

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 7, 1963

EXAMINER HEARING

IN THE MATTER OF:

Application of Tom Brown Drilling Company, Inc.,) CASE 2767
for a unit agreement, Eddy County, New Mexico.)
Applicant, in the above-styled cause, seeks)
approval of the Antelope Sink Unit Area, com-)
prising 7,561 acres, more or less, of State)
and fee lands in Township 19 South, Ranges 23)
and 24 East, Eddy County, New Mexico.)

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: We call Case 2767.

MR. DURRETT: Application of Tom Brown Drilling Company,
Inc., for a unit agreement, Eddy County, New Mexico.

MR. KELLAHIN: Jason Kellahin, Kellahin and Fox, appear-
ing for the Applicant, and we have the same two witnesses who
testified in the previous case. May the record show that they
have been sworn?

MR. DURRETT: Let the record so show.

(Whereupon, Applicant's Exhibits
Nos. A, B, C and D marked for
identification.)

FOSTER MORRELL

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

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DIRECT EXAMINATION

BY MR. KELLAHIN:

Q You are the same Foster Morrell who testified in Case No. 2766, are you not?

A I am.

Q Mr. Morrell, are you familiar with the application of Tom Brown Drilling Company in Case 2767?

A I am.

Q Referring to what has been marked as Exhibit A, would you discuss the information shown on that exhibit?

A Exhibit A is a land plat covering Antelope Sink Unit area, and as originally prepared and platted it embraced a total of 7,561.20 acres. Following conferences with the Commissioner of Public Lands, we have agreed and are applying for a reduced area of the Antelope Sink Unit to embrace a total of only 3,881.20 acres, of which 160 acres are fee land or 4.12 percent of the unit area. The portions of the original proposed Antelope Sink Unit area embracing the acreage as shown in the call for Case 2767 are X-ed out on the plat, Exhibit A.

Q But the advertising fully covers all of the lands which are proposed now to be included in the unit?

A That is correct.

Q I think, for the record, could you describe without reference to the individual ownership the area to be included in the unit?



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A The area for the Antelope Sink Unit area that is now being requested may be described as follows: In Township 19 South, Range 23 East, all of Section 13; in Township 19 South, Range 24 East, all of Section 7; in Section 8, the West Half, the Southeast Quarter, and the Southwest Northeast Quarter; all of Sections 17, 18, 19; and the North Half North Half of Section 20; a total of 3,881.20 acres.

Q With the exception of the 160 acres you referred to, is all of it State land?

A That is correct.

Q Referring to Exhibit B, will you discuss that exhibit and the information shown on it?

A Exhibit B is a tabulation of all of the individual leases described by land descriptions, number of acres, State land serial number, and the ownership.

Q Do you have a breakdown on the percentage of the ownership of each owner in the unit?

A The ownership of the Antelope Sink Unit area as now requested includes: For Marathon Oil Company, 2,241.12 acres, representing 57.743 percent of the unit area; for Southern Minerals Corporation, 799.97 acres or 20.612 percent; for Carper Drilling Company, Inc., 680.11 acres, representing 17.523 percent of the unit area, all of those being State of New Mexico lands; and Triangle Cattle Company, 160 acres of fee land, or 4.122 percent of the unit area.



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Q Of that number, how many have agreed to the formation of the Antelope Sink Unit?

A All have indicated that they will join except Triangle Cattle Company as to the fee land.

Q Is Triangle Cattle Company being given an opportunity to join this unit on the same terms as the others?

A They will be.

Q Referring to what has been marked as Exhibit No. C, will you identify that exhibit and discuss it?

A Exhibit C is the standard form suggested by the Commissioner of Public Lands for use for forming unit agreements embracing State lands or State and fee lands.

Q What changes will be made in the form of that unit agreement?

A We will provide in the section of unit operator that Tom Brown Drilling Company should be designated as the unit operator; and under Section 8 entitled "Drilling to Discovery Well" insert the word "Pennsylvanian" as the formation to be tested and the maximum drilling depth of 9,100 feet. Under Section 17 headed "Effective Date and Term" which under the standard form provides for termination of the unit within two years from the effective date or the date of approval by the Commissioner, by deleting the words "in two years after such date", and inserting in lieu thereof "on February 16, 1964."

Q Again, is that change being made to conform to the terms



of the leases involved in the unit?

A The unit term being limited to February 16, 1964, unless extended by the Commissioner or by discovery, is made to conform the term to the earliest expiration date of any State lease within the proposed unit area.

Q Has this form of unit been approved by the Commissioner of Public Lands?

A The area and form of agreement have been approved by the Commissioner of Public Lands on March 6, 1963.

Q Is that shown by Exhibit D?

A That is shown by Exhibit D.

Q Again, Tom Brown Drilling Company, Inc., does not appear as an owner in the present ownership in this unit?

A That is correct.

Q That company will be designated as operator?

A As unit operator. By the drilling of the obligation well, they will gain a half-interest in the Marathon Oil Company acreage.

Q Is this unit agreement in your opinion in the interest of conservation and the prevention of waste, Mr. Morrell?

A It is.

Q Would that be your testimony in the Case 2766 had you been asked that question?

A It would.

Q Were Exhibits A and B prepared by you or under your



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supervision?

A They were prepared by me.

Q And Exhibit C is the standard form of unit suggested by the Commissioner of Public Lands?

A That is correct.

