

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
JUNE 7, 1961

EXAMINER HEARING

IN THE MATTER OF:

CASE 2301

Application of the Murphy Corporation
for approval of the Northwest Caprock
Unit Agreement, Lea County, New Mexico.

TRANSCRIPT OF HEARING

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

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CASE 2301 Application of the Murphy Corporation for ap- :
proval of the Northwest Caprock Unit Agree- :
ment, Lea County, New Mexico. Applicant, in :
the above-styled cause, seeks approval of the :
Northwest Caprock Unit Agreement, which unit :
embraces approximately 1525 acres of State :
land in Townships 11 and 12 South, Range 32 :
East, Lea County, New Mexico. :

BEFORE:

Daniel S. Nutter, 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. NUTTER: We will call next Case 2301.

MR. MORRIS: Case 2301. Application of the Murphy Cor-
poration for approval of the Northwest Caprock Unit Agreement, Lea
County, New Mexico.

MR. HINKLE: Clarence Hinkle of Hervey, Dow & Hinkle,
Roswell, appearing on behalf of the applicant, Murphy Corporation.

MR. NUTTER: Any other appearances in this case?

MR. HINKLE: We have two witnesses we would like to have
sworn.

(Witnesses sworn)



(Whereupon, Murphy's Exhibits Nos. 1 and 2 were marked for identification).

MR. HINKLE: Call Mr. Simmons first.

HARRY SIMMONS,

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

DIRECT EXAMINATION

BY MR. HINKLE:

Q Your name is Harry Simmons?

A Yes, sir.

Q You are employed by the Murphy Corporation?

A Yes.

Q Where do you reside?

A I live in Denver, Colorado.

Q What is your capacity with the Murphy Corporation?

A I am the division Landman for the Denver Division, which has the responsibility, among other areas, the Southeastern part of New Mexico.

Q Are you familiar with the area that is involved in this application, which is the Northwest Caprock Unit?

A Yes, I am.

Q Are you familiar with the application which has been filed with the Commission?

A Yes.

Q Please refer to Murphy's Exhibit No. 1. Does this show the proposed Northwest Caprock Unit area?

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A Yes. This Unit area is outlined in red on the Exhibit 1 plat. It shows the land ownership in the area with the proposed Unit as outlined with the proposed location of the Unit well circled in red.

Q Does it show the ownership of the acreage?

A Yes, sir. That is the leasehold interest.

Q What is the characteristic of the land involved, is it State or fee or Federal land?

A This Unit covers 1525.37 acres. It is all State of New Mexico common school land.

Q Are you familiar with the form of unit agreement which has been filed with this application?

A Yes, sir, I am.

Q Is the Murphy Corporation named as a unit operator?

A Yes, sir.

Q Does that form follow substantially the same form that has heretofore been approved by the Commissioner of Public Lands and the Commission where only State lands are involved?

A Yes, it does.

Q Has this particular form been approved by the Commissioner of Public Lands or his staff or his office --

A Yes, it has.

Q -- as to form?

A Yes, sir.

Q Does the unit agreement require a test well to be drilled?

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A Yes, sir, it does.

Q When is the well to be commenced?

A The well is to be commenced sixty days after official approval of the Unit. The well location will be in the northeast of the northwest of Section 8, Township 12 South, Range 32 East.

Q What is the projected depth of the test well?

A The projected depth is 11,600 feet.

Q What formations will that test at that depth?

A The objective formation is the Devonian.

Q Have you approached all of the lease owners within this proposed area to see whether or not they would join in the Unit?

A Yes, we have, and we have one hundred percent leasehold commitment to this Unit if it is approved by the Commission.

Q Promises of commitment?

A Yes.

Q In the event this unit agreement is approved, a well is drilled, and you should discover oil or gas in paying quantities, state whether or not, in your opinion, this agreement would be in the interest of conservation and the prevention of waste.

A In my opinion, it would be.

Q Would it promote the greatest ultimate recovery of unitized substances in the area?

A Yes, it would.

MR. HINKLE: I might say at this time, Mr. Examiner, that we have another witness who will go into the geology of this thing.



That's all the questions I have of Mr. Simmons.

CROSS-EXAMINATION

BY MR. NUTTER:

Q Mr. Simmons, the tabulation at the end of Exhibit B on the unit agreement indicates that Union Oil has 362 acres in this Unit. Which 362 acres is that, please?

A First, let me say this: The Union is an owner of 241 acres inside the Unit area. What we have done, we have gotten commitments from the other operators who do not wish to participate in the initial cost of the first well, and which Murphy Corporation and other participants in the cost of the first well will pay their part, and, in turn, earn part of the acreage inside the Unit. Consequently, the Union's percentage was approximately fifteen percent of the Unit, and there was 120 acres to be earned, and by taking that fifteen percent of the one hundred twenty, you come up with the twenty additional acres. I'm talking in round figures, of course.

Q In other words, this acreage is a part of some of this other acreage; it's not the acreage that's shown on the plat as being Union's?

A That is correct.

Q It is an earned acreage?

A Yes.

MR. HINKLE: That's what you will earn?

A Earn by the drilling of the well.

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Q (By Mr. Nutter) The tabulation does not reflect the actual surface acres that the companies own?

A That is correct. It will be the ownership of the Unit acreage after the initial test well, and the way the income will be distributed, Mr. Examiner.

Q Is all of the acreage in here State acreage?

