

MR. UTZ: Case 2969.

MR. DURRETT: Application of H. N. Sweeney for a unit agreement, Eddy County, New Mexico.

MR. MORRIS: May the Examiner please, I'm Richard Morris of Seth, Montgomery, Federici and Andrews, Santa Fe, New Mexico appearing for and with Mr. H. N. Sweeney in support of this application. We will have one witness, Mr. Sweeney.

(Witness sworn.)

H. N. SWEENEY

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

DIRECT EXAMINATION

BY MR. MORRIS:

(Whereupon, Applicant's Exhibit No. 1 was marked for identification.)

Q Mr. Sweeney, would you please state your name and your occupation and where you reside?

A My name is H. N. Sweeney, independent operator, geologist, Roswell, office in the Petroleum Building in Roswell.

Q Mr. Sweeney, you have previously testified before the New Mexico Oil Conservation Commission or one of its Examiners, have you not?

A I have.



Q And your qualifications as an expert witness were accepted at that time?

A Yes.

MR. MORRIS: Does the Examiner have any questions concerning Mr. Sweeney's qualifications?

MR. UTZ: No, Mr. Sweeney has qualified.

Q What is it that you seek by the application in Case 2969, Mr. Sweeney?

A We propose to form a fully participating unit 1919.72 acres covering an area in Township 19 South, Range 23 East in the Hope area.

Q That's in Eddy County?

A In Eddy County.

Q As Exhibit No. 1 in this case we have marked our Unit Agreement, is that correct, Mr. Sweeney?

A Yes.

Q And attached to that agreement as Exhibit A is a plat of the unit area?

A Yes. The land plat of the area is the second page from the back.

Q Referring to that land plat which is Exhibit A to what has been marked as Exhibit 1 in this case, would you point out the pertinent features of that exhibit?



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A Our area comprises 1919.72 acres, it's all state land with the exception of 160 acres of fee land in the North Half, South Half of Section 5. We have at this time what appears to be 100 percent commitment of the working interest owners and of the mineral owners, royalty owners in the area.

Q Is the ownership of the land within the unit area more fully set out on Exhibit B to Exhibit No. 1?

A That's correct.

Q Who are the working interest owners in this, Mr. Sweeney?

A It will be myself, Atlantic, Sun, Sunray and Frank W. Runyan.

Q Mr. Runyan is the fee owner of the 160-acre tract you referred to earlier?

A That is correct.

Q Going through these working interests one by one, Mr. Sweeney, if you would, would you state who has committed or intends to commit their interest to the unit as far as you know?

A At this time we have a definite commitment subject to approval of the unit and operating agreements of all except Sunray, and as I said, it's been recommended by their district office and they're waiting approval of their management, but we expect that they will join.

Q Has Mr. Runyan definitely committed at this point?



A He has submitted the agreements to his attorneys for approval and he has indicated he will join.

Q Are there any overriding royalty interests in any of these tracts?

A Not to my knowledge.

Q Are there other units in the area of your Good Hope Unit which have been approved by the New Mexico Commission for exploration and production in this area?

A We're joined on the west by the South Hope Unit, the Hope Unit is just north of us, Seigrest Draw is just south and Antelope Draw is just east of us.

Q What formation is your objective in this exploratory unit, Mr. Sweeney?

A Our principal objective is the Cisco formation of the Upper Pennsylvanian.

Q Are you unitized only in that formation?

A No.

Q Or are you unitized at all depths?

A At all depths.

Q In what form is this unit agreement, being Exhibit No. 1 in this case?

A It's a fully participating unit pooling all royalty and working interest.



Q Has the form been approved by the State Land Office?

A It was suggested by them.

Q Are you the unit operator under this agreement?

A I am.

Q You say that the State Land Office has suggested this form. Have they actually given you approval in writing of the form of agreement?

A Yes. I have a letter, not of the form of agreement, but a letter agreeing to approve the commitment of the state land to this unit.

MR. MORRIS: Would you mark this as Exhibit No. 2?

(Whereupon, Applicant's Exhibit No. 2 was marked for identification.)

Q Mr. Sweeney, we've marked as Exhibit No. 2 in this case a copy of a letter from the State Land Office. Would you read the second paragraph, which I believe is the pertinent paragraph?

