

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 7, 1976

EXAMINER HEARING

IN THE MATTER OF:

Application of Northern Natural Gas) CASE
Company for a unit agreement, Eddy) 5608
County, New Mexico.)

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 F. Carr, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant: Harold L. Hensley, Jr., Esq.
HINKLE, BONDURANT, COX & EATON
Attorneys at Law
Hinkle Building
Roswell, New Mexico

I N D E X

	<u>Page</u>
<u>K. H. GRIFFIN</u>	
Direct Examination by Mr. Hensley	3
<u>MARK SCHWEINFURTH</u>	
Direct Examination by Mr. Hensley	7

EXHIBIT INDEX

	<u>Page</u>
Applicant's Exhibit Number One, Proposed Unit Agree.	7
Applicant's Exhibit Number Two, Geological Study	11

1 MR. STAMETS: We will call the next Case, 5608.

2 MR. CARR: Case 5608, application of Northern
3 Natural Gas Company for a unit agreement, Eddy County,
4 New Mexico.

5 MR. STAMETS: Call for appearances in this case.

6 MR. HENSLEY: If the Examiner please, Harold L.
7 Hensley, Jr. of the firm of Hinkle, Bondurant, Cox and Eaton,
8 Roswell, New Mexico for the applicant, Northern Natural Gas
9 Company. We will have two witnesses, Mr. Ken Griffin and
10 Mr. Mark Schweinfurth.

11 MR. STAMETS: They will stand and be sworn, please.

12 (THEREUPON, the witnesses were duly sworn.)

13 K. H. GRIFFIN

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

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18 BY MR. HENSLEY:

19 Q Would you state your name, please?

20 A My name is K. H. Griffin.

21 Q What is your occupation, Mr. Griffin?

22 A I'm an independent landman, Midland, Texas, represent-
23 ing Northern Natural Gas.

24 Q Have you previously testified before this Commission?

25 A Yes, I have.

1 Q And are those qualifications a matter of record
2 before the Commission?

3 A Yes.

4 MR. HENSLEY: Mr. Examiner, are the qualifications
5 of the witness acceptable?

6 MR. STAMETS: They are.

7 Q (Mr. Hensley continuing.) I will ask you, Mr.
8 Griffin, to please refer to what has been marked for
9 identification, sir, as Exhibit One and identify that exhibit
10 if you will?

11 A Exhibit One is the proposed unit agreement for the
12 Magruder Hill Unit Area, Eddy County, New Mexico.

13 Q Are there two separate attachments in addition to
14 the Unit Agreement itself?

15 A Yes, to the Unit Agreement will be attached Exhibit
16 A which is a plat showing the ownership and the outline of
17 the Unit area. The remaining attachment is Exhibit B which
18 at this time has not been prepared but will be a complete
19 rundown, break down of the ownership, including royalties.

20 Exhibit A at this point does show all of the
21 ownership, acreage content, nature of acreage.

22 Q Including a break down of the Federal, State and
23 fee acreage in the Unit?

24 A Correct. The Unit covers two thousand, two hundred
25 and fifty-seven point nine four acres, being two thousand and

1 fifty-seven point nine, four acres of Federal land, forty
2 acres of State land and four hundred and sixty acres of
3 patented land. The Federal land being ninety-one point one,
4 four, two percent, State being one point seven, seven, two
5 percent and the patented land seven point oh, eight, six
6 percent.

7 Q Sir, has the proposed Unit Area been designated by
8 the USGS as logically subject to exploration and development
9 under the unitization provisions of the minerals leasing act?

10 A We have had our meeting with the USGS in Roswell,
11 we have their tentative approval, the formal designation
12 has been requested and is being processed through their
13 Denver office now.

14 Q Has the proposed Unit area been informally approved
15 by the Commissioner of Public Lands?

16 A It has.

17 Q Has the form of unit agreement which is marked as
18 Exhibit Number One been previously approved by the USGS, the
19 Commissioner of Public Lands and this Commission?

