

dearnley, meier & associates

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
OIL CONSERVATION COMMISSION CONFERENCE ROOM  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO  
Wednesday, July 11, 1973

EXAMINER HEARING

IN THE MATTER OF:  
  
Application of Midwest Oil  
Corporation for a unit  
agreement, Eddy County,  
New Mexico.

Case Number 5024

BEFORE: Daniel S. Nutter  
Examiner

TRANSCRIPT OF HEARING

1 MR. NUTTER: Case Case 5024.

2 MR. CARR: Case 5024, application of Midwest Oil  
3 Corporation for a unit agreement, Eddy County, New Mexico.

4 MR. HINKLE: Clarence Hinkle, Hinkle, Bondurant,  
5 Cox, and Eaton, Roswell, appearing on behalf of Midwest  
6 Oil Corporation. We have two witnesses I'd like to have  
7 sworn.

8 (Whereupon, both witnesses were sworn.)

9 MR. HINKLE: This is the official set of exhibits and  
10 here is an extra copy.

11 TOM COLEMAN,

12 was called as a witness, and after being duly sworn according  
13 to law, testified as follows:

14 DIRECT EXAMINATION

15 BY MR. HINKLE:

16 Q State your name, your residence, and by whom you are  
17 employed.

18 A Tom Coleman, Midland, Texas, District Land Man with  
19 Midwest Oil Corporation.

20 Q Have you been in charge of putting together the proposed  
21 Cottonwood Spring Unit and getting it signed up?

22 A Yes.

23 Q For the Land Department. You have not previously testified  
24 before the Commission?

25 A No, I haven't.

1 Q Are you familiar with the application in this case?

2 A Yes, I am.

3 Q What is Midwest seeking to accomplish?

4 A They propose a formation of a six-section unit to be  
5 located in Township 25 South, Range 26 East, Eddy County,  
6 composed of Sections 17, 18, 19, 20, 29, and 30.

7 Q Have you prepared under your direction certain exhibits  
8 for introduction into this case?

9 A Yes.

10 Q They are Exhibits 1 and 2?

11 A Right.

12 Q Refer to Exhibit 1 and explain what this shows.

13 A Exhibit 1 is a land plat scaled 1 inch to 4,000, which  
14 shows the outline in red of the proposed unit, and it  
15 shows in a radius of two miles of the unit the location of  
16 Federal, State, and fee acreage, the Federal acreage  
17 being shown in green, the State acreage in orange, and  
18 the fee acreage in blue.

19 And within the unit itself, which is composed of  
20 3837.88 acres, there are only Federal and fee acreage.  
21 There is, let's see, 2918.28 acres of Federal leases  
22 which composed 76.04 percent of the unit, and 919.6 acres  
23 of fee land which is 23.96 percent of the unit.

24 MR. HINKLE: In this connection, Mr. Examiner, I  
25 might state that there is an error in the application in

1 that it refers to the approval of this unit by the  
2 Commissioner of Public Lands. I think in preparing the  
3 application they followed a form where State lands had  
4 been involved. In this case, there are no State lands  
5 so I'd like to move that that portion of the application  
6 with reference to approval by the Commissioner of Public  
7 Lands be stricken.

8 MR. NUTTER: We have amended the application to  
9 delete the reference to the Commissioner of Public Lands  
10 of New Mexico.

11 MR. HINKLE: Fine.

12 Q (By Mr. Hinkle) Are you familiar with the proposed form  
13 of Unit Agreement?

14 A Yes.

15 Q And three copies of this have been filed with the  
16 application?

17 A Yes, they have.

18 Q Has this form been approved by the USGS?

19 A Yes, it has; and we have Exhibit 2 to present for that.

20 Q All right. What does Exhibit 2 show?

21 A It's a letter from the USGS dated June 19, 1973 which  
22 makes note of our application for the proposed unit and  
23 approves it as being logically suitable for a unit area  
24 which is --

25 Q The only condition is that if you do not get sufficient

1 acreage committed to give effective control, it will not  
2 be approved?

