

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 3, 1967

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Elvis A. Utz, Alternate Examiner:

CASE 3567: Application of Tenneco Oil Company for a dual completion, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Hospah Well No. 10 located in Unit C of Section 12, Township 17 North, Range 9 West, to produce oil from the South Hospah Lower Sand Oil Pool and gas from an undesignated Dakota pool through parallel strings of tubing.

CASE 3556: (Continued and readvertised)

Application of Southland Royalty Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a proposed Devonian gas test well at an unorthodox gas well location 660 feet from the North and West lines of Section 20, Township 25 South, Range 17 East, Lea County, New Mexico. The well would be dedicated to the N/2 of said Section 20.

CASE 3568: Application of Pubco Petroleum Corporation for compulsory pooling and an unorthodox location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Basin-Dakota Gas Pool underlying Lots 1, 2, 3, and 4 and the S/2 of the N/2 of Section 1, Township 29 North, Range 13 West, San Juan County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location for said pool 1040 feet from the North line and 360 feet from the East line of said Section 1.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 10, 1967

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following case will be heard before Daniel S. Nutter, Examiner, or Elvis A. Utz, Alternate Examiner:

CASE 3569: Application of American Trading and Production Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Southeast Lea Unit Area comprising 2,080 acres, more or less, of State lands in Township 20 South, Range 35 East, Lea County, New Mexico.

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

May 10, 1967

EXAMINER HEARING

Application of American Trading and)	
Production Corporation for a unit)	Case No. 3569
agreement, Lea County, New Mexico.)	

BEFORE: DANIEL S. NUTTER, EXAMINER

TRANSCRIPT OF HEARING

MR. DANIEL S. NUTTER: The hearing will come to order,
please. The first case this morning will be 3569.

MR. GEORGE M. HATCH: Application of American Trading and
Production Corporation for a unit agreement, Lea County, New Mexico.
If the Examiner please, the Commission has received communication
from the applicant in this case that they cannot be here today
because of a conflict and have requested to have this case continued
to 10 a.m., May 11, 1967.

MR. NUTTER: Case 3569 will be continued to 10 a.m.,
May 11th, same place. This hearing is recessed until
that time.

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

I, ETHEL S. ROMERO, do hereby certify that the attached transcript of hearing before the New Mexico Oil Conservation Commission on May 10, 1967, was reported by me, and that the same is true and correct record to the best of my knowledge, skill and ability.

Ethel S. Romero

May 11, 1967
Date

SWORN AND SUBSCRIBED TO BEFORE ME THIS 11th DAY OF
MAY, 1967.

Alta Rodriguez
Notary Public

My Commission Expires:

September 22, 1969

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

May 10th, 1967

EXAMINER HEARING

IN THE MATTER OF:

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

Case No. 3569

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: We will resume with Case Number 3569.

MR. HINKLE: Clarence Hinkle, Hinkle, Bondurant and Christy in Roswell appearing on behalf of American Trading and Production Corporation. We have one witness, Mr. Osborne. We would like to have him sworn.

(Witness sworn.)

MR. HINKLE: When we filed the application, we filed three copies of the unit agreement with it. At that time, the Exhibit A was not complete, so I would like to hand you those at this time to be inserted in the copies of the unit agreement which you have.

W. C. OSBORNE called as a witness on behalf of the applicant, first having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name, your residence and by whom you are employed?

A W. C. Osborne, 2110 North I Street, Midland, Texas. I am employed by American Trading and Production Corporation.

Q In what capacity are you employed?

A Exploration Manager.

Q Are you a graduate geologist?

A Yes, I am.

Q Have you ever testified before the New Mexico Commission?

A No, sir, I never have.

Q Will you give the Commission a brief resume of your education as a geologist and also your experience as a geologist?

A I graduated from Centenary College of Louisiana in 1943 and thereafter, went immediately into the Navy and after getting out of the Navy, I was employed by Tidewater Associated Oil Company in Midland, Texas as a geologist. I worked with them and became District Geologist in 1950. In 1951, January of that year, I left to become District Geologist for Union Oil and Gas Corporation of Louisiana in Midland, Texas. I was employed by them as District Geologist until September of 1957. At that time, I resigned from Union of Louisiana and joined American Trading and Production Corporation as Exploration Manager and have been with them ever since.

