

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date AUGUST 8, 1979 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
W. J. Henry	Grace Petr Corp	Midland TX
Max Douglas	Grace Pet. Corp.	Midland, TX
Don W. Erickson	Grace Pet. Corp.	OKC, OK
David Pearcey	Tenneco Oil Co.	San Antonio TX
Tom Kellahin	Kellahin & Kellahin	Denton, TX
Paul Swihite	Hexco	Artesia, N.M.
Kenneth H. Griffin	Grace Petroleum Corp.	Midland, Texas
S. J. Talley	Penroc Oil Corp	Midland, TX
John A. Erickson	E.P.N.G.	Santa Fe, N.M.
David T. Carlson	El Paso Nat. Gas Co.	El Paso, TX
W. D. Dawson	El Paso Nat Gas Co.	Farmington NM
Damon Weems	CARBON	FARMINGTON, NM
Andrew Latta	Harvey E. Yates Co	Midland, TX
Lee G. Nering	Belco Petroleum	Houston, TX
William F. Carr	Campbell + Black	Santa Fe
C. C. ...	Southland Royalty	Farmington
Dennis ...	Humble Lease Firm	Midland, Texas

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NAME	REPRESENTING	LOCATION
George Yates	HECO	Roswell, N.M.
Bob Carrell	EPNG	El Paso, TX
Paul W. Burchell	El Paso Natural Gas Co.	E.P. TX
Wes Haynatt	Texaco Inc.	Hobbs, NM
Robert J. Zomer	Texaco Inc.	Hobbs, N.M.
Robert H. Strand	HECO	Roswell, NM
Boiler Kelly	Robert Kelly et al	S.F.
ROBERT N. JOHNSON	CARBO CORP	POMPA, TX
M. A. Lester Jr	Newbourne Ref Co	Midland
RONALD McWILLIAMS	CONOCO, INC.	HOBBS
Hugh Ingram	Conoco	Hobbs

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico
8 August 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Grace Petroleum Cor-
poration for a unit agreement, Lea
County, New Mexico.

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) CASE
) 6613
)
)

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87503

For the Applicant:

Conrad L. Coffield, Esq.
HINKLE, COX, EATON, COFFIELD
& HENSLEY
Midland, Texas

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I N D E X

KENNETH M. GRIFFIN

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WILLIAM J. HENRY

Direct Examination by Mr. Coffield 8

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Applicant Exhibit Five, Cross Section 13

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MR. STAMETS: We'll call next Case 6613.

MR. PADILLA: Application of Grace Petroleum Corporation for a unit agreement, Lea County, New Mexico.

MR. STAMETS: Call for appearances in this case.

MR. COFFIELD: Conrad Coffield, with the Hinkle Law Firm in Midland, Texas, appearing on behalf of Grace Petroleum Corporation.

I have two witnesses.

MR. STAMETS: I'd like to have them both stand and be sworn, please.

(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. COFFIELD:

Q Mr. Griffin, would you please state your name, address, occupation, and employer?

A I am Kenneth H. Griffin, 501 Petroleum Building, Midland, Texas. I'm an independent petroleum land-

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1 man with Griffin and Burnett, representing Grace Petroleum
2 at this time.

3 Q Mr. Griffin, have you previously testified
4 before the Oil Conservation Division as a landman?

5 A I have.

6 Q And were your qualifications made a matter
7 of record and accepted by the Division?

8 A Yes.

9 Q Are you familiar with the application of
10 Grace Petroleum Corporation in this case?

11 A Yes, I am.

12 Q And are you familiar with the land owner-
13 ship and the property involved?

14 A Yes.

15 MR. COFFIELD: Mr. Examiner, is the wit-
16 ness considered qualified?

17 MR. STAMETS: He is.

18 Q (Mr. Coffield continuing.) Mr. Griffin,
19 would you please briefly state what it is that Grace seeks
20 by this application?

21 A All right. Basically, this is an appli-
22 cation by Grace Petroleum Corporation to form a 1600 acre
23 State and Federal approved unit in Township 20 South, Range
24 33 East, Lea County, New Mexico.

25 Q All right, Mr. Griffin, would you please

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1 refer to what has been marked as Exhibit One and explain
2 this and what it represents?

3 A Exhibit One is the proposed unit agreement
4 for the Smith Ranch Unit area. It follows the 1968 standard
5 reprint with the proper modifications to modify the form
6 to fit with the Commissioner's office on the land in the
7 State of New Mexico.

8 It provides for the formation, drilling,
9 and development of the unit area.

10 To this agreement is attached a land plat,
11 which is Exhibit A to the agreement. The land plat shows
12 the 1599.96 acres being included in the proposed unit.

