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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
August 27, 1975

EXAMINER HEARING

IN THE MATTER OF:)
)
Application of Mesa Petroleum Company)
for a unit agreement, Lea County,)
New Mexico.)

CASE
5542

BEFORE: Richard L. Stamets, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission: William F. Carr, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant: Clarence Hinkle, Esq.
HINKLE, BONDURANT, COX & EATON
Hinkle Building
Roswell, New Mexico
and
Don D. Dent, Esq.
MESA PETROLEUM COMPANY
Amarillo, Texas

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General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

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1 MR. STAMETS: We will call the next case, 5542.

2 MR. CARR: Case 5542, application of Mesa Petroleum
3 Company for a unit agreement, Lea County, New Mexico.

4 MR. HINKLE: Clarence Hinkle, Hinkle, Bondurant,
5 Cox and Eaton, appearing on behalf of Mesa Petroleum.

6 I would like the record to show that Don Dent, the
7 general attorney for Mesa from Amarilla is also associated
8 with us in this case.

9 We have two witnesses and several exhibits.

10 MR. STAMETS: The witnesses will stand and be
11 sworn, please.

12 (THEREUPON, the witnesses were duly sworn.)

13 MR. HINKLE: Here is the official set.

14 ROBERT H. NORTHINGTON

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

17
18 DIRECT EXAMINATION

19 BY MR. HINKLE:

20 Q State your name, and address and with whom you
21 are employed?

22 A Robert H. Northington, Midland Texas, Mesa Petro-
23 leum Company.

24 Q What is your position with the Company?

25 A I'm Division Land Manager, Permian Basin Division.

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1 Q Have you been in charge of or done some work in
2 connection with the proposed unit?

3 A Yes, sir.

4 Q Are you familiar with the application of Mesa?

5 A Yes, I am.

6 Q What is Mesa seeking to accomplish?

7 A We are seeking to gain State approval for a four-
8 section unit for the drilling of an exploratory test well
9 thereon.

10 Q Have you prepared or has there been prepared under
11 your direction, certain exhibits for introduction in this
12 Case?

13 A Yes, sir.

14 Q Refer to Exhibit One, explain what this is and what
15 it shows?

16 A This is a land plat showing the four-section
17 proposed unit. The legend shows that it is outlined in a
18 red dashed line. The plat also shows the Mesa-owned acreage,
19 as well as the ownership of the working interest and royalty
20 interest within the Unit and a mile outside of the Unit.
21 Also shown are all wells that have been drilled, either
22 producing or dry in the area.

23 Q There have been two wells drilled within the
24 proposed unit area, is that right?

25 A Yes, sir.

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1 Q Is this all State land or State and Fee or what?

2 A It is all State land except for one forty-acre
3 tract which is Fee.

4 Q And is that one shown in Section 19 by Aztec?

5 A Section 19, Aztec has the lease and it is owned
6 by Scharbauer Cattle Company.

7 Q Have you contacted all of the owners of leases in
8 the area?

9 A Yes, we have.

10 Q In regard to committing their interest to the Unit.

11 A We have.

12 Q What have they agreed to do?

13 A They have all committed their acreage to the Unit.

14 Q There is quite a diversity of ownership in the
15 acreage here, did you have any problem with respect to it?

16 A Well, the usual attendant problems of dealing with
17 a large number of companies. The diversity of the ownership
18 was one of the reasons for the unit, of course.

19 Q Would it have been possible for Mesa to drill the
20 proposed unit well alone without the cooperation of the
21 other companies?

22 A No, sir.

23 Q And that is one of the purposes of the unit?

24 A One of the purposes of the unit, yes, sir.

25 Q Now, refer to Exhibit Two and explain that.

1 A. This is a copy of the Unit Agreement for the
2 development and operation of the Merritt Unit Area.

3 Q. Is this on the form recommended by the State Land
4 Office or the Commissioner of Public Lands?

5 A. Yes, sir.

6 Q. And has it been discussed with the Commissioner of
7 Public Lands?

8 A. Yes, it has.

9 Q. Has the Commissioner indicated his approval as to
10 form?

11 A. It has been approved as to form.

12 Q. Who is designated as the unit operator in the
13 proposed unit?

14 A. Mesa Petroleum Company.

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

16 A. Yes, sir.

17 Q. When is the well to be commenced and to what depth
18 is it to be drilled?

19 A. We are to commence within sixty days following
20 the effective date of the agreement and drill a well to a
21 sufficient depth to test the Morrow, but not be required to
22 drill in excess of twelve thousand seven hundred and fifty
23 feet.

