209 SIMMS BLDG. . P.O. BOX 1092 . PHONE 243-6691 . ALBUQUERQUE, NEW MEXICO

EXAMINER HEARING

n Petroleum agreement,

Case No. 4476

Examiner

RANSCRIPT OF HEARING



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BOX 1

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MR. UTZ: Case 4476. This is a unit agreement.

MR. HATCH: Case 4476. Application of Hanagan Petroleum Corporation for a unit agreement, Eddy County, New Mexico.

MR. RICHARDSON: I'm Richardson from Roswell, representing Hanagan Petroleum Corporation, Case Number 4476, Application for approval of a Catclaw Draw unit agreement, Eddy County.

We'd like to swear the witness.

(Witness sworn)

MR. UTZ: Are there other appearances? proceed.

HUGH HANAGAN

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

DIRECT EXAMINATION

BY MR. RICHARDSON:

- Would you state your name, please? Q
- A Hugh Hanagan.
- You have testified before the Commission as an expert 0 before?
- Several times. A

MR. RICHARDSON: Would you like a restatement of qualifications?



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1120 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 1203 FIRST NATIONAL BANK EAST • PHONE 256-1294 • ALBUQUERQUE, NEW MEXICO MR. UTZ: No. We know Mr. Hanagan's qualifications well. He's qualified.

MR. RICHARDSON: Well, fine.

- Q (By Mr. Richardson) Mr. Hanagan, would you please state the approximate location of the unit area, the total number of acres within the unit area and the division of ownership among State, Federal and fee lands?
- A The unit is located in the central Eddy County New Mexico, the Southeast corner of the unit is approximately four miles West of the City of Carlsbad, New Mexico.

It would consist of 6,720 acres 65.4762 percent federal land, 1,840 acres 27,3810 state land, 480 acres, 7.1428 percent fee lands, as shown on Exhibit A that we'll present.

- Q Mr. Hanagan, may I have your geological report? Is that a complete one?
- A Yes.

MR. RICHARDSON: We would like to --

A Wait. Here's one that you can give to them. That's mine there.

MR. RICHARDSON: This is a geological report which we would like to introduce into evidence.

(Thereupon, Applicant's Exhibit

A was marked for identification.



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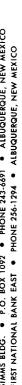
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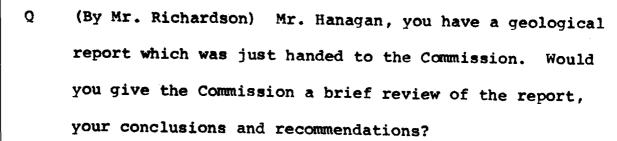
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This report consists of an Exhibit A which is a lease ownership plat of the unit area containing all of the owners within the unit area.

We have Exhibit B, which consists of a detailed description of all leases within the unit area, the number of acres within each lease, the amount of overriding royalties and working interest owners of record.

We also have three geological maps, the first one is a structure map, a subsurface structure map, contoured on top of the upper Mississippian formation.

Number two is an Isopach map contoured on top of the Cisco Canyon Reef.

MR. HATCH: Would this be -- we're still going A, B, D, D? Would this first plat be Exhibit C?

THE WITNESS: Yes, sir.

MR. HATCH: Go ahead.

Α And so the Isopach map of the Cisco Canyon Reef would be Exhibit D. Exhibit E is a North-south cross section through the proposed well, or the number one well, in the



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unit area.

- Q Mr. Hanagan, this report was prepared by you, was it not?
- A Yes, it was.
- Q Prepared by you directly?
- A Yes.
- Q Has a definite location for the initial test well been chosen?
- A Yes, it has.
- Q Would you tell where, please?
- A It is spotted on all the exhibits except Exhibit B.

 It would be located 1980 feet north and west of Section 26% Township 21 South, Range 25 East, Eddy County, New Mexico.
- Q Mr. Hanagan, has the unit area been designated by the United States Geological Survey as an area logically suitable for unitization?
- A Yes. We have received an approval from Washington D.C. as to the unit. Their letter, dated November 25th, 1970.
- Do you know, Mr. Hanagan, if the agreement has been submitted to the Commissioner of Public Lands of the State of New Mexico for his approval?
- A Yes. We received his tenative approval December 2nd, 1970.
- Q In your opinion, does the unit area cover all or substantially all of the structure involved?



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- Α As indicated in Exhibits C and D, which is the structure map on top of the upper Mississippian, and also the Isopach map of the Cisco CAnyon Reef. These two maps, according to our interpretation, the unit area does cover essentially all of the structure. In the event a discovery of unitized substances, will the unit agreement promote orderly conservation or
- Q orderly development, conservation, prevention of waste?
- A Yes.
- In the event a discovery of unitized substances, will the State of New Mexico in the respective state institutions owning the land within the unit area receive their fair share of production?
- A Yes.
- Has the unit agreement been submitted to other working 0 interest owners, owning land within the area?
- Yes, it has, to all. A
- Have you had any objections to proposed units from any Q owners of any interest within the area?
- We have had no objections, whatsoever. A
- Do you anticipate any? Q
- No, we do not. A
- Do you have an idea or an estimate as to the percentage Q of committments that you will receive?



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A Between ninety and a hundred percent.

MR. RICHARDSON: Do you have any questions or would you like for Mr. Hanagan to discuss the geology any additionally?

MR. UTZ: Oh, I don't think it's really necessary.

He's drawn these Isopach maps here. I would like to know what these Isopach maps are based on.

THE WITNESS: Both of these maps are subsurface Isopach maps based on the thickness of the ABO reef in the surrounding wells.

MR. UTZ: And the test well will go to the Mississippi?

THE WITNESS: Yes, sir. It will test all horizons through the Pennsylvanian.

MR. UTZ: Are there other questions?

MR. HATCH: Is there a copy of the unit agreement here in the files?

MR. RICHARDSON: I think we filed one with the Commission --

MR. HATCH: I think there is.

MR. RICHARDSON: -- and Commissioner both.

MR. UTZ: If there is, it's not -- yes, it is.

MR. RICHARDSON: You will be furnished, of course, an executed copy after executions.



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MR. UTZ: Are there any other questions? Witness may be excused. Statements in the case? Case will be taken under advisement.



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) ss
COUNTY OF BERNALILLO)

I, Linda Malone, 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.

Court Reporter



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