

1 STATE OF NEW MEXICO  
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
3 OIL CONSERVATION DIVISION  
4 STATE LAND OFFICE BUILDING  
5 SANTA FE, NEW MEXICO

6  
7  
8 26 April 1989

9 EXAMINER HEARING

10 IN THE MATTER OF:

11 Application of Yates Petroleum Corp- CASE  
12 oration for a unit agreement, Chaves 9653  
13 County, New Mexico.

14 BEFORE: David R. Catanach, Examiner

15  
16 TRANSCRIPT OF HEARING

17  
18 A P P E A R A N C E S

19 For the Division: Robert G. Stovall  
20 Attorney at Law  
21 Legal Counsel to the Division  
22 State Land Office Building  
Santa Fe, New Mexico

23 For Yates Petroleum Chad Dickerson  
24 Corporation: Attorney at Law  
25 DICKERSON, FISK & VANDIVER  
Seventh & Mahone/Suite E  
Artesia, New Mexico 88210

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## I N D E X

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## LESLIE BENTZ

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1 MR. CATANACH: Okay, at this  
2 time we'll call Case 9653.

3 MR. STOVALL: The application  
4 of Yates Petroleum Corporation for a unit agreement, Chaves  
5 County, New Mexico.

6 MR. CATANACH: Are there ap-  
7 pearances in this case?

8 MR. DICKERSON: Mr. Examiner,  
9 I'm Chad Dickerson of Artesia, New Mexico, on behalf of the  
10 applicant.

11 I have two witnesses. The re-  
12 cord will reflect that they're the same two witnesses pre-  
13 viously sworn and qualified and who testified in the pre-  
14 ceding case.

15 MR. CATANACH: Okay, the re-  
16 cord will so reflect that.

17 Mr. Dickerson, I understand  
18 that this case had to be readvertised because of the inclu-  
19 sion of some additional acreage in this unit and it will be  
20 readvertised for May 10th, but you wish to go ahead with it  
21 now?

22 MR. DICKERSON: Yes, sir, that  
23 is correct.

24 MR. CATANACH: All right, you  
25 may proceed.

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KATHY COLBERT,

being recalled as a witness having been previously sworn and remaining under oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. DICKERSON:

Q Ms. Colbert, state your name, your occupation and by whom you're employed, please.

A My name is Kathy Colbert. I'm employed by Yates Petroleum Corporation as a landman.

Q Ms. Colbert, will you briefly summarize the purpose of Yates' application in Case 9653?

A In Case 9653 Yates Petroleum Corporation is seeking to obtain approval of the Middle Creek State Unit containing 15,680.73 acres in Chaves County, in order to explore and prudently develop the area.

Q All right, identify the plat submitted as Exhibit Number One and review that for us, please.

A Exhibit Number One is a plat outlining the unit, which is located in Townships 8 and 9 South, Range 23 East, Chaves County, New Mexico.

This unit is composed of 97.2 percent State leases and 2.8 percent fee leases.

The initial test well for the 3500-foot Abo formation is in red, the location being in Section 33,

1 Township 8 South, Range 23 East. This location is 990 from  
2 the north line, 660 from the west line.

3 The second obligation well is also in  
4 red on this plat in Section 15 of 9, 23. This location is  
5 1980 from the south, 660 from the east.

6 Q All right, identify the agreement sub-  
7 mitted as Exhibit Two for us.

8 A Exhibit Two is the unit agreement on the  
9 standard form covering state lands. The agreement does  
10 designate Yates Petroleum Corporation as operator.

11 Q And this unit agreement, as required by  
12 our statute, allocates unit production by -- according to  
13 each separately owned tract within the unit area, does it  
14 not?

15 A That's correct.

16 Q Okay, refer to Exhibit B to that unit  
17 [agreement] and briefly tell us what information is shown  
18 on that exhibit.

19 A Exhibit B to the unit agreement lists  
20 all tracts within the unit outline, setting out the de-  
21 scription, number of acres, expiration date, all the bur-  
22 dens, lessee of record, and does include the working inter-  
23 est owners under each lease.

