

**BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO**

CASE NO. 1212

TRANSCRIPT OF HEARING

February 27, 1957

**DEARNLEY - MEIER & ASSOCIATES
INCORPORATED
GENERAL LAW REPORTERS
ALBUQUERQUE - SANTE FE
3-6691 2-2211**

NEW MEXICO OIL CONSERVATION COMMISSION

1000 W. Broadway

Hobbs, NEW MEXICO

REGISTER

HEARING DATE February 27, 1957 TIME: 10:00 a.m.

NAME:	REPRESENTING:	LOCATION:
Chas. H. Smith	Humboldt	Portland
M. B. Wilson	Great Western Drilling Co.	Midland Texas
Ben McGuire	Duval Sulphur & Potash	Carlsbad
Don Proetz	P. C. A.	"
Jason Kellerman	Continental Oil Co.	Santa Fe, N.M.
W. T. Lyon	"	KCSU FILL, N.M.
J. D. Lindsay	U.S. Land Office	Hobbs, N.M.
W. H. B. B. B.	S. L.	Carlsbad N.M.
E. C. Lannen	Cont. Oil Co.	Ennice, N.M.
Tom Wiersching	State Land Office	Santa Fe, N.M.
Ted Bilberry	" " "	" " " "
Leon McMillan	Humboldt & Ryg. Co.	Midland, Texas
W. H. B. B.	W. H. B. B. Co.	Santa Fe
J. B. Allen	Wilson Oil Co.	Ennice, N.M.

ILLEGIBLE

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO
FEBRUARY 27, 1957

IN THE MATTER OF: :

CASE NO. 1212: Application of Humble Oil & Refining Company :
for approval of its proposed Kinebeto Unit :
Agreement located in San Juan County, New :
Mexico, in accordance with Rule 507 of the :
New Mexico Oil Conservation Commission State- :
wide Rules and Regulations. Applicant, in :
the above-styled cause, seeks an order grant- :
ing approval of its proposed Kinebeto Unit :
Agreement embracing 46,062.94 acres, more or :
less, of federal, Indian, state and fee lands :
situated in Townships 22 and 23 North, Range :
10 West, San Juan County, New Mexico. :

BEFORE:

Warren W. Mankin, Examiner.

T R A N S C R I P T O F P R O C E E D I N G S

MR. MANKIN: The hearing will come to order. First case
on the docket is Case No. 1212.

MR. COOLEY: Application of Humble Oil & Refining Company
for approval of its proposed Kinebeto Unit Agreement located in San
Juan County, New Mexico, in accordance with Rule 507 of the New Mexico
Oil Conservation Commission Statewide Rules and Regulations.

MR. HINKLE: If the Commission please, Clarence Hinkle of
Hervey, Dow & Hinkle representing Humble Oil & Refining Company.
We have two witnesses connected in this case, we would like to have
them sworn.

(Witnesses sworn.)

MR. HINKLE: If the Commission please, before going ahead with the case, we, in connection with the original application, filed three copies of the proposed unit agreement, for the Kinebeto unit area; when this was submitted to the State Land Office for approval, they raised two objections to it, one in connection with the automatic elimination clause which was Section 2-E. That clause provides for the automatic elimination of all acreage from the unit that is not within a participating area, within five years after the first participating area is established, except in such case where the operator is engaged in drilling operations at the end of the five year term in which case the time is extended so long as continuous drilling operations are continued for an additional five years, that is the way it was first presented to the Land Office and filed with this Commission. The Land Office thought that the time which it could be extended by continuous drilling was too long and we agreed to change that to seven years, that is the change which has been made in the form that was filed with the Commission, and with respect to that particular paragraph, or section. The other change which was raised by the Land Office was in connection with the segregation of leases, portions of which had been committed to the unit and portions not committed. We had originally agreed with the Land Office on segregation clause which provided, in effect, that the owner of a state lease would not be penalized by committing the acreage to the unit in case of segregation so that production on any part of the lease, whether inside or outside would extend it pro-

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vided it was obtained before the expiration of the secondary term, or if drilling operations were in progress in either the lands inside the unit or outside the unit at the date of the expiration of the secondary term. That, in submitting the original agreement, that provision had been changed slightly so as to provide that if any part of the state lease was in a participating area within the unit, or any part that was outside was in communization agreement, or pooling arrangements, that it would be extended, that it would get the benefit of that, but the Land Office desired to have that provision taken out so the original segregation clause which has been customarily used was put back in, put into this form, and it takes the place of 18-H. That is Section 18-H. And what I would like to do at this time, is to substitute, or file with the Commission for substitution three copies of the proposed form with these changes which have been agreed to by the Commissioner of Public Lands.