Q Have you had considerable geological experience in southeast New Mexico?

A Yes, I have.

Q Are you familiar with the application of American Trading and Production Corporation in this case?

A Yes.

Q What is American Trading seeking by this application?

A We are seeking approval of this unit here on which we propose to drill a Devonian test.

Q A unit agreement?

A Yes.

(Whereupon, Applicant's Exhibits 1 and 2 were marked for identification.)

Q Will you refer to American Trading's Exhibit Number 1 and explain to the Commission what it is and what it shows?

A This is a land plat showing, in yellow, the unit that we are seeking to form here consisting of 2,080 acres.

Q What township and range is that?

A Township 25, 35 East and comprises the Southwest Quarter of Section 25, all of Section 26, the East half of Section 27, all of Section 35 and the West half of Section 36. This plat is up-to-date as to leases and well locations and completions.

Q What is the characteristics of the land involved under the proposed unit area? Who owns it?

A It is state land.

Q It is all state --

dearnley-meier

A It is all state of New Mexico.

Q It is all under state oil and gas leases?

A Yes, sir. Shown on this plat also is a location 1,980 feet from the south and east line of Section 26 where we propose to drill our Devonian test.

Q Now, have you prepared, or has there been prepared, under your direction, a structural map of the area?

A Yes, sir.

Q Refer to American Trading's Exhibit Number 2 and explain what it shows?

A Exhibit 2 is a ~~geo-physical~~ map prepared for American Trading and Production Corporation under my direction, covering Township 20 South, Range 35 East, in Lea County. The records on this prospect were obtained from the Marathon Oil Company who did the seismic work here. We took these records and reviewed them and made our own independent interpretation of the data and this is our interpretation. The unit is shown in yellow with the location that I mentioned earlier; ~~also~~, shown with a red circle around it in the Southwest quarter of Section 26, this anomaly lies about six miles southeast of the Lea unit.

Q Which is the producing unit?

A Which is a producing unit, yes, sir, and it produces from the Bone Springs, two pays in the Bone Springs,

three pays in the Pennsylvanian and one Devonian pay. We feel that we are structurally on a trend with the Lea field and as such we expect to find the same reservoirs present and productive in this unit as are present and productive in the Lea field.

In addition to that there are possibilities of other pays because of the general geography of this area. There are numerous pays starting as high as the Yates Sand, around 3800 feet going on down through the Grayburg and Bone Springs, Wolfcamp, Pennsylvania and Devonian.

Q The contours shown on Exhibit 2 are on the Devonian formation?

A Yes, sir, on top of the Devonian.

Q Were the shut-in records pretty good in this area?

A We felt they were fair to good, yes, sir, which is about the kind of records, quality of records, that you would expect for this country.

Q In your opinion does the proposed unit area cover all or substantially all of this geophysical anomaly?

A Yes, sir, it does. We feel that the Devonian on the crest of this anomaly will be encountered at about a minus 10,800 feet. Our lowest closing contour is a minus 11,000 feet -- minus 11,050, I'm sorry, which would give us about

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350 feet of actual closure and, as the map will show, the yellow acreage is, pretty well encompasses this anomaly. The anomaly is bound on the north side by a fault down-thrown to the north. This fault was cut by several seismic lines and we feel that there is good evidence of this fault in here. The fault on the east side which limits the anomaly to the east is also well defined and is further substantiated by sub-surface information, in that a well in Section 36 is extremely high. So, there must be a fault on the sub-surface. Even without the benefit of seismic information. The fault to the south, we feel, is there, but it is a little bit questionable, but, with or without the fault, we would still have reversal in the position were this fault is shown, so we feel that the three faults that are controlling here, the north one and the east one are well defined, the one to the south, we feel, is fairly well defined but, with or without the fault, the reversal is present at any rate.

Q If you show production in the test well, do you feel that this area will give substantial control of the entire field or area?

A Yes, sir, we certainly do.

Q Are there any other Devonian wells that have been drilled in the immediate area?

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A No, sir, well except for the Lea field up here about six miles to the north.

Q That is the closest?

A Northwest, that is the closest, yes sir.

Q Are you familiar with the unit form that has been filed with the application?

A Yes, sir, I am.

Q Is this form the same form or substantially the same form as heretofor been used where state lands are involved?

