

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
14 February 1979

EXAMINER HEARING

)	
IN THE MATTER OF:)	
)	
Application of Yates Petroleum))	CASE
Corporation for a unit agree-)	6455
ment, Eddy County, New Mexico.))	
)	

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation	Lynn Teschendorf, Esq.
Division:	Legal Counsel for the Division
	State Land Office Bldg.
	Santa Fe, New Mexico 87503

For the Applicant:	Joel Carson, Esq.
	LOSEE, CARSON, AND DICKERSON
	Artesia, New Mexico

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

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JERRY BOOK

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CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (505) 471-2462
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MR. NUTTER: Call Case 6455.

MS. TESCHENDORF: Case 6455. Application of Yates Petroleum Corporation for a unit agreement, Eddy County, New Mexico.

MR. CARSON: Mr. Examiner, my name is Joel Carson, Losee, Carson, and Dickerson, P. A., Artesia, New Mexico, appearing on behalf of the applicant. I have one witness, Mr. Jerry Book.

(Witness sworn.)

JERRY BOOK

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. CARSON:

Q Mr. Book, will you state your full name, please?

A Jerry Wayne Book.

Q By whom are you employed?

A Yates Petroleum Corporation in Artesia, New Mexico.

Q In what capacity?

A As a geologist.

Q And, Mr. Book, have you previously testified

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8020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

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before this commission?

A. Yes, I have.

Q. And have your qualifications been accepted?

A. Yes, they have.

MR. CARSON: Are his qualifications acceptable, Mr. Examiner?

MR. NUTTER: Yes, they are.

Q. (Mr. Carson continuing.) Mr. Book, I'm going to refer you to Applicant's Exhibit Number One, and ask you to identify that.

A. Okay, Exhibit Number One is the unit agreement for the development and operation of the North Texas Hills Unit.

Exhibit A of the unit agreement is a land plat showing the North Texas Hills Unit area in Sections 16, 17, 20, 21, 28, 29, 32, and 33 of Township 21 South, Range 21 East, in Eddy County, New Mexico. It contains 5,120 acres, more or less. The plat shows Federal lands of 3,720 acres, being 72.66 percent of the total acreage; State of New Mexico lands of 1,360 acres, being 26.56 of the total acreage; patented or fee lands, 40 acres, being .78 of the total acreage.

Individual lease boundaries are also shown.

Exhibit B of the unit agreement is a schedule of lands and leases in the North Texas Hills unit,

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1 with the number of the lease corresponding to the tract
2 number on Exhibit A.

3 We expect to have 100 percent of the working
4 interests committed.

5 Q Mr. Book, I refer you to Applicant's Exhibit
6 Number Two and ask you to identify that.

7 A Exhibit Number Two is a letter from the
8 Office of the New Mexico Commissioner of Public Lands, Alex
9 J. Armijo, approving the unit agreement as to form and con-
10 tent.

11 Q And this, well, this letter is addressed to
12 Mr. Randolph M. Richardson. He was working for -- on behalf
13 of the Applicant, was he not?

14 A Yes, he was.

15 Q All right. I refer you to Applicant's Ex-
16 hibit Number Three, and ask you to identify that.

17 A Exhibit Number Three is a copy of the appli-
18 cation for designation of the North Texas Hills Unit area
19 and for approval of the depth of the initial test well to
20 be drilled thereupon. It was submitted to the USGS on
21 January 23rd, 1979.

22 Q I'll refer you to Applicant's Exhibit Number
23 Four and ask you to identify that.

24 A Exhibit Number Four is a written report,
25 which briefly summarizes the geologic reasons for forming

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
8020 Plaza Blanca (SOS) 411-3482
Santa Fe, New Mexico 87501

1 the 8-section Federal unit.

2 Q Now, Mr. Book, was this Exhibit Number Four
3 prepared by you?

4 A Yes, it was.

5 Q I refer you to Applicant's Exhibit Number
6 Five and ask you to identify that.

7 A Exhibit Number Five is an areal map showing
8 the well locations, indicating dry holes, and producing
9 wells, and the horizon of production.