24 Q. Do you have anything else you would like to offer
25 in connection with this matter?

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1 A. I have.

2 Q And qualified as a geologist?

3 A. I have.

4 Q Have you made a study of this particular area?

5 A. Yes, sir.

6 Q Involved in this Case.

7 A. Yes, sir.

8 MR. HINKLE: Are his qualifications acceptable?

9 MR. STAMETS: They are.

10 Q (Mr. Hinkle continuing.) Have you prepared or

11 has there been prepared under your direction certain exhibits

12 for introduction in this case?

13 A. Yes, sir.

14 Q And they are the ones that have been marked Three,

15 Four and Five?

16 A. That is correct.

17 Q Refer to Exhibit Three and explain what this is

18 and what it shows?

19 A. Exhibit Three is a geologic structure map contoured

20 on top of the Devonian formation. The scale of the map is

21 one inch equals two thousand feet. The map covers a portion

22 of southeastern New Mexico in Lea County, primarily Township

23 18 South, Ranges 34 and 35 East.

24 In addition, colored red on the map is an isopach

25 of the lower Morrow B-3 sandstone, the primary objective pay

1 for the Merritt Unit.

2 The map was contoured utilizing regional subsurface
3 information from well control in conjunction with regional
4 seismic information owned by Mesa Petroleum. The seismic
5 control is depicted on the map by numbered shot points with
6 the interpreted datum of the Devonian by each of the shot
7 points. The well control is indicated by well symbols with
8 the correlative Devonian datum by each well symbol. The
9 contour interval is one hundred feet. The proposed Merritt
10 Unit is outlined in red. There are two dry holes in the
11 proposed unit, neither of which reached the primary objective
12 of Morrow sandstones.

13 The producing wells are color coded to correspond
14 to the production legend on the map. That is primarily the
15 deep wells.

16 Q What is the closest Morrow well to the Unit?

17 A There is one in Section 6, well, it is three miles,
18 two and a half miles, excuse me.

19 Q Has Mesa participated in the drilling of any other
20 wells in this area?

21 A Yes, we have a well located in Section 25, Township
22 18 South, Range 34 East. It's the Amoco Number 1 FU State.
23 It went to the Morrow formation and proved not productive
24 in the Morrow sandstones, completed out of the Wolfcamp for
25 a high potential and had a rapid decline and has indicated

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1 to be non-economic.

2 Q Refer to Exhibit Four and explain that?

3 A Exhibit Four is a cross section BB prime, the
4 line of the section is shown on the map, Exhibit Number Three,
5 and it represents the type of stratigraphic trappings in the
6 Morrow and Atoka sandstones anticipated to be present over
7 the unit area.

8 Q Refer to Exhibit Five and explain what that shows?

9 A Exhibit Five is cross section AA prime. The line
10 of the section is not shown on the map, Exhibit Number Three,
11 but is located coming off the northwest flank of the Vacuum
12 structure and indicates the type of traps in the Morrow and
13 Atoka section and the erratic nature of the reservoirs
14 anticipated in the Merritt Unit area.

15 There is a diversity of pays, sands, and the
16 discontinuity of the reservoirs give you some idea of the
17 stratigraphic type potential that we are looking for in the
18 west flank of the Vacuum structure.

19 Q How many possible pay zones would you encounter in
20 the test well?

21 A Well there is multi-pay potential on the Merrit
22 Unit from the Queen sandstone, Bone Spring carbonates, Wolfcamp
23 carbonates, Atoka sandstones and the primary objective, Morrow
24 sandstones.

25 Q Do you have any information as to the anticipated

1 well costs?

2 A The anticipated well cost, dry hole cost, would be
3 three hundred and thirty-seven thousand dollars and the
4 completed well cost of five hundred and twelve thousand
5 dollars. These costs may be conservative inasmuch as the
6 Amoco Number 1, State FU in Section 25, Township 18 South,
7 34 East, with a total depth of thirteen thousand four hundred
8 and ninety feet in the Morrow cost completed one million
9 three hundred and eighty-two thousand, four hundred and
10 twenty-one dollars.

11 Q In your opinion, if this application is approved,
12 will the unit be in the interest of conservation, prevention
13 of waste and the protection of correlative rights?

14 A I do, sir.

15 MR. HINKLE: We offer Exhibits Three, Four and
16 Five.

17 MR. STAMETS: These exhibits will be admitted.

18 MR. HINKLE: That's all we have on direct.

19 MR. STAMETS: Any questions of this witness? He
20 may be excused.

21 Anything further in this case?

22 MR. HINKLE: That is all.

23 MR. STAMETS: We will take the case under advise-
24 ment and take a short recess.

25