MR. MANKIN: That will be acceptable.

MR. HINKLE: Now, we have one exhibit which I would like to have identified as Humble's Exhibit 1.

(Humble's Exhibit No. 1
marked for identification.)

MR. HINKLE: Mr. Holland, will you take the stand, please.

E. D. HOLLAND,

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

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name.

A B. D. Holland.

Q By whom are you employed?

A Humble Oil & Refining Company.

Q In what capacity?

A Geologist.

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

A No.

Q Are you a graduate geologist?

A Yes, I am.

Q From what school?

A B. S. from University of Texas and M. S. from University of Kansas.

Q What year did you graduate from Kansas?

A Kansas in 1956. June of '56.

Q Have you been practicing your profession since graduation?

A I have.

Q And have you been with the Humble since that time?

A The full time, yes, sir.

Q And has your work been in New Mexico, or --

A It has been subsurface geologist in the San Juan Basin for the full time.

Q Are you familiar with the area and made a geologic study of the area in which the proposed Kinsbeto unit is situated?

A Yes.

Q Do you know whether or not the Humble Oil & Refining Company made an application to U. S. G. S. to designate this area as an area suitable and proper for unitization? A They did.

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Q Are you familiar in a general way with that application?

A Yes, I am.

Q Do you know whether or not the geological report was prepared by the Humble and filed in connection with that application?

A It was.

Q Did you have anything to do with the preparation of that report?

A I assisted Mr. B. A. Belknap with the preparation of the report.

Q Mr. Holland, please refer to Humble's Exhibit No. 1 and state what that is.

A This is the same report that was filed with Humble's application for the designation of Kinabeto unit area.

Q And that is a report which you worked on and which you are familiar with?

A Yes, sir.

Q Where is this proposed -- where is the acreage in the proposed unit located, generally?

A Townships 22 and 23 North, Range 10 West in San Juan County, New Mexico.

Q And approximately how many acres does it consist of?

A About thirty-five thousand seven hundred fifty acres.

Q Will you refer to the Exhibit 1 and state to the Commission what it shows from the geological standpoint, not reading it in detail, but explain in your own words generally what it shows?

A This report shows the subsurface geology of the area in

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which the Kinebeto unit is located, and regionally we think the subsurface structure is a dip to the north northeast about one hundred twenty feet per mile, and we have used the M S and B No. 1 Meyer well as the nearest correlative well, and our studies in that area indicate that any possible production will more than likely be from stratigraphic traps rather than structural traps and it is for this reason we fell, because the stratigraphic traps are harder to find and so forth and using our present geological and geophysical methods, they can't be located very accurately. That is the reason we feel that the best means of exploration would be a drilling program and we also feel the most economical way to conduct that drilling program would be to have a Federal drilling pool in the area so resources can be pooled among the drilling companies.

Q In other words, this is an area in which the subsurface condition cannot be readily ascertained from geophysical exploration particularly as to finding source beds and reservoirs for oil or gas, is that right?

A Yes, sir, that is the way we feel.

Q About the only way that you can prospect the area is by the drilling of wells?

A Right.

Q In your opinion, would it take several wells in this area to really give you any information as to --

A Yes, it would.

Q -- probably find some stratigraphic traps that might be oil reservoirs?

A Sure would.

Q In connection with this report, was there any recommenda-

tions made as to the number of wells which should be drilled?

A Yes, there were four recommended wells to a depth of 5500 feet.

Q And what beds, formations would that penetrate, in your opinion, at that depth?

