

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date APRIL 25, 1984 Time: 8:00 A.M.

NAME	REPRESENTING	LOCATION
Bob Hulew	Byrum	Santa Fe
Chad Dickerson	Loose Conant + Dickerson	Artesa
W. J. Kellahan	Kellahan + Kellahan	Santa Fe
KATHLEEN E. MAGRUDER STEPHEN P. SCHEFFLER	Amoco Prod Co.	HOUSTON
Robert A. Reed	Harvey & Jette Co.	Corral
Rod Thompson	#EYCO	Midland.
William A. Juda	Bensa, Mark, Dan + A. Group for Ernest S. Jochim	Santa Fe
Don Steinnerd	Getty Oil Co.	Hobbs, NM
Tracy Hobbs	Southland Royalty	Farmington
William L. Jean	Campbell, Tych + [unclear]	Santa Fe
Karen [unclear]	Kellahan + Kellahan	Santa Fe
Jim Bruce	Hinkle Law Firm	Santa Fe

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MR. STOGNER: This hearing will come to order.

We'll call first case this morning Case Number 8157.

MR. PEARCE: That case is on the application of Harvey E. Yates Company for a unit agreement, Lea County, New Mexico.

MR. DICKERSON: Mr. Examiner, I'm Chad Dickerson of Artesia, New Mexico, appearing on behalf of the applicant and we have two witnesses.

MR. PEARCE: Are there other appearances in this matter?

(Witnesses sworn.)

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

DIRECT EXAMINATION

BY MR. DICKERSON:

Q Will you state your full name, please?
A My name is Rodney Thompson.
Q What is your occupation, Mr. Thompson?
A I am a geologist for Harvey E. Yates Company.
Q Where do you reside?

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A In Midland, Texas.

Q Mr. Thompson, you have previously testified before this Division or one of its examiners and had your credentials made a matter of record as a geologist, have you not?

A Yes.

MR. DICKERSON: Is this witness considered qualified, Mr. Examiner?

MR. STOGNER: He is so qualified.

Q Mr. Thompson, would you briefly summarize the purpose of Heyco's application in this case?

A Yes. Heyco proposes to form a 2-1/2 section State-approved unit.

At this time I'd like to refer the Examiner to Exhibit One, which is a land plat showing our proposed unit and it's a 2-1/2 section unit. We are forming it for the purpose of testing the Mississippian Chester Austin pay formation.

Q Do you have your unit boundary outlined in hatch marks on that Exhibit One?

A That is correct.

Q And the ownership and the individual tracts are shown on the exhibit as well?

A Yes.

Q Would you refer to what has been marked Exhibit Number Two and tell the Examiner what you have shown

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by that exhibit?

A Exhibit Number Two is a structural map contoured on the top of the Austin-Mississippian pay. This is the Upper Mississippian formation and the unit is designed to -- for development work in the -- in testing the Austin formation in this area.

We're looking in Lea County here in Township 15 South, Range 35 East.

The Austin produces gas in commercial quantities from a leached and fractured bryozoan-crinoidal limestone bank and this bank produces gas four miles to the northeast of this unit in the Austin Field.

There are two -- well, we're looking at three wells for control here, the Penrose Fairweather Well in the northeast quarter of the northeast quarter of Section 3 of this exhibit.

Another well is the Heyco Goodrich No. 1 in the northwest quarter of Section 11 and the third well is the Ada Oil Company No. 1 Coleson in the southwest quarter of Section 12.

Q Now you've shown by that Exhibit Number 2, Mr. Thompson, the trace of your cross section, which I assume will be your next exhibit?

A Yes.

Q Would you point out first of all on Exhibit Number Two for the Examiner where the initial unit well will be drilled?

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2 A Our initial well will be -- you might
3 want to refer to Exhibit One there. We have an arrow where
4 the initial well will be drilled, being 1980 from the south,
5 1980 from the east line of Section 11. It will be a test of
6 13,200 feet to penetrate the Austin zone and back to the Ex-
7 hibit Number Two here, you can see the structural anomaly
8 that we're -- we're keying off of.

8 In this area the Austin produces strati-
9 graphically more than structurally. It just depends on
10 where the porosity is situated in this limestone bank. It
11 seems to be concentrated more in the thicker bank areas and
12 this is one of those areas.

13 At this time I will refer to Exhibit Num-
14 ber Three. If the Examiner could -- would look into the --
15 at this cross section I could point out the zone that we're
16 looking at, the zone of interest.

17 The cross section northwest to southeast
18 does show the structural anomaly here in this middle well,
19 the Heyco Goodrich No. 1. This zone not only produces on
20 structure but also on the flanks of structures in the area.
21 We have control showing this up just north of the Austin
22 Field about six miles in wells called the Richardson Wells.