3 A Yes.

4 Q Is this form substantially the same form as heretofore  
5 used where Federal and fee lands are involved under that  
6 form, the same form heretofore approved by the Commission  
7 in those cases?

8 A Yes, it is.

9 Q Who is designated as the operator?

10 A Midwest Oil Corporation.

11 Q Does it provide for the drilling of a test well?

12 A Yes. Referring back to Exhibit 1, the proposal is for  
13 a unit test well to be located in the Northwest quarter  
14 of Section 20 to be drilled at a depth of 12,000 feet for  
15 a test of the Morrow formation.

16 Q And you think that is a depth that will test the Morrow  
17 formation?

18 A Yes.

19 MR. HINKLE: We would like to offer into evidence  
20 Exhibits 1 and 2.

21 MR. NUTTER: Exhibits 1 and 2 will be admitted into  
22 evidence.

23 CROSS-EXAMINATION

24 BY MR. NUTTER:

25 Q With reference, Mr. Coleman, to the statement in the letter

1 from the Department of Interior as to the commitment of  
2 sufficient lands to have effective control of the Unit  
3 Agreement, what percentage of the working interest at  
4 the present time is committed?

5 A 100 percent committed.

6 Q 100 percent working interest?

7 A Yes.

8 Q How do you stand on your royalty commitments?

9 A I would estimate about 50 percent ratification thus far.

10 MR.HINKLE: And that's the fee land you are talking  
11 about?

12 THE WITNESS: Yes.

13 Q (By Mr. Nutter) And tentative commitment of all of the  
14 Federal royalty?

15 A Yes.

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

18 FRANK L. SCHATZ,

19 was called as a witness, and having been previously sworn  
20 according to law, testified as follows:

21 DIRECT EXAMINATION

22 BY MR. HINKLE:

23 Q State your name, by whom you are employed, and your  
24 residence.

25 A My name is Frank L. Schatz. I am employed by Midwest Oil

1 Corporation as Exploration Manager in the Midland, Texas  
2 District Office with that company.

3 Q You are a geologist?

4 A Yes, sir.

5 Q Have you previously testified before the Commission?

6 A Yes, sir.

7 Q And your qualifications as a Petroleum Engineer are a  
8 matter of record with the Commission?

9 A Yes, sir.

10 Q Have you made a study of the Cottonwood Spring Unit area?

11 A Yes, sir. I have.

12 MR. HINKLE: Are the qualifications of the witness  
13 sufficient?

14 MR. NUTTER: Yes, sir. They are.

15 Q (By Mr. Hinkle) Refer to Exhibit 3 and explain what  
16 this is and what it shows.

17 A Exhibit three is a sub-surface structure map in the area  
18 of the Cottonwood Spring Unit contoured on the top of the  
19 Morrow formation. This map is based principally on  
20 sub-surface information and no seismic information was  
21 used in the construction of the map.

22 There is a color coding of the production in the area,  
23 and that is shown in the legend at the bottom of the map.  
24 The updip limit of what we consider to be the porous  
25 sand is shown by an orange line West of the Cottonwood

1 Spring Unit. This also is West of the White City -  
2 Crawford producing areas in Township 24 South, Range  
3 26 East. We consider the downdip limit of the Morrow  
4 sand producing trend to be represented by the orange line  
5 to the East of the Cottonwood Spring Unit.

6 Between these two orange lines we believe that the  
7 Morrow sands have cleaned up and stand an excellent chance  
8 of producing along this trend which extends from our  
9 proposed unit area Northward through the South Carlsbad  
10 area into the Burton Flat area which is off the North  
11 end of the map.

12 The map shows a structural closure in the area of  
13 the Cottonwood Spring Unit. This is an interpretive  
14 effort in that we do not have any seismic or other  
15 substantiating evidence for this closure. It is, however,  
16 more or less on a straight-line trend with the South  
17 Carlsbad to White City structural trend running in a  
18 North-Northeast, South-Southwest direction.

