

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

August 21, 1974

EXAMINER HEARING

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))
IN THE MATTER OF:)
))
Application of Cleary Petroleum)
Corporation for a unit agreement,) Case No. 5301
Lea County, New Mexico.)
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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:	William Carr, Esq. Legal Counsel for the Commission State Land Office Building Santa Fe, New Mexico
For the Applicant:	Paul Eaton, Esq. HINKLE, BONDURANT, COX & EATON Hinkle Building Roswell, New Mexico

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MR. STAMETS: Case 5301.

MR. CARR: Case 5301. Application of Cleary Petroleum Corporation for a unit agreement, Lea County, New Mexico.

MR. EATON: Paul Eaton, of the firm of Hinkle, Bondurant, Cox and Eaton, representing the Applicant. We have one witness.

MR. STAMETS: You will stand and be sworn, please.

(Witness sworn.)

JOHN KEESEY

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

DIRECT EXAMINATION

BY MR. EATON:

Q State your name, your occupation, and by whom you are employed?

A My name is John Keeseey, and I am a Registered Petroleum Engineer in the State of Texas. I am involved in reservoir evaluation work for the consulting firm of Sipes, Williamson and Aycock.

Q Has your firm been employed by Cleary Petroleum Corporation in this matter?

A Yes, it has.

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Q What is your education and work background?

A I received a Bachelor of Science degree in Mechanical Engineering from Texas Tech in 1962, and I worked for 10½ years with Amoco Production Company in the West Texas area, involved in drilling, primary and secondary recovery operations, and for the last 5 years of that tenure, I was a Reservoir Analysis Supervisor in charge of secondary recovery operations. I have been employed with Sipes, Williamson and Aycock for approximately the last 14 months as Senior Reservoir Evaluation Engineer, and I am involved in the consultation on primary operations and also secondary and tertiary operations from the standpoint of both operating aspects and reservoir analysis.

Q Generally, what does your firm, Sipes, Williamson and Aycock do?

A It is a petroleum consulting firm. It has been in operation for 20 years and maintained an office in Midland and Houston and is involved in primary and secondary operations, both from an operational standpoint and reservoir analysis.

MR. EATON: Are the witness' qualifications satisfactory?

MR. STAMETS: They are acceptable, yes.

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BY MR. EATON:

Q Mr. Keeseey, are you familiar with units and unit agreements?

A Yes, I am.

Q Are you familiar with the proposed Quarry Unit?

A Yes.

Q Are you familiar with the Application in this case?

A Yes.

Q And it is your understanding that Cleary Petroleum Corporation seeks approval of a unit agreement for the Quarry Unit?

A Yes, that is correct.

Q Please refer to Exhibit No. 1 and state what that exhibit represents?

A Exhibit No. 1 shows the unit outline. This unit is within the hatched line area. The exhibit also shows the lands that are involved within the unit, the lease ownership and the total amount of acres that are in the unit as 5177.08. It also shows that 99.136 percent of the unit area is comprised of Federal lands with the remaining .864 percent of the unit area being fee land.

Q Has a unit agreement been prepared in connection

with this unit?

A Yes, it has.

Q Has it been executed and have copies of it been submitted to this Commission with the Application?

A Yes, it has. Copies are on file and have been submitted to this Commission.

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

A Yes, it has.

Q Does Exhibit No. 2 represent that approval by the U.S.G.S.?

A Yes, and it so states that July 29th, 1974 is the date the unit became effective.

Q Who is designated as unit operator under the terms of the unit agreement?

A R. J. Zonne is designated, however, Zonne, as I understand it, has resigned as operator in favor of Cleary Petroleum Corporation.

Q To your knowledge, has Zonne assigned all of his interest in the unit to Clear Petroleum Corporation?

A Yes, he has.

Q Do you know whether a change of operator has been filed with the U.S.G.S. for approval and circulated among

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other working interest owners in the unit for their approval?

A Yes, in both cases.

Q Are all formations unitized under the unit agreement?

