

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO
June 20, 1956

R-832

IN THE MATTER OF:

CASE NO. 1086

TRANSCRIPT OF PROCEEDINGS

DEARNLEY-MEIER AND ASSOCIATES
COURT REPORTERS
605 SIMMS BUILDING
TELEPHONE 3-6691
ALBUQUERQUE, NEW MEXICO

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO
JUNE 20, 1956

IN THE MATTER OF:

CASE 1086: Application of Signal Oil and Gas Company for an order granting approval of its proposed West Ranger Lake Unit Agreement comprising 960 acres, more or less, in Township 11 South, Range 35 East, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order granting approval of its proposed West Ranger Lake Unit Agreement; said unit comprising all of Section 17, SE/4 Section 18 and NW/4 Section 20, Township 11 South, Range 35 East, Lea County, New Mexico, and consisting of 960 acres, more or less, all of which are State of New Mexico lands.

BEFORE:

Mr. Daniel S. Nutter, Examiner.

P R O C E E D I N G S

MR. NUTTER: The next case on the docket will be 1086, application of Signal Oil and Gas Company for an order granting approval of their West Ranger Lake Unit Agreement.

MR. CAMPBELL: If the Commission please, this is an application of Signal Oil and Gas Company for the approval of the West Ranger Lake Unit Agreement. I am Jack M. Campbell, of Campbell & Russell, Roswell, New Mexico, appearing on behalf of the Applicant.

W. R. A L L E N

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

DIRECT EXAMINATION

BY MR. CAMPBELL:

Q Would you state your name, please?

A W. R. Allen.

Q Where do you live, Mr. Allen?

A Fort Worth, Texas.

Q By whom are you employed?

A Signal Oil and Gas Company.

Q And in what capacity?

A In the legal department.

Q In connection with your employment by Signal Oil and Gas Company, are you acquainted with the proposed unit agreement for the development and operation of the West Ranger Lake Unit in Lea County, New Mexico?

A I am.

Q I hand you what has been identified as Exhibit A, and ask you to state what that is.

A This is a fully executed copy of the Unit Agreement for the development and operation of the West Ranger Lake Unit Agreement in Lea County, New Mexico.

Q Referring to the Unit Agreement, would you state for the Commission the area that is proposed to be covered by this Unit?

A It will cover All of Section 17, SE/4 Section 18, and the NW/4, Section 20, Township 11 South, Range 35 East, Lea County, New Mexico.

Q That is a total unit area of 960 acres, is it not?

A That is correct.

Q And will you state for the Commission who the working interest owners are within the proposed unit area?

A The working interest owners are Signal Oil and Gas Company, Humble Oil and Refining Company, and Gulf Oil Corporation.

Q Does the Unit Agreement in Exhibit A and Exhibit B indicate the extent of ownership by each of those working interest owners?

A It does.

Q And who are the royalty owners within the Unit area?

A All of the royalty is owned by the State of New Mexico.

Q Mr. Allen, has this proposed Unit Agreement been submitted to the Commissioner of Public Lands for preliminary approval as to form?

A It has been submitted and has been preliminarily approved.

Q Does the Unit Agreement contain the provisions segregating the state acreage within and without the unit area?

A It does.

Q Have all of the working interest owners executed the Unit Agreement?

A Yes, sir.

Q Are there any overriding royalties or payments out of production in the area that will be encompassed in the Unit?

A There are, an overriding royalty of one per cent of unitized substances owned by Lonnie Kemper, and is to be borne solely by Signal Oil and Gas Company. Jack, may I see that other agreement just a minute. No, the executed copy of Unit Agreement. And an oil payment of \$160,000.00 payable from one per cent of unitized production owned by the Vickers Petroleum Company, Inc., which also is to be borne solely by Signal Oil and Gas Company.

Q Mr. Allen, I hand you what has been identified as Exhibit B, and ask you to state what that is.

A That is a ratification of the Unit Agreement which has been executed by Lonnie Kemper, that was ratified on June 1st, I believe.

Q Then, Mr. Allen, Lonnie Kemper, the owner of an overriding royalty has ratified this Unit Agreement by this ratification dated

June 1st, 1956, is that correct?

A That is correct.

Q I now hand you what has been identified as Exhibit C, and ask you to state what that is.

A This is a ratification of the Unit Agreement by the Vickers Petroleum Company, Inc., which was executed on the 29th day of May, 1956. They are the owner of an oil payment in the unitized area.

Q Then, Mr. Allen, all of the working interest and owners of overriding royalty or production payment owners have executed or ratified this Unit Agreement, is that correct?

A That is correct.

Q Now, Mr. Allen, will you state what provisions the Unit Agreement contains with reference to the development of the Unit area?

A It provides for the drilling of a Devonian well, and provides for commencement on or before July 9, 1956, and for the further development to be contingent upon the results determined by the initial test well.

Q That is the earliest expiration date of any State lease within the Unit area, Mr. Allen?

A The earliest expiration date is the State lease No. E-904, which terminates July 10, 1956. It covers the north half of Section 17, in addition to other acreage which is without the Unit.

Q Mr. Allen, in connection with your work on this Unit Agreement, is it your opinion that if the Unit Agreement is approved it will tend to promote the conservation of oil and gas and protect the correlative rights of owners within the Unit area?

A That is my opinion.

MR. CAMPBELL: I would like to offer in evidence Exhibits

A, B and C.

