

BEFORE THE
OIL CONSERVATION COMMISSION
FEBRUARY 25, 1959

IN THE MATTER OF:

APPLICATION OF STANDARD OIL COMPANY OF TEXAS, CASE 1607

TRANSCRIPT OF HEARING

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BEFORE THE
OIL CONSERVATION COMMISSION
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IN THE MATTER OF:

Application of Standard Oil Company of
Texas for approval of a unit agreement.
Applicant, in the above-styled cause,
seeks an order approving its Bogle Flats
Unit Agreement embracing 5,280 acres, more
or less, of federal and state lands in
Township 22 South, Range 23 East, Eddy
County, New Mexico.

Case 1607

BEFORE:

E. J. Fischer, Examiner.

TRANSCRIPT OF HEARING

MR. FISCHER: The next case on the Docket will be
Case 1607.

MR. PAYNE: Case 1607: Application of Standard Oil
Company of Texas for approval of a unit agreement. Applicant,
in the above-styled cause, seeks an order approving its Bogle
Flats Unit Agreement.

MR. CHRISTY: Sim Christy, of Hervey, Dow & Hinkle,
for the Applicant, Standard Oil Company of Texas. We have one
witness, Mr. Examiner.

(Witness sworn.)

MR. FISCHER: Any other appearances to be made in
this case?

M. R. S T I P P, a witness called by and on behalf of the Appli-
cant, being first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. CHRISTY:

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

A M. R. Stipp of Roswell, New Mexico; and I am District Geologist for Standard Oil Company of Texas.

Q Have you previously testified before this commission as an expert on geological matters?

A Yes, sir.

Q Are you familiar with the matters contained in the application in Case 1607 and what is sought by it?

A Yes, sir, I am.

MR. CHRISTY: Any questions concerning the witness' qualifications to testify?

MR. FISCHER: No, sir, please proceed.

Q (By Mr. Christy) Now, would you briefly explain what is sought in the application in case number 1607?

A The application is for the approval of a unit agreement for the development and operation of the Bogle Flats Unit Area in Eddy County, New Mexico. The unit area embraces 5,280 acres described as the Southeast quarter Section 8, South half of Section 9, South half of Section 10, all of Section 15, all Section 16, East half of Section 17, East half of Section 20, all of Section 21, all Section 22, the North half and Southwest quarter of Section 27, all Section 28, and the Northeast quarter of Section

29, all Sections in Township 22 South, Range 23 East of the New Mexico Principal Meridian.

Q What is the ownership of these lands within the unit area?

A All the lands in the unit area are owned by the United States of America with the exception of Section 16 which contains 640 acres and is owned by the State of New Mexico.

Q Now, are you familiar with other unit agreements which have previously been approved by this Commission?

A Yes, sir.

Q Is this unit agreement involved in the present application in substantially the same form as unit agreements previously approved by the Commission?

A Yes, sir.

Q Now, does the unit agreement provide for the drilling of a test well?

A Yes, sir. Paragraph nine of the unit agreement provides for the drilling of a test well to the Devonian formation but not to a depth in excess of 11,000 feet. This test well is to be commenced within six months from the effective date of the unit agreement. It is expected that the top of the Siluro-Devonian will be encountered at approximately 11,000 feet, and we intend to test that formation if it appears reasonably susceptible to production of oil or gas in paying quantities. Other formation tops expected include the San Andres at 500 feet, Yeso at 2,000,

Wolfcamp at 6,000, Pennsylvanian at 7,500, and Mississippian at 10,250 feet.

Q Has the unit agreement been approved by royalty, overriding royalty and working interest owners?

A The unit agreement has previously been informally approved by the Geological Survey and we anticipate its formal approval after the execution of the unit by the various working interest and overriding royalty owners. The unit agreement as initially drawn was further approved as to form and context by the Commissioner of Public Lands of the State of New Mexico. Since then minor changes have been made in the form, but we do not believe these changes will substantially affect the form of the agreement, and we anticipate further approval by the Commissioner.

The agreement has been informally approved by all of the working interest owners and will shortly be executed by them. Lastly, we have informal approval of approximately 50% of the overriding royalty owners and the signing or ratification by all of the overriding royalty owners is anticipated at an early date.