19 The structural closure fairly well covers the area  
20 of the proposed Cottonwood Spring Unit.

21 Q What is the other line? Does it indicate the next  
22 exhibit, the cross section?

23 A We have a line of cross section extending from a well in  
24 Section 10 of Township 25 South, 25 East, running in a  
25 Southeasterly direction to a well in Section 21, Township

1 26 South, Range 27 East. This is a line of cross section  
2 which is represented by Exhibit Number 4.

3 Q All of the wells in the White City structure to the  
4 North, which is shown in orange, are all producing in  
5 the Morrow formation; are they not?

6 A Yes, sir. The orange dots represent the Morrow formation.  
7 The yellow dot is the Atoka formation, and the green dots  
8 represent the Canyon production.

9 Q Mr. Coleman testified that the test well is to be 12,000  
10 feet deep. In your opinion, will that penetrate fully  
11 the Pennsylvanian formation?

12 A Yes, sir. We believe that that will be sufficient to go  
13 through the Morrow formation into the Barnett shale which  
14 is the uppermost member of the Mississippian.

15 Q So it will adequately test the Pennsylvanian formation?

16 A In our opinion, it will.

17 Q Now, refer to the next exhibit and explain what this shows.

18 A Exhibit Number 4 is a Northwest-Southeast cross section,  
19 stratigraphic cross section set up on the top of the  
20 Morrow formation. As represented on this cross section  
21 approximately 400 feet below the top of the Morrow is  
22 the top of the clastic portion of the Morrow.

23 This is the sand-shale sequence which is producing  
24 to the North in the White City-Crawford producing areas  
25 and also in the South Carlsbad Field area.

1           One well is productive in the area and represented  
2 on this cross section as the red interval on the most  
3 Easterly well, El Paso Number 1-X Welch Unit. All of  
4 the other wells on this cross section are dry.

5           Our proposed location is represented to be between  
6 the second and third wells reading from left to right on  
7 the cross section.

8 Q In your opinion, if this unit is approved and you obtain  
9 production, will it be in the interest of conservation,  
10 the prevention of waste, and tend to protect correlative  
11 rights?

12 A Yes, sir. We believe it would.

13 Q Did you prepare the two exhibits which you have referred  
14 to, 3 and 4?

15 A I prepared or had them prepared under my direction.

16 MR. HINKLE: We offer Exhibits 3 and 4.

17 MR. NUTTER: Midwest Exhibits 3 and 4 will be  
18 admitted into evidence.

19 MR. HINKLE: That's all on Direct.

20 MR. NUTTER: Are there any questions of Mr. Schatz?  
21 He may be excused. Do you have anything further, Mr.  
22 Hinkle?

23 MR. HINKLE: That's all.

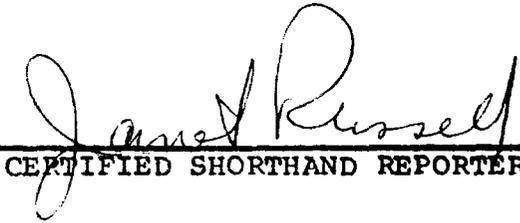
24 MR. NUTTER: Does anyone have anything they wish to  
25 offer in Case 5024? We will take the case under advisement.

dearnley, meier & associates

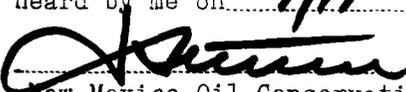
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1 STATE OF NEW MEXICO )  
 ) ss.  
2 COUNTY OF BERNALILLO )

3 I, JANET RUSSELL, a Certified Shorthand Reporter, in  
4 and for the County of Bernalillo, State of New Mexico, do  
5 hereby certify that the foregoing and attached Transcript of  
6 proceedings before the New Mexico Oil Conservation Commission  
7 was reported by me; and that the same is a true and correct  
8 record of the said proceedings to the best of my knowledge,  
9 skill and ability.

10   
11 CERTIFIED SHORTHAND REPORTER

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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 5024,  
heard by me on 2/11, 19 73.  
 Examiner  
New Mexico Oil Conservation Commission