24 Q And what is the expiration date of the  
25 earliest lease to expire under this unit?

1           A           June 1st, 1989.

2           Q           And do you anticipate Yates obtaining  
3 approval, hopefully, and actually commencing drilling oper-  
4 ations on its first test well on or before that date?

5           A           That's correct.

6           Q           All right. Identify Exhibit Number  
7 Three and review that for us, please.

8           A           Exhibit Number Three is the proposed  
9 unit operating agreement on AAPL Form 610, 1977. There is  
10 an accounting procedure attached to govern joint opera-  
11 tions.

12          Q           And this operating agreement is submit-  
13 ted to all working interest owners within the unit area --

14          A           That is correct.

15          Q           -- for their approval and joinder?

16          A           That's correct.

17          Q           Refer us to Exhibit A to that operating  
18 agreement and review the separate interest of all of the  
19 parties within the unit area for Mr. Catanach.

20          A           Exhibit A to the unit operating agree-  
21 ment lists all the working interest owners, their percent-  
22 ages under the initial test well and the second obligation  
23 well.

24                       Accordingly, the wells will be paid for  
25 by the parties in their respective percentages if all agree

1 to join.

2 Q What is the status of the joinder of  
3 those parties?

4 A Currently, at this point we have 73 per-  
5 cent firm joinders. That includes all of the Yates group,  
6 from Yates Petroleum down the list to Lillie M. Yates.

7 Texaco has contacted us saying that they  
8 will join the unit; however, they don't have budget money,  
9 they would like to sell out to us. We are negotiating with  
10 them.

11 Bechtel is joining. Louisiana Land &  
12 Exploration Company, which acquired the one Inexco lease in  
13 this unit, has indicated that they are interested and hope  
14 to have us an answer before the middle of May.

15 Q All right, identify Exhibit Number Four  
16 for us and tell us what it is.

17 A Exhibit Four is a packet of the copies  
18 of letters to the Commissioner of Public Lands requesting  
19 preliminary approval of this unit, as well as copies of all  
20 subsequent correspondence with the Commissioner's office.

21 Q And what is your understanding of the  
22 current status of preliminary approval by the Commissioner  
23 of Public Lands?

24 A It is my understanding that they are  
25 again looking at this unit. We have had several discus-

1 sions on this particular unit due to its size. We are  
2 willing to drill the two obligation wells and we have as-  
3 sured the State, and there is a letter to that effect in  
4 this packet dated April 17th, that in effect if we are  
5 successful or have any indications that the area does look  
6 good, we do intend to drill a third well.

7 Q All right, review Exhibit Number Five  
8 for us.

9 A Exhibit Number Five is a packet of all  
10 the letters, including the certified letters, return re-  
11 ceipts, showing that we have notified all the parties  
12 within this unit and invited them to join.

13 MR. DICKERSON: Mr. Catanach,  
14 move admission of Yates' Exhibits One through Five and I  
15 have no further questions of Ms. Colbert.

16 MR. CATANACH: Exhibits One  
17 through Five will be admitted as evidence.

18 Any questions of the witness?

19 MR. STOVALL: I have one, if I  
20 may.

21

22

#### CROSS EXAMINATION

23 BY MR. STOVALL:

24 Q Just briefly, what is -- what is the  
25 status of Mesa, or is it Mesa or MGS, I guess it's Mesa

1 Limited Partnership, is that correct?

2           A           That's correct. That's a little bit  
3 unknown. This was in the area that they had put out on  
4 their bid package to the industry. We have not been able  
5 to find out who bought it. There is some talk within Mesa  
6 that maybe they are not going to award it to anyone. They  
7 are fully aware that their leases within this unit are in  
8 the same shape as ours, that they do expire 6-1.

9                       Hopefully, we will be able to get an  
10 answer and have they join this unit.

11                               MR. CATANACH: Mr. Stockton?

12

13 QUESTIONS BY MR. STOCKTON:

14           Q           Ms. Colbert, what is the -- what is the  
15 lease number that Mesa or MGS (inaudible).

16           A           Well, now, they have several. LG-6690,  
17 LG-6692-3, LG-6692-2, LG-6697-2, LG-6699-2 and 3, and there  
18 is one more, LG-6701-2.

