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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
12 March 1980

EXAMINER HEARING

IN THE MATTER OF:)	
)	
)	
Application of American Trading and)	CASE
Production Corporation for a unit)	6824
agreement, Lea County, New Mexico.)	
)	

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation	Ernest L. Padilla, Esq.
Division:	Legal Counsel to the Division
	State Land Office Bldg.
	Santa Fe, New Mexico 87501

For the Applicant:	Conrad E. Coffield, Esq.
	HINKLE, COX, EATON, COFFIELD &
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MR. NUTTER: We'll call next Case Number 6824.

MR. PADILLA: Application of American Trading and Production Corporation for a unit agreement, Lea County, New Mexico.

MR. COFFIELD: Conrad Coffield with the Hinkle Law Firm of Midland, Texas, appearing on behalf of Applicant, American Trading and Production Corporation. I have two witnesses.

(Witnesses sworn.)

K. H. GRIFFIN

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

A. I am K. H. Griffin. My address is 501 Petroleum Building, Midland, Texas. I'm an independent petroleum landman, operating as a partner in Griffin and Burnett, Inc., for the purposes of this hearing representing American Trading and Production Corporation.

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1 Q. Have you previously testified before the
2 Division as a landman?

3 A. Yes.

4 Q. And were your qualifications made a matter
5 of record and accepted by the Division?

6 A. Yes.

7 Q. Mr. Griffin, are you familiar with Amer-
8 ican Trading's application in this particular case?

9 A. Yes.

10 Q. And are you likewise familiar with the
11 property involved in the proposed unit area?

12 A. I am.

13 MR. COFFIELD: Mr. Examiner, do you have
14 any further questions?

15 MR. NUTTER: No. Mr. Griffin is quali-
16 fied.

17 Q. Mr. Griffin, what is it that American
18 Trading and Production Corporation seeks by this application?

19 A. We propose to form a federal type ex-
20 ploratory unit covering 4800 acres in Lea County, New Mexico,
21 comprised of 4160 acres of Federal land, 640 acres of State
22 Land.

23 The proposal will follow the standard
24 form of unit operating agreement.

25 Q. Mr. Griffin, please refer to what we've

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1 marked as Exhibit Number One and explain this to the Examiner.

2 A. Exhibit One is the proposed unit agree-
3 ment for the operation of the Talco Unit Area. The agreement
4 follows the standard Federal 1968 reprint with the necessary
5 revisions to comply with the requirements of the Commissioner
6 of Public Lands.

7 To this exhibit we have attached a land
8 plat as Exhibit A, which will outline the area that is pro-
9 posed for unitization.

10 Q. By reference to that land plat, Mr.
11 Griffin, can you point out any features relative to the
12 ownership and commitments that you have?

13 A. The unit area is owned by five different
14 working interest owners, all but one of which have agreed
15 to commit their acreage to this unit. We will have an 88.5
16 percent sign-up in the unit area, which will constitute
17 effective control of the unit area.

18 Q. Do you have anything further to add in
19 connection with Exhibit One or the attachment?

20 A. Not at this time.

21 Q. Okay, Mr. Griffin, do you have prepared
22 and ready to submit a copy of the unit operating agreement
23 to study?

24 A. The unit operating agreement for the
25 Talco Unit Area is in the process of being formed --- being

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1 prepared right now. It will be filed with the Commission
2 if the order is properly issued in due course.

3 Q What contact have you made with the
4 Commissioner of Public Lands in connection with this parti-
5 cular unit?

6 A We have reviewed the unit area with the
7 Commissioner of Public Lands Office, and have received a
8 preliminary approval of the unit outline and the proposed
9 well and depth.

10 Q Likewise, what sort of contact have you
11 had with the U. S. Geological Survey?

12 A Along the same parallel, we have met with
13 the USGS in Roswell. We have had a preliminary evaluation.
14 We established the unit outline in conference with them and
15 have agreed that the proposed well is the proper depth to
16 drill an initial test. We do have a preliminary approval
17 from both those agencies for the formation of this unit.