22 What the cross section shows is the de-
23 velopment of this bank. It would be the Mississippian Ches-
24 ter Austin Zone and you can see in the well on the left, the
25 Fairweather Well, a fairly thick, clean limestone about 100
feet thick that's present in this well has a good SP effect

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on the log, showing that there is an interesting zone there that may -- may have had some production that was never tested.

The middle well is the Heyco Goodrich No. 1 and it's completed as a shut-in gas well at the present time. It was completed in December of '73. Well, no, excuse me, recompleted in March of 1980 as a shut-in gas well. It flowed 400,000 cubic feet of gas per day and we think with our -- our new techniques of completion that this proposed unit, we can get some good completions in there. We've -- we've been setting casing above the zone and drilling into it. We just acidize and we've had real good luck doing that.

Q Mr. Thompson, were Exhibits One, Two and Three prepared by you or under your direction and supervision?

A Yes, they were.

Q In your opinion would the granting of this application be in the interest of conservation, the prevention of waste, and the protection of correlative rights?

A Yes, it would.

MR. DICKERSON: Mr. Examiner, that's all the questions I have of this witness.

CROSS EXAMINATION

BY MR. STOGNER:

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Q Mr. Thompson, the Ada Oil No. 1, which is

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A Yes.

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Q -- in Section 12, does Heyco, Harvey E. Yates Company, I should say, have any plans on re-entering that well?

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A Not at the present. We feel like the initial test, we'd rather key off of the Goodrich Well, being that that has had some gas and porosity.

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This Ada Well is kind of a question mark. It was drilled in 1956 and it was never tested in the Austin zone. There's a fairly thick bank there, about the same thickness as is in the Goodrich Well. It was never tested and you can see all there is is an old "E" log on it and it's kind of hard to tell if there was any porosity or -- or any indication of a reservoir just from that log.

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That's really the only information we have on it.

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Q On Exhibit Number Three on the same well it shows to be some DST tests down at 14,000 feet.

A Yes.

Q What formation is that?

A That's the Devonian.

Q Devonian.

A Yeah. We don't think there's potential in the Devonian. We were just TDing the Austin.

MR. STOGNER: Mr. Dickerson, do

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you wish to admit these exhibits into evidence?

MR. DICKERSON: Yes, Mr. Examiner.

MR. STOGNER: Exhibits One through Three will be admitted into evidence at this time.

I have no further questions of Mr. Thompson. Is there anybody else have any questions for this witness? If not, he may be excused.

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

DIRECT EXAMINATION

BY MR. DICKERSON:

Q Mr. Bell, will you state your full name for the record, please?

A Robert Bell.

Q And how are you employed and where do you reside?

A I'm a petroleum landman for Harvey E. Yates Company. I reside in Artesia, New Mexico.

Q And are you familiar with the application in this case?

A Yes, sir, I am.

Q You have previously testified before this Division and had your credentials as a landman made a matter

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of record, have you not, Mr. Bell?

A Yes, sir, I have.

MR. DICKERSON: Is this witness satisfactory, Mr. Examiner?

MR. STOGNER: He is.

Q Mr. Bell, would you refer to what we have marked as Exhibit Number Four and tell us what that document is?

A Exhibit Number Four is a unit agreement which we have prepared on the Goodrich Unit.

Q And this is on the usual and customary form for State and fee lands used in the State of New Mexico?

A Yes, sir.

Q With which this Division is familiar. Would you briefly look at Exhibits A and B to that unit agreement and summarize the information which is shown on those exhibits?

A Exhibit A is a land plat outlining the proposed Goodrich Unit. It also shows the mineral owners and the lessees.

Q It reflects that the total 1600 acres in the proposed unit area is exactly one-half State acreage and one-half fee acreage, is that correct?

A Yes, sir.

Q What is shown on Exhibit B to that unit agreement?

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A Exhibit B is a schedule of leases under the proposed unit outline.

Q Is that schedule complete at this time?

A No, sir, it's not. We are still in the process of obtaining some ratifications and leases.

Q But you anticipate having that complete prior to submission to the Commissioner of Public Lands for final approval.

A That's correct.

Q Okay, Mr. Bell, would you refer to Exhibit Number Five and tell the Examiner what that document is?

A Exhibit Number Five is a model form operating agreement, AAPL Form 610, 1977. It was prepared by Harvey E. Yates Company and it covered the unit.

Q This again is a customary form in wide use in southeastern New Mexico?

A Yes, sir.

Q It's been modified in certain respects to accord with the particulars of this unit agreement.

A That's correct.

Q This exhibit, unit operating agreement, Mr. Bell, I assume it provides for conduct of unit operations and covers payment of all unit costs and distribution of any unit income?

A Yes, sir.

