

EXAMINER HEARING

Case No.
5180

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 13, 1974

EXAMINER HEARING

Case No.
5180

IN THE MATTER OF:
Application of Amoco Production
Company for a unit agreement,
Lea County, New Mexico.

WITNESSES: Richard L. Starnes, Examiner.

TRANSCRIPT OF HEARING

PARTICIPANTS

William Garck, Esq.
Legal Counsel for the
Commission
State Land Office Bldg.
Santa Fe, New Mexico

For the New Mexico Oil
Conservation Commission:

Guy Buehl, Esq.
Amoco Production Company
Houston, Texas

For the Applicant:

NEW MEXICO OIL CONSERVATION COMMISSION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
MARCH 13, 1974
EXAMINER HEARING

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Direct testimony by Mr. Boell

E X H I B I T S

Admitted

Marked

Application Exhibits Nos.
1, 2 and 3

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THESE EXHIBITS WERE
FILED IN CASE NO. 1180
ON JANUARY 1, 1968
AT THE DISTRICT COURT
IN THE CITY OF NEW YORK
BY THE CLERK OF COURT

MR. STAMETS: Call the next case, 5180.

MR. CARR: Case 5180. Application of Amoco Production Company for a unit agreement, Lea County, New Mexico.

MR. STAMETS: Call for appearances in this Case.

MR. BUELL: For Amoco Production Company, my name is Guy Buell, Attorney. I'm joined in this Case, Mr. Examiner, by Charles Malone of the firm of Atwood & Malone of Roswell, New Mexico. We have two witnesses; both of these gentlemen will also testify in the next case, so will you swear them real hard so it will stick for both cases, Mr. Examiner.

MR. STAMETS: The Witnesses will be sworn both in Case 5180 and 5181.

(Witness sworn.)

JACK D. ANDERSON

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

(Whereupon, a discussion was held
off the record.)

DIRECT EXAMINATION

BY MR. BUELL:

Q Mr. Anderson, would you state your complete name

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TEL. (505) 982-0386

MR. STAMPT: Call the next case, 5180.

MR. CARR: Case 5180. Application of Anderson

Production Company for a unit agreement. Los County, New

Mexico.

MR. STAMPT: Call for appearances in this case.

MR. BURL: For Anderson Production Company, my

name is Guy Buel, Attorney. I'm joined in this case.

Mr. Examiner, by Charles Malone of the firm of Atwood &

Malone of Loswell, New Mexico. We have two witnesses;

both of these gentlemen will also testify in the next

case, so will you swear them real hand as it will stick

for both cases, Mr. Examiner.

MR. STAMPT: The witnesses will be sworn both

in Case 5180 and 5181.

(Witness sworn.)

JACK D. ANDERSON

called as a witness, having been first duly sworn, are

examined and testified as follows:

(Whereupon, a discussion was held

at the record.)

DIRECT EXAMINATION

BY MR. BURL:

Mr. Anderson, would you state your complete name

THE UNITED STATES OF AMERICA
DISTRICT COURT OF THE DISTRICT OF COLUMBIA
IN RE: JACK D. ANDERSON
DIRECT EXAMINATION
BY MR. BURL:

by whom you are employed, in what capacity, and in what location?

A My name is Jack D. Anderson, I'm employed by Amoco Production Company as a Landman in Houston, Texas.

Q Mr. Anderson, you have testified at many previous Commission hearings and your qualifications as a Landman are a matter of public record, are they not?

A Yes, they are.

Q And also, you have been involved in all the background and negotiations that have resulted in the formation of our proposed Rock Lake Unit, have you not?

A Yes, sir.

MR. BUELL: Any questions, Mr. Examiner, as to his qualifications?

MR. STAMETS: No. The Witness is qualified.

BY MR. BUELL:

Q All right, sir, Mr. Anderson, refer if you will to what has been identified as Amoco's Exhibit No. 1. What is that Exhibit?

A It is the Exhibit A to the Unit Agreement which outlines the acreage to be placed within the proposed Rock Lake Unit, which comprises 5760 acres.

Q All right, sir, it won't take long, but would

by whom you are employed, in what capacity, and in what

location?

