

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 16, 1956

IN THE MATTER OF:

CASE NO. 1057

TRANSCRIPT OF PROCEEDINGS

NEW MEXICO OIL CONSERVATION COMMISSION
MABRY HALL - STATE CAPITOL
SANTA FE, NEW MEXICO

REGISTER

HEARING DATE April 16 - 1956 TIME: 10:00 A.M.

NAME:	REPRESENTING:	LOCATION
Carl W. Jones	Phillips Pet. Co.	Midland, Texas
C. G. Keller	Phillips Pet. Co.	Midland, Texas
Al Schieffelin	Phillips Pet. Co.	Midland, Texas
R. E. Johnston	Phillips Pet. Co.	Roswell, N. Mex.

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OIL CONSERVATION COMMISSION
April 16, 1956
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In the matter of the application of Phillips)
Petroleum Company for an order granting approval)
of the West Ranger Unit embracing 1520 acres,)
more or less, in Township 12 South, Range 34)
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 West)
Ranger Unit consisting wholly of State of New)
Mexico lands and embracing All of Sections 23)
and 26, W/2 NW/4 Section 24, NW/4 Section 25,)
Township 12 South, Range 34 East, Lea County,)
New Mexico; said agreement having been entered)
into by Phillips Petroleum Company as operator)
and the Texas Pacific Coal and Oil Company.)

Case No. 1057

BEFORE:

Warren W. Mankin, Examiner

TRANSCRIPT OF HEARING

EXAMINER MANKIN: The next and last case on the docket today is Case No. 1057, which is the application of Phillips Petroleum Company for an order granting approval of the West Ranger Unit, embracing 1,520 acres, more or less, in Township 12 South, Range 34 East, Lea County, New Mexico.

MR. JONES: The appearances for the applicant, Phillips Petroleum Company, are A. M. Schiemenz, Charles F. Keller, R. B. Johnston, and Carl W. Jones, all of Midland, Texas. Mr. Examiner, we would first like to introduce the applicant's Exhibit No. 1, the executed original of the proposed unit agreement. Now a copy of that is attached to the application as an exhibit. If it is agreeable we would like permission to withdraw the original after the hearing. We have other copies, if you would like for us to furnish other copies to the Commission. However, the application contains as an exhibit, a fully executed copy.

MR. MANKIN: You wish to withdraw this fully executed copy and put in its place the one that was previously submitted with your application?

MR. JONES: Yes, sir, if that is agreeable and any other copies that you might desire. But we would like, if it can be done, to have the executed original back.

MR. NUTTER: We will need an executed copy, however,

MR. JONES: Yes, well there is an executed copy attached to the application and we have any number of other executed copies that you might need, if you want more copies.

MR. MANKIN: Just one will be satisfactory.

MR. JONES: We introduce that then as applicant's Exhibit No. 1. We also introduce as applicant's Exhibit No. 2, the executed original of the operating agreement for the West Ranger Unit. We likewise, if it is agreeable, ask the Commission to substitute for that, at the conclusion of the hearing, an executed copy of that agreement, and to withdraw the original.

MR. NUTTER: We don't actually need a copy of the working agreement, although we would like to have one, it does not have to be executed.

MR. JONES: Alright, sir, well, we will introduce then, and leave with you an executed copy because all of the copies are executed.

MR. MANKIN: Then, we will take from the application as submitted, the copy of the unit agreement as executed, but not the original execution, but merely a photostat of that, and mark that Exhibit No. 1 and a copy of the working agreement will be marked as Exhibit No. 2. Is there objection to entering these two exhibits, Nos. 1 & 2? If not, they will be so entered. Proceed, Mr. Jones.

A. M. SCHIEMENZ

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

By Mr. Jones:

Q. Mr. Schiemenz, you are employed by Phillips Petroleum Company, as its Division Geologist in Midland, Texas, is that correct?

A. That's right.

Q. And in that position, you have under your supervision Lea County, New Mexico?

A. Yes.

Q. Now, Mr. Schiemenz, I believe you have not previously qualified and testified before this Commission as an expert witness, is that correct?

A. Yes.

Q. I wonder if you would then outline for the benefit of the Examiner and the Commission your education and work experience and qualifications as a geologist, please, sir?

A. Four years of bachelor science study at Texas Western College, graduated in 1948, went to work for Phillips Petroleum Company at that time and have been employed by Phillips Petroleum Company ever since. I have been in the Midland Division of Phillips Petroleum Company since 1950, which Lea County is under the jurisdiction of the Midland Division.

MR. MANKIN: Qualifications are acceptable.