13 This acreage is 1279.96 acres of Federal
14 land, or 79.9 percent, and it's 320 acres of State land,
15 or 20.1 percent.

16 We at this point have contacted all owners
17 within the proposed unit area and anticipate 100 percent
18 sign-up.

19 Exhibit B is a schedule of the leases to
20 be included in the unit area. It includes all of the tracts
21 showing both the ownership, the expiration dates, the les-
22 sor/lessee, and the overriding royalty owners.

23 Q Mr. Griffin, do you actually have joinder by
24 these parties named in this --

25 A We, at this point, do not have the agreement

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1 signed but we do have confirmation from all parties that
2 the agreement will be signed, subject only to submitting
3 the proper operating agreement that goes with it as support
4 factors.

5 Q Are you prepared to submit at this time
6 a copy of the operating agreement?

7 A The operating agreement is in the process
8 of being prepared. It is not ready at this time.

9 I will be filed, of course, upon request
10 for final approval.

11 Q Mr. Griffin, what contact have you made
12 with the Commissioner of Public Lands for the State of New
13 Mexico in connection with this unit?

14 A We have contacted the Commissioner's office,
15 set forth our proposed unit area, and at this point have
16 been advised that they see no objection to the formation,
17 the formation of this unit.

18 Q Mr. Griffin, likewise, with respect to the
19 Federal offices, the USGS specifically, what contact have
20 you made with them?

21 A We are at this point waiting for the final
22 approval from the USGS but we have had several preliminary
23 conversations with them. It has been filed with them for
24 final approval, and again, we have been informed that we
25 should anticipate any difficulty.

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1 Q Do you have anything to add in connection
2 with this --

3 A I believe that pretty well covers the
4 formation at this stage.

5 Q Was this Exhibit One prepared by you or
6 under your supervision?

7 A Yes, it was.

8 Q In your opinion will the approval of this
9 application by Grace prevent the drilling of unnecessary
10 wells and otherwise prevent waste and protect correlative
11 rights?

12 A Yes, I believe it will.

13 MR. COFFIELD: Mr. Examiner, I move the
14 admission of this exhibit.

15 MR. STAMETS: The exhibit will be admitted.

16 MR. COFFIELD: And I have no further
17 questions of Mr. Griffin at this point.

18 MR. STAMETS: Any questions of the witness?

19

20

CROSS EXAMINATION

21

BY MR. STAMETS:

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Q Mr. Griffin, I see that the -- it does
not appear to me that the plan requires that the Division
approve plans of development or participating area, is that
correct?

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A. This would be normally done exactly as we do through the Commissioner's office, and it was my impression that they always seek your concurrence on that before they approve it.

Q. So such a requirement would not present a problem?

A. No, it would be no problem.

Q. Does the agreement provide for Division approval of a change in unit operator?

A. There again, this is a standard reprint and I believe that we have to advise you but it does not require your approval of it, as I recall.

Q. Okay.

MR. STAMETS: Any other questions of the witness? He may be excused.

WILLIAM J. HENRY

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

DIRECT EXAMINATION

BY MR. COFFIELD:

Q. Mr. Henry, would you please for the record state your name, address, occupation, and employer?

A. My name is William J. Henry and I'm a

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1 consultant petroleum geologist in Midland, Texas, and I'm
2 representing Grace Petroleum.

3 Q Have you previously testified before the
4 Division as a geologist?

5 A Yes, I have.

6 Q And were your qualifications made a matter
7 of record and accepted by the Division?

8 A Yes, they were.

9 Q Are you familiar with Grace's application
10 in this case?

11 A Yes.

12 Q Are you familiar with the geology in this
13 area generally?

14 A Yes, I am.

15 Q And this particular property specifically?

16 A Uh-huh.

17 MR. COFFIELD: Is the witness considered
18 qualified?

19 MR. STAMETS: Yes.

20 Q (Mr. Coffield continuing.) Mr. Henry,
21 would you please refer to what has been marked as Exhibit
22 Two, identify that exhibit?

23 A Exhibit Two is a commercial land map which
24 shows the ownership and general information of the area.
25 I would like to point out that the proposed unit that we

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1 are seeking is outlined in red, colored in yellow.

2 I'd like to also point out that this unit
3 is joined on the north by Union of California's Laguna
4 Deep Unit, which was a Devonian prospect which they drilled
5 to Devonian, had a show, but was not commercial, and they
6 recompleted in the Morrow Sand for about 2-million a day.
7 And this is -- it would have been the last five or six
8 months this happened.

9 Down to the south there is some shallow
10 Yates production that Anadarko is operating, and there is
11 one Morrow well, the ARCO Mahaffey that was drilled many
12 years ago that is still producing dually from the Bone
13 Springs and the Morrow.

