

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 13, 1974

EXAMINER HEARING

IN THE MATTER OF:

Application of HNG Oil Company for
a unit agreement, Lea County, New
Mexico.

Case No. 5179

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 Bldg.
Santa Fe, New Mexico

For the Applicant:

James T. Jennings, Esq.
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MR. STAMETS: We'll call the next case. Case 5179.

MR. CARR: Case 5179. Application of HNG Oil Company for a unit agreement, Lea County, New Mexico.

MR. JENNINGS: I'm James T. Jennings, of Jennings, Christy & Copple, appearing for the Applicant, HNG Oil Company, and we will have two witnesses, Mr. Griffin and Mr.

(Witness sworn.)

KENNETH H. GRIFFIN

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

MR. STAMETS: You may proceed, Mr. Jennings.

DIRECT EXAMINATION

BY MR. JENNINGS:

Q Would you state your name, residence and occupation, please.

A Kenneth H. Griffin, Midland, Texas, and I'm an Oil Operator Consultant in Midland Texas.

Q Mr. Griffin, are you familiar with the Application that has been filed herein for the approval of the Dogie Draw Unit?

A Yes, I am.

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Q I believe you assisted in the preparation of what has been marked Exhibit 1 which is the Unit Agreement?

A Yes, that is right.

Q Would you briefly describe what the Unit Agreement touching upon the unit area, the unitized substance, the operator, the drilling obligations, depth of your objective well and the plan of development and participation, etc.?

A The Dogie Draw Unit Area comprises 5122 acres in Township 26 South, Range 36 East, Lea County, New Mexico, and is being formed for the purpose of drilling an exploratory well of 20,800 feet to test the Ellenburger Formation. The proposed unit is based on the 1968 reprint of the Federal Form of Unitization Agreement amended to properly take into account that there is 620 acres of State land involved and 40 acres of patented land involved in this particular unit area. It follows the standard provision that upon discovery of production a participating area will be established upon approval of the Director and the Commissioner which will control what area will be included in the original participating area based on geology. The initial well must be commenced within six months of the date of approval

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of the Unit Agreement and there is a plan of further development following the standard provisions of the Agreement.

Q Referring to Exhibits A and B attached to your Exhibit 1, would you just identify these please?

A Exhibit A attached to Exhibit 1 is a plat of the unit area in which the holdings of the various types of acreage is outlined. There is 4442.16 acres of Federal land, 640 acres of State land, and 40 acres of fee land. The acreage is under-leased to various parties, including HNG Oil Company, Exxon, BTA and the Ralph Lowe Estate. Two small interests are outstanding, being a 6.667 acre interest owned by Cities Service and a .571 acre interest owned by Western Reserves. We have effectively committed to the Unit Agreement 99.859 percent of the unit area.

Exhibit B is a schedule of the acreage included by leases including exploration dates, exact descriptions, the royalty burdens, the overriding royalty burdens, etc.

Q Mr. Griffin, is the Unit Agreement basically the form suggested by the Bureau of Land Management in the 1968 reprint?

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

Q When do you anticipate commencing your first well?

A It's anticipated that this well will be commenced virtually upon approval of the Unit Agreement, which we would anticipate possibly by late April.

Q Have you made application to the Commissioner of Public Lands for approval of the unit?

A Yes, we have requested tentative approval of the unit from the Commissioner of Public Lands and by letter dated February 28, 1974, we're advised that this is an acceptable unit area.

Q By letter dated February 28th, 1974, are you referring to what has been marked as Exhibit No. 2?

A Correct.

Q Have you further discussed with and made application to the USGS for approval of the unit?

A Yes. This has been done and a preliminary meeting with the U.S. Geological Survey in Roswell, this was then made in a formal application, which has been designated by the Conservation Manager of the Central Region, as an area suitable for unitization, suitable and logical.

Q Pursuant to your request for tentative approval, did the USGS give such approval?

A Yes. This is Exhibit No. 3.

Q That's what has been marked as Exhibit No. 3?

A Correct.

Q Mr. Griffin, do you feel that this Unit Agreement is a proper conservation measure?

A I do.

Q Will it be in the interests of conservation and prevent waste and protect the correlative rights of all the operators?

A Yes, sir, it will.

