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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
CONFERENCE HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
August 23, 1972

EXAMINER HEARING

IN THE MATTER OF:

The application of the Petroleum
Corporation for a unit agreement,
Eddy County, New Mexico.

CASE NO. 4801.

BEFORE: Richard L. Stamets
Examiner

TRANSCRIPT OF HEARING

1 MR. STAMETS: Case 4801

2 MR. HATCH: Application of the Petroleum Corporation
3 for a unit agreement, Eddy County, New Mexico.

4 MR. HINKLE: Clarence Hinkle appearing on behalf
5 of the Petroleum Corporation. We have one witness and four
6 Exhibits.

7 (Whereupon, Hal Dean was called to the
8 stand and duly sworn.)

9 HAL DEAN,

10 appeared as a witness, and having been duly sworn according
11 to law, testified as follows:

12 DIRECT EXAMINATION

13 BY MR. HINKLE:

14 Q State your name and your residence.

15 A My name is Hal Dean. I live in Midland, Texas.

16 Q Are you a consulting geologist?

17 A I am a consulting geologist for the Petroleum
18 Corporation.

19 Q You have been employed by them in this case?

20 A Yes, sir.

21 Q Have you previously testified before the Commission?

22 A Yes, I have.

23 Q Your qualifications as a petroleum geologist are
24 a matter of record with the Commission?

25 A Yes, they are.

1 Q Have you made a study of the parkway west area that
2 is involved in this application?

3 A Yes, I have.

4 MR. HINKLE: Are the witness' qualifications
5 acceptable?

6 THE EXAMINER: Yes.

7 Q (By Mr. Hinkle) Are you familiar with the application
8 that has been filed in this case?

9 A Yes, I am.

10 Q What is the Petroleum Corporation seeking to accomplish?

11 A The Corporation seeks a unit agreement for the
12 approval of the parkway west unit area comprising
13 3,840 acres of state lands in Sections 20, 21, 22, 27,
14 28 and 29 of Township 19 South, Range 29 East, Eddy
15 County, New Mexico.

16 Q Have you prepared or has there been prepared under
17 your direction certain Exhibits for introduction in
18 this case?

19 A Yes, there have been.

20 Q These are the Exhibits marked 1 through 4?

21 A Yes, they are.

22 Q Refer to Exhibit 1 and explain what this shows.

23 A Exhibit 1 is a location map showing the fields in
24 the area adjacent to the proposed parkway west unit.
25 This map shows that we are prospecting for primarily

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1 the Strawn zone which is producing in the Lusk
2 zone or Lusk field approximately 16 miles to the east
3 and the Devonian which is producing the Shugart field
4 which is approximately 19 miles to the northeast. This
5 area is surrounded by pre-Pennsylvanian production.

6 Q Refer to Exhibit 2 and explain what it shows.

7 A Exhibit 2 is a land map showing the ownership of the
8 land within the proposed parkway west unit. These
9 lands are all state lands.

10 Q It shows the ownership of the leases that are involved?

11 A Yes. It shows the ownerships of the leases that are
12 involved.

13 There are some 15 different ownerships in this
14 six-section unit.

15 Q Now, refer to Exhibit 3 and explain that, please.

16 A Exhibit 3 is a geophysical map prepared by the
17 Petroleum Corporation as a result of seismic mapping
18 conducted by the Petroleum Corporation completed in
19 January 1971. This map is contoured on the Strawn
20 horizon which was encountered in the Petroleum Corporation
21 Number 1 Petco State located in the SE/SE of
22 Section 26 P, 19 South, Range 29 East. The Strawn
23 formation was tested on an open hole test. We had gas
24 to the surface in two minutes and oil to the surface in
25 19 minutes and flow to the rate of two and a half million

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1 on a quarter inch choke with 1,500 pounds surface
2 pressure increased to four million. Our recovery was
3 580 feet of oil plus 2,060 feet of gas cut salt water.
4 We attempted a completion in the top five feet of this
5 porosity and were able to make or complete a well
6 from this Strawn formation producing 44 barrels of
7 oil a day plus approximately 300 barrels of water, a
8 gas-liquid ratio of about 4,000 to 1.

9 The objective is to move to the northwest within
10 the unit area where we feel that we can find a
11 structural location approximately 700 feet high to
12 this well which tested gas, oil and water.

