

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE 1739

TRANSCRIPT OF HEARING

AUGUST 19, 1959

DEARNLEY - MEIER & ASSOCIATES
GENERAL LAW REPORTERS
ALBUQUERQUE, NEW MEXICO
Phone CHapel 3-6691

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

IN THE MATTER OF: :

CASE 1739 Application of Shell Oil Company for approval:
of a unit agreement. Applicant, in the above:
styled cause, seeks an order approving its :
Henshaw Deep Unit Agreement comprising 4824 :
acres, more or less, of Federal and State :
lands in Township 16 South, Ranges 30 and 31 :
East, Eddy 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 take next Case 1739.

MR. PAYNE: Case 1739. Application of Shell Oil Com-
pany for approval of a unit agreement.

It is my understanding, Mr. Examiner, that Shell wishes to
have this continued to September the 6th.

MR. SETH: Until the second Examiner Hearing in Septem-
ber. We would like to do some further work preparatory to the
hearing, if the Commission please.

MR. NUTTER: Mr. Seth, the Commission has tentative
plans for scheduling an Examiner Hearing before this examiner on
September the 30th. Do you wish to continue this case to Septem-
ber the 30th?

MR. SETH: Yes, sir, that will be satisfactory.

MR. NUTTER: Without objection, Case No. 1739 will be continued to September 30th before the same examiner.

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 that the same is a true and correct record to the best of my knowledge, skill and ability.

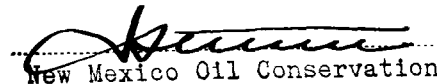
WITNESS my Hand and Seal this, the 5th day of September, 1959, in the City of Albuquerque, County of Bernalillo, State of New Mexico.


NOTARY PUBLIC

My Commission Expires:

October 5, 1960

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner's hearing of Case No. 1739, heard by me on 8-19, 1959.

, Examiner
New Mexico Oil Conservation Commission

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE 1739

TRANSCRIPT OF HEARING

SEPTEMBER 30, 1959

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
SEPTEMBER 30, 1959

IN THE MATTER OF:

CASE 1739 Application of Shell Oil Company for approval
of a unit agreement. Applicant, in the above-
styled cause, seeks an order approving its Hen-
shaw Deep Unit Agreement comprising 4824 acres,
more or less, of Federal and State lands in
Township 16 South, Ranges 30 and 31 East, Eddy
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: The hearing will come to order, please.
We will take first Case 1739.

MR. PAYNE: Case 1739. Application of Shell Oil
Company for approval of a unit agreement.

MR. SETH: We have two witnesses.

(Witnesses sworn)

O. D. LAWRENCE,

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

DIRECT EXAMINATION

By MR. SETH:

MR. SETH: I would like to call Mr. Lawrence as our first witness.

Q (By Mr. Seth) Will you state your name, please, Mr. Lawrence?

A O. D. Lawrence.

Q By whom are you employed and in what capacity?

A Shell Oil Company.

Q And what is your work with Shell?

A I am the Roswell Division Land Manager.

Q Are you familiar with Shell's application in this case, and generally, with the Henshaw Deep Unit Agreement?

A Yes, sir, I am.

Q Will you tell the Examiner, please, briefly, the facts as to the acreage proposed to be included?

A The Henshaw Deep Unit covers 4,823.84 acres.

Q And do you have that figure as to Federal land, State land, Fee land in the unit area?

A Yes. It is practically all Federal, 4823.84 acres, and the State has 40 acres. There are no Fee tracts in the unit.

Q And what formations are unitized?

A All formations below the top of the Yeso which is approximately 4127 feet.

Q Do you have a copy of the proposed Unit Agreement?

A Yes, sir, I have.

(Thereupon, Shell's Exhibit No. 1
was marked for identification.)

Q Referring to what has been marked for identification
as Exhibit No. 1, is this the proposed Unit Agreement?

A Yes, sir, it is.

