

BEFORE THE
OIL CONSERVATION COMMISSION
MABRY HALL
Santa Fe, New Mexico
August 24, 1960

IN THE MATTER OF:)

Application of Drilling and Exploration Company,)
Inc., for approval of a unit agreement. Appli-)
cant, in the above-styled cause seeks approval)
of its Mescalero Unit Agreement, which unit is)
to embrace approximately 4829 acres of Federal)
and State land in Townships 18 and 19 South,)
Ranges 33 and 34 East, Lea County, New Mexico.)

Case 2060

BEFORE:

Daniel Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: We will take case 2060.

MR. PAYNE: Application of Drilling and Exploration Company,
Inc., for approval of a unit agreement.

MR. BRATTON: Howard Bratton, appearing for the applicant,
we have one witness, Mr. Foster Morrell.

(Whereupon witness sworn.)

FOSTER MORRELL

called as a witness, having been first duly sworn on oath, testi-
fied as follows:

DIRECT EXAMINATION

BY MR. BRATTON:

Q Will you state your name and address and occupation?

A Foster Morrell, Roswell, New Mexico, Petroleum Consult-

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ALBUQUERQUE, NEW MEXICO



ant representing Drilling and Exploration Company, Inc. in this case.

Q You are familiar with the Mescalero Unit and the unit agreement for the development of the Mescalero Unit?

A I am.

Q You have previously appeared as an expert witness and your qualifications are a matter of record?

A I have.

MR. BRATTON: Are the witnesses qualifications acceptable?

MR. NUTTER: Yes, sir please proceed.

MR. BRATTON: Mr. Morrell, attached to the application is a copy of the unit agreement for the development and operation of the Mescalero Unit area. We will refer to it as Exhibit A, and I will ask you if in connection with that unit agreement, is it on a standard form accepted by the United States Geological Survey?

A It is.

Q Attached to it is a joint Exhibit A, there is a map showing the area of the proposed Mescalero Unit area and the ownership of all of the leases therein.

A That is correct.

Q What percentage are shown as to federal lands and state lands?

A The total unit area for the Mescalero Unit is 4988.55



acres, of which 4828.55 acres or 96.79 percent are federal lands and 160 acres of 3.21 percent are state lands. At this point I would like to call you to the attention of the calender case 206 on which I referred to approximately 4829 acres of federal and state land. The 4829 acres are actual and approximately only the federal land.

MR. NUTTER: That should have been 4989 rather than 4829.

A That is correct.

MR. BRATTON: Mr. Morrell, what percentage of committments do you anticipate you will have to this unit agreement?

A Those parties interested, parties who have already signed together with those who have indicated that they will sign, we expect to have over 90 percent committment prior to submission for filing approval.

Q What is the drilling obligation in the unit agreement?

A The drilling requirement under Section 9 of the unit agreement is to test the Devonian or not to exceed a depth of 15,000 feet.

Q Is it anticipated that the well will be closed to that depth?

A That is right.

Q Otherwise the unit agreement is a standard federal participating area type of unit agreement?

A That is correct.



Q I refer you now to what has been marked as Exhibit No. 1, Mr. Morrell, if you will go through it and the attached exhibits to it with reference to this unit area.

A Exhibit No. 1 is the application dated July 16, 1959, prepared by myself, on behalf of Drilling and Exploration Inc., addressed to the director of the geological survey, setting forth acreage and the geological information which was submitted to justify the unit area. Reference is made in that application to the geological report prepared by Mr. Jack E. Hughes, chief geological man for Drilling and Exploration and that is filed with the Commission as Exhibit No. 2. Attached to the geological report is Exhibit No. 1, to the geological report is an index map showing the area location of the Mescalero Unit which embraces lands in Township 18 South, Range 34 East and in Township 19 South, Ranges 33 and 34 East. Possibly for the record you would like to have the description of the area by section and quarter section.

MR. NUTTER: I believe it would be well.

