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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
January 18, 1978

EXAMINER HEARING

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IN THE MATTER OF: )  
 )  
 )  
 Application of HNG Oil Company for a unit ) CASE  
 agreement, Lea County, New Mexico. ) 6124  
 )  
 )  
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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: Lynn Teschendorf, Esq.  
Legal Counsel for the Commission  
State Land Office Building  
Santa Fe, New Mexico

For the Applicant: William F. Carr, Esq.  
CATRON, CATRON & SAWTELL  
Attorneys at Law  
53 Old Santa Fe Trail  
Santa Fe, New Mexico

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

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I N D E X

Page

Michael Shearn

Direct Examination by Mr. Carr

3

EXHIBIT INDEX

Offered    Admitted

Applicant Exhibit One, Unit Agree.

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Applicant Exhibit Two, Letter

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Applicant Exhibit Three, Plat

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1 MR. STAMETS: We will call Case 6124.

2 MS. TESCHENDORF: Case 6124, Application of HNG Oil  
3 Company for a unit agreement, Lea County, New Mexico.

4 MR. CARR: Mr. Examiner, I'm William F. Carr of  
5 Catron, Catron and Sawtell, Santa Fe and I have one witness  
6 to be sworn.

7 (THEREUPON, the witness was duly sworn.)

8  
9 MICHAEL SHEARN

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

12  
13 DIRECT EXAMINATION

14 BY MR. CARR:

15 Q Will you please state your name and residence?

16 A My name is Michael Shearn, S-h-e-a-r-n, and I live  
17 in El Paso, Texas.

18 Q Mr. Shearn, by whom are you employed?

19 A I'm self-employed.

20 Q What is your relationship with HNG in this case?

21 A I'm in partnership with Saul West, in turn we are  
22 in partnership with HNG.

23 Q Mr. Shearn, have you previously testified before  
24 this Commission and had your credentials accepted and made  
25 a matter of record?

1 A I have not testified.

2 Q Will you briefly state your educational background  
3 and work experience?

4 A I have a B.A. in psychology. I graduated in 1957  
5 from the University of Texas at El Paso. I went to work for  
6 a B. M. Keohane, K-e-o-h-a-n-e, in Roswell, New Mexico, who is  
7 an oil producer and I worked three years until 1960. Since  
8 1960 I have been actively engaged in the oil business,  
9 production, leasing, royalties.

10 Q Mr. Shearn, are you familiar with the application  
11 filed in this case?

12 A I am.

13 Q Are you familiar with the area that is to be  
14 unitized?

15 A I am.

16 MR. CARR: Mr. Examiner, are Mr. Shearn's  
17 credentials acceptable as an operator?

18 MR. STAMETS: I presume you are seeking to qualify  
19 Mr. Shearn as a practical oil man?

20 MR. CARR: That's right.

21 MR. STAMETS: He does appear to be so qualified.

22 Q (Mr. Carr continuing.) Mr. Shearn, what is HNG  
23 seeking to accomplish with this application?

24 A The formation of an exploratory unit.

25 Q Have you prepared or has there been prepared under

1 direction and supervision certain exhibits for introduction  
2 in this case?

3 A Yes, there has.

4 Q I would ask you to refer to what has been marked  
5 for identification as Exhibit Number One and identify this  
6 for the Examiner?

7 A This is the unit agreement for the development and  
8 operation of the Shoobar Ranch Unit Area, Lea County,  
9 New Mexico.

10 Q Does this unit agreement contain as Exhibit A an  
11 ownership plat?

12 A It does.

13 Q Will you refer to that plat and tell the Examiner  
14 what it shows?

15 A Exhibit A refers to the lease ownership and leases  
16 committed to the State unit.

17 Q How many acres are within the unit?

18 A A hundred and sixty-one acres.

19 Q Does the unit agreement also contain an acreage  
20 breakdown?

21 A Yes, it does, Exhibit B.

22 Q That's Exhibit B to the Unit?

23 A Yes.

24 Q Has the form of this agreement been approved by the  
25 State Land Office as to form?

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1 A It has.