MR. CHRISTY: I might state this morning I received a letter from the Commissioner of Public Lands again approving as to form and context as to the unit agreement itself. The witness has not seen this letter.

Q (By Mr. Christy) I refer to Exhibit One. Identify it and please explain it to the Commission.

A Exhibit One is a plat of the unitized area, the unit

area being represented by the red exterior boundary line. It also shows the proposed test well location which I mentioned previously. It is in the Northwest quarter Northeast quarter of Section 21, 22 South 23 East.

Q Do you have a structural appraisal of this area?

A Yes, sir. This is likewise shown on Exhibit One. The structural appraisal is a surface contour map contoured on the top of a limestone marker in the Grayburg formation.

Q Does the proposed unit area cover substantially all of the anomaly within the closing contours of this appraisal?

A Yes, sir, it does.

Q In the event of discovery of oil or gas in paying quantities on the unitized area, will the unit agreement as drawn permit the producing area to be developed and operated in the interest of conservation and the prevention of waste of the unitized substances?

A Yes, sir.

Q In your opinion, if the unit agreement is approved by the commission, can the field or area involved be developed more economically and efficiently under the terms of the unit agreement to the end maximum recovery of the unitized substances can be obtained?

A Yes, sir.

Q In your opinion, are the boundaries of the unit agreement sufficiently large to obtain adequate control of the

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prospect itself?

A Yes, sir, I believe it is.

Q In your opinion, are the boundaries too large?

A No, sir. The unitized area includes substantially all of the anomaly within the closing contours of the closing structure map.

Q On the unit agreement, does it contain a plan of further development?

A Yes, sir. It contains a typical plan for further development provided in paragraph ten of the unit agreement.

Q What is the term of the unit agreement?

A The term is for a period of five years plus various extensions upon approval of the Director of the Geological Survey and the State Land Commissioner and the extensions resulting from valuable discovery of unitized substances, etc.

Q This is Paragraph 20 of the Unit Agreement?

A Yes, sir.

Q In your opinion, would the approval of the Unit Agreement afford the protection of correlative rights of various interested parties and be for the best interest of the State of New Mexico?

A Yes, sir. In my opinion, that is true.

Q I believe the Standard Oil Company of Texas is designated as Unit Operator?

A Yes, sir.

Q As such Unit Operator, does your company realize if the Commission should approve this application, it will still be necessary for Standard Oil Company of Texas as Unit Operator to comply with other rules and regulations of the Commission with respect to filing notices, forms, etc.?

A Yes, sir. We understand that these additional matters must be done and complied with notwithstanding the approval of the unit agreement.

Q Lastly, as the Unit Operator, does your company realize that any approval of the unit agreement by the Commission would be contingent upon the company's filing fully executed counterparts of the approved unit agreement with the Commission?

A Yes, sir. As soon as the unit agreement has been approved by the Geological Survey and the Commissioner of Public Lands of the State of New Mexico, fully executed counterparts of the unit agreement together with all ratifications will be filed with the Commission. Likewise, if any further ratifications are obtained, executed counterparts of them will be filed with the Commission.

Q Was Exhibit One made by you or under your direct supervision?

A Yes, sir, it was.

MR. CHRISTY: We ask the unit agreement be marked as Exhibit Two, and we offer in evidence Applicant's Exhibits One and Two.

MR. FISCHER: Any questions of the witness?

MR. CHRISTY: Excuse me. Could I have a ruling on that offer?

MR. FISCHER: Without objection, these exhibits will be so received.

MR. CHRISTY: Thank you. That is all we have.

MR. FISCHER: Any questions? Mr. Nutter.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Stipp, you might have stated what the percentage of working interest that has been committed to the unit is?

A All of these are informally committed. We are all committed on it. It is a matter of executing the papers in a formal manner. We have no doubt --

Q You have tentative commitments from 100 percent?

A Yes, sir.

MR. CHRISTY: If I might interject, we have actual approval. It has to be circulated for formal approval.

Q (By Mr. Nutter) This contour map on Exhibit One is a surface contour map?

