

EXAMINER HEARING
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 8, 1958

IN THE MATTER OF: Case No. 1367

TRANSCRIPT OF PROCEEDINGS

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3-6691 5-9546

EXAMINER HEARING
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IN THE MATTER OF:

Application of Felmont Oil Corporation for
approval of its Etcheverry Unit Agreement in
Lea County, New Mexico. Applicant, in the
above-styled cause, seeks an order approving
its Etcheverry Unit Agreement embracing 1,920) Case 1367
acres, more or less, of State of New Mexico
lands consisting of S/2 Section 32, S/2
Section 33, Township 14 South, Range 34 East,
and all of Sections 4 and 5, Township 15
South, Range 34 East, Lea County, New Mexico.

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF PROCEEDINGS

MR. NUTTER: We will take up the next case, 1367.

We will take a five-minute recess.

(Recess.)

MR. NUTTER: The hearing will come to order, please. The
next case will be Case 1367.

MR. COOLEY: Case 1367: Application of Felmont Oil Corpora-
tion for approval of its Etcheverry Unit Agreement in Lea County,
New Mexico.

MR. CHRISTY: Sim Christy of Hervey, Dow and Hinkle, for the
Applicant, Felmont Oil Corporation. Mr. Examiner, we have some
small amendments to the application; the matters arose after the
application was filed. In paragraph 1, the acreage is shown as

1920, should be reduced to 1737.08 acres. 1737.08.

The land description in 15 South, 34 East, Section 4; it now reads "All", it should read "North half of the Southwest quarter, and the north half".

MR. NUTTER: Is there objection to the amendments of the unit area and the total acreage included in this unit? If not, the unit area will be amended.

MR. CHRISTY: In paragraph 2, the statement is that the lands embraced within the proposed unit area are all State lands. We should add "except 320 acres which are fee lands".

MR. NUTTER: Is there objection to this modification of the application? If not, it will be amended.

MR. CHRISTY: In paragraph 4, page 2, the proposed depth of the test well now states 14,500 feet, should be 14,700 feet. That arises by virtue of the fact we now believe that the Devonian will only be encountered about 14,500 and we want to go on down another 200 feet.

And in paragraph 6, we will develop this from the witness; it says that the application has been presented to the Commissioner of Public Lands for approval, and we would like to add that it has been approved by the fee owner of the 320 acre tract.

We have one witness in connection with the application.

(Witness sworn.)

L. O. THOMPSON

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

DIRECT EXAMINATION

By MR. CHRISTY:

Q Will you please state your name, address, and occupation?

A L. O. Thompson; I live in Midland, Texas; and I am Division Geologist for Felmont Oil Corporation.

Q Mr. Thompson, have you ever testified before this Commission before?

A No.

Q What degrees of higher learning do you hold, and from where?

A I have a Master's Degree in Geology from the University of Minnesota.

Q What year?

A 1939.

Q Would you tell us briefly what you have done since 1939 in the geological field?

A I worked for Standard of Texas and a California company for nine years, seven and a half years of that in Texas and New Mexico; worked for Slick Oil Company for one and a half years; Hiser and Hurd for a year and a half; I was a consultant for two years; and I worked for Felmont for about four and a half years.

Q Are you familiar with the lands involved in the area and the lands involved in this application which are situated in Townships 14 and 15 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and the wells and ownership area?

A Yes.

MR. CHRISTY: Does the Commission have any questions in relation to the witness's qualification as a geologist?

MR. NUTTER: No, Mr. Thompson is qualified.

Q Mr. Thompson, I believe you have testified that you were familiar with the area involved in this application. Are you likewise familiar with the application itself?

A Yes, sir.

Q Would you please state briefly what is proposed by the application?

A We desire to form a unit for the purpose of drilling a 14,700 foot test to test the Devonian.

Q What is your unit area?

A The unit area is 1737.08 acres, and includes in Township 14 South, Range 34 East the South half of Section 32, the South half of Section 33; and in Township 15 South, Range 34 East, all of Section 5 and the North half and the North half and the North half of the Southwest quarter of Section 4.

MR. COOLEY: Would you repeat that acreage in Section 4 again?

A The North half, and the North half of the Southwest quarter.

MR. COOLEY: Thank you.

Q As to ownership, what type of lands are these?

A It is all State land, except for one 320-acre fee piece.

Q Is that the North half South half, and the South half North half of Section 5?