14 And this is just general information on
15 this.

16 I would like to point out one thing before
17 we move on, which is relevant to this case. You will note
18 the KGS by Yates there in the Section 11, the southeast
19 corner. By request of the USGS we limited our unit there
20 because this is a litigation which they feel will be some
21 time in being concluded and they recommended that we eli-
22 minate the south tier of these sections because of this.

23 And, also, I'll present later, we have a
24 Devonian map which we have some minor faulting and they
25 suggested that we limit this with a fault. This is why the

1 unit is cut off there.

2 MR. STAMETS: I'm not clear what -- what
3 KGS has got to do with the unit.

4 A. Well --

5 MR. STAMETS: Would you explain that a
6 little more?

7 A. Yeah. Well, Yates bid a low bid and the
8 USGS did not accept their bid and so they say it will be
9 some time before it's settled, so there is nothing you can
10 do about the acreage, and there's more than one than one
11 tract that's involved in this. There's another one, I
12 believe, over in 10, so they suggested that this will always
13 be a thorn in your side and eliminate it --

14 MR. STAMETS: This is not included because
15 you have an ownership problem?

16 A. Sir?

17 MR. STAMETS: This is not included because
18 you have an ownership problem.

19 A. They suggested we could never solve it.
20 But I mean this was pointed out to us by them. Okay?

21 Q. Okay, Mr. Henry, let's go then to Exhibit
22 Three. Please discuss this and explain what the purpose
23 is?

24 A. Exhibit Three is the Lower Morrow structure,
25 which this -- our proposed reservoir objective in this unit

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1 is the Morrow Sand, and I show in green on this map, a line
2 of cross section, which is my last exhibit which I will
3 discuss later.

4 I'll point out that Amoco drilled a Morrow
5 well to the south end of the section in Section -- of the
6 cross section in Section 27; unsuccessful in the Morrow;
7 completed from the Atoka. This is fairly recent.

8 The ARCO Mahaffey in Section 14, which is
9 a Bone Springs-Morrow producing well; and then the Union
10 well to the north, and a dry hole on up to the north, which
11 is the Amerada Laguna Plata Well, which was a Bone Springs
12 well at one time; dry in the Morrow.

13 And at the USGS' suggestion we put the
14 fault, which has very little throw on it, across this sec-
15 tion, which as my interpretation doesn't control the Morrow,
16 but they suggested we put it in, so we did.

17 I think it's been proved that the faulting
18 doesn't control the Morrow production, but this was one of
19 the problems that we had on the south end of the unit.

20 MR. STAMETS: That's an administrative
21 fault.

22 A. If you say so, yes, sir.

23 Q. Going on to what has been marked as Exhibit
24 Four.

25 A. Exhibit Four is an Isopach of the gross

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1 Morrow Sands of reservoir quality which we think we will
2 encounter as we -- the unit will prove as we drill up the
3 Smith Ranch Unit.

4 As you can see, the Mahaffey had quite a
5 bit of sands and thinning sands to the north to the Union
6 Well, and to the Laguna Plata and the Morrow being strati-
7 graphic, we feel like that we're in good position for
8 Morrow production.

9 Q Now to Exhibit Five, Mr. Henry. Would
10 you please explain that to the Examiner?

11 A Exhibit Five is a stratigraphic Morrow
12 cross section showing the Morrow Sands; the production from
13 the Amoco well, Sinclair Mahaffey, and the Union well is
14 shown in red as we move up the section from north to south --
15 south to north, and then the Laguna Plata Well is up to
16 the north.

17 As you'll notice, the sands in this parti-
18 cular area are -- they are thin, but there are quite a few
19 of them in some of the wells; some of them don't have as
20 much.

21 Q Is it your opinion, Mr. Henry, that all,
22 or substantially all, of the structure with which we're
23 concerned here is embraced within the unit area?

24 A Yes, sir.

25 Q Did you have anything further on this?

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Q Mr. Henry, were these exhibits Two, Three, Four, and Five prepared by you or under your supervision?

A Yes, they were.

Q And in your opinion will the approval of this application by Grace prevent the drilling of unnecessary wells and otherwise prevent waste and protect correlative rights?

A Absolutely.

MR. COFFIELD: Mr. Examiner, I move the admission of Exhibits Two through Five.

MR. STAMETS: These exhibits will be admitted.

MR. COFFIELD: And I have no other questions of Mr. Henry.

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

Anything further in this case?

The case will be taken under advisement.

(Hearing concluded.)

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REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a court reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, from my notes taken at the time of the hearing.

Sally W. Boyd C.S.R.
Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6613 heard by me on 8-8 1979.
Richard H. [Signature] Examiner
Oil Conservation Division

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