10 It also shows the structural configuration
11 of the proposed North Texas Hills Unit.

12 It also displays Isolith contours of total
13 sand in the Upper Morrow.

14 Q Now, Mr. Book, I'll refer you to Applicant's
15 Exhibit Number Six and ask if that was prepared by you or
16 under your supervision?

17 A Yes, it was.

18 Q What does it purport to show?

19 A It is a stratigraphic cross section showing
20 the key wells with the last two wells, or the first two
21 wells on the west, being the two wells within the unit
22 area themselves.

23 MR. NUTTER: Is that cross section marked off
24 on Exhibit Number Five?

25 A Yes, it is. It's A-A prime on Exhibit Number

1 Five.

2 Q Now I refer you to Applicant's Exhibit Number
3 Seven and ask if that was prepared by you or under your
4 supervision?

5 A Yes, it was.

6 Q Now, Mr. Book, could we go back to Applicant's
7 Exhibit Number Four, which is the geologic report on the
8 Texas Hills -- North Texas Hills Unit, and Exhibit Number
9 Five, which you've previously identified, and ask if you
10 would explain those two exhibits in more detail.

11 A Okay. On Exhibit Number Five the structural
12 configuration, the Apache fault zone cuts across the south-
13 west corner of the North Texas Hills Unit. Structure con-
14 tours are drawn on top of the Morrow Clastics on the down-
15 thrown block and they are drawn on top of the Abo Formation
16 on the up-thrown block.

17 Lower Pennsylvanian rocks are not present
18 on the up-thrown block.

19 Lower Pennsylvanian rocks are not present
20 on the up-thrown block this far north.

21 In the proposed North Texas Hills Unit a
22 structural closure exists with the -2400 contour cutting
23 into the sections included in the unit.

24 Q Now, Mr. Book, what would be the ideal loca-
25 tion in that unit for the drilling of a well?

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

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A. It would be in the center of the closure.

Q. As shown on your Exhibit Five?

A. Right.

Q. Yet you've chosen this Mallard-Campbell Well as being -- as the well that you're going to use, to re-enter, is that correct?

Why is that?

A. The Mallard No. 1 Federal 21 in Section 21 was drilled to a depth of 6200 feet. It was drilled down into Canyon formation. It did not penetrate the Morrow formation, and because of economic reasons we have chose to re-enter that well and take the well approximately 2000 feet deeper, which would test 200 feet of the Upper Mississippian limestone.

It is in prime or optimum position as shown on Exhibit Five by dotted -- or dashed contour lines, or isolith contour lines, of total Upper Morrow sand.

Q. Now would you correlate this Mallard Well with the Pennzoil Federal Well?

A. Okay. I would like to -- on Exhibit Number Six, the Mallard Well and the Pennzoil Well, the Pennzoil Well is the first well on the left -- on the west or on the left of the cross section.

Correlating it to the Mallard Well, you'll see that the Mallard Well did not penetrate the Morrow.

1 The next well on the cross section is the
2 Huber IA Federal No. 2. Yates drilled this well, completed
3 it in the Canyon formation in a thin Canyon carbonate. The
4 Morrow Sand in this well, the Upper Morrow Sand, which I've
5 been referring to, the same one that is Isolithed, was
6 tested and was water wet. It had good pressures and for
7 this -- this well right here is the reason that the Mallard
8 is set up, because we are getting up dip from that well.

9 Q To try to avoid the water?

10 A And try to avoid the water. We're up --
11 would be at least 300 or 400 feet up dip from that Morrow
12 level.

13 Also, in the Mallard well, on the cross
14 section the upper zone is a basal Abo-Wolfcamp section.
15 This zone was perforated in our Huber IA No. 1 Federal
16 Well. It was treated and after swab testing there was a
17 slight show of gas and condensate with the fluid level at
18 approximately 1500 feet.

19 In the Mallard Well this interval from the
20 mud log had drained gas kicks, sample porosity, and oil
21 flourescence.

22 There is a good to fair porosity on the
23 CNLFDC log on Exhibit Six through this interval. This
24 well was plugged and abandoned without the shows being
25 tested.