A My name is Jack D. Anderson, I'm employed by

/Moco Production Company as a landman in Houston, Texas.

Q Mr. Anderson, you have testified at many previous

Commission hearings and your qualifications as a landman

are a matter of public record, are they not?

A Yes, they are.

Q And also, you have been involved in all the

background and negotiations that have resulted in the

formation of our proposed Rock Lake Unit, have you not?

A Yes, sir.

MR. WURLL: Any questions, Mr. Examiner, as to

his qualifications?

MR. STAMETS: No. The witness is qualified.

BY ME. WURLL:

Q All right, sir, Mr. Anderson, refer if you will

to what has been identified as Amoco's Exhibit No. 1.

What is that exhibit?

A It is the Exhibit A to the Unit Agreement which

outlines the acreage to be placed within the proposed

Rock Lake Unit, which comprises 5760 acres.

Q All right, sir, it won't take long, but would

THE COURT: All right, Mr. Anderson, you may
stop for the moment. We will take a short
recess. We will resume the hearing at 10:30
a.m. on Thursday, May 1, 1980.

you describe the area included within the unit boundaries for the record please, sir.

A Yes, sir. All of the acreage is located in Township 22 South, Range 35 East, Lea County, being all of Sections 20, 21, 22, 27, 28, 29, 32, 33 and 34.

Q All right, sir. Now this Unit is composed of State and fee acreage. Have you designated the ownership categories in any way on Exhibit No. 1?

A Yes. We have shaded the fee acreage in red and the State is indicated a white, or not shaded.

Q So if I'm looking at this Exhibit right we have 80 acres total of fee acreage and the remainder of 5680 is State, is that not correct?

A Yes, that is correct.

Q All right, sir. What is the status of commitment to this Unit with respect to the working interest, Mr. Anderson?

A We have verbal commitments from all of the working-interest owners, which is approximately 13 different working-interest owners. We have verbal commitments from all of them, with the exception of 2. That would be Tract No. 2, the working interest is owned by Getty Oil Company, and Tract No. 24, the working-interest owner is

you describe the area included within the unit boundaries for the record please, sir.

A Yes, sir. All of the acreage is located in Township 22 South, Range 33 East, Lee County, being all of Sections 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31 and 34.

Q All right, sir. Now this Unit is composed of State and fee acreage. Have you designated the ownership categories in any way on Exhibit No. 1?

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in State, is that not correct?

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W. J. Anderson, who is the owner of the working interest in Tract No. 24, and the working interest in Tract No. 2 is owned by Getty Oil Company.

Pennzoil.

Q 40 acres of State acreage and 40 acres of fee acreage that is not committed by the working-interest owners?

A That's right, it would be uncommitted to the Unit.

Q Was there any particular reason for this, Mr. Anderson?

A The small interest that they had was approximately a half of a percent, not wanting to spread that over the nine section unit.

Q All right, sir, now what is the status of commitment with respect to the royalty owners? Let's take first the State?

A We have received from the Commissioner a letter dated February 15th, 1974, where they have approved this Unit as to form and content.

Q All right, sir, is that the usual preliminary approval which you get from the State?

A Yes, sir.

Q Let me ask you this, with the ownership that we have committed as of this time, does it appear to you that we'll have effective control over the operations in this

Peninsula.

Q 40 acres of State acreage and 40 acres of fee

acres that is not committed by the working-interest

owners.

A That's right, it would be uncommitted to the

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Q Was there any particular reason for this, Mr.

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a half of a percent, not wanting to spread that over the

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Unit as to form and content.

Q All right, sir, is that the usual preliminary

approval which you get from the State?

A Yes, sir.

Q Let me ask you this, with the ownership that we

have committed as of this time, does it appear to you that

we'll have effective control over the operations in this

UNIT 10-100
STATE OF TEXAS
COUNTY OF DALLAS
WILLIAM A. ANDERSON
DIRECTOR
FEBRUARY 15, 1974

Unit?

A Yes, sir, we will. We'll have 98.6 percent.

Q 98.6 percent. You mentioned that the State had approved the form and content of the Unit Agreement. In that connection, would you look now at what has been identified as our Exhibit No. 2. What is that Exhibit?