Q And Exhibit D is the letter showing the approval of the Commissioner of Public Lands?

A That is correct.

MR. KELLAHIN: At this time we would like to offer in evidence Exhibits A, B, C and D.

MR. NUTTER: Applicant's Exhibits A through D will be entered into evidence.

(Whereupon, Applicant's Exhibits Nos. A through D admitted in evidence.)

MR. KELLAHIN: That's all the questions I have.

MR. NUTTER: Any questions of Mr. Morrell?

MR. DURRETT: Yes, sir, I have one question.

CROSS EXAMINATION

BY MR. DURRETT:

Q Am I correct in assuming the same facts as in the previous case, that none of the parties have actually signed the agreement as of this date, but they have been informed it is a standard form and have agreed to sign it, is that correct?

A That is correct.

MR. DURRETT: Thank you.



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MR. KELLAHIN: That would be with exception of the Triangle.

A That is correct.

MR. DURRETT: Triangle has signed?

MR. KELLAHIN: No.

BY MR. NUTTER:

Q The Triangle acreage is unleased fee land?

A Unleased fee land at the present time.

Q Is the Tom Brown Company going to drill the obligation well on this unit and the obligation well on the other unit simultaneously, or will one be drilled before the other?

A One will be drilled before the other. The target dates are essentially on or about May 1 for the obligation on the Siegreest, and on or about July 1 on the Antelope Sink Unit.

Q Is there provision in the unit agreement as proposed here for subsequent joinder and expansion of the unit area to include additional acreage?

A That is correct.

MR. KELLAHIN: That is in Section 23 of the agreement.

A Of the standard form of agreement.

MR. NUTTER: Are there any further questions of Mr. Morrell? He may be excused.

(Witness excused.)

MR. KELLAHIN: I would like to call Mr. Higgins.
Again in this case I would like to ask the Examiner to consider



the application and the exhibits attached thereto as a part of the record.

MR. NUTTER: The application and the geological report will be considered a part of the record.

JOHN W. HIGGINS

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Are you the same John W. Higgins who testified in Case 2766?

A Yes, sir, I am.

Q Mr. Higgins, are you familiar with the application in Case 2767?

A Yes, sir.

Q Have you read the geological report which is attached to that application, which was prepared by Mr. James R. Day?

A Yes, sir, I have.

Q Are you in agreement with the conclusions reached by Mr. Day in his report?

A Yes, sir.

Q There is attached to the application a plat, or two plats, I believe, showing geological formations. Are you familiar with those?

A Yes, sir, I am.

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Q Would you state what is the source of the information shown on those exhibits?

A Yes, sir. The source of the seismic information is the same as in the preceding case, Sieqrest Draw case. It is a portion of a rather large survey made by Independent Exploration Company for Marathon Oil Company.

Q In your opinion, is that a geological survey underlying the unit, the proposed unit?

A Yes, sir.

Q Could you describe briefly to the Examiner the nature of this structure?

A It is an anticlinal type structure, and I would expect oil and/or gas to be present and to be controlled by structural closure.

Q Does the proposed unit substantially cover all of the structure?

A Yes, sir, it does cover all of this particular seismic information.

Q In your opinion, if oil or gas or both are found, would it be reasonable to presume that the entire unit would be productive of oil or gas?

A Yes, it would.

Q It is proposed that a well will be drilled on this unit to depth of 9,100 feet. In your opinion, is that a sufficient depth to test adequately the Pennsylvanian formation?



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A Yes, sir, I would say it's more than adequate to completely penetrate and test the Pennsylvanian.

MR. KELLAHIN: That's all the questions I have of this witness.

MR. NUTTER: Any questions of Mr. Higgins?

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Higgins, actually, the structure as depicted on the exhibit attached to the geological report in this case indicates that there are basically two structures separated by a fault, is that correct?

A Yes, sir, that's correct.

Q Now the elimination or the deletion of a portion of the acreage from the application today eliminates one structure and leaves the other?

A That is true.

Q Will the unit operator have adequate control of the structure that's left so that the hydrocarbons can be produced in an efficient manner?

A Yes, he should have, by the unit agreement.

Q In your opinion, is this going to be productive of oil or gas, if anything?

A It could be productive of either, and I think it will be productive of both.

Q When was that Magnolia, that Tres Ranchos well drilled?



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A I would say 1955, approximately. That is pretty close. I was in New Mexico at the time and followed it quite closely.

Q It had shows of oil but it was not completed as a producing well, however, was it?

A That is true, but they did run a casing on the well and made a very determined attempt. It is my opinion that they plugged a non-commercial oil well.

MR. KELLAHIN: Did you say non-commercial or commercial?

A Non-commercial. I don't believe they could have made a profit or recovered their investment by producing it.

Q (By Mr. Nutter) But it did have shows of oil, and you subscribed to Mr. Day's opinion that this is one of the most important or significant shows of oil in this area?

A Yes, sir, definitely.

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

(Witness excused.)

MR. KELLAHIN: That's all I have.

MR. NUTTER: Does anyone have anything further they wish to offer in Case 2767? We will take the case under advisement.

* * * *



STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

I, ADA DEARNLEY, 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, and that the same is a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this 25th day of March, 1963.

Ada Dearnley
 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. 2767
 heard by me on 3/7, 1963.

[Signature], Examiner
 New Mexico Oil Conservation Commission

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