19                               MR. DICKERSON: Mr. Stockton,  
20 I apologize. I didn't realize you didn't have your copies  
21 of these instruments with you. I'll just hand you full  
22 sets of all the exhibits in the preceding and this case  
23 both. They are the same as those in the Land Office files.

24           Q           In your conversation with Mesa, et al,  
25 have they indicated any problems with title on these

1 leases?

2 A No, they haven't. Bruce, we obviously  
3 have not checked title with our drill site not being  
4 located on their leases.

5 Q I apologize for not catching this  
6 earlier, but it just now comes to my mind, that there is a  
7 title problem on some of the leases they are transferring.  
8 I do not know if these are involved with the unit and we'll  
9 have to check into that later.

10 A Your office did notify me on some as-  
11 signment numbers. That's where all these dashed numbers  
12 came in because when we first sent it to you we did not  
13 have any of the subsequent assignment, assignment numbers  
14 on there, and after you all checked your records you did  
15 call me back and said, you know, this has been assigned out  
16 several times, here are the correct assignment numbers.

17 So if you'll let us know, we'll go from  
18 there.

19 MR. STOCKTON: No further  
20 questions.

21 MR. CATANACH: The witness may  
22 be excused.

23

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25

1 LESLIE BENTZ,

2 being recalled as a witness having been previously sworn  
3 and remaining under oath, testified as follows, to-wit:

4  
5 DIRECT EXAMINATION

6 BY MR. DICKERSON:

7 Q Ms. Bentz, will you state your name,  
8 your occupation and by whom you're employed, please?

9 A Yes. My name is Leslie Bentz. I'm  
10 employed as a petroleum geologist by Yates Petroleum Cor-  
11 poration, Artesia, New Mexico.

12 Q Ms. Bentz, have you made a study of the  
13 available geological data surrounding the formation of the  
14 proposed Middle Creek State Unit?

15 A Yes, I have.

16 Q Will you kindly orient us with respect  
17 to the location of this proposed exploratory unit?

18 A Okay. The proposed unit is located on  
19 the southeastern edge of the West Pecos Slope Gas Pool.  
20 The field does produce from Abo age alluvial channel sand-  
21 stones.

22 Q What is Yates' principal objective in  
23 the two wells to be drilled within this unit area?

24 A We plan to try to extend production from  
25 the Abo formation, the producing formation at West Pecos

1 Slope.

2 Q Okay, Ms. Bentz, identify what we have  
3 submitted as Yates' Exhibit Number Six and review that for  
4 us.

5 A Exhibit Number Six is a net isolith map  
6 of the China Draw sandstones that occupy a stratigraphic  
7 interval approximately 40 to 100 feet below the top of the  
8 Abo formation.

9 Channel sandstones in this interval  
10 constitute one of the two main producing zones in the West  
11 Pecos Slope Field. The contour interval used in construc-  
12 ting this map is 10 feet. The proposed unit is marked by  
13 the dashed line and the proposed locations of the test  
14 wells are shown.

15 The datum points are noted by circles  
16 and the appropriate datum is listed.

17 Stratigraphic cross section A-A' is  
18 noted.

19 The isolith map illustrates that the  
20 producing Abo formation again was deposited by the fluvial  
21 system. The proposed Middle Creek Unit is located at the  
22 lower end of the main channel meander belt and as noted by  
23 the map, the amount of sandstone decreases dramatically to  
24 the south and the east at the expense of a predominantly  
25 mudstone facies and it is believed that this abrupt facies

1 change delineates the area where Abo river valleys were  
2 drowned by rising marine lagoonal waters creating maybe an  
3 estuary environment rather than a delta type complex.

4 And then this entire facies wedges out  
5 against the Pedernal to the west.

6 Q Ms. Bentz, review your cross section  
7 submitted as Exhibit Number Seven for us, please.

8 A Exhibit Number Seven, stratigraphic  
9 cross section A-A', is located north to south, southeast  
10 across the proposed unit and the proposed locations.