18 Q Does American Trading have a well com-
19 mencement obligation in connection with either the operating
20 agreement or farmout agreements in connection therewith?

21 A Yes, we do. We have a rig availability
22 situation where our rig will be available on April the 15th,
23 approximately April the 15th. We would propose to try to
24 wrap up our paperwork and get this done and be commencing
25 the well at approximately that time.

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1 Q Accordingly, Mr. Griffin, are you re-
2 spectfully requesting of the Division that they grant expe-
3 ditious handling to this particular case?

4 A It would be sincerely appreciated if the
5 Division could handle this as expeditiously as possible.

6 Q Was this exhibit prepared by you or under
7 your supervision?

8 A Yes, I did prepare this particular ex-
9 hibit.

10 Q And in your opinion will approval of
11 this application by American Trading prevent the drilling
12 of unnecessary wells and otherwise prevent waste and protect
13 correlative rights?

14 A We do think it will.

15 MR. COFFIELD: Mr. Examiner, I move the
16 admission of Exhibit One.

17 MR. NUTTER: Exhibit One will be admitted
18 in evidence.

19 MR. COFFIELD: And I have no other ques-
20 tions of Mr. Griffin at this time.

21
22 CROSS EXAMINATION

23 BY MR. NUTTER:

24 Q Mr. Griffin, you mentioned you had 88-
25 something percent sign-up. Did you mean of working interests?

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1 A. Yes, of the working interests, correct.

2 Q. You are aware that although the unit
3 agreement itself does not specify that, that the order
4 emanating from this Division would require that this Divi-
5 sion be notified and made -- and any changes of operator or
6 plans of development and participating areas would be subject
7 to Division approval?

8 A. That's right. The unit agreement does
9 provide for furnishing this information to the Division.
10 Any time we revise exhibits, and so forth, we will furnish
11 the Division with a proper copy.

12 Q. Okay.

13 MR. NUTTER: Are there any further ques-
14 tions of the witness? He may be excused.

15
16 FRANK D. CHRISTIANSON

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

19
20 DIRECT EXAMINATION

21 BY MR. COFFIELD:

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

24 A. My name is Frank Dion Christianson. I
25 live at 3400 West Michigan, in Midland, Texas, and I'm a

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1 District Geologist for American Trading and Production Cor-
2 poration.

3 Q Mr. Christianson, have you previously
4 testified before the Division as a geologist?

5 A No, sir.

6 Q And for the record, would you briefly
7 summarize your educational background and work experience as
8 a geologist?

9 A I received a Bachelor of Arts degree
10 from Phillips University in Enid, Oklahoma, as a geologist
11 in 1968.

12 In 1974 I received a Masters of Science
13 degree in geophysics from the University of Texas at Dallas.

14 I'm a professional member of the AAPG,
15 West Texas Geological Society, and the Permian Basin Geo-
16 physical Society.

17 My work experience started in 1974 with
18 Exxon and I worked as a geophysicist in their West Texas
19 Division, primarily in the Delaware Basin and Valverde Basin.
20 In June of 1977 I started work with Texas Oil and Gas Cor-
21 poration as a geologist, primarily working development pros-
22 pects, again in the Delaware Basin and the southern part of
23 the Central Basin Platform.

24 My employment with American Trading and
25 Production Corporation as District Geologist started on

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1 January 3rd of 1979 and has continued to the present.

2 Q Mr. Christianson, are you familiar with
3 the application of American Trading and Production Corporation
4 in this case?

5 A Yes, sir.

6 Q Are you familiar with the property in
7 the proposed unit area involved?

8 A Yes, sir.

9 MR. COFFIELD: Mr. Examiner, do you have
10 any other questions of Mr. Christianson?

11 MR. NUTTER: No, the witness is qualified.

12 Q Mr. Christianson, please refer to what
13 we have marked as Exhibit Two and explain this in detail to
14 the Examiner, if you would, please.

