

Santa Fe, New Mexico

May 8, 1974

EXAMINER HEARING

IN THE MATTER OF:

Application of Texas Pacific Oil
Company, Inc., for a unit agreement,
Eddy County, New Mexico.

Case No.
5232

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:

Thomas Derryberry, Esq.
Legal Counsel for the
Commission
State Land Office Bldg.
Santa Fe, New Mexico

For the Applicant:

Paul Eaton, Esq.
HINKLE, BONDURANT, COX
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Roswell, New Mexico

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E X H I B I T SMarkedAdmitted

Applicant's Exhibits Nos.

1 and 2

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MR. STAMETS: We'll call the next case, Case 5232.

MR. DERRYBERRY: Case 5232. Application of Texas Pacific Oil Company, Inc., for a unit agreement, Eddy County, New Mexico.

MR. EATON: Paul Eaton, firm of Hinkle, Bondurant, Cox & Eaton, representing the Applicant, and we have two witnesses.

MR. STAMETS: The Witnesses will stand and be sworn, please.

(Witnesses sworn.)

KENNETH H. GRIFFIN

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

DIRECT EXAMINATION

BY MR. EATON:

Q State your name and by whom you are employed and in what capacity?

A I am K.H. Griffin with the firm of Griffin & Burnett, Midland, Texas, employed by Texas Pacific Oil Company as a Land Consultant in connection with the formation of Federal unit.

Q Your qualifications as such have been previously accepted by this Commission, have they not?

A Yes.

MR. STAMETS: Witness is qualified.

BY MR. EATON:

Q Mr. Griffin, what does Texas Pacific Oil Company seek in this matter?

A We propose to form a Federal and State-type exploratory unit covering 8465.21 in Township 26 South, Range 31 East, Eddy County, New Mexico, as reflected on the plat which we, I believe is marked Exhibit 1.

Q Yes, sir. All right, would you please proceed with testimony as to what Exhibit 1 portrays?

A Exhibit 1 outlines the proposed unit area, being bounded on the south by the State of Texas limiting it on that end. In actuality it covers 12 full sections and covers 3 partial sections along the State line. This area was formally unitized, I believe, in 1973, and was at that time known as the Phantom Banks Unit. The Phantom Banks Unit did not include Sections 31, 32 and 33 along the side whereas the newly proposed Phantom Draw Unit does.

Q What is the breakdown of the land ownership between Federal, State, and fee land?

A The area within the unit is 88.87 percent Federal, 10.66 percent State and .47 percent fee.

Q Has the proposed Phantom Unit Draw area been designated by the USGS as logically subject to exploration and development?

A Preliminary approval has been given. Formal application has been made that this area be designated suitable for unitization.

Q Has the proposed unit area been approved by the Commissioner of Public Lands?

A It has by letter which I believe is marked Exhibit 2.

Q Does Exhibit 2 represent such approval?

A Yes, subject to filing of proper unit agreements, unit operating agreements, with amendments necessary to include the State Land Commissioner's approval.

Q Has the unit agreement been prepared at this time?

A It is in the process of being prepared. It will follow the standard provisions of the 1968 reprint in accordance with 30 CFR 22-61-12. The only amendment necessary in this case will be to allow for approval by the Commissioner of Public Lands.

Q When will you be able to furnish copies of the unit agreement to this Commission?

A A proposed unit agreement will be furnished to the Commission in approximately one week.

Q Has the form of unit agreement previously been approved by the USGS, by the Commissioner of Public Lands, and by this Commission?

A Yes.

Q Who will be the unit operator?

A The unit operator will be Texas Pacific Oil Company, Incorporated.

Q Will all formations be unitized?

A Yes.

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

A The initial test well will be commenced within six months at a legal location near the center of the unit area.

Q What is the plans for further development after the well is drilled?

A The unit agreement will contain the standard provisions regarding a six-months' plan of development to be filed and approved by both the Commissioner and the Director.

Q Mr. Griffin, what is the current status of

commitment to the unit agreement of the interest in the unit area?

A At this point we have 93.2 percent of the interest committed.

