

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 1892: Application of Texaco Inc. for
approval of a unit agreement.

TRANSCRIPT OF HEARING

February 10, 1960

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE 1892: Application of Texaco Inc. for approval of a
unit agreement. Applicant, in the above-
styled cause, seeks approval of its Remuda
Basin Unit Agreement, which unit is to com-
prise approximately 8572 acres in Townships
22 and 23 South, Ranges 29 and 30 East,
Eddy County, New Mexico.

BEFORE:

DANIEL S. NUTTER, Examiner

TRANSCRIPT OF PROCEEDINGS

MR. NUTTER: We will take next Case 1892.

MR. PAYNE: Case 1892. Application of Texaco Inc.
for approval of a unit agreement.

MR. BRATTON: Howard Bratton, Roswell, New Mexico, ap-
pearing on behalf of the Applicant. I have two witnesses and
ask that they be sworn.

(Witnesses sworn.)

D. D. FARRIS

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

DIRECT EXAMINATION

BY MR. BRATTON:



Q Will you state your name, occupation and where you are employed?

A D. D. Farris, employed by Texaco, Incorporated, District Land Man for the Roswell District located in Midland, Texas.

Q Are you familiar with the applicant, Texaco, in the instant case for approval of the Remuda Basin Agreement?

A I am.

Q Are you familiar with the unit agreement?

A I am.

Q Referring to what has been marked as Applicant's Exhibit No. 1, is that the current form of the unit agreement after changes and modifications suggested by the survey that has been made?

A It is.

Q Turning to Exhibit A, to the unit agreement, is that a correct outline of the proposed unit? A It is.

Q Showing the ownership of the working interest therein?

A It is.

Q And referring to Exhibit B to the unit agreement, does that correctly state the percentage of Federal, State and Fee land in the unit?

A It does, with one minor exception, that the federal acreage ~~agreements~~ been notified may be shown as 22/100 of an acre in excess of the figure shown here.

Q What is the status of commitment to the unit agreement,



Mr. Farris?

A In excess of 19 percent of the working interest is committed. There is approximately .3 percent unleased minerals, but the remaining 7 plus percent have advised that they are in their local offices recommending approval by their managements.

Q So you have over 19 percent committed now and you anticipate having over 99 and a half percent committed to you unit agreement?

A That's right.

Q Has this unit agreement been approved by the Commissioner of Public Lands and the USGS as to form and content and as to extent of the unit boundaries?

A Yes, sir.

Q Is the unit agreement in the standard form of federal participating unit?

A It is.

Q And what does the unit agreement require by way of an initial well, what is the test well provided?

A The proposed test well will be projected to the Devonian formation at approximately fifteen thousand feet.

Q In your opinion, Mr. Farris, due to diversity of ownership in the areas, is it necessary that the unit agreement be approved in order that development may proceed in the area?

A Yes.

Q Is there anything else you care to say with regard to the form of the unit agreement or the status thereof?

A There was, in the USGS approval of our formal application,

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the contingency that they would want a potash protection provision in the unit agreement, which we propose to do.

Q And you are going to insert that before it is finally approved by the USGS?

A Yes, sir, that's true.

MR. BRATTON: I have no further questions, Mr. Examiner.

CROSS EXAMINATION

BY MR. NUTTER:

Q Does this unit agreement contain an exclusion clause whereby some of the acreage would be excluded if it were not in a participating area by a certain length of time?

A Yes, sir.

Q What clause is that of the unit agreement, please?

MR. BRATTON: I think it is Paragraph No. 2 on Page 3.

Q (By Mr. Nutter) This provides a five year exclusion, is that correct?

A I believe that is correct, yes, sir.

Q And the well will be drilled to the Devonian or fifteen thousand feet, which ever is deeper?

A Yes, sir. I believe the provision is to the Devonian formation, but in no event to exceed fifteen thousand feet.

Q You mentioned there may be a correction in Exhibit B where the percentage of federal land would be changed?



