

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
14 May 1975

-----)
IN THE MATTER OF:)
)
Application of Maralo, Inc. for a unit)
agreement, Chaves County, New Mexico.)
Applicant, in the above styled cause,)
seeks approval for the Butler Springs)
Unit Area comprising 3841 acres, more)
or less, of state and federal lands)
in Townships 14 and 15 South, Range)
28 East, Chaves County, New Mexico.)
-----)

NO. 5470

BEFORE: Daniel S. Nutter, Examiner.

For the New Mexico Oil
Conservation Commission:

William P. Carr, Esq.
Legal Counsel for the Com-
mission
State Land Office Building
Santa Fe, New Mexico 87501

For the Applicant,
Maralo, Inc.:

Paul Eaton, Esq.
HINKLE, BONDURANT, COX & EATON
Roswell, New Mexico

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E X H I B I T S

EXHIBIT ONE, Maralo 11

Exhibit Two, Maralo 11

MR. NUTTER: Case 5470.

MR. CARR: Case 5470. Application of Maralo, Inc.
for a unit agreement, Chaves County, New Mexico.

MR. EATON: Paul Eaton of the firm of Hinkle, Bon-
durant, Cox and Eaton, appearing for the applicant and
we have two witnesses.

(Witnesses sworn.)

KENNETH H. GRIFFIN,

being called as a witness and being duly sworn
upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. EATON:

Q Will you state your name?

A I am K. H. Griffin, firm of Griffin and Burnett,
Midland, Texas, acting as a consultant for Maralo, Incor-
porated.

Q What is your field of work?

A I am an independent land man specializing in
this instance in unitization work.

Q Have you previously testified before this Com-
mission in the past in that capacity?

A Yes, I have.

Q What does Maralo seek by its application?

A We propose to form a six section federal-state exploratory unit in Townships 14 and 15 South, Range 28 East, Chaves County, New Mexico. The six sections are not six even sections; they're squared out in half sections on the north and south; it comprises a total of 3,841.32 acres.

Q Mr. Griffin, do you have before you what has been marked for identification as Exhibit One and that is what, the unit agreement?

A Right. Exhibit One is the unit agreement to be used in connection with this unit.

Q And attached to the unit agreement are Exhibits A and B, is that correct?

A Correct.

Q And would you indicate what Exhibit A reflects?

A Exhibit A is a plat of the proposed unit area showing the ownership both as to fee and to lease hold. Exhibit B is a schedule of ownership in more detail.

Q Has this unit area, proposed unit area, been designated by the United States Geological Survey as logically subject to exploration and development?

A Yes.

Q Has it been informally approved by the Commissioner

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of Public Lands?

A It has.

Q Has this form of unit agreement previously been approved by both of those bodies as well as by this Commission?

A Yes, it has. It follows the 1968 reprint.

Q Who is the designated unit operator?

A Maralo, Incorporated.

Q Are all formations --

A Yes, all formations are unitized.

Q What are the provisions as to the initial test well?

A The initial test well is to be commenced within six months from the date of the unit agreement and in actuality the well will be started this month.

Q What is the plan of development after the test well is --

A It has the standard provision of filing the plan of development for approval of both the supervisor and the commissioner, which each plan will provide for a six month period of time.

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

A We do have one hundred percent sign-up or will have one hundred percent sign-up of working interest owners.

Q In your opinion is approval of the unit agreement in the interest of conservation? Will it prevent waste and protect correlative rights?

A Yes.

Q Was Exhibit Number One prepared by you?

A Yes.

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

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

(No response.)

QUESTIONS BY MR. NUTTER:

Q You say that the GS and State Land Office both have approved it?

A They both have given a tentative approval subject to the filing for final approval, yes, sir.

Q And you're anticipating a hundred percent working interest.

A Right, we do have a hundred percent agreement.

MR. NUTTER: If there are no further questions this witness may be excused.

EVERETT SHARPE,

being called as a witness and being duly sworn
upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. EATON:

Q Please state your name and by whom you're employed and in what capacity?

A I am Everett Sharpe and I'm employed by Maralo, Incorporated, as exploration manager.

Q Mr. Sharpe, have you previously testified before this Commission?

A No, sir.

Q Would you give us your educational background and your work experience?

A I have a Bachelor of Science degree in geology from Kansas State University; a Masters of Science degree in geology from Ohio State University. I've been employed with Atlantic Refining Company for nine years, including South Texas, Calgary, Canada, Libya, the Permian Basin, and Arizona area. I've been self-employed in the Permian Basin for two years and I've been with Maralo, Incorporated, predecessor of Ralph Low Estate, for seven years in the Permian Basin and South Texas.