A In 18 South, Range 34 East, the unit area that embraces the south half of Section 31 and the southwest quarter of Section 32 and in Township 19 South, Range 33 East, the joint area embraces the east half of Section 1 and the east half of Section 12. In Township 19 South, Range 34 East, the unit area embraces all of Sections 5, 6, 7, 8, 17 and 18. Also on the index map is

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shown a cross section of the Devonian Well located in Section 4, Township 19 South, Range 33 East. And in Sections 25 and 27 in Township 19 South Range 35 East. This cross section will be discussed as a later exhibit. Also the accompanying - the geological report of Mr. Jack E. Hughes is what we have prepared as Exhibit 4. This is a seismic survey representation of reflections from the approximate top of the Devonian formation as prepared by Drilling and Exploration Inc. The unit outline is shown on this map and will encompass a down-drop block with a localized high within the down-drop block. It was on the basis of this geological presentation of the seismic survey that the U. S. Geological Survey approved the designation of the area of the Mescalero Unit as an area logically subject to unitization.

I can't help but admire the term you used to explain to me yesterday a down-drop block.

A A down-drop block, it may be in some terms referred to as a graben, a graben normally longer than they are wide.

MR. NUTTER: Grabens are graves in Germany.

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your opinion that the unit covers a geological structure to give you effective control of that feature?

A It embraces all that geological structure.

Q If you will continue.

A A cross section has been prepared which is shown as Exhibit 3 for with the geological report of Mr. Hughes and filed with the commission as Exhibit 5 which extends between the wells that I have previously testified to that were drilled to the Devonian and the line, the area limits of the Mescalero Unit to show this down-drop block with the high and the center of the hole as you say.

Q Based on this interpretation that the unit has been formed as proposed.

A That is correct.

Q Mr. Morrell, in your opinion will the approval of this unit agreement be in the interest of the prevention of waste and the prevention of correlative rights?

A It will.

Q In your opinion can this area be more effectively developed and operated under unit operation than it could without unit operation?

A It definitely could.

Q Have you submitted this? You received an approval of this unit from the U. S. Geological Survey, tentative approval



that is.

A I have.

Q A letter dated August 21, 1959, acting director of the U. S. Geological Survey approved the Mescalero Unit area, as an area logically subject to unitization.

A That is entered into this record with the Commission as Exhibit No. 6.

Q Now, there is one tract of state land in this unit area, is that right?

A That is correct.

Q Have you discussed this matter with the Commissioner of Public Lands?

A It has been discussed with the Commissioner of Public Lands.

Q And what is the situation with relation to that one state tract?

A The Gulf Oil Corporation is the leasee of the tract covering the southwest quarter of Section 32.

Q It is in the complete north end of the unit area?

A It is in the complete north end of the unit area. Gulf Oil Corporation is committing tracts 2 and 4 to the unit agreement at this time but by reason of the fact that its lease on federal land embracing the southwest quarter of Section 31, and the state tract in the southwest quarter of Section 32, are held by production



located elsewhere on these respective leases. Gulf is not committing those tracts at this time but has agreed to commit the tracts upon discovery of the unitized subject within the unit area.

Q And at this time the Commissioner of Public Lands has indicated he does not care to sign the unit agreement, he has no objection to the unit proceeding without it?

A That is correct. We have a letter from the Commissioner of Public Lands dated August 23, 1960 in which he advises as follows: "As there is no state land now being committed, the Commissioner of Public Lands of the State of New Mexico, does not desire to approve the Mescalero Unit agreement or to exercise any rights granted to the Commissioner by the terms thereof."

Q However, the inclusion of that particular 160 acres in the unit area was a requirement of the U. S. Geological Survey, so that area has to stay in the unit area or go back and get approval for its delineation.

A That is correct. It has been retained within the unit area because of the - as shown by the subject map filed to the Commission.

Q Is there anything further which you care to offer in connection with this unit agreement, Mr. Morrell?

A I believe that covers the points from his agreement to be reached by Mr. Mackelvane as to the southwest quarter of Section 31. It is my understanding that he will subsequently



commit that federal tract to the unit agreement and if and when there is a discovery within the Mescalero Unit area, all 100 percent of the acreage will be committed for purposes of further development.

Q Mr. Morrell, did you prepare Exhibit No. 1 and with the attachments attached to it transmitted by you and made a part of your Exhibit No. 1 in your application of the U. S. Geological Survey?

A That is correct I did.

Q Those are the exhibits which you have identified here as numbers 2 through 5 inclusive.

A Through 6. Well, through 5 inclusive, yes, sir.

MR. BRATTON: We will offer those exhibits in evidence.

MR. NUTTER: Do you also want to offer 6?

MR. BRATTON: We will offer Exhibit No. 6.

MR. MORRELL: Except I didn't prepare it.

