

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION

Santa Fe, New Mexico
April 25, 1974

EXAMINER HEARING

IN THE MATTER OF:)
)
)

Application of Amoco)
Production Company for a)
unit agreement, Eddy County,)
New Mexico.)

CASE NO.
5222

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

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

For the Applicant:

Paul Eaton, Esq.
HINKLE, BONDURANT, FOX and
EATON
Hinkle Building
Roswell, New Mexico

I N D E X

PAGE

JACK D. ANDERSON

Direct Examination by Mr. White

3

KES GAIZUTIS

Direct Examination by Mr. White

8

E X H I B I T S

	Offered &
<u>Marked</u>	<u>Admitted</u>

Applicant's Exhibits Nos. 1 & 2

11

11

MR. NUTTER: Case 5222.

MR. CARR: Case 5222. Application of Amoco Production Company for a unit agreement, Eddy County, New Mexico.

MR. WHITE: L. C. White of White, Kelly and McCarthy, Santa Fe, New Mexico on behalf of the Applicant. We have two witnesses.

JACK D. ANDERSON

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

DIRECT EXAMINATION

BY MR. WHITE:

Q Mr. Anderson, will you state your full name and residence and by whom you are employed?

A My name is Jack D. Anderson. I am employed by Amoco Production Company in Houston, Texas.

Q In what capacity?

A As a land man.

Q Have you previously testified before the Commission as a land man?

A Yes, sir, I have.

Q Have your qualifications been accepted and are they of record?

ANDERSON-DIRECT

Page..... 4.....

A Yes, sir.

Q Are you familiar with Amoco's Application in this case?

A Yes, sir, I am.

Q What does Amoco seek to accomplish by the Application?

A We are seeking to form a four-section exploratory unit located in Township 16 South, Range 28 East. That would be 2560 acres. The State acreage involved in this would be 888 or a little over 34 percent of the unit. Federal acreage is 1680 acres which is a little over 65 percent of the proposed unit.

Q I hand you what has been marked as Exhibit 1. Can you state what that exhibit is?

A It is the 1968 reprint of the Federal form of an exploratory unit, and it provides for a 9600-foot Morrow test to be drilled 1980 feet from the north line and 1980 feet from the east line of Township 16 South, Range 28 East.

Q Is a plat of the unit attached to the exhibit?

A Yes. It is attached to and referred to as Exhibit "A" to the Unit Agreement.

Q Does that depict the State acreage and the

Federal acreage?

A Yes. On the plat immediately in front of Mr. Nutter is a plat that has the State acreage colored in red and the Federal acreage is not colored.

Q Will you further explain the exhibit, or is it self-explanatory?

A It is self-explanatory. It does refer to the State leases that are involved in the unit and also the Federal lease numbers that are involved in the unit. The unit outline gives you the total number of acreage.

Q How many working interest owners are there?

A Five working interest owners within the proposed unit outline.

Q Have they agreed to the Unit Agreement?

A Yes, we have contacted all of them and they have verbally given their approval to either join in the unit or to farm it out to the working interest owners in the unit. The Unit Agreements, Unit Operating Agreements are in their hands now being executed.

Q How about the working interest owners, have they agreed?

A Yes, sir, that is what I just finished.

Q Do you anticipate 100 percent working interest?

ANDERSON-DIRECT

Page.....6.....

A Yes, sir, we do.

Q Have you made contact with any overriding royalty owners?

A We have forwarded to each of the overriding royalty owners a copy of the Unit Agreement along with ratifications for their joinder. We have not had any negative responses from them.

Q Have you received any preliminary approval from the U.S.G.S.?

A Yes, we have our preliminary approval from the U.S.G.S. by letter dated March 8, 1974. We have also contacted the State Land Commissioner and have his approval as to the logical area.

Q Who will be unit operator in this instance?

A Amoco will be the unit operator. We will have in the initial well a little over 98 percent of the working interest.

Q Who owns the remaining interest?

A Cactus Drilling Corporation of Texas will have .78 percent and Coquina Oil Corporation will have .78 percent.

Q When should you commence the drilling of this well?

ANDERSON-DIRECT

Page..... 7.....

A The unit has a Federal lease within the outline that has an expiration date of May 31st, 1974 and we plan to be drilling on or before that date.

Q Then time is of the essence in the Commission's consideration of this Application?

A Yes, sir. We would like to request that they expedite it.

MR. NUTTER: What was that date again?

THE WITNESS: May 31st, of '74.

BY MR. WHITE:

Q Does that conclude your testimony?

A Yes, sir, I believe it does.

MR. WHITE: We have no further questions.

MR. NUTTER: Mr. Anderson, you say of these five working interest owners, you have 100 percent verbal agreement to either join in the unit or farm out to one of the operators who will join in the unit?

THE WITNESS: Yes, sir, that is correct. I mentioned Amoco, Cactus and Coquina. The other owners are Rodman Corporation -- they have agreed to farm out to Amoco -- and J. M. Huber Corporation has also agreed to farm out to Amoco and that will be 100 percent.