A Yes, sir. They have advised that according to their records, our acreage figure as to federal land is 22/100 of an acre in excess of what their records show.

Q So what would the correct figure for the percentage be?

A I don't have the exact percentage figure, I can give you the acreage figure with the reduction; 8506.84 is my calculation, which would make the total acreage then 8572.18.

Q Now, you mentioned that a small portion of this land in this unit area has not been leased. Is that federal land, fee land, or state land?

A That is one-third interest in 80 acres fee land. It is designated on Page 3 of Exhibit B.

Q Now, you have a substantial percentage of the working interest committed, and you likewise have a substantial interest of the royalty interests committed here?

A We do not as yet, but we anticipate no problem at all in obtaining a substantial percentage.

Q The Commissioner of Public Lands has tentatively agreed to the unit agreement?

A Yes, sir.

Q And the USGS likewise?

A Yes, sir.

MR. NUTTER: Does anyone have any further questions?

MR. PAYNE: Yes.

MR. NUTTER: Mr. Payne.

EXAMINATION BY MR. PAYNE:



Q Mr. Farris, what will be your participating formula after discovery?

A I'm not positive of that Mr. Payne, as to what our formula would be. I would imagine it would be anticipated to be 9/40 around the well.

Q Do you feel that the formula would be equitable to both the working interest and the royalty interest?

A Yes, sir.

Q Now, you mentioned that you are going to have to put a potash protective provision in the agreement. What, in substance, will that provide?

A We inquired of the USGS if there was any standard provision that they could give us, and they advised us that there was no standard provision, just a provision that we would compose and include in the unit agreement.

Q Did you anticipate that as to certain of the acreage at least, they might make you comply with the provision of Order R-111 which concerns the drilling of wells in the potash-oil area?

A Would you restate that, please, sir.

Q Do you anticipate that the USGS will require the wells to be drilled in conformity with the requirements as to drilling in the potash-oil area? In other words, would you be required to use a salt protection string in your drilling, or is this just general, they haven't told you yet?

A No, sir, they haven't told us yet, and it is general

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to my knowledge, the general potash protection --

MR. BRATTON: Mr. Payne, I believe on Page 25 of the unit agreement, Paragraph Numbered 30, it requires the operator to comply with all applicable state and federal laws and regulations relating to the production of commercial potash deposits in the unit area. I would construe that to include R-111-A. Actually we don't know what the USGS wants, but we will put any kind of stipulation they want in there. I assume we are bound by R-111-A and by the second order.

Q (By Mr. Payne) How much of this acreage is within the potash area?

A I don't know, Mr. Payne.

MR. PAYNE: That is all.

MR. BRATTON: One further thing relating to the question about the participating formula. I think that Paragraph 11, you'll find it is a standard federal participating type unit and actually the participating area is determined by the survey.

MR. NUTTER: Any other questions of the witness? He may be excused.

(Witness excused.)

F. X. MARKOVIC

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

DIRECT EXAMINATION

BY MR. BRATTON:

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Q Will you state your name, occupation, by whom you are employed, and in what capacity?

A I am F. X. Markovic, staff geologist in the Roswell District of Texaco, Incorporated.

Q Have you previously qualified as an expert witness, Mr. Markovic, before this Commission?

A No, sir, I haven't.

Q Will you state briefly your educational and professional background?

A I received my BA with a major in geology at Texas Christian University, Fort Worth, in 1950; my MA at Texas Christian University in 1952. I began working for Texaco in September 1951, spent one year doing surface work in central and southwest Texas and then transferred to Midland in the West Texas-New Mexico district at that time as a subsurface geologist. I have remained working there to date.

Q You are familiar with the area in question and the proposed unit agreement, Mr. Markovic?

A Yes, sir, I am.

MR. BRATTON: Are the witnesses qualifications acceptable?

MR. NUTTER: Yes, sir, please proceed.