A Yes.

Q What are the provisions for the initial test well?

A Well, I would like to refer to Exhibit 1, and you see that there is presently a producing well within the unit. This is in Section 20, called the R. J. Zonne No. 1. This well is not considered the initial test well to unit, although it was drilled and producing prior to the effective date of this unit. Under the unit agreement, the initial test well is the indicated R. J. Zonne Federal 17 No. 1 in Section 17.

Q To what depth was that well projected, and when is it to be commenced?

A This well is to be taken to the base of the Morrow at a depth no deeper than 14,700 feet, and the well was commenced on August 6th of this year.

Q What is the plan for further development after the test well is drilled?

A Based on the productivity of this well, if it comes up that it is not productive, then additional wells

will be started within a six-month period after the completion of the initial well until such productive intervals are obtained. If this well encounters production, then the operator will have to submit to the U.S.G.S. a subsequent proposed plan of action within six months.

Q What is the present status of the commitment to the unit agreement of the working interests in the unit area?

A All of the unit area, with the exception of the northwest quarter of Section 18 and the east half of Section 21 and the east half of Section 28 have been committed to the unit.

Q Do you anticipate commitment of those excepted tracts?

A No.

Q Does the present commitment afford the effective control of operations within the unit area?

A Yes, it does.

Q At the time the U.S.G.S approved the unit, was it aware that the non-committed tracts would not be committed to the unit?

A Yes, they were aware of it at the time they were submitted.

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Q Please refer to Exhibit 3 and state what that exhibit is?

A Exhibit 3 is an area map showing the structural position based on the Lower Strawn line and, as you can see, the control within this immediate area is very limited. We have really three deep wells that have gone to the Morrow pay, however, what we are trying to show here is that unit area as indicated on Exhibit 1 and also outlined on Exhibit 3 lies within the structural trend that to date is so indicated and will allow development within the unit area to satisfactorily determine the productivity within this structural trend.

Q Now, please refer to Exhibit 4 and state what that exhibit is?

A Exhibit 4 is Cross section AA which Cross section AA, the face of it is indicated on Exhibit 3, and runs in a northwest to southeast direction. The center well is the Zonne Federal No. 1 which is currently producing. As indicated, the Morrow perforations are shown on this log, and we do, based on some DST data and log analysis, anticipate that there is secondary horizons to be encountered at this location and also within the unit area. These will be tested during the drilling of the test well, 17-1.

These zones are in the Strawn, the Atoka, and the additional section to be opened and tested in the Morrow interval. The other two wells that are shown on this are shown to indicate the structural trend. Neither one of these wells was completed in the Morrow zones. The well on the lefthand side of the cross section was BST in the Morrow zone, but recovered no hydrocarbon.

Q Please refer to Exhibit No. 5 and state what that exhibit is intended to show?

A No. 5 is a production data sheet on the Quarry Unit. Actually, it is Federal No. 1 Well which was drilled and completed in October of 1973 and initially went on stream as indicated on May 17th of this year. This is the indicated production, both in gas and condensate production since that time up to August 14th of this year, and it is submitted to indicate that this is a productive well.

Q Were these exhibits prepared by you or under your supervision?

A They were prepared under my supervision.

Q Do you feel that the proposed unit area contains recoverable oil and gas reserves?

A Yes, I do.

Q In your opinion, would the proposed unit agreement promote the prevention of waste and protection of correlative rights within the unit area?

A Yes.

MR. EATON: We offer Exhibit 1 through 5 into evidence.

MR. STAMETS: Without objection, the exhibits are admitted.

(Whereupon, Applicant's Exhibits Nos. 1 through 5 were marked for identification and admitted into evidence.)

MR. EATON: We have no further questions of this witness.

MR. STAMETS: Are there any questions of this witness? He may be excused.

(Witness dismissed.)

MR. STAMETS: If there is nothing further, the case will be taken under advisement and the Hearing will be adjourned.

(Whereupon, the Hearing was adjourned at approximately 12:10 p.m.)