A Yes, sir.

Q And, the form has been approved by the Commission and by the Commissioner of Public Lands?

A Yes, sir.

Q Who is to be the operator under the terms of the unit?

A American Trading and Production Corporation.

Q Does the agreement provide for the test well which you have already testified to?

A Yes, it does.

Q And that well, as I understand it, is to be drilled to a depth sufficient to test the Devonian formation?

A Correct.

Q But, you are not obligated, under the unit, to

drill in excess of 14,700 feet?

A That's correct.

Q Who owns the acreage that is involved in the unit area?

A Humble, Marathon and Phullips are the acreage owners at present and we will be obtaining this acreage from them on a farm-out.

Q Will you have a farm-out agreement with them?

A Yes, sir.

Q Under which you would earn an interest in the area acreage by the drilling of the well?

A Yes, sir, that's correct.

Q Do you have any other testimony with respect to the structural map?

A No, sir, I think that what I have said pretty well covers it. I might say, that our future belief for expecting the same basin is an anomaly that produces to the northwest and is borne out by the overall conformability of the shallower structures which were not mapped but observed on the seismic record. They also seem to indicate a high at this particular spot from the Yates right on down through the Devonian.

Q When do you intend to commence the initial test well?

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A Just as soon as the unit is approved and we are able to locate a contractor. We are presently contacting various drilling contractors in the area.

Q In other words, you expect to start it within the next two or three weeks?

A Yes, sir.

Q Do you anticipate any difficulty in having the unit signed up among these parties?

A No, not at all.

Q Now, in the event this unit agreement is approved and the well is drilled and you get production, is it your opinion that the unit agreement would be in the interest of conservation and prevention of waste?

A Definitely, yes, sir.

Q Would it also be in the interest of the protection of correlative rights?

A Yes, sir.

Q And, through the unit agreement, would you obtain the greatest ultimate recovery?

A Yes, sir, I feel very strongly that we would.

Q Are all formations unitized under the terms of this agreement?

A Yes.

MR. HINKLE: I would like to offer Exhibits 1 and 2

in evidence.

MR. NUTTER: Applicant's Exhibits 1 and 2 will be admitted in evidence.

(Whereupon, Applicant's Exhibits 1 and 2 were admitted in evidence.)

MR. HINKLE: I believe that's all of the direct examination.

MR. NUTTER: Are there any questions of the witness?

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Osborne there is a dry hole in the Northeast Quarter of Section 35, is that a shallow well?

A Yes, sir, it is.

Q What formation did it test?

A It went to the Seven Rivers formation.

Q And no deeper?

A No, sir. It's total depth was 4,200 feet.

Q Now, you said that you expect to top the Devonian at a minus 1080 feet. What would that depth be from the surface to the ground or what is the elevation there?

A It would be at approximately 14,500 feet.

Q And, your unit agreement calls for a maximum depth of fourteen seven?

A Yes, sir, which would give us 200 feet in the

Devonian. We are estimating that elevation at 3,800 feet.

Q I see. Now, you mentioned that American Trading would earn an interest in the Humble and Marathon leases. I notice that Tract 6 is indicated to be owned by Phillips. Will you earn an interest in the Phillips lease also?

A Yes, sir, we will.

Q So, has all of the acreage in this unit been committed as far as working interest is concerned?

A It has.

Q Has the Commissioner of Public Lands for the State of New Mexico given tentative approval to this unit agreement?

A I don't know.

MR. HINKLE: Yes, he has. It has been discussed with the Commissioner and also Mr. Lopez and Mr. Lopez has just advised that he has no objection to the form.

MR. NUTTER: Are there any other questions of Mr. Osborne? He may be excused.

(Witness excused.)

MR. NUTTER: Do you have anything further, Mr. Hinkle?

MR. HINKLE: That's all.

MR. NUTTER: Does anyone have anything they wish to offer in Case 3569? We will take the Case under advisement

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and the hearing is adjourned.

(Whereupon, the Hearing
was concluded.)

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IN WITNESS WHEREOF, I have affixed my hand and notarial seal this 7th day of June, 1967.

Notary Public - Court Reporter

7-10-70

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Executive Hearing of Case No. _____,
heard by me on _____, 19____.
_____, Secretary
New Mexico Oil Conservation Commission