

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 22, 1975

EXAMINER HEARING

IN THE MATTER OF:)

Application of Burma Oil and)
Gas Company for a unit agreement,)
Eddy County, New Mexico. Appli-)
cant, in the above-styled cause,)
seeks approval of its Willow Lake)
Unit Area, comprising 4800 acres,)
more or less, of Federal, State,)
and fee lands in Township 24)
South, Range 28 East, Eddy County,)
New Mexico.)

CASE NO. 5401

BEFORE: Daniel S. Nutter, Examiner.

For the New Mexico Oil
Conservation Commission:

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

For the Applicant:

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MR. NUTTER: Case Number 5401.

MR. DERRYBERRY: Application of Burma Oil and Gas Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of its Willow Lake Unit Area, comprising 4800 acres, more or less, of Federal, State, and Fee lands in Township 24 South, Range 28 East, Eddy County, New Mexico.

MR. KELLAHIN: May the Examiner please, Jason W. Kellahin, Kellahin and Fox, Santa Fe, I have two witnesses I'd like to have sworn. I'm appearing for the applicant.

(Witnesses sworn.)

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A My name is Ken Griffin. I'm from Midland, Texas.

Q What business are you engaged in, Mr. Griffin?

A I'm an independent consulting land man.

Q Have you ever testified before the Oil Conservation Commission and qualified as a land man?

A Yes, sir, I have.

MR. KELLAHIN: Are the witness' qualifications acceptable?

MR. NUTTER: Yes, they are.

Q (By Mr. Kellahin) Mr. Griffin, are you familiar with the application of Burma Oil and Gas Company in Case 5401?

A Yes, sir, I am.

Q What is proposed by the applicant in this case?

A Burma Oil proposes to form a 4800 acre state type unit including all three types of land, State, Federal, and fee.

Q Now, what percentage of each is involved in this particular unit?

A This particular unit involves 25 percent State acreage, 35 percent Federal acreage, and 40 percent fee acreage.

Q And have you prepared a unit agreement which has been marked as Exhibit Number 1?

A Yes, sir, I have.

Q Are you familiar with the contents of the unit agreement?

A Yes, sir.

Q Is it in a form similar to those that have heretofore been approved by this Commission?

A Yes, sir, it is.

Q Is that what you call the standard form?

A It's a 1968 reprint of the Federal Form For Unitization with appropriate amendments to take care of the fact that there is State and fee acreage involved in this unit.

Q Now, has the form of the unit agreement been approved by the United States Geological Survey and the New Mexico State Land Commissioner?

A Yes, sir, they have.

Q To what extent have you succeeded in signing up the working interests?

A At the present time we anticipate a 92 percent sign-up on this unit as to the working interest owners.

Q And how about the royalty?

A The royalty, we anticipate 75 percent, or slightly in excess, will be signed up and ratified.

Q Now, is this what you would call an exploratory type unit?

A Yes, sir, this is an exploratory unit.

Q There is no production in the area at the present time?

A Right. Right. There is production in the vicinity but not in the immediate area and there's no production in the area being unitized.

Q Does the unit agreement call for the drilling of a well?

A Yes, sir, within six months from approval.

Q And that will be testified to by another witness, is that correct?

A Yes, sir.

Q Does Burma ask that it be designated as the Unit Operator?

A Correct, yes, sir. Burma will be the operator.

Q Do you have anything to add to that?

A No, I believe not, Mr. Kellahin.

Q Did you prepare or assist in the preparation of the Form Unit Agreement, Exhibit Number 1?

A Yes, sir, I did prepare the agreement.

MR. KELLAHIN: At this time we'd like to offer Exhibit Number 1.

MR. NUTTER: You don't have an Exhibit B attached to the agreement.

MR. KELLAHIN: Correct. This is a form only, sir, and the correct Exhibit B will be filed immediately on the whole project.

CROSS EXAMINATION

— BY MR. NUTTER:

Q Who are the major interest owners?

A The major interest owners here are -- well, the largest single owner is Burma with approximately 22 percent of the Unit area, and Amoco -- well, actually, that's incorrect. Amoco is the largest and Burma is just right under them, but Burma will be the operator.

Q I see.

A Together they control slightly over 50 percent of the Unit area.

Q Now you said you expect 92 percent working interest sign-up. What have you actually got?