Q Is this an executed copy of the Agreement?

A Yes. It has been executed by all parties with the
exception of three. Do you want me to cover that at this time as
to percentage?

MR. SETH: We would like to offer this as Exhibit 1
of the applicant.

MR. NUTTER: Applicant's Exhibit 1 will be admitted
in evidence.

(Whereupon, Shell's Exhibit No. 1
was received in evidence.)

Q Yes, will you continue as to the interest commitment?

A On the Unit Agreement, as submitted, 96 percent,
approximately 96 percent have executed the Agreement. There are
three tracts owned by three people, - Western Oil Fields, Inc.,
John Trigg, and Pauline Trigg, who have not yet executed the Unit
Agreement and may not. This totals approximately 4 percent not
committed.

Q Do you have sufficient control of the area for proper
development although these tracts may not be committed?

A I certainly do think so. These three tracts that are
not committed are on the east flange of the Unit. They are not

anywhere near the center of the Unit, and with 96 percent, we feel that we definitely have effective control.

Q Has the proposed Agreement been submitted to the Commissioner of Public Lands?

A Yes, it has.

Q Has it been approved as to form?

A He has approved it as to form.

(Thereupon, Shell's Exhibit No. 2 was marked for identification.)

Q Referring to Exhibit 2, is this a letter relative to the Henshaw Unit from the Commissioner's office?

A Yes, it is.

MR. SETH: We would like to offer this letter.

MR. NUTTER: Exhibit 2 will be admitted in evidence.

(Whereupon, Shell's Exhibit No. 2 was received in evidence.)

Q Would you state to the Examiner, please, whether or not the proposed Agreement is in the usual form, or whether there are any substantial variations from the Unit Agreement?

A The Unit Agreement is the standard printed form used by the Federal Government word for word with the exception of where we refer to the Commissioner of Public Lands, where State land is involved. It is a standard form of agreement.

Q Does it provide for a joinder by owners at a later date?

A Yes, sir, it does.

Q And for expansion or contraction of the Unit?

A Yes, sir, it does.

Q Who will be the operators?

A Shell Oil Company will be the operator.

Q What is the general purpose of the Agreement, Mr. Lawrence? Why is it being unitized?

A In order to operate all of the leases within the unit area as one. More or less ordinary development of the unit area.

Q Do you believe under the terms of the Unit Agreement the State will receive its fair share of wildcats?

A I certainly do.

MR. SETH: I believe that's all the questions of this witness, Mr. Nutter.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Lawrence, are any wells already completed in the unit area?

A Now, this unit is below, as I mentioned before, is below the top of the Yeso. There are several shallow wells in the area, but there are no deep wells under this particular --

Q While there are some wells completed within the unit area, no wells are completed below the top of the Yeso?

A That's true, sir.

MR. SETH: There are no wells in the unitized area at the present time.

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Q And the plans for the Unit Agreement call for the drilling of a deep well?

A Yes, sir.

Q What depth will that well be drilled to?

A Twelve thousand three hundred feet, Silurian-Devonian test.

Q What tracts are those tracts that have not been committed, Mr. Lawrence?

A I mentioned the names just a second ago. I'll give you the description of the tracts now. Tract No. 13, --

Q Belongs to Western Oil Field, correct?

A Yes, sir. We still hope that they will join the unit. Tract No. 24, --

Q Belongs to J. H. Trigg?

A Correct, sir. And Tract No. 27 -- I'm sorry -- Tract No. 6.

Q Belongs to Pauline and John Trigg?

A Yes, sir.

MR. NUTTER: Anyone else have any further questions of Mr. Lawrence? He may be excused.

(Witness excused)

R. L. FAY,

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

DIRECT EXAMINATION

BY MR. SETH:

Q Will you state your name, please?

A R. L. Fay.

Q And by whom are you employed?

A Shell Oil Company.

Q In what capacity, Mr. Fay?

A Division Exploration Manager.