A It is.

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

Q I hand you what has been marked Applicant's Exhibit 1 in this case, and ask you to please identify it.

A That is the land plat showing the lease ownership and the outline of the unit and the proposed location for the well.

Q Where is that well located, please?

A In the northeast of the northeast of Section 5.

(Applicant's Exhibit No. 2
marked for identification.)

Q I hand you what has been marked Applicant's Exhibit 2 and ask you what that instrument is, please.

A That is a seismograph interpretation and report by Mr. John Daly, a consulting physicist in Midland, Texas, which shows the seismic structural picture under the proposed unit.

(Applicant's Exhibit No. 3
marked for identification.)

Q I hand you what has been marked Applicant's Exhibit 3 and I'll ask you what that is, please.

A That's the unit agreement for the development and operation of the Etcheverry Unit Area.

Q Now, does the unit area proposed in the agreement and application cover substantially all of the geophysical high within the closing contours?

A Yes, it does.

Q I notice that Exhibit 2 is contoured on the Mississippian and not the Devonian. Would you explain why?

A The best and most continuous reflection on the seismograph work came from that depth, and it was not possible to make a map on the Devonian itself, but in this area the Mississippian and Devonian are essentially conformable, and this picture should reflect the Devonian formation, too.

Q Will the unit agreement permit the producing area to be developed and operated in the interest of conservation and the prevention of waste of the unitized substances?

A I believe it will.

Q In the event that oil and gas in paying quantities is discovered on the lands within the unit, can the field or area be developed more economically and efficiently under the unit agreement?

A We believe so.

Q Will the maximum recovery be obtained of production under the unit agreement?

A I think so.

Q Is the unit agreement in your opinion in the interest of conservation of oil and gas, and the prevention of waste?

A Yes.

Q Now, who are the other parties to the unit agreement?

A The fee owner, Mr. Etcheverry, and the following companies: Skelly, Gulf, Phillips, Magnolia, Continental, and Tidewater, as well as Felmont, of course.

Q Have you received a formal or informal approval from those operators?

A Yes, we have.

Q How about the fee owner, Mr. Etcheverry?

A Yes, he has approved it.

Q You mentioned this is State land. How about the Commissioner of Public Land?

A He has approved it, subject to our giving him a signed copy of the agreement.

Q Does your company recognize that in the event this application is approved, that you still must comply with the Conservation Commission orders and regulations with respect to filing of notices and forms on intention to drill and completion data, and all of that?

A Yes.

Q Do you understand that any approval that may be given by this Commission will be contingent upon your filing with them a fully executed copy of the unit agreement?

A Yes.

Q Fully approved?

A Yes.

MR. CHRISTY: That's all we have.

MR. NUTTER: Any questions of Mr. Thompson?

By MR. NUTTER:

CROSS EXAMINATION

Q Mr. Thompson, in your expert opinion as a geologist, do you believe that the boundaries of this unit are sufficiently large

to afford adequate control of the structure, if developed?

A I believe so.

Q If it results in production?

A I believe so.

Q Do you believe that the unit boundaries are unnecessarily large and include acreage that is not within the reasonable closure of the structure?

A I don't think so.

Q What percent of the working interests in this unit area have been committed, Mr. Thompson?

A All of them have been committed verbally, but the agreement now is being circulated for signing.

Q But you have verbal commitment of all acreage?

A Yes.

Q As far as working interest is concerned?

A Yes.

Q What percent of the royalty ownership has been committed?

A All of it.

Q You have one hundred percent there?

A Yes.

Q Is Mr. Etcheverry's interest in the unit as a working interest owner or as a royalty owner?

A Royalty owner. We have the lease on that property.

Q Felmont owns the lease on that 320?

A Yes.

Q Where will the proposed well be drilled, the initial test on this unit?

A Its proposed location is 660 from the north and east lines of Section 5, Township 15 South, Range 34 East.

Q Is this located on the high, as far as the structure in the area is concerned?

A Yes.

Q What provision is made in the unit agreement for any further wells to be drilled?

A It's paragraph 9 in the unit agreement, the plan of further development and operation.

Q There will be a plan of development filed?

A That's right.

Q With the Commissioner of Public Lands and with the Oil Conservation Commission?

A I believe that is correct.

Q If the initial well is successful?

A Yes.

MR. BILBERRY: In what part of the unit agreement is it mentioned, the plan of development?

