

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE 1650

TRANSCRIPT OF HEARING

APRIL 22, 1959

DEARNLEY - MEIER & ASSOCIATES
GENERAL LAW REPORTERS
ALBUQUERQUE NEW MEXICO
Phone CHapel 3-6691

BEFORE THE
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IN THE MATTER OF: :

CASE 1650 Application of Pan American Petroleum Cor- :
poration for approval of a unit agreement. :
Applicant, in the above-styled cause, seeks: :
an order approving its Martin Ranch Unit :
Agreement embracing approximately 35,193 :
acres of federal, state, and patented acre- :
age in Townships 3 and 4 South, Ranges 22 :
and 23 East, Chaves and DeBaca Counties, New :
Mexico. :

BEFORE:

Daniel S. Nutter, Examiner.

T R A N S C R I P T O F P R O C E E D I N G S

MR. NUTTER: Next case on the docket will be Case 1650.

MR. PAYNE: Case 1650. Application of Pan American Petroleum Corporation for approval of a unit agreement.

MR. NEWMAN: Kirk Newman of Atwood & Malon in Roswell, New Mexico, representing the applicant. We have two witnesses.

(Witnesses sworn)

JOHN H. THOMPSON,

called as a witness, having been first duly sworn on oath, testi-

fied as follows:

DIRECT EXAMINATION

BY MR. NEWMAN:

Q Will you state your name and employment, please?

A John H. Thompson. Staff landman in the Lubbock office of Pan American Petroleum Corporation.

Q Are you familiar with the application in this case, and would you state the nature and purpose of this application?

A We are asking approval of the Martin Ranch Unit Agreement in Chaves and DeBaca Counties.

Q Are you familiar with the unit area and the Unit Agreement, operating agreement?

A Yes, sir,

(Thereupon, Pan American's Exhibit No. 1 was marked for identification.)

Q Will you refer to what has been marked as Pan American's Exhibit 1 and the plat attached on the back of that Exhibit 1, and state what that plat shows?

A The plat attached to this Unit Agreement shows the outline of our proposed unit and it shows the division of federal, state and patented lands, each colored in a different color.

Q Would you give a brief resume of the ownership of the leasehold interest in this area?

A The leasehold ownership is set out in detail on the schedule marked Exhibit B to the Unit Agreement, and briefly, Pan

American is the owner of approximately 87.42 percent of the working interest in the unit area. There are two other fairly large owners in that Earl Levich has two state leases and one federal lease comprising approximately 1200 acres, and there is one lease on patented land of approximately 1300 acres, and that lease is owned by a group of operators in Tulsa, Oklahoma. The rest of the land is largely 40 and 80-acre tracts, small tracts owned by various individuals.

Q Exhibit 1 is the basic Unit Agreement for the Martin Ranch Unit. Would you state the status of the execution approval of this by the state and federal agencies and by the owners of interest?

A The Exhibit has been executed, which we have presented there, by Pan American, and it is the only working interest owner that has executed it. We have also through -- received ratification signed by various royalty owners and overriding royalty owners comprising approximately 75 percent of the unit area, and we are presently endeavoring to obtain additional commitments which will be furnished.

Q Have all of the working interest owners had an opportunity to join in the unit?

A All except two patented land -- or rather -- mineral owners under patented land, which we have been unable to locate, and they are both small tracts.

Q Except those two, all the overriding royalty interests

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have had an opportunity?

A Everyone else has been contacted and given an opportunity, and in most cases we have had replies.

Q Are your ratifications to this Unit Agreement submitted?

A They are not submitted at this time, but will -- executed copies will be forwarded probably tomorrow. And I would like in that connection to ask whether they should be forwarded to the Commission or the Commissioner?

MR. NUTTER: The Order that will be entered in this case will call for ratification copies of the Unit Agreement to be filed with the Oil Conservation Commission within thirty days after the entry of --

A I see. I will do that.

MR. NUTTER: I suspect the State Land Commissioner will require a copy of that Agreement.

A Oh, yes, we intend to furnish him the same.

Q (By Mr. Newman) Would you briefly outline the terms of this Unit Agreement, and state the drilling obligation?

