsanto?

A. Mr. Hinkle, I don't believe it could, it is a small amount of acreage and drilling a high-priced well as that for the Devonian is--your per acre evaluation is awfully high.

Q. Then by forming this unit, even though you can't get the cooperation of Gulf, you do develop a situation which allows enough acreage to be put together to justify the drilling of a deep Devonian well which would probably not otherwise be drilled?

A. Yes sir. That is right. We believe that with the amount of acreage here we can justify ourselves in drilling this well.

HINKLE: That's all.

MANKIN: Is there questions of the witness in this case? If not the witness may be excused and we will take the case under advisement. I might ask was there any particular time element concerned here?

HINKLE: Yes, we have ninety days I believe it is, under the terms of the unit within which to commence this well. They are ready to commence it just as soon as the Commission enters its order and the Commissioner approves the unit. And as has

been brought out to you, it has already been signed up and can be filed today and I have prepared here a proposed order for the Commission and anything that you can do to expedite the issuance of the order, if you see fit to approve it, will be appreciated so that they can start operations immediately.

MANKIN: If there is nothing further, we will take the case under advisement.

STATE OF NEW MEXICO)
) ss
COUNTY OF SANTA FE)

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

Dated at Santa Fe, New Mexico this 16th day of March, 1956.

Joan Hadley