A That would, -- we feel like that would penetrate into the Morrison Jurassic sands, at least the first sands in the Jurassic Morrison.

Q Are there other possibilities of production above that?

A Well, the possible productive horizons, the three most probable, sand members of Mesa Verde, Cliff House and Point Lookout, the Gallup member of the Mancos formation and also the Dakota formation.

Q Those have been productive of oil and gas in the general area previously?

A Yes, they have.

Q Is there anything else in connection with the geology of this area that you desire to tell the Commission that you haven't already covered by your testimony that is contained in this report?

A No, sir, I don't think of anything.

Q Do you know whether or not the U.S.G.S. on the strength of the application did designate this as an area suitable for unitization?

A Yes, they did.

Q And is that designation referred to an Exhibit A attached to the application, made a part of the application?

A Yes.

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Q That designation was made by the acting director of the U.S.G.S. on October 11, 1956?

A Yes.

MR. HINKLE: That is all from this witness.

MR. MANKIN: Mr. Holland, Mr. Hinkle had indicated by question to you that this unit contained approximately thirty-five thousand seven hundred some acres, would you refer to your notes again? I believe the application stated 46,062.94 acres, which is correct?

A I believe it's the forty-six thousand. I was probably confusing -- maybe the Tanner unit.

MR. HINKLE: If the Commission please, two cases, one is the Tanner, and I think the witness confused the two, Kinebeto is 46,062.94.

MR. MANKIN: So the application is correct. 46,062.94 acres?

A Yes.

MR. MANKIN: Mr. Holland, you indicated there are three possible producing zones in this area, the Sand Members of Mesa Verde, the Gallup, and what was the -- Dakota was the third?

A Yes, sir.

MR. MANKIN: Is it not true that in this area that there have been oil productions from the Point Lookout, do you have knowledge of that?

A There has been some oil productions from the Point Lookout, yes, sir.

MR. MANKIN: I mean a recent development, do you have

knowledge of that?

A Yes, sir. Are you speaking of maybe the Sapp, Federal Sapp well?

MR. MANKIN: Yes.

A Well, that is the sand member of Mesa Verde.

MR. MANKIN: At the present time there's no producing wells in this unit area, is that correct?

A That's correct. There has been one well drilled in the unit area, I believe that is the Great Western No. 1 English. There were no tests in that area, though they did receive some staining in their cores.

MR. MANKIN: That was my next question. There have been at least two dry holes in this area which have indicated possible Gallup production?

A Just one dry hole.

MR. MANKIN: No, I meant one in the unit area and one outside of the unit area which have indicated possible Gallup production but not completed as Gallup wells? A That's right.

MR. MANKIN: This area is predominantly a possible oil area rather than gas area, is that not true?

A That is the way we feel, yes, sir.

MR. MANKIN: There have been no gas developments in this immediate area?

A Well, in the general vicinity there has been gas production, and, of course, that possibility can't be ruled out, but we do feel

like there would more likely be oil. Probably the prime objective would be the Gallup sand, and it seems that the permeability of that sand is increased as you come toward the southwest, and as it gets more permeable, it produces oil, and into the northeast, up, -- well, it's up in El Paso's Sullivan wells, up in that area. I don't remember the exact location, those wells produce gas from the Gallup, but as they come to the southwest they seem to be oil producers. This Kinebeto unit area is in the general vicinity of the Bisti trend.

MR. MANKIN: Do you have knowledge that there has been gas production from the Bisti on southeast of the Carson unit?

A Yes, there has.

MR. MANKIN: In what was drilled as the Anderson-Priestland Begun, now known as the Sun Begun?

A Yes, there has.

MR. MANKIN: But you do feel that the Gallup in this Kinebeto area would be predominantly oil productive rather than gas?

A Yes.

MR. MANKIN: Is there other questions of the witness?
Are there any other questions of the witness?

MR. HINKLE: If the Commission please, I would like to offer in evidence Humble's Exhibit No. 1.

MR. MANKIN: Is there objection to entering Exhibit 1 in this case? If not, it will be so entered. If there's no further questions of the witness, the witness may be excused.