Q. Mr. Schiemenz, are you familiar with the proposed unit plan of the West Ranger Unit which is the subject of this application?

A. Yes, I am.

Q. Are you familiar with the unit agreement which has been executed and here offered in evidence as the applicant's Exhibit No. 1?

A. Yes.

Q. Have you made any study of the area which is the subject of the proposed unit agreement and of the proposed West Ranger Unit.

A. I have.

Q. In connection with that study, Mr. Schiemenz, have you prepared a map of that area and the unit area?

A. Yes. A seismic geophysical map has been prepared of the unit area.

Q. Was that map prepared under your supervision and direction?

A. It was.

Q. We then offer in evidence as the applicant's Exhibit No. 3, the structure map referred to by this witness.

MR. MANKIN: Do you desire to have this ---

MR. JONES: Yes, sir, I offer that in evidence as the applicant's Exhibit No. 3.

Q. Now, will you explain again how that map was prepared, Mr. Schiemenz, and what it shows?

A. The map was prepared by geophysical methods on a reflecting horizon which we have every reason to believe is Devonian in age.

Q. When was that seismic survey made?

A. Approximately a year to a year and a half ago.

Q. Now, will you state for the record, the wells which have been drilled within the vicinity of the proposed West Ranger Unit and what horizon they were drilled.

A. The shallow tests in the immediate area have been as follows: The Lowe No. 1 Skelly State in Section 22, 12 South, 34 East, total depth 5780 in the Glorieta. The Mascho No. 1 Tide Water State in Section 18, 12 South, 34 East, total depth 5175 in San Andres and the Holmes No. 1 State in Section 18, 12 South, 34 East, total depth 2200, possibly Rusler in age. The deep test shown on the plat area is the Sunray-Mid-Continent No. 1 East Bagley Unit in Section 9, 12 South, 34 East, which was at a total depth of 13,150 feet in the Devonian and was plugged back and completed from the Wolfcamp.

Q. Alright, now the only Devonian test then that has been drilled anywhere in the vicinity of that is to the north?

A. As shown on the plat, yes.

Q. Is it your opinion that the structure map which is in evidence as Exhibit No. 3 is the best information available at the present time as to the possible structure of the Devonian formation and the proposed West Ranger Unit

and its vicinity?

A. That is our belief, yes.

Q. Now, based upon that information, is it or not your opinion that the proposed West Ranger Unit contains substantially all of the productive formation in the Devonian according to the information now available?

A. Yes, that's true.

Q. And does the proposed unit area then embrace substantially all of the geological feature which is shown on Exhibit No. 3?

A. Yes.

Q. Are you familiar, Mr. Schiemenz, with the drilling obligation imposed by the unit agreement?

A. Yes.

Q. Will you state briefly what is the projected depth?

A. 13,100 feet.

Q. Is it your opinion, according to present information that that will constitute an adequate test of the Devonian formation?

A. Yes.

Q. Is it then your opinion that the drilling obligation imposed by the unit agreement will constitute, according to the information now available, an adequate test of the formation, Devonian formation that is, in this vicinity?

A. Yes, we believe so.

Q. Is it or not your opinion that the proposed unit plan, for which approval is heresought, will promote the conservation of oil and gas and better utilization of reservoir energy in the Devonian formation, and thereby prevent waste?

A. Yes, we believe so.

Q. Do you have an opinion as to whether or not the unit agreement in evidence here as applicant's Exhibit No. 1, will permit the area to be operated and developed in the interest of conservation of oil and gas and the prevention of waste thereof?

A. We feel that it will, yes.

Q. Do you have an opinion as to whether or not under the proposed unit plan and the proposed unit agreement, the State of New Mexico, as royalty owner, will receive its fair share of the recoverable oil and gas in the place and area?

A. Yes, we think they will.

Q. Now realizing full well of course that this is a decision which ultimately must be made by the Oil Conservation Commission and by the Commissioner of Public Lands, is it or not your opinion that in other respects the proposed unit plan and the unit agreement is to the best interest of the State of New Mexico?

A. Yes, we think it is.

Q. Does the Examiner have any questions of this witness?

MR. MANKIN: The only question I have is, is this all state land?

A. Yes, it is all state land.

MR. MANKIN: I notice from your prospect map that there is some lands in Section 14 and Section 35 that are not contained within the unit which I believe are likewise State Lands, are they not?

A. Yes.

MR. MANKIN: Those were not included in this proposed unit?