2 Q And is the letter approving this marked Exhibit  
3 Two for introduction in this case?

4 A It is.

5 Q Does the unit agreement provide for submission of  
6 plans for unit development to the Oil Conservation Commission?

7 A It does.

8 Q Do you have any objection to the Oil Commission  
9 order requiring the submission of such plans?

10 A No, I do not.

11 Q What is the present commitment of acreage to the  
12 Shoebar Ranch Unit Agreement?

13 A A hundred percent.

14 Q Is there any Federal or Fee land in this unit?

15 A There is not.

16 Q It is all State land?

17 A All State land.

18 Q In the unit agreement is Houston Natural Gas, or  
19 HNG, designated the unit operator?

20 A They are.

21 Q When do you hope to drill a test well on this unit?

22 A The first week in February.

23 Q And whereabouts do you propose to drill this well?

24 A We propose to drill it six hundred and sixty feet  
25 from the north, nineteen hundred and eighty feet from the

1 west of Section 3 of 17 South, 35 East.

2 Q And to what depth do you intend to drill?

3 A Fourteen thousand feet, through the Pennsylvanian  
4 sand.

5 Q And what formations do you seek to unitize?

6 A All formations.

7 Q I would ask you to refer to what has been marked  
8 for identification as Exhibit Number Three and explain to the  
9 Examiner what it is and what it shows?

10 MR. CARR: Mr. Examiner, we have only one copy of  
11 this exhibit and Mr. Shearn will have to come to the front  
12 of the table.

13 A At the bottom of the unit is a location as to  
14 township and range and an outline of the unit. There is a  
15 reflection or reference to Western Natural Gas in Section 35  
16 of 16, 35 at which we tied the log from that well that had  
17 been drilled and penetrated the formations we are seeking.  
18 We also tied in the well, the Western Natural Gas well in  
19 Section 34 of 16, 35 which by our geologic interpretation is  
20 on the down thrown side of a fault. What is shown in the  
21 Western Natural Gas well is that the formations we are seek-  
22 ing were high or absent or very thin. As you cross the fault  
23 there has been a depositional buildup coming over from the  
24 Mobil well we are tying to over to the west, which is in the  
25 Vacuum field and it shows that as this depositional buildup

1 against the fault there is definite porosity and permeability  
2 in the Pennsylvanian series, the Morrow formation to be  
3 exact, and it gives us a good possibility to pick up--well,  
4 we have possibilities beginning at the San Andres through  
5 the Morrow and this is our thinking. We are not more specific  
6 because it's a regional trend.

7 Q Mr. Shearn, in your opinion will approval of the  
8 proposed unit promote the prevention of waste and the  
9 protection of correlative rights?

10 A Absolutely.

11 Q Were Exhibits One through Three prepared by you or  
12 under your direction and supervision or have you reviewed  
13 them and can you testify from your own knowledge that they  
14 are accurate and correct?

15 A I can testify.

16 MR. CARR: At this time, Mr. Examiner, I would  
17 offer Applicant's Exhibits One through Three.

18 MR. STAMETS: The Exhibits will be admitted.

19 (THEREUPON, Applicant's Exhibits One through  
20 Three were admitted into evidence.)

21 MR. CARR: I have no further questions on direct.

22 MR. STAMETS: Are there any questions of the  
23 witness? He may be excused.

24 (THEREUPON, the witness was excused.)

25 MR. CARR: Mr. Examiner, inasmuch as HNG would like

1 to drill the well the first week in February, we would request  
2 that the order be expedited.

3 MR. STAMETS: We will see what we can do for you,  
4 Mr. Carr.

5 Anything further in this case?

6 MR. CARR: Nothing further.

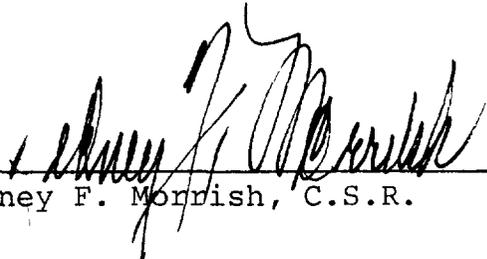
7 MR. STAMETS: The case will be taken under advise-  
8 ment.

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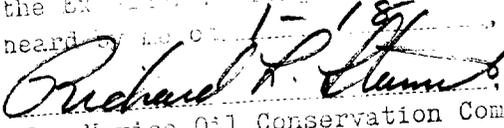
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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand 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.

  
\_\_\_\_\_  
Sidney F. Morrish, C.S.R.

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I do hereby certify that the foregoing is  
a complete and correct transcript of the  
the Ex. case No. 6124  
heard by me on 1-18-78.  
  
Richard F. Stamm, Examiner  
New Mexico Oil Conservation Commission

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