

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
September 25, 1968

EXAMINER HEARING

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)  
IN THE MATTER OF: )  
)  
Application of Tenneco Oil Company )  
for a unit agreement, McKinley, )  
County, New Mexico. )  
)  
)  
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Case No. 3867

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: We'll call case Number 3867.

MR. HATCH: Case 3867, application of Tenneco Oil Company for a unit agreement, McKinley County, New Mexico.

MR. KELLY: Booker Kelly of White, Gilbert, Koch and Kelly, Santa Fe, on behalf of the applicant. I have one witness, and ask that he be sworn.

(Witness sworn.)

(Whereupon, Applicant's Exhibit Number 1 was marked for identification.)

GILBERT HOWARD CASTLE, JR.

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

DIRECT EXAMINATION

BY MR. KELLY:

Q Would you state your name, position and employer, please?

A My name is Gilbert Howard Castle, Jr. I'm a landman with Tenneco Oil Company.

MR. NUTTER: What was that last name?

THE WITNESS: C-a-s-t-l-e.

Q And where are you located, Mr. Castle?

A Denver.

Q Are you familiar with the subject application?

A Yes.

Q And what is Tenneco seeking?

A Tenneco seeks to obtain approval by the Conservation Commission of the unit agreement for development and operation of the South Hospah unit area in order that the United States Geological Survey may see its way clear to approve the unit agreement.

Q Now, is what has been marked as Exhibit 1 a true copy of the original unit agreement?

A It is.

Q Referring to Exhibit 1, will you state and point out where the description for the unit is?

A The description for the unit is on Exhibit B.

Q And would you state into the record the description of the unit?

A The following description?

Q What page is that on?

A This is Exhibit B.

Q B, at the end, after the signature page. Just go ahead and read that into the record.

A The following description is all located in Township 17 North, Range 12 West, McKinley County, New Mexico. Section 12, lots 1, 2, 3 and 4: West half northeast quarter, east half

northwest quarter, southwest quarter northwest quarter; that was Tract 1.

Tract 2, Section 12, lots 5 and 6: northwest quarter, southeast quarter, north half southwest quarter.

Q Containing how many acres?

A Four hundred seventy-five point 90.

MR. NUTTER: Mr. Castle, I believe you stated this was 17 North, Range 12 West. It is Range 9 West, correct?

THE WITNESS: Yes, sir.

Q And then there's a plat that's shown as Exhibit A that shows it, I believe.

A Yes.

Q Now, would you point out to the Examiner what page shows the zone, the description of the zone that's to be unitized and read that into the record.

A Page 2: Unitized formation shall mean that sub-surface portion of the unit area commonly known as the Upper Hospah Sand and more specifically defined as that interval occurring between the depth of 1,614 feet and 1,654 feet as shown on the induction electrical log of the Tenneco Oil Hospah Well No. 2, located 2,310 feet south from the north line and 990 feet east from the west line of Section 12, Township 17 North, Range 9 West, NMPM, McKinley County, New Mexico.

Q Now, the purpose of this unit agreement is to unitize for secondary recovery purposes, rather than primary, is that right?

A Yes.

Q And has the New Mexico Commission already approved the water flooding project that covers the same area as this unit?

A Yes.

Q And how is that project doing?

A The project is doing very well. Before the water flood, it was mentioned the project was producing 115 barrels of oil per day and 38 barrels of water per day. This was in June, 1968. As of September 16th, 1968, it is producing 416 barrels of oil per day, and 44 barrels of water per day.

Q Now, who is the operator of the --

A Tenneco Oil Company.

Q Are there any other working interest owners in the unit area?

A No.

Q What is the mineral interest makeup?

A It is all owned by the Federal Government.

Q There is no State or Fee land involved?

A No.

Q What is the status as far as federal approval?  
Have they inspected the unit agreement?

A The United States Geological Survey has approved the form and content of this agreement.

Q In other words, the only thing that is remaining to be done is approval by this Commission?

A Yes.

Q Were there any changes made in the agreement, as far as the federal people were concerned?

A No.

MR. KELLY: I just would like to point out, Mr. Examiner, on page 24, the original date by which the federal government was to approve this was July First.

THE WITNESS: Yes.

MR. KELLY: And then that was extended to October First, and, now they have discussed it as probably going to be November First.

THE WITNESS: But they have approved it.

MR. KELLY: They have approved that change.

Q (By Mr. Kelly) Now, can you describe how the agreement assigns the interest of the various royalty owners?

A There are two tracts subject to this agreement and the sand reservoir is allocated to the two tracts on a volumetric

basis, rather than an acreage basis. And the royalty, the overriding royalty, assigned to each tract is based on this volumetric basis.

Q So it's a net foot of pay is what determines --

A Yes.

Q Now, have you contacted all of the royalty interest owners?

A Yes.

Q And have you gotten response from any of them or all of them?

A We've received responses from seven of the total of eleven.

Q And they have executed the agreement, I assume?

A Yes.

Q And how about the other four?

A The other four have not answered.

Q Would their interest be adversely affected by this agreement?

A No, no adverse affect whatsoever.

Q They just haven't bothered to respond?

A Yes.

Q Is this agreement that's shown on Exhibit 1 similar in content and form to other agreements that have been approved

by the Commission?

A Yes.

MR. KELLY: I move the introduction of Tenneco's Exhibit 1.

MR. NUTTER: Tenneco's Exhibit 1 will be admitted in evidence.

(Whereupon, Applicant's Exhibit Number 1 was admitted in evidence.)

MR. KELLY: I have no further questions on direct.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Castle, the allocation to the tracts is on the basis of net productive acre feet of each tract. Now, there are only two tracts. What percentage of the total production is allocated to Tract 1 and Tract 2?

A Tract 1, 81.40 per cent.

Q Eighty-one point four zero?

A Yes, sir. Tract 2, 18.60.

MR. KELLY: Will you refer the Examiner to where that's shown?

THE WITNESS: This is shown on Exhibit C to the unit agreement.

Q I see. I had been looking for that one, and didn't

find it.

MR. NUTTER: There are no further questions. Are there any further questions by anyone of Mr. Castle? He may be excused. Do you have anything further, Mr. Kelly?

MR. KELLY: Nothing further.

MR. NUTTER: Does anyone have anything they wish to offer in case 3867? We'll take the case under advisement.

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STATE OF NEW MEXICO )  
 ) ss  
COUNTY OF BERNALILLO )

I, CHARLOTTE MACIAS, 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.

*Charlotte Macias*  
\_\_\_\_\_  
Court Reporter

I do hereby certify that the Reporter is  
B. \_\_\_\_\_  
t. \_\_\_\_\_  
L. \_\_\_\_\_ 9/25 3867 68  
*Macias*  
New Mexico Oil Conservation Commission