MR. NUTTER: Any objection to the introduction of these exhibits? If not, they will be received in evidence.

MR. CAMPBELL: I have no further questions of this witness.

Q (By Mr. Nutter.) Does the Unit Agreement call for the drilling of any other wells provided this first Devonian test is a dry hole?

A No, sir, it doesn't.

Q It does not?

A Not specifically.

Q But further development if you get a producer, of course?

A Yes.

MR. NUTTER: Mr. Campbell, do you have a witness to testify to the size of the Unit and why it is based --

MR. CAMPBELL: Yes, sir, I do. I have a geological witness with an exhibit on the contour.

MR. NUTTER: I believe that is all. Any further questions of the witness? If not, he may be excused.

(Witness excused.)

LEWIS WALLACE,

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

DIRECT EXAMINATION

BY MR. CAMPBELL:

Q State your name, please.

A Lewis Wallace.

Q Where do you live, Mr. Wallace?

A Fort Worth, Texas.

Q By whom are you employed, and in what capacity?

A Signal Oil and Gas Company, Division Geologist.

Q Have you previously testified before the New Mexico Oil Conservation Commission?

A No, sir.

Q Will you please give the examiner a brief statement of your educational background, your professional experience.

A I received a Bachelor of Science Degree in 1937 from the University of Oklahoma, and worked for the Superior Oil Company of California as geologist from 1937 to 1948. From 1948 to the present, I have been employed by the Signal Oil and Gas Company as Division Geologist of the Mid-Continent Division which covers New Mexico, Western Texas.

Q Then, for the past approximately eight years you have worked in the West Texas-New Mexico area, Mid-Continent?

A That is correct, and from 1940 to 1944, I was stationed at Midland, Texas, for Superior.

Q I hand you what has been identified as Exhibit D and ask you to state what that is.

A This is a sub-surface map contoured on the top of the Devonian of the area immediately surrounding the proposed unit.

Q Was that contour prepared by you or under your supervision?

A It was.

Q Referring to your Exhibit D, will you state what your interpretation of that contour map is?

A My interpretation of this map is that of a **fault trending Northwest-Southeast** with a closure in the immediate vicinity of the proposed unit.

Q Does that contour indicate to you the possibility of a common source of supply or part of a common source of supply within all

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or a portion of the proposed unit area? A It does.

Q In your opinion, based upon your experience in this area, based upon what control is available to you in the vicinity of the unit area, is it your opinion that your interpretation as indicated on Exhibit D is a reasonable interpretation of the geology?

A Yes, sir.

MR. CAMPBELL: I believe that is all.

MR. NUTTER: Does anyone have any questions of this witness?

Q (By Mr. Reeder.) I wonder, sir, would you go through the degree of control that you have here?

A The structural control is limited to five deep tests which were used for the spacing of these contours.

MR. CAMPBELL: I might ask a question, Mr. Reeder, that will help in that regard. Mr. Wallace, has your company conducted seismograph operations in this area?

A It has.

MR. REEDER: Do the results of your seismograph operations generally confirm the interpretation, the geological interpretation which you have made here?

A They do.

MR. REEDER: That is all.

MR. NUTTER: Is there any further questions of this witness? If not, the witness may be excused.

(Witness excused.)

MR. NUTTER: Does anyone have any further statements or testimony in this case?

MR. CAMPBELL: If the Commission please, I would like to offer

Exhibit D in evidence.

MR. NUTTER: Is there any objection to the introduction of Exhibits A through D? If not, they will be received.

MR. CAMPBELL: As the testimony indicates, one of the leases within this proposed unit area expires by the terms, July 9th, and while it is the intention of the operator to commence a well before July the 9th, it is also possible that something may occur to necessitate a delay beyond that period. If the unit agreement is not certified for approval by the Commissioner of Public Lands before that date, it is quite obvious that that lease would expire. We would therefore like to request that this matter be expedited as much as possible, commensurate with the other work of the Commission.

MR. GURLEY: Mr. Campbell, when was the last signature obtained on this Unit Agreement?

MR. CAMPBELL: Well, there is one here the 6th of June by Humble Oil and Refining Company.

MR. NUTTER: You have a hundred per cent commitments?

MR. CAMPBELL: Yes, sir.

MR. GURLEY: 6th of June is when Humble signed it?

MR. CAMPBELL: Yes, sir.

MR. GURLEY: When was it started?

MR. CAMPBELL: I would have to call upon Mr. Allen. You mean the negotiations? Mr. Allen may be able to enlighten you on that.

MR. ALLEN: That was two months ago.

MR. NUTTER: Mr. Campbell, would the Signal Oil and Gas Company be willing to file periodic statements of progress every six months?

MR. CAMPBELL: I am certain they would, because they undoubtedly would file one with the Commissioner of Public Lands, and certainly would be glad to file one with the Commission.

MR. NUTTER: Is there anything further in this case? Being nothing further in this case, we will take the case under advisement.

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C E R T I F I C A T E

STATE OF NEW MEXICO)

:ss

COUNTY OF BERNALILLO)

I, THURMAN J. MOODY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in Stenotype and later same was reduced to typewritten transcript by me and/or under my personal supervision, and that same is a true and correct transcript to the best of my knowledge, skill and ability.

WITNESS MY HAND AND SEAL, this, the 26th day of June, 1956, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Thurman J. Moody
Notary Public

My Commission Expires

April 3, 1960.