MR. NUTTER: With the Rodman, Huber and Amoco,

ANDERSON-DIRECT

Page..... 8

that is almost it right there?

THE WITNESS: Yes, that is over 98 percent.

MR. NUTTER: Are there any further questions of Mr. Anderson? You may be excused.

(Witness dismissed.)

MR. NUTTER: Call your next witness, please?

KES GAIZUTIS

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

DIRECT EXAMINATION

BY MR. WHITE:

Q Mr. Gaizutis, will you state your full name for the record, please?

A My name is Kes Gaizutis. I am a geologist with Amoco, Houston, Texas.

Q Have you previously testified before the Commission as a qualified geologist?

A Yes, I have.

Q Are your qualifications of record?

A Yes, they are.

Q Are you familiar with the subject Application?

A Yes, sir, and I have prepared or have caused to be prepared the following Exhibit 2.

GAIZUTIS-DIRECT

Page.....9

Let me briefly describe the Exhibit 2 to the Examiner. This is a two-part exhibit with the upper part depicting a stratigraphic cross section from west to east. Indicated on the map below is the second part of the exhibit. The map is a structural map on top of the Atoka. The cross section is indicated by the blue dashed line with well locations Nos. 1 through 5. The proposed unit is also indicated on the map on the lower part of the exhibit with a green tape outline. The proposed location of the Amoco Pavo Unit, Pavo Mesa Well is also indicated with a proposed location arrow and it is shaded in orange.

The primary geologic motive in drilling a well in the locations indicated in 16, 28 is that we feel we have an increase in the Morrow section which is our primary objective, as we move from the west to the east. We are gaining additional sands between Well No. 4 and Well No. 5 on the cross section as shown in the cross section above. This is the Well No. 4 and this is Well No. 5. Well No. 4 which is the Samedan No. 1 Amoco has run 35 net feet of sand, whereas, the Well No. 5 to the east, Amoco No. 1 North Crow Flats has run 180 net feet of sand. The Samedan Amoco Well completed out of

a lower Morrow Zone indicated on the cross section for 3.9 million cubic feet of gas a day.

We feel that the proposed location would see additional development of the sand section to the east and increase development of porosity in some of these stringers that have appeared as well as the inclusion of additional sand members. Basically, coming back to the west, you can see where we have an unconformable surface that basically erodes down to the Chester to the east at which point we start gaining, so we feel that a location in Section 16 would be the most opportune location to drill this well.

In addition, the structural map indicates some flattening of regional dip or structural features over the area. The values to the south indicate strike in this direction and strike here, so we feel we have a structure over the proposed unit which would place the well location in approximately the same structure elevation as the new completed well, although we don't necessarily feel the structure is of critical importance for the Morrow test. We feel, if anything, it would enhance the prospect.

Q Then it is your conclusion that this is the

THE WITNESS: Yes, sir. And, as a matter of fact, it is about four miles to the south of the Buffalo Valley Trend and it seems to be extending in that direction, so we feel very confident that this is a good location, the structural nosing and sand thickening.

MR. NUTTER: Now, the No. 4 well is a commercial producer and the No. 5 is not a commercial producer?

THE WITNESS: This is the only producing well in the area. The Northern Natural Gas **Vandagriff** is also found in a very thin section similar to this and it is a shut-in gas well. It flowed a maximum of 600 MCF per day.

MR. NUTTER: Are there any other questions of Mr. Gaizutis? You may be excused.

(Witness dismissed.)

MR. WHITE: We would like to offer at this time Exhibits 1 and 2.

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

(Whereupon, Applicant's Exhibits Nos. 1 and 2 were marked for identification and admitted into evidence.)

MR. NUTTER: Do you have anything further,

optimum location for your well?

A Yes. The well down-dip that had the thick sand development had very good gas shows of flow, upto 120 MCF per day. In addition, we do have additional pay possibilities up the hole in the Cisco Canyon as well as well as the McQueen.

Q Do you consider this area suitable for unitization?

A Yes, sir.

Q In your opinion, will the granting of this Application be in the interest of conservation and prevention of waste and the protection of correlative rights?

A I do, sir.

Q Does this conclude your testimony?

A Yes, sir.

MR. WHITE: No further questions.

MR. NUTTER: Mr. Gaizutis, in other words, the four-section outline of the unit more or less covers what could be interpreted as a nosing structure there on the Morrow formation?

THE WITNESS: Yes, sir.

MR. NUTTER: That is your target?

GAIZUTIS-DIRECT

Mr. White?

MR. WHITE: No, sir.

MR. NUTTER: Does anyone have anything they
would like to offer in Case 5222?

We will take the case under advisement.

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.



COURT REPORTER

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5222 heard by me on 4/15, 19 74.



Examiner
New Mexico Oil Conservation Commission