A "This unit will be approved after hearing and approval by the Oil Conservation Commission when submitted to us on our regular State Unit form and amended to provide for continuous development."

Q Has that amendment referred to there been made?

A Yes, sir, it has.

Q Is that found in paragraph nine of the unit agreement?



A Yes, it's the third paragraph of paragraph nine.

Q Mr. Sweeney, do you have a plat showing the geology of the unit area?

A Yes.

MR. MORRIS: I ask that be marked Exhibit 3.

(Whereupon, Applicant's Exhibit No. 3 was marked for identification.)

Q Would you point out the features of this exhibit?

A This is a structural map showing data on top of the Cisco formation. Structurally there is very little other than regional dip to the east. However, the ten wells or so that have been drilled in the area gives us fairly close subsurface control. I think we pinned down an area of bistromal mass or reefoid deposit carrying porosity as shown within the dotted lines of this area.

Basically our test is a matter of getting updip from the shoals encountered in the Magnolia Tres Ranchos well which is shown on the map there just east of the east part of the yellow line in the Southeast Quarter of Section 10. This well had substantial shows of oil and gas and tremendous amounts of water. They set pipe and tested it quite thoroughly. It had a good porosity section through about a 350-foot interval.

We are attempting to locate a stratigraphic trap updip from this. The well to the Northeast and South have not shown porosity

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in this section and we think there's a good possibility of a stratigraphic trap updip from this Magnolia well.

Q What is the significance of the yellow outline on your plat?

A On the basis of the information we have now, I consider this to be the area of possible production and the area, well, there are no dry holes within that area.

Q Do you have indicated upon this plat the proposed location of the first well to be drilled within this unit?

A Yes. That's in the Southeast Quarter of the Southeast Quarter of Section 9. That's the nearest point on the unit to the Tres Ranchos well and still what we consider to be updip from that. We feel that that is the best location at this point since the west limit of porosity is completely unknown and we'd do best to drill at our best spot and work gradually westward to locate the western boundary of the porosity.

Q You feel that the location, then, of this initial well in the unit would give you an adequate test of your formation in this area?

A Yes, if we fail to get porosity at this point, why then it would pin down the porosity in the Magnolia well we feel to non-commercial extent.

Q Would you care to make any comments, Mr. Sweeney, on why



you believe that the unit form of operation to be desirable in this area?

A We're something like 75 miles from the nearest Cisco production of any importance, undoubtedly we would run into production and exploration problems and we feel that besides sharing the financial risk that the other companies in the unit could contribute a great deal with their judgment and experience because as we feel our way, if we find a field in developing it. The other members of the unit control substantially all the acreage in this area.

Q Do you have anything further you would care to add to your testimony?

A I believe that's all.

Q Were Exhibits 1 and 3 prepared by you or under your direction?

A Yes, they were.

Q And Exhibit 2 being the letter from the State Land Office, we offer Exhibits 1 through 3 in evidence.

MR. UTZ: Exhibits 1 through 3 will be entered into the record of this case.

(Whereupon, Applicant's Exhibits 1 through 3 were offered and admitted in evidence.)

MR. MORRIS: That's all I have at this time.



A If I may add one thing. We are looking at a very short expiration date and the location of our well has been staked, we're holding a rig ready to start drilling and will commence the well immediately upon approval of the Commission of the unit and the notice of intention to drill.

MR. UTZ: That's a familiar statement, Mr. Sweeney.

CROSS EXAMINATION

BY MR. UTZ:

Q What depth do you anticipate this well to go to reach Cisco?

A We will drill to approximately 6700 feet.

Q 67?

A 6700 feet.

Q What was the unit to the south of your unit?

A That's the Seigrest Draw.

Q I can't help but notice the optimistic name in your unit. I hope you don't have to change it to No Hope.

MR. UTZ: Are there any other questions of the witness? The witness may be excused.

(Witness excused.)

MR. UTZ: Are there any statements in this case? The case will be taken under advisement.

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STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 12th day of February, 1964.

Ada Dearnley

Notary Public-Court Reporter

My commission expires:
June 19, 1967.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2969, heard by me on Feb. 22, 1964.
[Signature], Examiner
New Mexico Oil Conservation Commission