A That is the Unit Agreement.

Q Is it in more or less usual, or standard form?

A Yes, sir. It was furnished to us by the Land Commissioner's Office to be used as a model.

Q You could almost call it "State form," then, couldn't you?

A I believe you could.

Q All right, sir, let me jump back to Exhibit No. 1. Have you identified the approximate location of the test well that is to be drilled on this Unit?

A Yes, it is identified by a red dot. The footage location would be 1980 feet from the south, 660 feet from the west of Section 28, Township 22 South, Range 35 East.

Q Mr. Anderson, I can't recall a single time that we have presented a unit agreement of this type to the Examiner that we haven't been in a bind timewise. Is this particular Unit an exception?

Unit?

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couldn't you?

A I believe you could.

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the test well that is to be drilled on this Unit?

A Yes, it is identified by a red dot. The footage

location would be 1980 feet from the south, 666 feet from

the west of Section 28, Township 22 South, Range 12 East.

Q Mr. Anderson, I can't recall a single time that

we have presented a unit agreement of this type to the

Examiner that we haven't been in a bind likewise. Is

this particular Unit an exception?

THE COURT: Yes, it is. It is a unit agreement that has been presented to the Examiner and it is a unit agreement that has been presented to the Examiner and it is a unit agreement that has been presented to the Examiner.

A No, sir, this is not an exception.

Q What is your problem here, Mr. Anderson?

A We have leases expiring April 21st, 1974.

Q Are you urging and pleading with the Examiner to handle Commission consideration of this Application as expeditiously and in their usual efficient manner?

A Yes, in their usual efficient manner.

Q Do you have anything else you care to add at this time, Mr. Anderson?

A No, I believe that will take care of it.

MR. BUELL: If it please the Examiner, that's all we have by way of direct of Mr. Anderson in this particular case.

MR. STAMETS: Are there any questions of this Witness? He may be excused.

(Whereupon, a discussion was held off the record.)

KES J. GAIZUTIS

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

DIRECT EXAMINATION

BY MR. BUELL:

Q Mr. Gaizutis, would you state your complete name

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

for the record, by whom you're employed, in what location and in what capacity?

A My name is Kes J. Gaizutis, I employed with Amoco Production Company in Houston as a Geologist.

Q Mr. Gaizutis, you have testified at previous Commission hearings and your qualifications as a Geologist are a matter of public record, are they not?

A Yes, sir.

Q All right, sir. In connection with your testimony let's look at what has been identified as Amoco's Exhibit No. 3. What is that Exhibit Mr. Gaizutis?

A It is a combination of the stratigraphic cross section labeled A-a' and an index map showing the general location of the cross section and the proposed Unit.

Q All right, sir. Let's discuss first the data that are reflected on your insert map located on the lower left-hand portion of your Exhibit. From the standpoint of overall area, about how big is the area that you have mapped there?

A We're talking about a 5-by-7-square mile, a 5 mile by 7 mile.

Q Could the Examiner get an idea of size if you --

for the record, in whom you're employed, in what location

and in what capacity?

A My name is Mrs. J. Galettis, I employed with

Amoco Production Company in Houston as a Geologist.

Q Mr. Galettis, you have testified at previous

Commission hearings and your qualifications as a Geologist

are a matter of public record, are they not?

A Yes, sir.

Q All right, sir. In connection with your testimony

may let's look at what has been identified as Amoco

Exhibit No. 3. What is that Exhibit Mr. Galettis?

A It is a combination of the stratigraphic

cross section labeled A-a' and an index map showing the

general location of the cross section and the proposed

Unit.

Q All right, sir. Let's discuss first the area

that are reflected on your index map located on the

lower left-hand portion of your Exhibit. Now the stand-

point of overfall and, about how old is the area that you

have referred to?

A We're talking about a 500-year-old area, a

500-year-old area.

Q Could the examiner get an idea of size if you --

THE COURT: All right, we'll let the witness answer that question.

A (Interrupting) That's not correct, we're talking about 5 townships by 7 townships.

Q You have identified our proposed unit on that Exhibit, haven't you?