A That's correct.

Q Do you know the Devonian formation which may be encountered as deep as 11,000 feet would reflect on a surface contour?

A That is our hope. This area is not susceptible to

seismic operations. There is a great lack of sub-surface control, and this is the best criterion we have in this area for establishing the limits of the Devonian pool and likewise the unitized area that we propose to encompass.

Q Now, gravity surveys have been run here?

A Yes, sir.

Q Any seismic work been done at all?

A We have not tried any conventional seismic work in this area. I understand other members of the industry have tried it and success has been very low in record quality and interpretation.

Q I note on Exhibit One on the right hand margin it states this is area of regional east dip.

A For surface control.

Q Does that apply to the left side?

A Yes, sir, it does.

Q It would be east dip on both sides?

A Yes, sir, it would be.

MR. FISCHER: Any other questions of the witness?

EXAMINATION BY MR. PAYNE:

Q This unit agreement does contain a provision for expansion, does it not?

A That's correct, sir.

Q And like most unit agreements that have been approved, it does not contain any provision for approval by the Oil Conserva-

tion Commission for an expansion?

MR. CHRISTY: No, it does not.

Q (By Mr. Payne) I was wondering what your feelings were, whether or not the approval of, the Oil Conservation Commission should give approval for expansion.

A I believe that it would be to our advantage to give them the opportunity to rule on that.

MR. CHRISTY: If I might interject something, Mr. Examiner, we see no reason why, no objection to that at all, and would ask it be administratively handled, the approval of the expansion of the unit in line with Mr. Payne's statement, but we certainly would not wish to come back for another full hearing for it.

MR. PAYNE: With your permission, Mr. Christy, I would like to ask Mrs. ~~Reed~~ if she has any opinion on it.

MRS. ~~Reed~~: I think the Oil Commission should approve anything on that.

MR. CHRISTY: We have no objection on it administratively.

MR. PAYNE: You would have no objection, then to changing the provision regarding expansion to say that not only would the expansion be agreed upon by the Director and the State Land Commissioner but also upon administrative approval of the Administrative Director of the Oil Conservation Commission?

MR. CHRISTY: As a suggestion, sir, we would not

like to have to retype the unit agreement. It it would be provided for in your order, that would be fine.

MR. PAYNE: Yes. That is all.

EXAMINATION BY MR. FISCHER:

Q Mr. Stipp, is there another unit agreement anywhere in this area?

A It is, I believe there is a case before the Commission at this time for a unit south of this area proposed by the Humble Oil and Refining Company known as Bandana Point Unit. It does not overlap our unit.

Q Does your unit attempt to overlap the protective cover of this structure?

A Yes, it does.

Q Would a producing well on this unit hold any acreage outside of this unit?

MR. CHRISTY: If I might answer that question for the witness, I believe the great percentage of this land is Federal land. It would turn upon the date of the lease whether in its extended term or fixed term. There is a ruling by the Federal Government on that. I don't believe the witness would be qualified to answer the question. If I knew the date of the particular lease, I might answer. The recent ruling, if the Federal Lease is still within its fixed term, the production within that unit even on that lease will not hold the stuff outside the lease for more than two years on production.

Q (By Mr. Fischer) Would you give me your expected top of the Siluro-Devonian again, please?

A We expect it near 11,000 feet.

Q And is the Devonian your prime target in this well?

A Yes, sir, it is our primary objective.

Q Do you think that all the formations as shown here on your top of the Grayburg marker are reflected in a parallel manner on down?

A That is our hope.

MR. FISCHER: That is all I have. Any other questions or statements in this case. The witness may be excused. We will take the case under advisement.

STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

I, JOHN CALVIN BEVELL, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me in stenotype and reduced to typewritten transcript by me; that the same is a true and correct record, to the best of my knowledge, skill and ability.

WITNESS my Hand and seal this 4th day of March, 1959, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

John Calvin Bevell
 NOTARY PUBLIC

My Commission Expires:

January 24, 1962

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examiner hearing of Case No. 1607
 heard by me on Feb. 25, 1959.
E. Fischer Examiner
 New Mexico Oil Conservation Commission