

dearnley, meier & associates

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
OIL CONSERVATION COMMISSION CONFERENCE ROOM
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
Wednesday, October 31, 1973

IN THE MATTER OF:

Application of Cities Service
Oil Company for a Unit Agreement,
Eddy County, New Mexico, Loafer
Draw Unit Area of Township 21
South, Ranges 21 and 22 East,
Eddy County, New Mexico.

Case No. 5095

BEFORE: RICHARD L. STAMETS
Examiner

TRANSCRIPT OF EXAMINER HEARING

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MR. STAMETS: Call Case 5095.

MR. DERRYBERRY: Application of Cities Service Oil Company for a Unit Agreement, Eddy County, New Mexico.

MR. KELLAHIN: Tom Kellahin, Kellahin and Fox of Santa Fe, New Mexico appearing on behalf of the Applicant and I have one witness to be sworn.

MR. STAMETS: Are there any other appearances?

(No response.)

MR. STAMETS: Witness will stand and be sworn.

FRANK RINEY,

a witness, having been first duly sworn according to law, upon his oath testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you please state your name, by whom you are employed, and in what capacity?

A Frank Riney, Cities Service Oil Company, as a land man.

Q Mr. Riney, have you previously testified before this Commission and had your qualifications as an expert accepted and approved?

A I have.

Q Are you familiar with the facts surrounding this particular application?

A I am.

1 Q Would you please state briefly for the examiner what
2 the Applicant is seeking?

3 A We are seeking to unitize, form a Federal type unit
4 which includes fee and state land plus the Federal,
5 and the drilling of a 9,200 foot Morrow test.

6 MR. KELLAHIN: The Examiner please, are the
7 witness's qualifications as an expert acceptable?

8 MR. STAMETS: They are.

9 Q Will you please refer to what has been marked as
10 Applicant's Exhibit Number 1 and identify that for us,
11 please?

12 A This is a 1968 reprint of the form recommended by the
13 U.S.G.S. for the formation of a Federal type unit.

14 Q Would you please refer to what has been marked as Exhibit
15 Number 2 and identify that for us, please?

16 A That is the Form 610 Standard Operating Agreement form.

17 Q Will you now refer to what has been marked as Exhibit
18 Number 3? Would you identify this for us, please?

19 A This is Exhibit A to the Loafer Draw Unit. It is a
20 plat showing the area covered by our proposed unit.
21 It also shows what type of acreage, either Federal,
22 state, or fee. It shows the working interest owner and
23 the lease numbers and the tract numbers. I believe that
24 covers it all.

25 Q Does your exhibit reflect the percentages of fee land,

1 Federal land, and state land that composes the unit?

2 A It does. It covers Federal land 5362.5 acres or
3 91.7858 percent, 80 acres of fee land amount to 1.3690
4 percent and 400 acres of state land which amounts to
5 6.8452 percent.

6 Q Mr. Riney, have you obtained preliminary approval from
7 the USGS for this proposed unit?

8 A We have by letter dated September 18, '73.

9 Q What percentage of participation do you have signed
10 up to your unit?

11 A The unit we have 91.10125 percent signed up and another
12 5.47 percent is committed to the unit, total 96.57
13 percent.

14 Q Would you identify for the Examiner what particular areas
15 of your proposed unit have not either executed or
16 ratified the agreement?

17 A Yes, Tract 21 Eastern Oil Company. They have not
18 ratified it. Tract 1 in Section 20 Robinson Drill
19 Company, they have not committed themselves, and Tract
20 22 in Section 19 Hayes Oil Company. Each of those own
21 5.68452 percent.

22 Q What is to be the unitized formation?

23 A Morrows.

24 Q You have referred to Exhibit Number 2 as being your
25 Operating Agreement. That is a part of this agreement.

1 Who is designated as operator?

2 A Cities Service Oil Company.

3 Q Would you please refer to what has been marked as
4 Exhibit Number 4 and identify that for us, please?

5 A This is Exhibit A to the Operating Agreement that set
6 out the parties, the working interest parties, the
7 amount of acreage they have, and the percentage they
8 own in the Unit Area.

9 Q Are there any additions or corrections to this exhibit?

10 A Not at this time. We are in the process of acquiring
11 several of these 40-acre tracts, but we are in no
12 position to make any definite commitment at this time.

13 Q Would you please refer to what has been marked as
14 Exhibit Number 5 and identify that, please?

15 A This is Exhibit A to the Loafer Draw Unit Area. It sets
16 out a description of each tract, the number of acres,
17 the lease.

18 MR. STAMETS: Are mine numbered backwards? I have
19 this 4 and this 5. This is Exhibit 4 and 5?

20 MR. KELLAHIN: Yes, Exhibit 5.

21 Q Now, would you please refer to that, Mr. Riney?

22 A This is an Exhibit B to the Loafer Draw Unit, gives the
23 number of tracts, the description of the land, the
24 number of acres, the lease number or serial number,
25 expiration date, the royalty owner, lessee of record

1 what interest they have, the overriding royalty owner,
2 and interest, and also the working interest owner and
3 percentage.

4 Q Will you state briefly for the examiner what will be
5 your initial procedure for development of this unit?

6 A We propose to drill a 1,920 foot Morrow test in Section
7 16 and Location 1,980 from the South line and 1,980
8 from the East.

9 Q In your opinion, Mr. Riney, will the approval of this
10 application result in the prevention of waste and
11 protect relative rights of others?

12 A I do.

13 MR. KELLAHIN: Examiner please, we move for
14 admission 1 through 5.

15 MR. STAMETS: Without objection, these exhibits
16 will be admitted.

17 (Whereupon, Exhibits 1 through 5 were offered
18 and admitted.)

19 MR. KELLAHIN: That concludes our witness.

20 MR. STAMETS: Do you have anything further in this
21 case?

22 MR. KELLAHIN: Nothing further.

23 MR. STAMETS: Take the case under advisement.

24 The hearing will be adjourned until 1:00 o'clock
25 at which time either the Amini Case or Belco Case will

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be taken up.

(Whereupon, the noon recess was taken.)

* * * * *

I, PEGGY COLLAROS, a Court Reporter, in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings to the best of my knowledge, skill and ability.

Peggy Collaros

COURT REPORTER

I do hereby certify that the foregoing is a true and correct copy of the original as filed in the files of the Commission, No. 5095, held on Oct 31, 1973
Richard L. Hunt Examiner
New Mexico Oil Conservation Commission

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FRANK RINEY

Direct Examination by Mr. Kellahin

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Applicant's Exhibit 1

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Applicant's Exhibit 2

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Applicant's Exhibit 3

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Applicant's Exhibit 4

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Applicant's Exhibit 5

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Peggy Collaros
COURT REPORTER

I do hereby certify that the foregoing is a true and correct copy of the original as shown to me by the Court Reporter.
New Mexico Oil Conservation Commission
Richard L. Stewart, Examiner
Oct 3 1973
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E X H I B I T S

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| Applicant's Exhibit 2 | 6 | 6 |
| Applicant's Exhibit 3 | 6 | 6 |
| Applicant's Exhibit 4 | 6 | 6 |
| Applicant's Exhibit 5 | 6 | 6 |