A Yes, it is outlined in red.

Q And it's over 5000 acres?

A Yes.

Q So, that gives me some idea of the overall area that you included on your map. What else have you shown on that insert map, Mr. Gaizutis?

A The insert map is mostly a structure map, contoured on top of the Atoka. The reason for using that is for the regional sense. This is an adequate contouring horizon and it also depicts the Morrow as well as the Atoka and Bell Lake production in the area. The index also shows the cross section A' going from the north to the south through critical wells in the area and virtually controlling the area that has penetrated the Morrow.

Q All right, sir. When we look at your regional geology of the Atoka, what does it reveal to us in the particular area of our proposed Rock Lake Unit?

A Structurally there is little control, but we infer from our control to the immediate west that there

A (Interpretation) That's not correct, we're talking

ing about a township or 2 townships.

Q You have identified our proposed unit on that

Exhibit, haven't you?

A Yes, it is outlined in red.

Q And it's over 5000 acres?

A Yes.

Q So, that gives me some idea of the overall area

that you included on your map. What else have you done

on that inset map, Mr. Calcutt?

A The inset map is really a structural map, and

crossed on top of the Atoka. The reason for using that

is for the regional sense. This is an adequate contour-

line between and it also divides the Morrow as well as the

Atoka and Bell Lake production in the area. The inset also

shows the cross section A' going from the north to the

south through critical wells in the area and virtually

controlling the area that has generated the Morrow.

Q All right, sir. When we look at your regional

geology of the Atoka, what does it reveal to us in the

particular area of our proposed Rock Lake Unit?

A Structurally there is little control, but we

infer from our control to the immediate west that there

is a structural control to the west. The Morrow is a structural unit and it is controlled by the Atoka. The Morrow is a structural unit and it is controlled by the Atoka. The Morrow is a structural unit and it is controlled by the Atoka.

is a relatively north south orientation of the structure in the area. We feel that there is a similar nosing through our proposed Unit.

Q What is the primary objection of our test well, Mr. Gaizutis?

A The primary objective is the Morrow clastic section.

Q Is structure extremely or critically important when you are looking for the Morrow?

A We feel that, although in some instances in this area structure does play a significant role in enhancing your hydrocarbon volume, we have had experience in the area that indicates that the stratigraphic nature and the quality of the sands is more critical.

Q Do you have a pretty good example right there on that Exhibit close to the surface trace of your cross section?

A Yes, immediately north of No. 4 on our cross section is the newly completed well, the Ojochito, that was drilled by Brunson and McKnight immediately off-setting a well that tested water and some gas and completed for 15,000,000. This well was drilled after the Exhibit was prepared and in fact falls structurally a little lower

than is indicated so that structurally it was not in as beneficial a position and it did make a very adequate well.

Q Adequate, or would you say an excellent Morrow well?

A I believe that 15,000,000 calculated would be a --

Q (Interrupting) All right, sir, do you have any other comments now on your insert map before we move up to your stratigraphic or correlative section of the upper portion of the Exhibit?

A The only thing that I want to point out is that the contours on the immediate east terminate at what is the approximate location of the Central Basin Platform where the Atoka-Morrow clastic section is absent.

Q All right, then let's go up to your stratigraphic section or correlative section and explain what you have shown on that portion of your Exhibit 3?

A The cross section is a stratigraphic one, primarily to depict the presence or absence of sands in the subjective interval, which would be what we consider the middle Morrow or would be the Morrow clastic section. The section is hung on top of the middle Morrow and it

that is indicated to that stratum it was not in a beneficial position and it did not have a very adequate well.

Q Adequate, or would you say an excellent Morrow

well?

A I believe that 15,000,000 calculated would be

a

Q (Interjecting) All right, sir, do you have

any other comments now on your insert map before we move

up to your stratigraphic or correlative section of the

upper portion of the Exhibit?

A The only thing that I want to point out is that

the contours on the immediate east terminate at what is

the approximate location of the Central Basin Station

where the Atoka-Morrow classic section is absent.

Q All right, then let's go up to your stratigraphic

section or correlative section and explain what you have

shown on that portion of your Exhibit?