A Paragraph 9.

MR. NUTTER: Any further questions, Mr. Bilberry?

MR. BILBERRY: I would like one more question. I believe the seismograph report indicates that the high -- you asked the question relative to this, it shows that the high was found in the

northwest northwest of Section 4, and the well to be located in the southeast northeast of Section 5?

MR. CHRISTY: I believe the well is in the northeast northeast.

MR. BILBERRY: Northeast northeast?

MR. CHRISTY: Yes, immediately adjacent to the high that you mentioned. It shows better on the map. Do you have a copy?

MR. BILBERRY: What was the footage?

MR. CHRISTY: 660 from the north and east line. Here is the map, that will show you the location a little better.

MR. NUTTER: Mr. Thompson, are all of the formations unitized under this unit agreement?

A Yes.

MR. NUTTER: What is the term of the unit agreement?

MR. CHRISTY: Two years, Mr. Examiner.

MR. NUTTER: The unit will expire unless production has been obtained within two years or unless an extension of the unit agreement is granted by the Commissioner of Public Lands?

A Yes.

MR. NUTTER: Any further questions of Mr. Thompson? Mr. Utz.
By MR. UTZ:

Q Mr. Thompson, what would you consider the lowest closing contour to be on your seismic structure?

A The lowest is minus 9601.

Q If this structure proves to be productive, it would be

assumed that that would be the limit of production?

A Approximately so, yes.

Q Can you say at this time why you left out the portion of Section 4 that you have just deleted?

A Because all of the various companies' seismic picture does not agree exactly with ours. Some of them requested that we leave that out.

Q That was based on other companies' seismic pictures, other than yours?

A Yes.

Q Yours shows a good portion of it to be in there?

A Yes, a compromised unit, in other words.

MR. UTZ: That's all I have.

By MR. COOLEY:

Q Mr. Thompson, paragraph 8 as I interpret it would require the drilling of --

A (Interrupting) Paragraph 8?

Q Yes. -- would require the drilling of additional wells, of an additional well within at least six months after the completion of the initial proposed well, if production is not discovered?

A Yes, that is correct.

Q Or the unit would lapse?

A Yes.

Q Does the unit agreement provide for extension or contraction of the unit area as now presented?

A No, it does not.

Q The reason for this being that you feel that it presently encompasses the entire structure?

A Yes.

MR. COOLEY: That's all.

MR. NUTTER: Any further questions of Mr. Thompson? If not, he may be excused.

(Witness excused.)

MR. CHRISTY: Mr. Nutter, we would like to introduce in evidence Applicant's Exhibits 1, 2, and 3.

MR. NUTTER: Without objection Felmont Corporation's Exhibits 1, 2, and 3 will be received in Case 1367.

MR. CHRISTY: We also have a statement in connection with paragraph 9 concerning the development. It is my understanding that the Public Lands Sub-committee met with the State Land Commissioner and an agreement has been made, in principle at least, and has not yet been reduced to writing, to the effect that the plans of further development under State units will be deleted and the State will rely upon its implied covenant of further development, so that this paragraph 9 may in the future, we may come back and ask you to delete paragraph 9, if the State Land Commissioner approves that principle statement, the statement in principle. It will have to be approved both by the Land Commissioner and the Commission, we understand that; but we may come back in the future and ask for that amendment, which will be true in all State units.

is my understanding.

MR. NUTTER: Mr. Thompson, in the event that the plan of development is deleted from the requirements under this unit agreement, would Felmont Oil Corporation be willing to file with the Commission a periodic statement of progress, showing what progress has been made in the development of the unit area?

MR. THOMPSON: Yes.

MR. NUTTER: Does anyone have anything further they wish to offer in Case 1367?

MR. CHRISTY: I would like to state one other thing for the record. That is the urgency of this matter; we were unable to get it in for the December hearing. The well is scheduled to commence on January 15th. We are making every effort, if the Examiner could help us, it is an urgent matter and we would appreciate it.

MR. NUTTER: We will take that under consideration, Mr. Christy. Anything further in this case? If not, 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, ADA DEARNLEY, 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 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 11th day of February, 1958, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Ada Dearnley
 NOTARY PUBLIC

My commission expires:

June 19, 1959.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1367, heard by me on 1-8, 19 58.

[Signature], Examiner
 New Mexico Oil Conservation Commission