Q Will you file and execute a counterpart of the Unit Agreement within 30 days after its effective date?

A With the OCC?

Q Yes.

A Correct.

MR. JENNINGS: We have nothing further of this witness.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Griffin, just as a matter of information, are you the "G" of HNG?

A No, I'm the "G" of Griffin, Ross & Burnett.

Q You are not directly associated with HNG?

A No. We are working as consultants for HNG in this particular instance.

(Whereupon, a discussion was held off the record.)

MR. STAMETS: Are there any other questions of this Witness?

MR. JENNINGS: We would like to offer at this time, as they were received by this Witness, Exhibits 1, 2 and 3.

MR. STAMETS: Applicant's Exhibits Nos. 1, 2 and 3 will be admitted into evidence.

(Whereupon, Applicant's Exhibits Nos. 1, 2 and 3 were admitted into evidence.)

MR. STAMETS: The Witness may be excused.

CHARLES R. TIERCE

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

DIRECT EXAMINATION

BY MR. JENNINGS:

Q State your name and occupation, please, sir.

A Charles R. Tierce, Geologist, HNG Oil Company.

Q Mr. Tierce, you have not heretofore testified before this Commission, have you?

A That's correct, I have not.

Q Would you briefly relate your educational and experience in the oil and gas field and particular the geological field?

A I have a Bachelor of Science Degree from Sulross State College in 1953; I have one year of mud logging experience; 13 years with Superior Oil Company as an exploration geologist; 1 year with Texas Oil and Gas as an exploration geologist, and 3 years with HNG Oil Company.

MR. JENNINGS: Are the Witness' qualifications acceptable?

MR. STAMETS: They are.

BY MR. JENNINGS:

Q Mr. Tierce, did you do a geological study of the Dogie Draw Unit Area?

A Yes, I did.

Q Would you briefly relate the results of your study and your recommendations and conclusions based upon this study?

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A Yes, sir. We have a map, it's recontoured from a seismic map that we prepared, and it shows a northwest, southeast drainage anticline. It originally was drilled by Humble's No. 1 South Lee Unit, Section 17. Humble tested the Ellenburger and had no recovery; they tested the Devonian on 71-hour test; they flowed 3,000,000 cubic feet of gas plus 43 barrels of water per hour, and they considered this non-commercial and plugged the hole. We think that we can get 400 feet high to this well and consider that would be commercial.

Q Mr. Tierce, what is the location of that well?

A Humble's well was in the southwest of Section 17, 26 South, 36 East. I have dashed in a gas-water contact as we think it exists from that well on the Devonian Formation and this map is contoured from the top of the development. We think we can get approximately 400 feet high, as I said, in Section 8. We think at this location we have an excellent chance in the Devonian, secondary pays would be the Ellenburger, and possibly some Pennsylvanian and Permian. That's about the extent of it.

Q Where is the proposed location?

A It is in the southeast of Section 8.

Q Do you feel that basically the entire Unit Area

has a possibility of producing from these formations?

A Yes, sir, I do.

Q Mr. Tierce, from your study, do you feel that this proposed unit is a proper conservation measure?

A Yes, sir.

Q Do you feel that it would be in the interests of conservation, prevent waste and protect correlative rights of all parties concerned?

A I think it would.

MR. JENNINGS: I believe that's all.

MR. STAMETS: Mr. Jennings, could a copy of the contour map be made available to the Commission?

MR. JENNINGS: Yes, sir, it will be made available.

MR. STAMETS: When, within 120 days after the order or upon completion of the well?

MR. JENNINGS: I'm sure on completion of the well.

MR. STAMETS: Are there any questions of this Witness? If not he may be excused.

Mr. Jennings, I would like for one of your witnesses to give us the location of the well by the footage if you do have it.

MR. JENNINGS: Southeast quarter of Section 8

(Whereupon, a discussion was
held off the record.)

MR. STAMETS: Is there anything further in this
case?

MR. JENNINGS: That's all.

MR. STAMETS: We will take Case 5179 under
advisement.

STATE OF NEW MEXICO)
) SS.
COUNTY OF SANTA FE)

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

RICHARD L. NYE, Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5179 heard by me on 3/13, 1977.
Richard L. Nye, Examiner
New Mexico Oil Conservation Commission

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