A All right. The Martin Ranch Unit Agreement unitizes all rights from the surface down within the area outlined on this plat. It is marked Exhibit A to the Unit Agreement, and the form has heretofore been approved by the Land Commissioner. It requires the unit operator to commence the drilling of a test well within six months after the effective date, which will be the date

of approval by the Director of the Geological Survey and the Commissioner of the Land Office. The initial well is to be drilled to a depth of 5500 feet unless the perforation is adequately tested at a lesser depth, or production in paying quantities is discovered at a lesser depth. If the first well is completed as a dry hole, a second well must be commenced within six months from the date of completion, or the Agreement terminates.

If the initial well or any subsequent well is completed as a producer in paying quantities, we are required, then, to file a plan of development.

(Thereupon, Pan American's Exhibit No. 2 was marked for identification.)

Q Would you now refer to what has been marked as Exhibit No. 2 and tell the Commission what that Exhibit is, the status?

A Exhibit 2 is the unit operating agreement, and it likewise has been submitted to the working interest owners for their consideration. However, none of them except Pan American has executed same.

Q Were Exhibits 1 and 2 prepared by you or under your direction?

A They were.

MR. NEWMAN: That's all the direct examination.

MR. NUTTER: Any questions of the witness?

MR. FISCHER: Yes, I have one.

CROSS EXAMINATION

BY MR. FISCHER:

Q Mr. Thompson, you didn't submit a contour map of any sort as to -- do you have any seismic data or --

A That will be answered by our geologist. He will be our next witness.

QUESTIONS BY MR. NUTTER:

Q Mr. Thompson, you stated that Pan American was the owner of 87.42 percent of the acreage within the unit area?

A That's right.

Q Which comprises what, approximately 30,000 acres?

A 35,000.

Q I mean the Pan American acreage.

A Yes. I have that total right here, 30,765.04 acres.

Q Now, you mentioned that owners of mineral interests underlying a couple of tracts had not been contacted. What is the total amount of acreage there represented?

A One of them is 160 acres; 40 acres is the other tract.

Q So, a total of 200 acres has not been contacted?

A A total of 200 acres have not been contacted although we have made a diligent search for either of these parties.

Q That leaves approximately 4500 acres that have been contacted but not committed?

A That's right.

Q Do you believe that any additional 4500 acres would

be committed to the unit?

A It is doubtful. We control all of the acreage within, oh, a mile to a mile and a half of our proposed well location, and the chief objection of most of the parties is that they would be paying part of the cost with very little likelihood of their land coming into the initial participating area, and for that reason, why, it is our intention to pay the full cost of the initial well.

Q I see. Now, you stated that this Unit Agreement had been submitted to the State Land Office and to the United States Geological Survey?

A It has been approved by both of them as to form and area.

MR. NUTTER: I see. That's all. Any further questions? The witness may be excused.

(Witness excused)

JOHN J. GILL,

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

DIRECT EXAMINATION

BY MR. NEWMAN:

Q Would you state your name and employment, please?

A John J. Gill. I am an area geologist for Pan American Petroleum Corporation, Lubbock, Texas.

Q Have you previously testified before this Commission --

A Yes, sir.

Q -- as a petroleum geologist?

A Yes, sir.

MR. NEWMAN: Are the witness' qualifications acceptable?

MR. NUTTER: Yes, sir, they are.

Q Have you made a geological study in connection with the proposed Martin Ranch Unit area?

A Yes, sir.

(Thereupon, Pan American's Exhibits 3 and 4 were marked for identification.)

Q Will you refer to what has been marked for identification as Pan American's Exhibits 3 and 4 and state what they are and what they show, please, sir?

A Exhibit 3 is a correlative cross section through the proposed Martin Ranch Unit, stratigraphic cross section, which cuts the area. And I will refer first to Exhibit 4 and explain the map and then the cross section. The map is a regional geologic map of portions of DeBaca and Chaves Counties. It is a structure contour map to the top of the basement completion or to granite. The Unit Agreement is shown in red, and it straddles, as you can see, portions of Chaves and DeBaca Counties. The basis for this map is subsurface datums of surrounding wells that have been drilled in the area, and also based on depth determinations taken from our aeromagnetic work in the area. The yellow

in the area or on the map is an area where we feel we might have a possibility of stratigraphic traps lapping up on the basement high. The green to the west of the map shows a portion of the pedernas land mass or a granite high that is in the area, and the spur that is running at angles to that land mass east and west is a shallow basement high, like I say, that we determine from our aeromagnetic. The proposed location for this well will be in the SE/SE corner of Section 24, and 3, that's south, and 22 East of DeBaca County.