A The cross section is a stratigraphic one.

primarily to define the presence or absence of sands in the

subjective interval, which would be that we consider the

middle Morrow or would be the Morrow classic section.

The section is hung on top of the middle Morrow and is

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indicates the proposed location between No. 3 and 4 on the cross section. The well Phillips Merchant, described as No. 4 on our cross section, shows very good sand development, indicates on a DST some 6000 feet of gas in the pipe plus a considerable amount of salt water. This is the well that was off-set by the recent Ojochito discovery. Immediately to the left on the cross section, the Gulf No. 1, deep, No. 3 on the Exhibit indicates the presence of the Morrow section that has not been eroded or is not affected by the Central Basin Platform, however the sands are not of the same quality or calibre. We feel that a proposed location between these two would catch the Morrow clastic sands in a favorable position. There is not much control in that area to lead us to believe one or the other, but we feel that we are far enough away from the Central Basin Platform to still have an adequate section.

Q So, based on all the geological data that you have been able to evaluate and examine, do you feel that the location of our proposed test well on this Unit is a good Morrow prospect?

A Yes, I do.

Q What will be the total depth of our proposed test well?

GAIZUTIS-DIRECT

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A The total depth is 13,500 feet. This would test the entire Morrow section and the TD and the Barnett Mississippi shale.

Q Mr. Gaizutis, do you have anything else that you would care to add to the record at this particular time?

A I just want to indicate while we discuss the Morrow as being our primary objective, the Atoka clastic and carbonate sections are also productive, very prolific in the area, as well as Wolfcamp and shallow horizon.

MR. BUELL: May it please the Examiner, that is all we have by way of direct of Mr. Gaizutis at this time. I would like to formally offer Amoco's Exhibits 1, 2 and 3.

MR. STAMETS: Amoco's Exhibits 1, 2 and 3 will be admitted into evidence.

(Whereupon Applicant's Exhibits 1, 2 and 3 were entered into evidence.)

MR. STAMETS: Are there any questions of this Witness? If not he may be excused. Is there anything further in this case?

MR. BUELL: Nothing further, Mr. Examiner.

MR. STAMETS: We will take the case under advisement.

A The total depth is 11,500 feet. This would

cover the entire bottom section and the T and the

Barrett Mission, and there.

Mr. Barrett, do you have anything else that you

would care to add to the record at this particular time?

I just want to indicate while we discuss the

formation as being one primarily objective, the stone, elastic

and carbonate sections are also productive, very prolific

in the area, as well as Molokai and the low horizon.

Mr. Barrett: May it please the examiner, that

is all we have by way of direct of Mr. Barrett at this

time. I would like to formally offer Assoc's Exhibits

1, 2 and 3.

Mr. STANLEY: Assoc's Exhibits 1, 2 and 3 will

be admitted into evidence.

(Whereupon Applicant's Exhibits 1,

2 and 3 were entered into evidence.)

Mr. STANLEY: Are there any questions of this

evidence? If not we may be recessed. Is there anything

further in this case?

Mr. STANLEY: Nothing further, Mr. Examiner.

Mr. STANLEY: We will take the case under advisement.

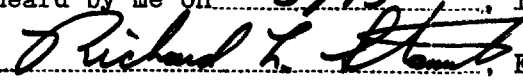
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STATE OF NEW MEXICO)
) SS.
COUNTY OF SANTA FE)

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.



RICHARD L. NYE, Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5180, heard by me on 3/13, 19 74.

_____, Examiner
New Mexico Oil Conservation Commission

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

STATE OF NEW MEXICO)
) ss.
) COUNTY OF SANTA FE)

I, RICHARD L. WYN, Court Reporter, do hereby certify
that the foregoing and attached transcription of Hearing
before the New Mexico Oil Conservation Commission was
reported by me, and the same is a true and correct report
of the said proceedings, to the best of my knowledge, belief
and ability.

RICHARD L. WYN, Court Reporter

Subscribed and sworn to before me this 11th day of November, 1911, at Santa Fe, New Mexico.

Notary Public for New Mexico
My Comm. Expires Nov. 11, 1912