Q (By Mr. Bratton) Mr. Markovic, you are familiar with the proposed unit agreement and the unit area and you have made a study of the area?

A Yes, sir, I have.



Q Referring to the geological report which was Applicant's Exhibit 2 and the structure map which is Applicant's Exhibit 3, will you explain what that shows?

A Exhibit 3 is a structure map contoured on top of the Devonian, contour interval, one hundred feet. The structure map is based on reflection seismic work which we have done in the area and as a result of this seismic work, we have constructed the structure map showing an anticlinal structure, north-south structure with areas of local closure. Our proposed location is one one of these areas of local closure.

Q Now, where is this unit located with regard to other units?

A I believe it is adjoining the James Ranch Unit and possibly the Poker Lake Unit.

Q How much are you anticipating the cost of the initial test well?

A Our budget set up for this well is approximately seven hundred thousand dollars.

Q Based on the structure which you construed on the basis of your seismic work, is the unit outlined a logical area for unitization?

A The unit outline was designed to cover the entire prospective structure.

Q So it gives you control of the entire structure?

A So it gives us control of the entire structure.



Q You set forth the prospective horizons in your geological report that you are primary target is the Devonian test.

A the primary target is the Devonian.

Q In you opinion, due to the depth of the well and the cost involved and the diversity of ownership and the wildcat nature, is a unit operation here essential or not for the development of the area?

A Yes, sir.

Q Do you believe that the proposed unit will prevent waste and protect correlative rights?

A It will prevent waste and protect correlative rights.

Q Do you have anything else you care to say about either your structure map or your geological report?

A No, sir.

Q Did you prepare both of these?

A The report was prepared by me, the map under my supervision.

MR. BRATTON: We offer in evidence Applicant's Exhibits 1, 2, and 3.

MR. NUTTER: Texaco Exhibits 1, 2, and 3, will be entered in evidence.

MR. BRATTON: No further questions.

MR. NUTTER: Any questions of Mr. Markovic?

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Markovic, do you believe that as the seismic



structure has been drawn of the unit area, it is sufficiently large to afford you complete control of the structure?

A Yes, sir.

Q Do you believe that the unit boundaries are excessively large so as to enable you to have unitized considerable acreage that is not included within the structure?

A No, sir, I don't believe it is excessively large. We have tried to get everything in the unit that is within our closing contour and have not put in any excess acreage as far as our interpretation is concerned.

Q Is this structure map contoured on the Devonian itself?

A On the Devonian, yes, sir.

Q What is the surface elevation in this area?

A It's in the neighborhood of 31, 32 hundred feet, I believe.

Q So that maximum depth of fifteen thousand feet is coming pretty close to the Devonian?

A Yes. We expect the Devonian at about fourteen. five and have added a column of one hundred feet as the normal policy of the company's drilling program.

Q Do you know whether the unit calls for the drilling of a second well if the first one is not productive?

A No, sir, I sure don't.

Q Assuming that it does, Mr. Markovic, do you have other locations that could be drilled in the event you felt it was necessary?

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A . A lot depends on our first well. We will have to study the subsurface results naturally, and re-interpret our seismic possibly before picking another location. At this time the second local closure, which is in the section to the north, Section 13, would probably be a logical choice, but it is difficult to state at this time until we have studied the information.

MR. NUTTER: Are there any other further questions of Mr. Markovic?

He may be excused.

(Witness excused.)

MR. NUTTER: Do you have anything further, Mr. Bratton?

MR. BRATTON: No, sir.

MR. NUTTER: Does anyone have anything further in Case 1892? Take the case under advisement.

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STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

I, J. A. Trujillo, 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 the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this, the 22nd day of February, 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Joseph A. Trujillo
 NOTARY PUBLIC

My Commission Expires:

October 5, 1960

I do hereby certify that the foregoing is a complete record of the proceedings in the Hearing or Hearing of Case No. 1892 heard by me on 2-10, 1960.

[Signature], Examiner
 New Mexico Oil Conservation Commission