A. No, they weren't.

MR. MANKIN: And yet it appears that your structure as you have picked it here is more realistic and does not include the acreage in 14 and 35. What was the reason that it was not contained in the proposed unit?

A. We feel that the bounds of the unit outline as shown on the enclosed plat here is substantially within the bounds of the top closing contour of the structural interpretation and that is the area which we think is most potentially productive in this immediate area. We can show no closure on the west side of the picture.

MR. MANKIN: But there is some closure in Section 14, is there not?

A. No, Sir, there is no closure in Section 14.

MR. MANKIN: I see. So that is as realistic picture as you can pick at this time without further development?

A. That's correct.

MR. NUTTER: There is approximately a 40-acre tract in Section 25, however, that is within the closure, is that correct?

A. We feel possibly, yes.

MR. NUTTER: However, the unit agreement does provide for the expansion of the unit area at a later date if deemed advisable.

A. That's correct.

MR. NUTTER: Mr. Schiemenz, another question I have, you stated that your proposed depth of this well was about 13,100. Now would that be a point 200 feet into the Devonian?

A. That would be approximately 200 feet into the Devonian. Our estimated top of the Devonian is 12,900.

MR. NUTTER: That's all I have.

MR. JONES: I might mention that we intend to bring out by the next witness that all of the royalty is common school lands.

MR. MANKIN: Is there further question of the witness in this case? If not, the witness may be excused. Did you wish to enter Exhibit No. 3 in evidence?

MR. JONES: We wish to enter Exhibit No. 3 now.

MR. MANKIN: Is there objection to entering Exhibit No. 3 in this case? If not, it will be so entered.

CHARLES F. KELLER

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

by Mr. Jones:

Q. You are Charles F. Keller?

A. That is correct.

Q. And you are employed by Phillips Petroleum Company as its Division Land Man in Midland, Texas?

A. Yes, sir.

Q. As such, is Lea County, New Mexico, under your supervision?

A. It is.

Q. Are you familiar with the proposed West Ranger Unit which is the subject of this application?

A. Yes, I am.

Q. As a matter of fact, you negotiated the agreement with the other interested parties, is that not correct?

A. That is correct.

Q. Who are the working interest owners within the proposed unit area?

A. There are only two. Phillips Petroleum Company and Texas Pacific Coal and Oil Company.

Q. Now, have both of those working interest owners executed the agreement?

A. Yes, they have.

Q. Who owns the royalty within the proposed unit area?

A. State of New Mexico.

Q. And to which fund does it belong?

A. The Common school land fund.

Q. All of it belongs to the -----

A. That is correct.

Q. Has the proposed unit agreement been presented to the Commissioner of Public Lands asking his approval?

A. Yes, it has.

Q. To your knowledge, has he acted on that yet?

A. No, he has not.

Q. Will you read into the record the lands which are included within the proposed unit area?

A. All of Section 23 and 26, the W/2 NW/4 of Section 24, the NW/4 of Section 25, all in Township 12 South, Range 3E East, Lea County, New Mexico.

Q. How does the unit agreement provide for expansion and contraction of the proposed unit area?

A. Yes, it does.

Q. However, the only provision for contraction in the unit is in the event of failure or loss of title for some reason, is that correct?

A. That is true.

Q. Are you familiar with the form of other unit agreements which have recently been approved by the Oil Conservation Commission and by the Commissioner of Public Lands?

A. Yes, I am.

Q. Now, with necessary changes, because of the different lands, does the proposed West Ranger Unit Agreement contain substantially the provisions which have been approved and required by the Oil Conservation Commission and by the Commissioner of Public lands for similar unit agreement?

A. Yes, it does.

Q. Now does the proposed unit agreement preport to contain any provisions which would restrict the Oil Conservation Commission in its statutory duty of regulating the unit area and regulating production from the unit area?

A. No, it does not.

Q. Who is designated as operator of the unit?

A. Phillips Petroleum Company.

Q. Now, do the provisions of the Unit Agreement give the unit operator ample authority to carry on all operations and development of the unit area which are necessary for its purposes subject, of course, to the applicable rules and regulations of the Commission.

A. Yes, it does.

Q. In your opinion, Mr. Keller, will the proposed unit agreement and the unit plan promote the conservation of oil and gas and better utilize the reservoir energy and thereby prevent waste?

A. Yes, I think it will.

Q. Does the unit agreement permit the area to be developed in the interest of conservation of oil and gas and the prevention of waste?

A. Yes, it does.

Q. In your opinion will the State of New Mexico and the common school fund which is the royalty owner of all of the lands in the unit area receive their fair share of the recoverable oil and gas in place?