13 Q Is the unit area outlined in red on Exhibit 3?

14 A Yes, sir.

15 Q Go to Exhibit 4 and explain what this shows.

16 A Exhibit Number 4 is a structure contour map on top of
17 the Devonian formation. The Devonian formation was
18 penetrated in the Sun Ray Number 1 New Mexico State
19 located in Section 32 T, 19 South, Range 29 East. This
20 well penetrated the Devonian at a depth of 12,241.
21 They had an open hole test from 12,241 and they had gas
22 at the surface in 12 minutes and it flowed at the rate
23 of 318,000. They recovered 840 feet of gas cut mud.

24 An attempt was made to complete in the top 20
25 feet of the Devonian and it flowed gas at a rate of

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1 1,200,000 and decreased to 480,000 because of the
2 proximity to the gas-water contact. The well was
3 plugged back and completed in the Atoka formation which
4 has subsequently been abandoned. So, we feel that
5 on our unit area that we can find a structural
6 position approximately 150 feet high to this well which
7 tested gas.

8 Q Are you familiar with the proposed unit agreement for
9 this area?

10 A Yes, I am.

11 Q Copies of which have been filed with the application?

12 A Yes.

13 Q Is the Petroleum Corporation designated as a unit
14 operator?

15 A Yes, they are.

16 Q Has this form been approved by the Commissioner of
17 Public Lands?

18 A Yes, it has.

19 Q Does the unit agreement provide for drilling of a
20 test well?

21 A Yes. It provides for the drilling of a test well to
22 11,800 feet with the operation which is the
23 Mississippian line which the operation to deepen into
24 the Devonian formation is approximately 12,125 feet.

25 Q Have you or the Petroleum Corporation contacted all of

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1 the lease owners in the proposed unit area with the
2 view to having them commit their interests to the unit?

3 A Yes. We have contacted all lease owners.

4 Q What response have you had?

5 A We have had 100 percent response that all members will
6 either join in the drilling of the well or farm out
7 to the Petroleum Corporation.

8 Q So you do not anticipate any difficulty in having the
9 unit agreement approved?

10 A No, sir, we do not.

11 Q Or by the Commissioner of Public Lands if the Commission
12 approves it?

13 A Yes, sir.

14 Q What time do you have to commence the well?

15 A We have 60 days after the approval of the unit to
16 commence the well.

17 Q What is the shortest term lease involved on the unit?

18 A The shortest term lease expires in February 1973.

19 Q In your arrangement with the owners of the acreage
20 by farm outs and otherwise, do you have any understanding
21 as to future development in the event you should obtain
22 the producing well?

23 A Yes. We will drill a well in there at six month
24 intervals.

25 Q Each six months?

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1 A Yes.

2 Q In the event this is approved and you should obtain
3 production, in your opinion will the unit be in the
4 interest of conservation and prevention of waste?

5 A Yes.

6 Q And it will tend to correct correlative rights?

7 A Yes, it will.

8 MR. HINKLE: We would like to offer Exhibits 1
9 through 4.

10 MR. STAMETS: Without objection, Exhibits 1
11 through 4 will be admitted into evidence.

12 (Whereupon, Applicant's Exhibits Number 1 through
13 4 were admitted into evidence.)

14 MR. STAMETS: Do you have any further questions?

15 MR. HINKLE: No.

16 MR. STAMETS: Any questions of this witness?
17 (No response.)

18 CROSS-EXAMINATION

19 BY MR. STAMETS:

20 Q Mr. Dean, did you state how much of the acreage inside
21 the unit boundary has been committed at this time?

22 A We have 100 percent of the acreage.

23 MR. STAMETS: Any other questions?
24 (No response.)

25 MR. STAMETS: The witness may be excused.

1 (Witness excused.)

2 MR. STAMETS: Any statements in this case?

3 (No response.)

4 MR. STAMETS: We will take the case under
5 advisement and call the next case 4802.

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I N D E XWITNESS:PAGEHAL DEAN

Direct Examination by Mr. Hinkle

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Cross-Examination by Mr. Stamets

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E X H I B I T SAPPLICANT'SOFFEREDADMITTED

Petroleum Corporation

Exhibit Number 1

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Exhibit Number 2

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Exhibit Number 3

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Exhibit Number 4

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