Q Would you give the Examiner, please, a brief summary of your formal education and your experience as a geologist?

A I received my under graduate work training in geology at Hamilton College. Graduated from there in 1943. Received my Master's degree from the University of Rochester, also in geology, in 1948. I have been employed by Shell Oil Company as a geologist since 1948. I'm presently Division Exploration Manager at Roswell.

Q Are you generally familiar with the geology in the area of the proposed Henshaw Unit?

A Yes, sir.

Q And are you generally familiar with the Unit Agreement and the application of Shell?

A Yes, sir.

MR. SETH: May he testify as an expert?

MR. NUTTER: Yes, sir. Please proceed.

Q Give us a statement of the general geology in the area, Mr. Fay.

A Well, the proposed Henshaw Deep Unit is in the north basin in the northeastern part of Eddy County. It is one mile north of the Shallow Square Lake Field, and it embraces the Shallow Henshaw Field. It is also five miles south of the Little Lucky Lake Silurian Field, and ten miles west of the Anderson Ranch Pennsylvanian and Silurian Field.

Q What formations do you expect to encounter -- tell us, first, about the initial well under the proposed Unit Agreement, the location.

A We propose to drill a 12,300 foot Silurian-Devonian test located in the NE NW/4 of Section 24, Township 16 South, Range 30 East.

Q What formations do you expect to encounter?

A Primary objectives are the Silurian carbonate and the Pennsylvanian limestones. In drilling to the Silurian carbonate, we anticipate penetrating three hundred feet of surface beds, 8400 feet of Permian beds, 2750 feet of Pennsylvanian, 550 feet of Mississippian, and we expect to penetrate the Silurian at least 300 feet.

Q In your study of the data available and surveys, in your opinion, is there a structure indicated within the proposed unit boundary?

A Yes, sir, there is.

Q Do the proposed unit boundaries firmly enclose this indicated structure without including an excessive amount of acre-

age?

A Yes, sir, they do.

Q Do you believe there is a reasonable expectation of producing within the unitized area?

A Yes, sir, there is.

Q Now, as far as unit operations is concerned, in your opinion, as a geologist, will this Unit Agreement, if approved, lead to the best utilization of reservoir engineering and result in conservation of reservoir energy?

A Yes, sir.

Q Will the State of New Mexico, as far as the State is concerned, receive its fair share of the oil and gas in place?

A Yes, sir.

Q Do you believe that the Agreement, if approved, will assist in the development of this general area?

A Yes, sir, I do.

MR. SETH: That's all the questions, Mr. Nutter.

MR. NUTTER: How do you spell your name, please?

A F-a-y.

MR. NUTTER: Anyone have any questions of Mr. Fay?

CROSS EXAMINATION

By MR. NUTTER:

Q Mr. Fay, when is this initial test well to be commenced?

A As soon as possible after we conclude -- get approval

for the Unit.

Q And you stated the location of the well would be the NE of the NW of Section 24?

A Yes, sir. Township 16, 30 East.

Q Is this a location that is relatively high on the structure, as you know the structure to be?

A Yes, sir, it is.

MR. NUTTER: Any further questions? Mr. Fay may be excused.

(Witness excused)

MR. SETH: That's all we have, Mr. Nutter.

MR. NUTTER: Does anyone have anything further they wish to offer in Case 1739? We will take this case under advisement and take Case 1760.

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

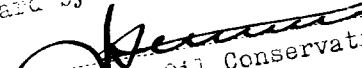
I, J. A. Trujillo, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in Stenotype and reduced to typewritten transcript by me, and that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

WITNESS my Hand and Seal this, the 12th day of October,
1959, in the City of Albuquerque, County of Bernalillo, State of
New Mexico.

10/1/1917
NOTARY PUBLIC

My Commission Expires:

October 3, 1960

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 1739,
heard by me on 9-30, 1959.
 , Examiner
New Mexico Oil Conservation Commission