A. Yes, I think they will.

Q. Recognizing again that the decision must be made by the Commission and by the Commissioner of Public Lands, is it though your opinion that in other respects the unit agreement and the unit plan is in the best interests of the State of New Mexico and the common school fund as royalty owner?

A. Yes, I think it is.

Q. Does the Examiner have any questions?

MR. NUTTER: Mr. Keller, I believe you stated that you haven't --- that the Commissioner of Public Lands has not acted on this unit agreement as yet.

A. Not to my knowledge.

MR. NUTTER: I presume though that you have obtained approval, preliminary approval, as to form and contents of the unit agreement?

A. Yes, we sure have.

MR. NUTTER: And 100% of the working interest owners are committed to the unit agreement?

A. That is correct.

MR. NUTTER: Mr. Keller, would Phillips Petroleum Company as unit operator be willing to submit to this Commission a periodic statement of progress that is being made in the unit area as to development?

A. Yes, I am sure we would.

MR. NUTT: The unit agreement contains a segregation clause, is that correct?

A. It does contain it, yes, sir.

MR. JONES: I have just been informed that the Commissioner of Public Lands has approved the unit agreement which is the subject of this application on March 20 as to form and content. The approval as I understand it was as to form and content and was a preliminary approval and it has not been executed by the Commissioner but it was approved as to form and content on March 20, 1956. That is all of the evidence we have to offer.

MR. MANKIN: Is there further questions of the witness in this case? The witness may be excused.

MR. JONES: Mr. Examiner for the convenience of the Commission and in the event the Commission sees fit to grant the application, we have prepared a proposed order. I might point out that in that proposed order, if the Commission grants the application that we have included a paragraph 6 in the effect that the agreement may be executed by any parties who are not signatory thereto after the approval has been given. Now that is found in other orders and was included for that reason. Actually, it has been executed by all of the working interest owners and the only royalty owner is the State of New Mexico, so possibly that is not as applicable in this order as it would be in others. We also call attention to the fact paragraph 5 and 7 of the proposed order were prepared on the assumption that the Commission might approve the agreement, if it does, before the Commissioner of Public Lands signs it. Now that probably would have to be altered somewhat if the Commissioner of Public Lands executed it before the Commission approves the application, if it does.

MR. MANKIN: There is no expiration date where there is a radical time involved here where it would --- an emergency might exist ?

MR. JONES: There is a drilling obligation.

MR. MANKIN: Drilling obligation by June 15th.

MR. JONES: June 15th.

MR. MANKIN: That is the only pertinent -----

MR. JONES: That is the important date, yes sir.

MR. MANKIN: Are there any statements in this particular case? If there is nothing further, we will take the case under advisement and the hearing is adjourned.

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

I, Nancy Chowning, do hereby certify that the foregoing and attached transcript of proceedings before the 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 this 10th day of May, 1956.

Nancy Chowning

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 19, 1956

IN THE MATTER OF:

CASE NO. 10-57

TRANSCRIPT OF PROCEEDINGS

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April 16, 1956
Santa Fe, New Mexico

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Petroleum Company for an order granting approval
of the West Ranger Unit embracing 1520 acres,
more or less, in Township 12 South, Range 34
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 West
Ranger Unit consisting wholly of State of New
Mexico lands and embracing All of Sections 23
and 26, W/2 NW/4 Section 24, NW/4 Section 25,
Township 12 South, Range 34 East, Lea County,
New Mexico; said agreement having been entered
into by Phillips Petroleum Company as operator
and the Texas Pacific Coal and Oil Company.

Case No. 1057

BEFORE:

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TRANSCRIPT OF HEARING

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approval of the West Ranger Unit, embracing 1,520 acres, more or less, in Township
12 South, Range 34 East, Lea County, New Mexico.

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are A. M. Schiemens, Charles F. Keller, R. B. Johnston, and Carl A. Jones, all of
Midland, Texas. Mr. Examiner, we would first like to introduce the applicant's
Exhibit No. 1, the executed original of the proposed unit agreement. Now a copy
of that is attached to the application as an exhibit. If it is agreeable we would
like permission to withdraw the original after the hearing. We have other copies,
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Q. And in that position, you have under your supervision Lea County, New Mexico?

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A. Yes. A seismic geophysical map has been prepared of the unit area.

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A. As shown on the plat, yes.

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and its vicinity?

A. That is our belief, yes.

Q. Now, based upon that information, is it or not your opinion that the proposed West Ranger Unit contains substantially all of the productive formation in the Devonian according to the information now available?