A We have that 92 percent. We're hoping that we will get some part of that 8 percent, but we have 82 percent now. I mean 92, pardon me.

Q And how about the -- now you've got 41 percent fee lands; 35 percent Federal; and 24 percent State. Now, the USGS has approved this form of unit contract?

A Yes, right.

Q How about the State Land Office?

A It is in before Ray now and he advises me he sees no problem.

Q So you're pretty sure you've got 59 percent of the royalty interest?

A Right.

Q Plus some of these other groups?

A Right. If you'll notice from Exhibit A, there's a number of very small tracts in here, but there are some consolidated ownerships that control quite a bit of the fee royalty, so we will be in good shape on this unit even though it has a lot of fee acreage in it.

Q All right.

MR. NUTTER: Are there further questions of this witness?

You may be excused.

C. M. PEDERSON,

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Will you state your name, please?

A C. M. Pederson.

Q What business are you engaged in, Mr. Peterson?

A I'm a geologist with the Burma Oil and Gas Company, Midland.

Q Have you ever testified before the Oil Conservation Commission?

A Yes, sir.

Q And made your qualifications a matter of record?

A Yes, sir.

MR. KELLAHIN: Are the witness' qualifications acceptable?

MR. NUTTER: Yes, they are.

Q (By Mr. Kellahin) Mr. Pederson, are you familiar with the application of Burma Oil and Gas Company in Case 5401?

A Yes, sir.

Q In connection with the formation of the proposed unit have you done any geological work?

A Yes, I have.

Q Referring to what has been marked as Applicant's Exhibit Number 2, would you discuss the information shown on that exhibit?

A The map shows the Willow Lake Unit, location of the Willow Lake Unit. The map is contoured on the top of the Silurian-Devonian formation and it's on a scale of one inch equals 8000 feet, and on this exhibit I've indicated the Morrow producing areas in the vicinity of this unit. The structure is based on gravity and Silurian-Devonian and Delaware lime residuals as well as some limited seismic.

We have one north-south line and one east-west line. The potential pay is, of course, here. Our primary objective will be the Morrow Sand and also the Strawn and the Wolfgap, and possibly some Cherry Canyon and Delaware Sand.

Q Is the unit area designed to effectively cover a structural feature?

A Yes, it is.

Q And does, in your opinion, does the unit give the operator substantial control of what you anticipate will be a producing area?

A Yes, it does.

Q Have you any other comments on the geology of the area?

A No, sir.

Q Now, under the terms of the unit agreement Mr. Griffin testified that the operator is required to drill a well within six months. Have plans been made for the drilling of such a well?

A Yes, sir, they're in the process for a 13,600 foot Morrow test.

Q Have you picked a tentative location for this test?

A Yes, sir.

Q Could you say what that would be; is proposed to

be?

A It would be in the northeast -- northwest of Section 22.

Q Now, that may be --

A This is tentative.

Q Yes, sir. That may be subject to change?

A Subject to change, yes.

Q And has this proposal been approved by the United States Geological Survey?

A Yes, sir.

Q Testing procedure under the unit agreement?

A Yes, sir.

Q Do you have anything else to add?

A No, sir.

Q Was Exhibit Number 2 prepared by you or under your supervision?

A It was prepared by me.

MR. KELLAHIN: At this time I'd like to offer in evidence Exhibit Number 2.

MR. NUTTER: Exhibit 2 will be admitted in evidence.

MR. KELLAHIN: That's all we have, Mr. Nutter.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Pederson, this exhibit is structured on top of the Silurian-Devonian. Approximately how far below the Morrow Sand would this be?

A About 1000 feet.

Q And you would expect at this high, as shown on the Silurian-Devonian, would be reflected on the Morrow also?

A Yes, sir.

Q And that's a feature you're shooting for?

A That's right. The Silurian-Devonian is better mapping device than Morrow Sand and that's one reason for actually putting the map on.

MR. NUTTER: Are there any further questions of this witness?

You may be excused.

Do you have anything further, Mr. Kellahin?

MR. KELLAHIN: That's all.

MR. NUTTER: I'm not sure I admitted your Exhibit 1, but it is admitted. Does anyone have anything they want to offer in Case Number 5401?

(No response.)

We'll take the case under advisement.