MR. NUTTER: It's a copy of the letter from the Department of the Interior, correct?

A Yes, sir.

MR. NUTTER: Drilling and Exploration Exhibits 1 through 6 will be entered in evidence. Any questions of Mr. Morrell?

CROSS EXAMINATION

BY MR. PAYNE:

Q Mr. Morrell, you are aware orders entered by the Oil



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Commission approving units which contain both federal and state lands also have a provision on that the order it becomes effective upon approval by the Director of the U. S. G. and the Commissioner of Public Lands. I wonder if the Commissioner of Public Lands will approve this, so long as the state acreage is included in the unit area.

A The letter dated August 23 to which I just referred from the Commissioner is in effect waives his rights under the form of the unit agreement as now drafted. I have also discussed this with the Roswell office of the U. S. Geological Survey and they state that a letter from the Commissioner waiving his rights at this time will be satisfactory with the Department of the Interior so that he may proceed to go ahead and approve the unit. If and when the state land is committed to the unit, it will be subject then to the approval by the Commissioner both as to the form of the agreement and the acceptance of the commitment.

Q So what you are seeking here is an order from the Oil Commission saying that the approval of the unit agreement is effective upon approval by the Director of the U. S. Geological Survey?

A That is correct. Since we have the waiver from the Commission -

MR. BRATTON: I believe that would be probably in order together with some kind of a recitation that the matter has been



submitted to the Commissioner of Public Lands. He does not care to approve at this time. Therefore, its subject only to final approval by the survey, if that is satisfactory to the Commission.

MR. NUTTER: Would you read that letter in its entirety into the record.

A We will be glad to have it photostated if you would like to enter it as Exhibit 7.

MR. BRATTON: We will identify it as Exhibit 7 and enter a copy in the record.

MR. NUTTER: Very good.

A That would save time.

MR. NUTTER: Mr. Morrell, on this cross section of Exhibit No. 5, I can find what appears to be the eastern limit of the Mescalero Unit. Would this line that I have drawn in red be the western limit?

A That is correct.

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

CROSS EXAMINATION

BY MR. NUTTER:

Q Has the unit agreement been modified from the standard form of the federal unit agreement to include the various provisions that the state land commissioner normally requires in the unit.

A That is correct.



Q So if and when the land commissioner should desire to approve the committment of this acreage there to the unit, you don't expect that anything would stand in the way of his being able to approve it then?

A The only thing that could arise or any policy matter that the State Land adopts inasmuch as this form of unit agreement was prepared in 59.

Q But the form is the type that he was approving at least at that time.

A That is correct.

MR. NUTTER: Any further questions of Mr. Morrell?

(No response.)

MR. NUTTER: You may be excused. Do you have anything further, Mr. Bratton?

MR. BRATTON: Nothing further.

MR. NUTTER: Does anyone have anything further in Case 2060.

(No response.)

MR. NUTTER: We will take the case under advisement and we will take Case 2061.



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STATE OF NEW MEXICO)
) _ss
 COUNTY OF BERNALILLO)

I, LEWELLYN NELSON, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing was reported by me in Stenotype, and that the same was reduced to typewritten transcript under my personal supervision and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

DATED this 5th day of September, 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Lewellyn F Nelson
 NOTARY PUBLIC

My Commission Expires:

June 14, 1964

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examiner hearing of Case No. 2060,
 heard by me on 8/24, 1960.
[Signature], Examiner,
 New Mexico Oil Conservation Commission

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MR. NUTTER: Would you read that letter in its entirety into the record.

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MR. BRATTON: We will identify it as Exhibit 7 and enter a copy in the record.

MR. NUTTER: Very good.

A That would save time.

MR. NUTTER: Mr. Morrell, on this cross section of Exhibit No. 5, I can find what appears to be the eastern limit of the Mescalero Unit. Would this line that I have drawn in red be the western limit?

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(No response.)

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MR. BRATTON: Nothing further.

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STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

I, LEWELLYN NELSON, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing was reported by me in Stenotype, and that the same was reduced to typewritten transcript under my personal supervision and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

DATED this 5th day of September, 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Lewellyn F. Nelson
 NOTARY PUBLIC

My Commission Expires:

June 14, 1960

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2060 heard by me on 8/24, 19 60.
Johnnie Examiner,
 New Mexico Oil Conservation Commission

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