A Yes, sir. Same beneficiary.

Q And one hundred percent of the working interest has been committed or committed to be committed?

A That is correct.

MR. NUTTER: Any further questions of Mr. Simmons? He may be excused.

(Witness excused)

FRANK L. GLAZE,

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

DIRECT EXAMINATION

BY MR. HINKLE:

Q Your name is Frank L. Glaze?

A Yes, sir.

Q Are you employed by the Murphy Corporation?

A Yes, sir.

Q In what capacity?

A Permian Basin geologist.

Q How do you spell that name, please?

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A G-l-a-z-e.

Q Are you located in Denver at the present time?

A Yes, sir.

Q Are you a graduate geologist?

A Yes, I am.

Q Have you ever testified before the Oil Conservation Commission?

A No, sir.

Q What school did you graduate from?

A Texas Western College, El Paso, Texas.

Q What year?

A 1949.

Q What degree?

A B.S. degree.

Q In geology?

A Yes, B. S. degree in geology.

Q Since your graduation, have you practiced your profession --

A Yes.

Q -- in the geological field?

A Yes, sir.

Q Have you always been employed by the Murphy Corporation since you finished school?

A No, sir.

Q What other companies have you been employed by?

A Rotary Engineering Company, Tidewater Oil Company,



Austral Oil Company, Ada Oil Company and Murphy Corporation.

Q In your work with these different companies, did any of it entail work in New Mexico and Southeastern New Mexico?

A Yes, sir. All of it did.

Q All of it in what you would call the Permian Basin?

A Yes, sir.

Q At the present time, does your work with the Murphy Corporation require you to be familiar with operations in Southeastern New Mexico?

A Yes, sir, it does.

Q Do you know whether or not the Murphy Corporation has made a geophysical survey of this proposed Northwest Caprock area?

A Yes, sir. They have.

Q I hand you Murphy's Exhibit 2, and ask you to explain what it is, and what it shows.

A It's a reflex seismograph map of the top of the Devonian formation.

Q It's contoured on top of the Devonian?

A Contoured on the top of the Devonian at 50-foot intervals, showing a structural anticline which has been broken by two major faults trending north-south, the major fault on the west having approximately 400 feet of displacement, the major fault on the east having approximately 500 feet of displacement, and within the up-thrown fault block a structural enclosure or a combination of structural fault enclosures of approximately 300 feet.

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Q Is the red line the outline of the proposed Unit area?

A Yes, sir, it is.

Q Is the location of the initial test well also shown?

A It's marked in red in the northeast of the northwest of Section 8, 12 South, 32 East.

Q Is it your opinion that if production should be obtained, that the area that's involved or enclosed within the Unit area would be all or substantially all of the producing area of this particular structure?

A We believe that it would be.

Q This is Murphy Corporation's interpretation of the seismicographic survey, which was made of the area?

A Yes, it is.

Q Is it your opinion that a well drilled to 11,600 feet, as provided by the unit agreement, will test the Devonian formation?

A Yes, sir, that's my opinion.

MR. HINKLE: I believe that's all.

CROSS-EXAMINATION

BY MR. NUTTER:

Q Mr. Glaze, is this seismic contour on the top of the Devonian?

A Yes, sir, it is.

Q What is the actual enclosure here that's contained within the Unit area?

A It would be some one hundred and fifty plus feet.



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Q The highest complete contour line within the Unit area would be a minus 6850, would it not?

A No, sir. It would be a minus 6800 feet.

Q You feel that this Unit area is sufficiently similar to allow the Murphy Corporation adequate control of the structure in the event that unitized substances should be discovered?

A Yes.

Q Do you feel the Unit area is unduly similar to encompass acreage which is not included within the structure?

A No, sir, I do not.

Q Have any wells been drilled to the Devonian formation between the two major faults, the East and West fault?

A No, sir.

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

MR. HINKLE: I might ask him one other question here.

REDIRECT EXAMINATION

BY MR. HINKLE:

Q Was this seismographic plat or structure map presented to the Commissioner of Public Lands and discussed with the Land Office there, in arriving at the outlines of the Unit area?

A Yes, sir, it was.

Q And they have indicated that it's satisfactory, as far as they're concerned?

A Yes, sir.

MR. HINKLE: That's all.



MR. NUTTER: Any further questions of Mr. Glaze? He may be excused.

(Witness excused)

MR. HINKLE: That's all we have. I want to offer in evidence Murphy Corporation's Exhibits 1 and 2.

MR. NUTTER: Murphy's Exhibits 1 and 2 will be admitted in evidence.

(Whereupon, Murphy's Exhibits Nos. 1 and 2 were received in evidence.)

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

MR. HINKLE: We would like to withdraw the seismographic plat after the time has elapsed for appeal of the case, which I think has been the practice or been permitted before.

MR. NUTTER: Yes, it has in several instances. So this Exhibit No. 2 is being offered under those conditions?

MR. HINKLE: That's the only one.

MR. NUTTER: Does anyone have anything further to offer in Case 2301? We will take the case under advisement.

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STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, 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 machine shorthand 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, the 11th day of June, 1961, in
the City of Albuquerque, County of Bernalillo, State of New Mexico.

Joe Kearney
NOTARY PUBLIC

My Commission expires:

June 19, 1963

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2301, heard by me on 6/7, 1964.

heard by me on 6/1, 1961.
Arthur, Examiner
 New Mexico Oil Conservation Commission

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