Q Will that quantity of commitment afford control of operations in the unit area?

A Yes.

Q After execution of the unit agreement and after its effective date, will a counterpart of the fully executed unit agreement be furnished to the Commission?

A At the Commission's instructions, yes. Normally the Commission only asks me for copies of the final draft of the unit agreement and one copy of the operating agreement, but whatever data should be filed as stated, we will file.

Q Was Exhibit 1 prepared by you?

A Yes.

Q In your opinion, is the unit agreement in the interests of conservation, will it prevent waste and will it protect correlative rights?

A Yes.

MR. EATON: We offer Exhibits 1 and 2 into evidence.

MR. STAMETS: Without objection Exhibits 1 and 2 will be so admitted.

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

MR. EATON: No further questions of this Witness.

MR. STAMETS: Are there any questions of this Witness? He may be excused.

(Witness previously sworn.)

REGINALD C. KEYES

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

DIRECT EXAMINATION

BY MR. EATON:

Q State your name, by whom you are employed and in what capacity you are employed?

A My name is Reginald C. Keyes, Senior Development Geologist in Midland, Texas, with Texas Pacific Oil Company.

Q Mr. Keyes, have you previously testified before this Commission?

A No, I have not.

Q Will you give us a resume of your educational background and your work experience?

A I graduated from Texas A & M in 1954 with a degree in Geology, a Bachelor of Science Degree in Geology.

Since then I have been engaged primarily in exploration work in the Permian Basin and the Andarko Basin in north Texas. From 1963 to 1972 my work had been primarily in southeastern New Mexico. Since 1972 by area of interest has been Texas.

Q Are you familiar with the area in which the proposed Phantom Draw Unit is to be located?

A Yes, I am.

Q And are you familiar with the Application of Texas Pacific Oil Company in this Case?

A I am.

MR. EATON: Are his qualifications satisfactory?

MR. STAMETS: They are.

BY MR. EATON:

Q Mr. Keyes, I refer you to what has been identified as Applicant's -- marked for identification as Applicant's Exhibit 3 and ask you to state what it portrays?

A This is the Phantom Draw prospect located in southeastern Eddy County, bordering on the east by Lea County line and on the south by the State of Texas. It is primarily located in 26 South, Range 31 East. The prospect itself covers approximately 24 sections extending

into Texas. This Exhibit is a seismic map exhibiting 350 feet of closure. We propose a 15-section unit being in Township 26 South, Range 31 East, Eddy County, as outlined in green. This unit here takes in the 350-foot closure as we depicted. Within this unit we propose to drill 17,500-foot-lower-Silurian-wildcat test to be tentatively located in the southwest quarter of Section 20, Township 26 South, Range 31 East. Our primary objective here is the lower Silurian. The lower Silurian is a dolomite; it's called Fusselman dolomite in this area and is also referred to as the Devonian or Siluro-Devonian. Our prospect is also controlled by the minus datum of minus 13,150. This is an arbitrary figure. The reason this was selected is primarily because approximately 6 miles to the north in Section 12, Township 25 South, Range 30 East, Richardson and Bass built a No. 1 Harrison. From the Siluro-Devonian a drill-stem test was taken and water was recovered. The subsea datum here was minus 13,247. My 13 minus 150 was merely to stay well above this 13,247. Under this prospect we anticipate favorable lower Silurian carbonate buildup. Approximately 18 miles south southwest in Reeves County, Texas, a field known as the Chapman Field was recently discovered, is presently being developed, and its maximum

closure is 350 feet on the Silurian, the lower Silurian. The bases there are comparable to what we expect here, therefore, we feel that we have a good chance for production in the lower Silurian.

Q Now I notice that there appears to be a fault line moving, trending to the south or southeast through a portion of the proposed unit?