15 A Exhibit Number Two is a subsurface Atoka
16 structure map of the proposed Talco Unit.

17 I would like to point out that the Talco
18 Unit, as outlined in red, is the same outline as shown on
19 the Exhibit A, I believe it is, of Ken Griffin's portion of
20 his talk.

21 The Talco prospect is located about 7
22 miles southwest of Jal in Lea County, New Mexico. It's
23 located on the eastern limit of the Delaware Basin and the
24 western extent of the Central Basin Platform. The area is
25 a complexly faulted zone of down to the basin faults and we

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1 feel that we have deciphered a prospect at this location of
2 a rollover into the fault and then a north dip, which I'll
3 explain later.

4 The analagous fields that we're looking
5 at, or we're trying to establish comparable production,
6 would be the Cheyenne Field, which is located about 4 miles
7 to the south of our proposed Talco Unit, in Winkler County,
8 Texas. The Cheyenne Field has produced a total of 12.6 Bcf
9 since 1975.

10 Another analagous field located just a
11 little bit west of the Cheyenne Field would be the Crittendon
12 Field. It has produced a total of 146 billion cubic feet
13 of gas since its discovery.

14 The Atoka formation in the Crittendon
15 Field has an estimated ultimate recovery of approximately
16 25-billion cubic feet of gas per well. The Fusselman has
17 an estimated productive capacity of approximately 40-billion
18 cubic feet of gas per well, so the reserves that we're
19 looking at are substantial.

20 A little bit closer to the prospect that
21 we're concerned with, BTA drilled the No. 1 Haygood Well,
22 which is located in the section immediately south of the
23 proposed unit. It was completed with a calculated absolute
24 open flow of 1.8-million cubic feet of gas from the Strawn
25 and Atoka formations and produced 171-million cubic feet

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1 of gas prior to being plugged.

2 In addition, the Skelly No. 1 Mexico P
3 Federal Well in Section 21 produced -- or was potentialed
4 with a calculated absolute open flow of 2.8-million and has
5 produced up to this date 1.8-billion cubic feet of gas.

6 So the gas figures that we're looking at
7 in the area can be somewhat substantial.

8 Basically, the prospect as we see it
9 is a seismic prospect. From the well control on this exhibit
10 there are very few well controls. American Trading has ac-
11 quired approximately sixty miles of seismic data to define
12 the limits of this prospect. That data is current CDP data.
13 It has either been shot by American Trading, purchased, or
14 traded for.

15 What I would like to point out is the
16 east -- well, first of all, we have also conducted extensive
17 paleofacies analysis of the Atoka formation, and the Atoka
18 formation is our primary objective in this well. We feel
19 like this trend, the Atoka trend, the Atoka bank facies
20 trend, which extends from the Chapman Deep Field in Loving
21 County, New Mexico, eastward across Winkler County, extends
22 on up into this portion of the basin and was present on a
23 pre-existing paleozoic structural high. This pre-existing
24 paleozoic structural high is defineable by seismic data
25 that we currently have inhouse.

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1 Our seismic data shows a down to the
2 basin fault extending from the northeast edge of the Talco
3 prospect in Section 1, and extending from that point down
4 through the El Paso Natural Gas No. 1 Sinclair Well in Sec-
5 tion 13, which did not drill deep enough to penetrate the
6 Atoka section, and then on down to a point east of the BTA
7 Well.

8 That fault block forms the eastern limit
9 of our proposed unit.

10 In addition, we have substantial -- a
11 substantial number of north/south seismic lines that indi-
12 cate we can obtain about 800 to 1200 feet of structural
13 closure over the BTA well, which produced 171-million cubic
14 feet of gas.

15 The north bounding limit of this pros-
16 pect is shown by the gas/water contact located about the
17 north edge of Section 1 and coming down through Section 2,
18 along the south -- I mean the northwest corner of Section 2.
19 Our seismic evidence indicates that we have dip to the south
20 south of that point, and at that point in Section 1 and Sec-
21 tion 2, the seismic indicates rollover to the north pro-
22 viding structural closure that's needed to provide the trap.