(Witness excused.)

MR. HINKLE: Mr. Richardson.

R. M. RICHARDSON

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

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name. A R. M. Richardson.

Q Where do you live, Mr. Richardson?

A Roswell, New Mexico.

Q Are you employed by the Humble Oil & Refining Company?

A Yes.

Q What capacity?

A Landman in charge of units and joint operations in New Mexico.

Q Have you had anything to do with the preparation of the application to this Commission and the form of unit, for the approval of the Kinebeto unit area?

A Yes.

Q You are familiar with the application which has been filed by the Humble for approval?

A Yes.

Q Also familiar with the proposed form of unit agreement?

A Yes, sir.

Q How many acres and where is the land located that is involved?

A The Kinebeto unit contains 46,062.94 acres located in Townships 22 and 23 North, Range 10 West, San Juan County, New Mexico.

Of this 46,062.94 acres, there are 31,029.07 acres of Federal land, there are 8,638.83 acres of Indian allotted land, and 3,837.92 acres of State land, and 2,557.12 acres of fee land. The State land is 8.33 percent of the unit area, and the Federal land 67.36 percent of the unit area.

Q You have heard the previous testimony and are familiar with the designation of the U.S.G.S. attached to the application, showing that this area was designated as an area suitable and proper for unitization by U.S.G.S., on October 11, 1956, does this area cover all or substantially all of the area which is covered by the geological report --

A Yes.

Q -- which has been introduced in evidence here?

A Yes.

Q The form of, proposed form of unit agreement which has been filed, is that substantially the same form as previously used in connection with units of this kind?

A Yes, sir.

Q And has that form been approved by the U.S.G.S.?

A It has been approved by the U.S.G.S.

Q Do you know whether or not it's been approved by the Commissioner of Public Lands?

A I think so. They raised two objections to it, I think, as you previously advised the Commission, I'm not sure that final approval has been granted.

Q I think you are right in that a letter, formal letter has not been written, but it was agreed over the telephone yesterday

to these changes as representative of the Land Office present, and that is his Land Office representative, and that's his understanding, too.

Now, who is designated as the unit operator in the agreement?

A Humble Oil & Refining Company.

Q Under the terms of the unit, are any wells required to be drilled?

A There are four wells required to be drilled within the unit area.

Q And what depth are those wells required to be drilled?

A They are Dakota tests at around 5,000 feet, there's a depth limit of 5,500 in the unit agreement, they are Dakota tests which will be around 5,000 feet.

Q And when is the first well to be commenced?

A Within six months after the effective date of the unit agreement.

Q And is there any time specified for the drilling of the subsequent three wells?

A Subsequent three wells are to be drilled within sixty days of completion of the first well, just continuous drilling. No more than sixty days between wells.

Q Mr. Richardson, in the event this unit is approved and oil and gas in paying quantities should be discovered, can you state whether or not in your opinion this would be in the interest of conservation and prevention of waste?

A Yes, it would.

Q Do you think this unit agreement would promote the greatest ultimate recovery of unitized substances?

A Yes.

MR. HINKLE: That is all.

BY MR. MANKIN:

Q Mr. Richardson, has the initial well-- test well for this area been indicated as yet as to its location?

A No. We have tentative locations, but no definite locations.

Q Was that four or five wells? A Four.

Q Are these four wells to be scattered throughout the two township areas, or concentrated?

A They are scattered throughout the two township areas.

Q To properly evaluate the entire unit?

A Yes.

MR. MANKIN: Are there other questions of the witness? If there are no other questions of the witness, the witness may be excused.

(Witness excused.)

MR. MANKIN: Is there -- do you have anything further, Mr. Hinkle?

MR. HINKLE: No, that is all.

MR. MANKIN: Are there any statements to be made in this case? Anything further? If not, we will take the case under advisement.

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 reduced to typewritten transcript by me and/or under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my hand and seal, this, the 14th day of March, 1957, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Thurman J. Moody
 Notary Public

My Commission Expires:
April 3, 1960.

February 27 1957
Walter Martinez
 NEW MEXICO