A Right. The unit outline is also controlled on the north by a present unit in existence known as Poker Lake Unit, and of course, to the south by the State of Texas. On the west side we have a northsouth trending fault which also controls the prospect on the west. On the east side we have a minor fault and a seismic indicates down-thrown block but on the north end we see we only have 50 feet of closure. Now we're folding a carbonate against a carbonate and we feel that, in spite of this, we will still be in communication, the reservoir will be in communication and it will be considered a common reservoir. In addition to the primary objective of the lower Silurian, we have three other secondary objectives, being the Morrow, the Atoka, and the Wolfcamp. The nearest Morrow production is approximately 6 miles east northeast in the Cotton Draw Field. Texaco No. 65 Well produces from this horizon

from approximately 60 feet in Morrow sand. It has produced 23 billion cubic feet of gas. We anticipate by our sub-surface work to encounter approximately 70 feet of Morrow sand here.

From the Atoka we go 13 miles to the north in a sand dune field. The Atoka produces from the lime algal buildup and it has produced approximately 9 billion cubic feet of gas. The similar faces we interpret to be present under this prospect.

From the Wolfcamp, which is the hardest to predict, this No. 65 Cotton Draw Well also produces from this horizon and it has produced approximately 1 billion cubic feet. Approximately 11 miles east northeast in the Red Hills area in Township 25 South, Range 33 East, the Pure No. 1 Red Hills Unit has produced approximately 9 billion cubic feet of gas from the Wolfcamp plus 350,000 barrels of condensate. We have four possible pay horizons on our prospect and will attempt to drill our well as soon as all the data has been assembled. A well at this location will cost Texas Pacific and its partners approximately \$1,350,000 for a dry hole and \$1,700,000 for a producer.

Q Now, where did you say, if you did, Mr. Keyes, that you propose to drill the well?

A Southwest quarter, Section 20, Township 26 South, Range 31 East.

Q And what consideration led to picking that location?

A It is the highest part of the seismic structure which is necessary for lower Silurian production. It is also necessary for production in the Atoka, the Morrow and probably the Wolfcamp.

Q In your opinion, Mr. Keyes, will approval of the Application be in the interests of conservation and prevention of waste and will it protect correlative rights?

A Yes, it will.

Q Was Exhibit 3 prepared by you or under your supervision?

A No, it was not prepared by me, but prior to this meeting it was prepared by our District Geologist, Mr. Porter. Prior to this meeting we went over the data in its entirety.

Q Are you familiar with the data from which the Exhibit was prepared?

A Yes, I am.

Q In your opinion, is the information on the Exhibit reasonably supported by th --

A (Interrupting) It is, it is supported, yes.

MR. EATON: Mr. Examiner, we would like not to introduce this Exhibit into evidence at this time, but would be willing to introduce it into the evidence and made a part of the record after the test well is drilled.

MR. STAMETS: When do you anticipate that the test well would be down?

MR. KEYES: Approximately 4 to 5 months after spud date.

MR. STAMETS: And when do you anticipate the spud date might be.

MR. KEYES: On or before the 15th of July, 1974, if everything is done by then.

MR. STAMETS: So you would submit it at completion of the well, at least by the end of the year?

MR. KEYES: At least after the well is started.

MR. STAMETS: I don't believe there is any objection to that and you may withdraw Exhibit No. 3 and submit it at that time.

MR. EATON: Thank you. We have no further questions.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Keyes, I believe you stated that there was a well completed in Texas about 18 miles southwest of here in the Siluro-Devonian?

A In the Fusselman, yes, sir. It's more than one well, I don't know exactly, it's in Chapman Field.

Q Is that an oil field.

A No, it's a gas bearing, dry gas.

Q You have a location spotted here as an oil location, I believe, or is this --

A (Interrupting) No, in the southwest quarter there there is no unit designation yet.

Q I see. That would be a standard gas location?

A It may be "K," "L," "M," or "N," depending, so it will probably be "K."

MR. STAMETS: Now, are there any questions of this Witness? He may be excused. Anything further in this Case?

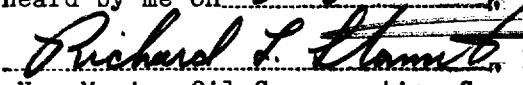
MR. EATON: No, sir.

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

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

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. 5232 heard by me on 5-8, 1977.

Richard L. Hammett, Examiner
New Mexico Oil Conservation Commission