Q Are you familiar with the proposed Butler Springs Unit area?

A Yes, sir.

MR. EATON: Are the witness' qualifications satisfactory?

MR. NUTTER: Yes, they are.

Q (By Mr. Eaton) I refer you to what's been marked for identification as Exhibit Number Two and ask you to state what that exhibit shows?

A This is a structure map on top of the Upper Pennsylvanian, showing the limit, a dip limit of the porosity in the Upper Pennsylvanian. All the wells in the area are shown with the drill stem test and log information. The unit outline is shown on that covering the prospective area.

Q Roughly where -- where is this Butler Springs area located with respect to any city or town in New Mexico?

A It's approximately fifteen miles east/southeast of Hagerman and about five miles, four miles, east of Buffalo Valley-Pennsylvanian Field.

Q What data did you use for this exhibit?

A Sub-surface data with, primarily, supplemented with some seismic, limited seismic information.

Q What is the primary objective of the test well?

A The primary objective will be the Upper Pennsylvanian.

Q Are there other prospective reservoirs?

A Yes, the other prospective reservoirs are the Queen Sand, the San Andres-Dolomite, and the basal Pennsylvanian-Morrow-Atoka Sands, which are productive in -- to the west of us.

Q Do you feel like those sands extend over the entire unit area?

A Yes, sir.

Q What considerations led to the selection of the proposed drill site?

A The structural position on the Upper Pennsylvanian, which is the primary objective, as well as the up dip limit of the porosity in the Upper Pennsylvanian.

Q Was Exhibit Number Two prepared by you?

A Yes, sir.

MR. EATON: I have no further questions.

MR. NUTTER: Mr. Sharpe?

A Sharpe.

QUESTIONS BY MR. NUTTER:

Q Mr. Sharpe, you say the primary objective is the

Upper Penn but you had also among other things considered the basal Penn as an objective?

A Yes, sir.

Q The unit agreement calls for a well to be drilled to a depth of no more than 9500 feet. Would this be sufficient to penetrate the basal Penn?

A Yes, sir.

Q And what is the proposed structure here that you're trusting on?

A This is a structural map, Exhibit Two?

Q Uh-huh.

A This is a structural map on the top of the Upper Pennsylvanian carbonate bank which goes across the area. That is a primary objective. There have been oil shows, a lot of porosities along this trend, and we hope to trap it in a favorable structural as well as stratigraphic position along this trend.

Q And the proposed location is in the southeast/southeast there of Section 2?

A Yes, sir, 660 from the south and east lines, yes, sir.

Q I see.

MR. NUTTER: Are there further questions of this wit-

ness?

(No response)

MR. NUTTER: You may be excused.

MR. EATON: We offer Exhibits One and Two into evidence.

MR. NUTTER: Maralo Exhibits One and Two will be admitted in evidence. Do you have anything further, Mr. Eaton?

MR. EATON: No, sir.

MR. NUTTER: Does anyone have anything further they wish to offer in Case Number 5470?

(No response.)

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

(Hearing concluded.)

STATE OF NEW MEXICO)
) ss REPORTER'S CERTIFICATE
COUNTY OF SANTA FE)

I, Sally Walton Boyd, Notary Public and General Court Reporter, Santa Fe, New Mexico, DO HEREBY CERTIFY that the facts as stated in the caption hereto are true and correct; that I reported the captioned proceedings; that the foregoing 11 pages of typewritten matter, numbered 1 through 11 inclusive, is a full, true and correct transcript of my notes taken during the hearing.

WITNESS my hand this 21st day of May, 1975, at Santa Fe, New Mexico.

Sally Walton Boyd

Sally Walton Boyd
Notary Public and General Court Reporter

My Commission expires:

10 September 1975

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5470 heard by me on 5/14, 1975.

[Signature] Examiner
New Mexico Oil Conservation Commission

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I, Sally Walton Boyd, Notary Public and General Court Reporter, Santa Fe, New Mexico, DO HEREBY CERTIFY that the facts as stated in the caption hereto are true and correct; that I reported the captioned proceedings; that the foregoing 11 pages of typewritten matter, numbered 1 through 11 inclusive, is a full, true and correct transcript of my notes taken during the hearing.

WITNESS my hand this 21st day of May, 1975, at Santa Fe, New Mexico.

Sally Walton Boyd
Notary Public and General
Court Reporter

My Commission expires:
10 September 1975

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5470 heard by me on 5/14, 1975.

[Signature] Examiner
New Mexico Oil Conservation Commission