11 The cross section illustrates the nature  
12 of the distribution of the channel sandstones north/north-  
13 west to south/southeast across the West Pecos Slope Field.

14 The upper producing zone labeled the  
15 China Draw stratigraphic interval is the mapping horizon  
16 and as shown, the proposed locations are expected to be on  
17 the lower reaches of the main West Pecos Slope channel  
18 meander belt before the facies becomes a mudstone and over-  
19 bank deposit, and this is indicated by the final well on  
20 the cross section.

21 Q In your review of this information, Ms.  
22 Bentz, what conclusions do you draw?

23 A The proposed Middle Creek Unit is lo-  
24 cated on the lower reaches of a fluvial channel meander  
25 belt that produces in the West Pecos Slope. It is situated

1 to test the fluvial channels near the limits of the meander  
2 belt.

3                   Immediately to the south and east the  
4 deposits are dominated by mudstone and overbank deposits  
5 which contain little, if any, reservoir quality sands and  
6 it is this concept that provides justification for the  
7 unit.

8                   Q           Ms. Bentz, in your opinion will the  
9 approval of Yates' application in this case be in the in-  
10 terest of conservation, the prevention of waste, and the  
11 protection of correlative rights?

12                   A           Yes, it will.

13                                   MR. DICKERSON: Mr. Examiner,  
14 I move admission of Yates' Exhibits Six and Seven and I  
15 have no further questions of Ms. Bentz.

16                                   MR. CATANACH: Exhibits Six  
17 and Seven will be admitted into evidence.

18

19

CROSS EXAMINATION

20 BY MR. CATANACH:

21                   Q           Ms. Bentz, down in Section 21, is that a  
22 dry hole?

23                   A           Yes, it is.

24                   Q           Was that drilled to the Abo?

25                   A           Yes, it was. The way I've presented it

1 here is -- it's -- a lot of times there are very narrow  
2 areas in between channels and it is possible if you note by  
3 the map, to still maybe drill a producing well on that 160  
4 acres, that maybe the well could be more ideally located.

5 MR. CATANACH: I have no  
6 further questions of the witness.

7 Are there any questions of the  
8 witness? If not, she may be excused.

9 Anything further in this case?

10 MR. DICKERSON: No, sir.

11 MR. CATANACH: Case 9653 will  
12 be readvertised for May 10 at which time it will be taken  
13 under advisement.

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15 (Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C. S. R. DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division (Commission) 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.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 9653, heard by me on April 26 1989.

David R. Catamb, Examiner  
Oil Conservation Division

1 STATE OF NEW MEXICO  
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
3 OIL CONSERVATION DIVISION  
4 STATE LAND OFFICE BUILDING  
5 SANTA FE, NEW MEXICO

6 10 May 1989

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Yates Petroleum Corp- CASE  
10 oration for a unit agreement, Chaves 9653  
11 County, New Mexico.

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14 BEFORE: Michael E. Stogner, Examiner  
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16 TRANSCRIPT OF HEARING  
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18 A P P E A R A N C E S  
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20 For the Division:  
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1 MR. STOGNER: At this time I'm  
2 going to call next Case Number 9653, which is the applica-  
3 tion of Yates Petroleum Corporation for a unit agreement,  
4 Chaves County, New Mexico.

5 This case was heard by  
6 Examiner David R. Catanach on April 26th, 1989, and due to  
7 a readvertisement this case is continued and readvertised  
8 for today.

9 At this time I'll call for any  
10 additional appearances or testimony.

11 There being none, this case  
12 will be taken under advisement.

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14 (Hearing concluded.)  
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C E R T I F I C A T E

I, SALLY W. BOYD, C. S. R. DO HEREBY  
CERTIFY that the foregoing Transcript of Hearing before the  
Oil Conservation Division (Commission) 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.

Sally W. Boyd CSR

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 9653,  
heard by me on 10 May 1989.

Michael E. Johnson, Examiner  
Oil Conservation Division