Q Would you refer to Exhibit A to that unit operating agreement and briefly summarize for the Examiner

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2 the ownership interest of the parties and the status of
3 those parties as far as whether they are committed to this
4 unit at this time or not?

5 A The Exhibit A shows a list of working in-
6 terest owners, the amount of acreage that they have and the
7 percent of unit interest they each have.

8 We currently have over 80 percent commit-
9 ted to the unit and we're in the process of obtaining addi-
10 tional leases and commitments.

11 Q And you anticipate that you will probably
12 obtain additional joinders of this before submission for
13 final approval to the Commissioner of Public Lands?

14 A Yes, sir.

15 Q Mr. Bell, refer to what is marked as Ex-
16 hibit Number Six and tell us what that instrument is.

17 A Exhibit Number Six was or is a letter
18 from the Commissioner of Public Lands granting preliminary
19 approval to the proposed unit.

20 Q Refer to Exhibit Number Seven and tell us
21 what that paper is?

22 A Exhibit Number Seven is a form of lease,
23 342-U, that we have used. Most of our leases, our fee
24 leases are on this type of lease form. It does contain a
25 provision in paragraph five allowing the lessee to pool and
unitize fee land.

Q So that the fee leases which you have
committed at this time in approximately 496 acres under the

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unit area are all with -- either contain this provision allowing the lessee to commit it to a State approved unit or the lessors are being requested to ratify the unit and join it affirmatively, is that correct?

A That's correct.

Q Were Exhibits Four, Five, Six and Seven compiled by you and you're familiar and can testify to their accuracy?

A Yes, sir, they were.

MR. DICKERSON: Mr. Examiner, I move admission of Applicant's Exhibit Four, Five, Six and Seven at this time.

MR. STOGNER: Exhibits Four, Five, Six and Seven will be admitted into evidence.

Q Mr. Bell, would you tell the Examiner the time problem that you have regarding approval of this proposed unit agreement?

A Yes. We have several fee leases due to expire beginning the 7th of May on through to May 23rd and it's very important that we get final approval for the unit prior to May 7th.

Q Do you know the net number of acres of leases that begin to expire beginning May 7th?

A Roughly 64.

Q Okay, so you would request expeditious handling of this application in order that it might be submitted for final approval to the Commissioner of Public

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Lands prior to May 7th of this year.

A That's correct.

MR. DICKERSON: Mr. Examiner, I have no further questions of this witness.

CROSS EXAMINATION

BY MR. STOGNER:

Q Mr. Bell, referring back to Exhibit Number Five, Exhibit A of that particular exhibit, in paragraph 3 you list different interest owners and you have down there at the bottom uncommitted, being 163.33 acres that are uncommitted.

I assume that all of the above mentioned working interest owners have joined at this time?

A No, sir. The problem that we had to wait for one of the major leasehold interests to commit before we decided to go ahead with the unit, and that was Tenneco, they have farmed out to Harvey E. Yates Company. We're in a time bind. I have talked to Gulf, Atlantic Richfield, North Central, and Felmont and they have indicated that they will do something as far as the unit is concerned, and I have no doubt that we will have their interest in order within a week.

The uncommitted acreage is fee acreage, about 60 of the 163 acres belong to one particular estate and they are considering participating rather than leasing. They'll do one or the other and it's just a matter, you

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know, of them deciding what they want to do.

The remainder of the fee acreage is un-
leased and I'm not sure that we will have it under lease.

Q Well, let me rephrase my question then.
How many of the working interest owners in paragraph 3 have
already been committed?

A Okay. Okay, we have 496.67 acres commit-
ted, which is 81.04 percent.

MR. DICKERSON: Mr. Examiner,
they have committed the State of New Mexico with 800 acres
and 496.67 acres of fee interest, which together constitute
81.04 percent of the unit interest. There are 303.33 acres
uncommitted, a large portion of that belonging to the par-
ties Gulf, Atlantic, North Central and Felmont is actively
being negotiated at this time and the applicant believes
that he will have some understanding or agreement with those
parties regarding joinder or some participation in this ven-
ture prior to the final submission to the Commissioner of
Public Lands.

MR. STOGNER: Okay, that suf-
fices me, then.

I have no further questions of
this witness.

Are there any other questions
of this witness? If not, he may be excused.

Do you have anything further,
Mr. Dickerson?

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MR. DICKERSON: No, Mr. Examiner. If it would be help to you I'd be glad to prepare a proposed order and send it up in view of the short time left.

MR. STOGNER: The Division will be most happy to accept that.

MR. DICKERSON: Okay.

MR. STOGNER: Is there anything else in Case Number 8157 this morning?

If not, this case will be taken under advisement.

(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 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. 857 heard by me on April 7th 1982
Michael H. [Signature]
Oil Conservation Division