The basis, generally, for planning this area is the Newmill Pool which is shown in the southeastern part of the map. The Olsen Trust Well was drilled there in 1950 and was completed as a gas well, but subsequently abandoned. It is stabilized, however, at 1250 MCF gas per day on a 48-hour production test and also on the Olsen, or the Miller, C. P. Miller No. 1 State, which is drilled to the southeast of it, approximately a mile away, which was initially potentialized for 1850 MCF plus 18 barrels of distillate and 36 barrels of water per day from the Pennsylvanian sand at approximately 6,000 feet. We had approximately 45 feet of net pay in that particular well.

Also on the map is El Paso's 30-inch pipe-line, which occurs approximately 30 miles southwest of the unit outline. Getting over to the cross section itself, we feel that these sands, these Pennsylvanian sands lap up on to this Cambrian high, present Cambrian high, and as such, would be a trap for hydro-

carbons. Other prospective zones in this area would be the San Andres, the Wolfcamp, in addition to the Pennsylvanian.

Q Would you state why this particular size of the unit area, which is shown in red on the map, was selected?

A Well, it was based solely on the amount of acreage that we control in that particular area, and I think it amounts to approximately 89 percent, and for that reason, why, we chose that area.

Q Has the unit area been approved by the United States Geological Survey?

A Yes, sir.

Q Do you consider that any part of the unit area is a better or worse prospective area than any other part of it?

A No, I don't -- I mean it is a stratigraphic play, and for that reason, why, it would be pretty hard to pinpoint an area except on a basis of that kind.

Q Then, the basis for your selection of the location of the proposed test well is ownership control?

A Generally based on ownership, that's right.

(Thereupon, Pan American's Exhibit No. 5 was marked for identification.)

Q Would you refer to what has been marked as Pan American's Exhibit No. 5 and state what it is?

A Exhibit No. 5 is a geological memorandum or merely a summary of what I have told you in regards to Exhibits 3 and 4.

It is set down as briefly as we possibly can.

Q Could waste be caused in any way by the granting of this application?

A No, sir.

Q Would conservation be helped by permitting ordinary development of the area if hydrocarbons are discovered?

A Yes, sir.

Q Are the interests of the State of New Mexico protected in this unit area?

A Yes, sir.

Q Could correlative rights in any way be affected by the granting of the application?

A No, sir.

Q What is the ownership as between the State institutions? I should rephrase the question this way. Are all of the State lands committed to the unit here, common school lands?

A Yes, sir.

Q In other words, they are all owned by a single institution so that there is no question of rights involved between different institutions of the State. Were these, Exhibits 3, 4 and 5 prepared by you or under your direction?

A Yes, sir.

MR. NEWMAN: We would like to offer into evidence Exhibits 1 through 5.

MR. NUTTER: Without objection Pan American's Exhibits

1 through 5 will be admitted.

(Thereupon, Pan American's Exhibits 1 through 5 were offered in evidence.)

MR. NEWMAN: That concludes our direct examination.

MR. NUTTER: Any questions of the witness?

CROSS EXAMINATION

BY MR. NUTTER:

Q I understand, I think, that the location of the well would be the southeast southeast of 24, correct?

A That's right, sir.

Q Do you know the location of the acreage that is controlled by the Tulsa group, that has not committed the acreage to the unit?

MR. THOMPSON: I do.

Q How is that designated on the plat that is attached to the Unit Agreement?

MR. THOMPSON: By Tract 30.

Q Tract 30?

A That's right, and it is 3 South, 22 East.

Q 30 is all over the place.

MR. THOMPSON: 1 and 12, Section 35, 7, 8, 9 and 10.

Q Yes.

MR. NUTTER: I believe the witness may be excused.

(Witness excused)

MR. NUTTER: Does anyone have anything further they

wish to offer in this case? Take Case 1650 under advisement, and
the hearing is adjourned.