20 A Yes, it has. It essentially is a 1968 reprint
21 that is standardly used for this type unit.

22 Q All right, sir, who is the designated unit operator?

23 A Northern Natural Gas Company.

24 Q Are all formations to be unitized?

25 A Yes, all formations will be unitized.

1 Q. What are the provisions with respect to the initial
2 test well?

3 A. The unit agreement provides for the commencement
4 of initial wells within six months of approval and we will
5 drill an eleven thousand, four hundred foot Morrow test at an
6 approved location.

7 Q. What is the plan for unit development subsequent
8 to the test well?

9 A. The 1968 reprint provisions essentially provide for
10 a six months plan of development to be filed and approved by
11 the Supervisor, the Commissioner and the Commission.

12 Q. Mr. Griffin, what is the present status of the
13 commitment to the unit agreement of the working interest in
14 the proposed unit area?

15 A. We anticipate an excess of ninety percent sign up
16 and participation in the unit.

17 Q. I assume that ninety percent commitment would afford
18 effective control of operations?

19 A. Correct. Actually we will have effective control
20 of every potential proration unit and the effective sign up
21 should actually be in excess of ninety-five percent.

22 Q. In your opinion, sir, is the unit agreement in the
23 interest of conservation and will it prevent waste and protect
24 correlative rights?

25 A. Yes, sir.

1 Q Was Exhibit One prepared by you or under your
2 direct supervision?

3 A Yes.

4 MR. HENSLEY: Mr. Examiner, we move the introduction
5 of Exhibit One at this time.

6 MR. STAMETS: Exhibit One will be admitted.

7 (THEREUPON, Applicant's Exhibit One was
8 admitted into evidence.)

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

11 (THEREUPON, the witness was excused.)

12 MARK SCHWEINFURTH

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

15

16 DIRECT EXAMINATION

17 BY MR. HENSLEY:

18 Q Would you state your name, occupation and by whom
19 you are employed, sir?

20 A My name is Mark Schweinfurth, I'm a geologist and
21 I'm employed by Northern Natural Gas Company in Midland,
22 Texas.

23 Q Have you ever testified before this Commission prior
24 to this appearance?

25 A No, I have not.

1 Q For the benefit of the Examiner, sir, would you
2 please state your educational background?

3 A I received a Bachelor's degree and a Master's degree
4 in science from the University of Cincinnati. The Master's
5 degree was in 1958. From there I worked as a geologist for
6 California Company in New Orleans, Tidewater and Getty Oil
7 Companies in Midland, Texas and now Northern Natural Gas
8 Company.

9 Q You have been gainfully employed then as a practicing
10 geologist since your graduation?

11 A That is correct.

12 MR. HENSLEY: Are the qualifications of the witness
13 acceptable, Mr. Examiner?

14 MR. STAMETS: They are.

15 Q (Mr. Hensley continuing.) Have you caused a
16 geological study of the proposed Unit Area, Mr. Schweinfurth?

17 A I have.

18 Q What were the results of the study and what data
19 did you consider in connection with that study?

20 A Structural and stratigraphic studies were both
21 undertaken. The structural study was done by seismograph and
22 it indicates a northwest-southeast trending structural
23 anticline in the area of the Unit.

24 The stratigraphic studies indicate that the Morrow
25 sand, which is the primary reservoir in this area, is present

1 under the Unit and will be productive from studies in the
2 Catclaw Draw field to the north and from log analysis of
3 several wells in the area around the Unit which are designated
4 with red triangles.

5 Q Are the results of your study indicated by Exhibit
6 Two which has been marked for identification?

7 A They are.

8 Q What conclusions do you draw from this exhibit, Mr.
9 Schweinfurth?

10 A From the exhibit it indicates that there is a
11 structure in the area of the Unit, it also indicates that from
12 log analysis the well to the north of the Unit known as the
13 Gulf Oil Company Number 1 Hackberry Hills Unit, is productive
14 in the Strawn formation. It has produced to date approximately
15 two and three quarter billion cubic feet. The Morrow section
16 in this well was not tested but log analysis indicates that
17 it is productive.

