

dearnley, meier & mc cormick

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
CONFERENCE HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
June 7, 1972

EXAMINER HEARING

IN THE MATTER OF:)
)
The Application of American Trading)
and Production Corporation for a)
unit agreement, Eddy County, New)
Mexico.)
)
)

CASE NO. 4729

BEFORE: Daniel Nutter
Examiner

TRANSCRIPT OF HEARING

1 MR. NUTTER: Call Case Number 4729.

2 MR. HATCH: Application of American Trading and
3 Production Corporation for a unit agreement, Eddy County, New
4 Mexico.

5 MR. RICHARDSON: Randolph M. Richardson, Roswell,
6 New Mexico, appearing on behalf of the Applicant, American
7 Trading and Production Corporation, a Roswell, New Mexico,
8 company.

9 A copy of the unit agreement has already been
10 furnished, and we have one copy of a geological record which
11 has not been marked. We would like to enter this into
12 evidence, at this time. It's one report from pools of
13 several different maps and sub-parts, and do you want to
14 mark the whole report at one time, or what?

15 MR. NUTTER: We'll mark it as Exhibit 1 and then
16 each one separately, okay?

17 MR. RICHARDSON: Fine.

18 (Whereupon, Applicant's Exhibits 1 through 6
19 were marked for identification.)

20 * * * * *

21 DOUGLAS E. MASTEN,

22 was called as a witness on behalf of the Applicant, having
23 been first duly sworn, testified as follows:

24

25

DIRECT EXAMINATION

BY MR. RICHARDSON:

Q Mr. Masten, will you please state your name, present occupation, and by whom you are employed?

A Douglas E. Masten, Directing Manager of American Trading and Production Corporation.

Q Would you please state your educational background and professional experience?

A Master of Science Degree in geology, from the University of Michigan; 20 years as a petroleum geologist in the Permian Basin area of New Mexico and Texas.

Q Are you familiar with the contents of the proposed unit area?

A Yes.

MR. RICHARDSON: Are the witness' qualifications acceptable?

MR. NUTTER: Yes, they are.

Q (By Mr. Richardson, continuing.) Is the form of the unit agreement the same as prescribed by regulation?

A Yes.

Q Has the unit area been designated by the USGS, and is the area suitable for development under a plan of the department?

A Yes.

Q Please tell the Commission the total number of acres

1 within the unit area; the number and percent of Federal,
2 State and free land.

3 A Within the area, fifty-seven hundred and fifty-seven
4 acres, of which, forty-seven hundred and fifty-nine
5 acres -- I'm rounding off, or approximately 83 percent
6 of the area is Federal land, and 840 acres, or roughly,
7 14.6 percent is State land, and one hundred fifty-nine
8 acres, or approximately 3 percent is patented or free
9 land.

10 Q Would you tell the Commission the unit and township in
11 which the unit is located , relatively?

12 A The location is in Township 21 South, Range 25 East,
13 and it is located approximately eight miles northwest of
14 Carlsbad.

15 Q Please refer to the geographic report which has been
16 marked as Exhibits 2 through 6. Was this report prepared
17 by you or by another employee directly under your control
18 and supervision?

19 A Yes.

20 Q Would you please review the report, referring to the
21 maps by name, indicating the significance of such maps
22 and cross-section?

23 A Our basis for this area, a subsurface structural
24 interpretation of the area unit is well controlled.
25 We have no seismic interpretation. It is also modified

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1 by aeromagnetic data. It's bound on the west and north
 2 by faulting. Studies of the sand in the area, which
 3 incorporates all the lower Morrow isopach indicate where
 4 sand is present and the cross-section is a correlation
 5 showing wells bounding on the northeast side and the
 6 sand presently in those wells.

7 Q These maps and plats are also accompanied by a written
 8 report which refers back to the map?

9 A That's correct.

10 Q Could you please tell the Commission, here, your
 11 conclusion as to formation?

12 A We consider two formations the primary objective in the
 13 unit agreement; the drilling of an initial test well at
 14 a depth of approximately 8,000 feet and a Morrow sand
 15 formation at a depth of approximately 10,500 feet, and
 16 the approximate location will be 1,556 from the south
 17 line and 725 feet from the east line of Section 29,
 18 21 South, and 25 East.

19 MR. NUTTER: What's the location again?

20 MR. MASTEN: 725 feet from the east line, Section
 21 29.

22 Q (By Mr. Richardson, continuing) Have other working
 23 interests been contacted in the unit area?

24 A Yes.

25 Q Have you received any objection to the unit?

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1 A No.

2 Q In your opinion, will the operation of this area under
3 the proposed unit plan of operation be in the interests
4 of conservation and prevention of waste?

5 A Yes.

6 Q And, in the event that a unitized substance is recovered,
7 in paying quantity, the State will receive its fair share
8 of the production, if established?

9 A Yes.

10 Q Will the correlative rights or unit rights of all
11 parties be protected?

12 A Yes.

13 MR. RICHARDSON: Do you have anything, Mr. Examiner?

14 MR. NUTTER: What percentage of the interests have
15 been committed to the unit?

16 MR. MASTEN: All of the working interest; 100 percent
17 of the working interest.

18 MR. NUTTER: How about royalties?

19 MR. MASTEN: They're not all, as yet, in. We expect
20 probably 95 to 100 percent royalty.

21 MR. NUTTER: You do have the U.S. Government, the
22 83 percent Federal, I presume?

23 MR. MASTEN: Yes.

24 MR. NUTTER: And the State?

25 MR. MASTEN: No, not yet.

1 MR. NUTTER: You have discussed it with them?

2 MR. MASTEN: We have submitted an Application for
3 approval, but haven't gotten anything back yet.

4 MR. NUTTER: You say the working interest is 100
5 percent committed?

6 MR. MASTEN: The last tract that feed tract, probably
7 25 or 30 feet owners, probably will not be committed.

8 MR. NUTTER: Where is that tract?

9 MR. MASTEN: It is in the Section 19, extreme
10 northwestern corner of the unit, tract 12 and 13 both.

11 MR. NUTTER: It probably will not be completed?

12 MR. MASTEN: Right, but other than that the entire
13 unit area will be 100 percent committed, both royalties and
14 working interest.

15 MR. NUTTER: I see. And the location of this
16 particular tract, where it is, you wouldn't expect that the
17 failure to commit tract 12 and 13 would affect the efficiency
18 of the operation?

19 MR. MASTEN: No.

20 MR. NUTTER: Are there any further questions of
21 the witness?

22 You may be excused.

23 (Witness excused.)

24 MR. NUTTER: Did you have anything further,
25 Mr. Richardson?

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MR. RICHARDSON: No, sir, thank you.

We would like to offer Exhibits 1 through 6. The unit agreement is Exhibit 1, and the geological report is 2 through 6.

MR. NUTTER: Does anyone have anything further?

(No response.)

MR. NUTTER: We'll take the case under advisement and call the next case.

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I N D E X

WITNESS:

PAGE

DOUGLAS E. MASTEN

Direct Examination by Mr. Richardson

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E X H I B I T S

APPLICANT'S

OFFERED

ADMITTED

Exhibit Numbers 1 through 6

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