23 East/west lines through the prospect
24 indicate that the west bounding fault is probably not present
25 along the vicinity of Section 11 and Section 10; therefor,

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1 we feel that the Atoka formation that has been built up in
2 this area probably extends out into Section 10 and then to
3 a smaller degree, down to the south in Section 14. Of course,
4 what we are proposing is a test primarily to the Atoka.
5 Substantial log calculations in the area of, for instance,
6 the -- there's an HNG well in Section 17, which is slightly
7 off the map to the east side, had pretty good log calcula-
8 tions in the Morrow section, and so we are going to test the
9 Morrow with this -- with this particular well.

10 The USGS has been advised as to this
11 proposed unit outline and they are in agreement with our
12 interpretation and the fact that the total estimated pro-
13 ductive area is included within the proposed unit outline.

14 In addition to that, we have obtained
15 surface clearance to drill a well in Section 11, 1980 from
16 the north line and 660 from the east line, and as Mr. Griffin
17 mentioned, a rig is available about -- approximately April
18 the 15th to test a 16,400 foot Morrow test, with the option
19 to drill deeper at a later date.

20 Q Mr. Christianson, is it American Trading's
21 intention then to test all prospectively producing zones
22 all the way down to the Fusselman?

23 A At this point in time our intention is
24 to drill a test to test the Morrow formation to a depth of
25 approximately 16,400 feet. In the event that our Atoka

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1 marker is -- comes in about as we've interpreted it, we would
2 probably elect at that point to go ahead and test the Fus-
3 selman formation, or test all units down to the Fusselman.

4 Q Mr. Christianson, do you believe that
5 from the data available to you, that the unit area covers
6 all or substantially all of the anomaly or the structure in-
7 volved here?

8 A Yes, sir.

9 Q Let's go now to what we've marked as
10 Exhibit Three. Would you please explain that briefly to
11 the Examiner?

12 A Exhibit Number Three is simply a letter
13 that I submitted to the Regional Oil and Gas Supervisor of
14 the USGS at Roswell. This letter is substantially the same
15 thing that I have testified here today, indicating the geolo-
16 gical conditions, the prospective pay zones, and it is sub-
17 mitted for your reference for future considerations.

18 Q Were these exhibits Two and Three pre-
19 pared by you or under your supervision, Mr. Christianson?

20 A Yes, sir.

21 Q And in your opinion will the approval
22 of this application prevent the drilling of unnecessary
23 wells and otherwise be in the interest of conservation and
24 the prevention of waste?

25 A Yes, sir.

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MR. COFFIELD: Mr. Examiner, I move the admission of Exhibits Two and Three.

MR. NUTTER: Applicant's Exhibits Two and Three will be admitted in evidence.

MR. COFFIELD: And I have no other questions of Mr. Christianson on direct examination.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Christianson, as I understood your proposed location, it would be on that shot line at about Shot Point 1400 there, is that correct?

A Yes, sir.

Q Now, while you mentioned that the Atoka is your primary objective, the unit agreement does require the drilling of the well to the Morrow formation or 16,400, unless production is encountered at a shallower depth.

A Yes, sir.

Q And the well will definitely go to the Morrow?

A Yes, sir.

MR. NUTTER: Are there any further questions of Mr. Christianson? He may be excused.

Do you have anything further, Mr. Coffield?

MR. COFFIELD: No, Mr Examiner, I do

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not.

MR. NUTTER: Does anyone have anything they wish to offer in Case Number 6824?

We'll take the case under advisement.

(Hearing concluded.)

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REPORTER'S CERTIFICATE

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I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing 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.

Sally W. Boyd C.S.R.

SALLY W. BOYD, C.S.R.

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I do hereby certify that the foregoing transcript is a true and correct copy of the original transcript as filed with me.
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[Signature]