1 In the Pennzoil Well, the Federal -- No. 1
2 Federal 28 in Section 28, porosity also occurred in this
3 zone. It was not tested, either. There wasn't a mud logger
4 ran through the interval, so no shows were recorded, but
5 both of these wells have very good potential in this basal
6 Abo zone also to make wells.

7 Q. Mr. Book, is it your opinion that the -- in
8 the event that oil and gas is discovered in paying quantities
9 on lands within the unit area that the field or area can
10 be developed more economically and efficiently under terms
11 of the unit agreement to the end that maximum recovery will
12 be obtained, and that the unit agreement is in the interest
13 of conservation, prevention of waste, and is otherwise in
14 accordance with good conservation practices?

15 A. I do.

16 MR. CARSON: I would like to move the
17 Applicant's -- the introduction of Applicant's Exhibits,
18 Mr. Examiner.

19 MR. NUTTER: What do you have, one through --

20 MR. CARSON: One through Seven.

21 MR. NUTTER: Applicant's Exhibits One through
22 Seven will be admitted in evidence.

23
24 CROSS EXAMINATION

25 BY MR. NUTTER:

1 Q Mr. Book, in the event that this Mallard
2 re-entry is unsuccessful, would your company then consider
3 drilling within that closure that you said would be the
4 ideal location in the unit?

5 A Again, it depends on how successful we are.
6 The next option is re-entering the Pennzoil 28 Well, and
7 there are several zones in that well that weren't tested.
8 I imagine that would be the next thing to do in the unit
9 area, would be --

10 Q Slowly work your way up the structure.

11 A Right. For economic reasons. The wells
12 are already there. It's cost us -- the drilling in that
13 area, it's cost us a lot of money to set surface -- or
14 intermediate casing, so it's kind of hard to, you know --

15 Q And do both those wells have their inter-
16 mediate strings?

17 A Yes, they do.

18 Q And this Mallard Well only has -- it's got
19 a present TD of about 6200, and you'll only have to --

20 A 6200 feet.

21 Q -- take it down 2000 feet.

22 A Right, below 8000 feet.

23 MR. NUTTER: You're going to have someone
24 else testify as to the land operations in this unit?

25 MR. CARSON: No, sir, I did not intend to.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
8020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

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Q (Mr. Nutter continuing.) Okay, well, what is the status of the sign-up on this unit, Mr. Book, are you acquainted with those?

MR. CARSON: Maybe I can ask that question. You have 100 percent committment to the unit, do you not?

A. Right. I asked our head land man, Jack McCaw, before I left, and he was sure we were going to have 100 percent committment.

Randy Richardson was out of town and we couldn't get hold of him.

MR. CARSON: That's our understanding from Mr. Richardson, Mr. Examiner, that there had been 100 percent agreement to the unit.

MR. NUTTER: Apparently the major working interest owners are Pennzoil and Wainoco and Huber, Hillin, and Depco, and they have committed their interests to it, or have indicated they're going to commit their interests?

A. All but Section 17 was brought to Yates Petroleum by a farm-out by Hillin, and in Section 17 we've acquired a farm-out from Huber.

Q I see, so --

A. This is --

Q -- it won't be these companies that are listed as lessees of record that are members of the unit. They've farmed-out to Yates.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

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A. They have farmed-out to Yates.

A. I see, and you do have tentative approval from the Commissioner of Public Lands and have you heard yet from the United State GS? This thing was filed with them on January 23rd.

A. I have not heard anything from them.

MR. MAHFOOD: I believe we have verbal approval on that.

MR. NUTTER: See, I knew we had to keep that guy sworn.

Are there any further questions of Mr. Book? He may be excused. And Mr. Mahfood may be excused.

Did you have anything further, Mr. Carson?

MR. CARSON: No, nothing further.

MR. NUTTER: If there is nothing further in Case Number --

Does anyone have anything to offer in Case Number 6455?

If there is nothing further we'll take the case under advisement.

(Hearing concluded.)

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REPORTER'S CERTIFICATES

I, SALLY W. BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge and skill, from my notes taken at the time of the hearing.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

Sally W. Boyd C.S.R.
Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is
a correct and true copy of the
transcript of the hearing held on
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[Signature], Examiner
Oil Conservation Division