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Q. And does the proposed unit area then embrace substantially all of the geological feature which is shown on Exhibit No. 3?

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A. Yes, it is all state land.

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MR. HANKIN: Those were not included in this proposed unit?

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MR. about further development?

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within the closure, is that correct?

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Q. However, the only provision for contraction in the unit is in the event of failure or loss of title for some reason, is that correct?

A. That is true.

Q. Are you familiar with the form of other unit agreements which have recently been approved by the Oil Conservation Commission and by the Commissioner of Public Lands?

A. Yes, I am.

Q. Now, with necessary changes, because of the different lands, does the proposed West Ranger Unit Agreement contain substantially the provisions which have been approved and required by the Oil Conservation Commission and by the Commissioner of Public lands for similar unit agreement?

A. Yes, it does.

Q. Now does the proposed unit agreement purport to contain any provisions which would restrict the Oil Conservation Commission in its statutory duty of regulating the unit area and regulating production from the unit area?

A. No, it does not.

Q. Who is designated as operator of the unit?

A. Phillips Petroleum Company.

Q. Now, do the provisions of the Unit Agreement give the unit operator ample authority to carry on all operations and development of the unit area which are necessary for its purposes subject, of course, to the applicable rules and regulations of the Commission.

A. Yes, it does.

Q. In your opinion, Mr. Keller, will the proposed unit agreement and the unit plan promote the conservation of oil and gas and better utilize the reservoir energy and thereby prevent waste?

A. Yes, I think it will.

Q. Does the unit agreement permit the area to be developed in the interest of conservation of oil and gas and the prevention of waste?

A. Yes, it does.

Q. In your opinion will the State of New Mexico and the common school fund which is the royalty owner of all of the lands in the unit area receive their fair share of the recoverable oil and gas in place?

A. Yes, I think they will.

Q. Recognizing again that the decision must be made by the Commission and by the Commissioner of Public Lands, is it though your opinion that in other respects the unit agreement and the unit plan is in the best interests of the State of New Mexico and the common school fund as royalty owner?

A. Yes, I think it is.

Q. Does the Examiner have any questions?

MR. NUTTER: Mr. Keller, I believe you stated that you haven't --- that the Commissioner of Public Lands has not acted on this unit agreement as yet.

A. Not to my knowledge.

MR. NUTTER: I presume though that you have obtained approval, preliminary approval, as to form and contents of the unit agreement?

A. Yes, we sure have.

MR. NUTTER: And 100% of the working interest owners are committed to the unit agreement?

A. That is correct.

MR. NUTTER: Mr. Keller, would Phillips Petroleum Company as unit operator be willing to submit to this Commission a periodic statement of progress that is being made in the unit area as to development?

A. Yes, I am sure we would.

MR. JONES: The unit agreement contains a segregation clause, is that

it does contain it, yes, sir.

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JONES: I have just been informed that the Commissioner of Public Lands reviewed the unit agreement which is the subject of this application on as to form and content. The approval as I understand it was as to form and content and was a preliminary approval and it has not been executed by the Commissioner but it was approved as to form and content on March 20, 1956. That is all of the evidence we have to offer.

MR. MANKIN: Is there further questions of the witness in this case? The witness may be excused.

MR. JONES: Mr. Examiner for the convenience of the Commission and in the event the Commission sees fit to grant the application, we have prepared a proposed order. I might point out that in that proposed order, if the Commission grants the application that we have included a paragraph 6 in the effect that the agreement may be executed by any parties who are not signatory thereto after the approval has been given. Now that is found in other orders and was included for that reason. Actually, it has been executed by all of the working interest owners and the only royalty owner is the State of New Mexico, so possibly that is not as applicable in this order as it would be in others. We also call attention to the fact paragraph 5 and 7 of the proposed order were prepared on the assumption that the Commission might approve the agreement, if it does, before the Commissioner of Public Lands signs it. Now that probably would have to be altered somewhat if the Commissioner of Public Lands executed it before the Commission approves the application, if it does.

MR. MANKIN: There is no expiration date where there is a radical time involved here where it would --- an emergency might exist ?

MR. JONES: There is a drilling obligation.

MR. MANKIN: Drilling obligation by June 15th.

MR. JONES: June 15th.

MR. MANKIN: That is the only pertinent -----

MR. JONES: That is the important date, yes sir.

MR. MANKIN: Are there any statements in this particular case? If there is nothing further, we will take the case under advisement and the hearing is adjourned.

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

I, Nancy Channing, do hereby certify that the foregoing and attached transcript of proceedings before the 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 this 10th day of May, 1956.