18 The well to the southwest of the proposed Unit, known
19 as the Coquina FAF Number 1, was completed in 1975 as a
20 Cisco Canyon discovery.

21 The well to the south of the Unit on the plat shown
22 as the Honolulu Number 1 McKettrick Canyon Unit.

23 Q That's in Section 25?

24 A In Section 25. It was completed as a shut-in Morrow
25 gas well in 1961. Subsequent to that time Western Oil Company

1 attempted to complete the well as a Morrow discovery but were
2 unsuccessful.

3 At the time of Honolulu's completion the well flowed
4 approximately a million cubic feet of gas per day.

5 Another pertinent well is the well in Section 29 to
6 the southeast of the Unit which was completed in 1975 as Cherry
7 Canyon discovery for five point four million cubic feet per
8 day.

9 These studies indicate that the chances of Morrow,
10 Cisco Canyon, Strawn and perhaps Cherry Canyon gas are very
11 good.

12 Q Is your primary objective the Morrow?

13 A Yes.

14 Q When will the test well be commenced?

15 A As soon as the administrative paper work is completed,
16 hopefully within sixty days.

17 Q Approximately how long will it take to drill the
18 initial well?

19 A Approximately sixty days.

20 Q What have you calculated the approximate or estimated
21 cost of that test well to be?

22 A Between six hundred and fifty and seven thousand
23 dollars.

24 Q In your opinion, Mr. Schweinfurth, do you feel that
25 the proposed Unit area contains recoverable oil and gas reserves?

1 A. Yes.

2 Q Will the proposed unit promote the prevention of
3 waste and the protection of correlative rights within the
4 Unit area?

5 A. Yes.

6 Q Was Exhibit Two prepared by you or under your direct
7 supervision?

8 A. Yes, it was.

9 MR. HENSLEY: Mr. Examiner, we offer Exhibit Number
10 Two, please.

11 MR. STAMETS: Exhibit Two will be admitted.

12 (THEREUPON, Applicant's Exhibit Number Two
13 was admitted into evidence.)

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

16 (THEREUPON, the witness was excused.)

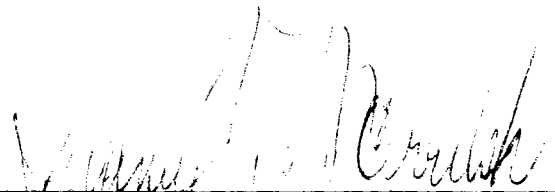
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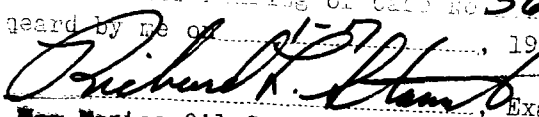
18 MR. HENSLEY: Nothing further.

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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand 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.


Sidney F. Morrish, C.S.R.

I hereby certify that the foregoing is a correct record of the proceedings in the Examiner hearing of case no. 5608, heard by me on 11-30-76, 1976.

Richard H. Blum, Examiner
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I N D E X

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Page

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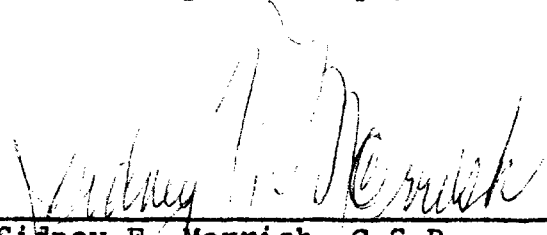
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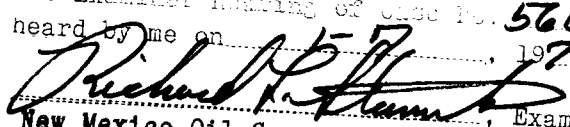
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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand 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.


Sidney F. Morrish, C.S.R.

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

I do hereby certify that the foregoing is
a complete and correct transcript of the
the Examiner hearing of case No. 5608
heard by me on 1976

Richard H. Hamm, Examiner
New Mexico Oil Conservation Commission