

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date OCTOBER 31, 1984 Time: 8:00 A.M.

NAME	REPRESENTING	LOCATION
Bruce A. Black	Petto Oil Co.	Houston Texas
W. T. Kellahin	Kellahin & Kellahin	Santa Fe
D. A. Baker	Petto Oil Co.	Farmington, N.M.
Bruce Taylor	Petto Oil Co.	Houston, TX
David Hundley	TXO	Midland
Jeff Bourgois	"	"
John Swail	"	"
Bob Hauer	Byram	Santa Fe
Jim Bruce	Hinkle Law Firm	Santa Fe
Ray Graham	SLO	Santa Fe
Hubert Dr. Danner	SLO	S. F.
Jim Scher	El Paso Nat. Gas	El Paso
Paul W. Burchell	El Paso Natural Gas	El Paso
Ernest L. Paille	ATTY AT LAW	SF
Wilbur Wilson	Steven Operating Corp	Roswell
Sue Umschler	BLM	Albuquerque

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NAME	REPRESENTING	LOCATION
Tom SANDERS	GAS Co OF NM	ALBUQUERQUE
Tim O'BRIEN	" " " "	" "

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

31 October 1984

EXAMINER HEARING

IN THE MATTER OF:

Application of Pelto Oil Company
for a unit agreement, Santa Fe
County, New Mexico.

CASE
8386

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Jeff Taylor
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

James G. Bruce
Attorney at Law
HINKLE LAW FIRM
Santa Fe, New Mexico. 87501

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I N D E X

BRUCE TAYLOR

Direct Examination by Mr. Bruce	3
Cross Examination by Mr. Stogner	7

BRUCE BLACK

Direct Examination by Mr. Bruce	7
Cross Examination by Mr. Taylor	10

E X H I B I T S

- Pelto Exhibit A, Plat
- Pelto Exhibit B, List
- Pelto Exhibit C, Booklet

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3 MR. STOGNER: We'll call now
4 Case Number 8386.

5 MR. TAYLOR: The application of
6 Pelto Oil Company for a unit agreement, Santa Fe County, New
7 Mexico.

8 MR. BRUCE: Mr. Examiner, my
9 name is Jim Bruce from the Hinkle Law Firm in Santa Fe, re-
10 presenting Pelto Oil Company and I have two witnesses to be
11 sworn.

12 MR. STOGNER: Are there any
13 other appearances in this matter?

14 Will the witnesses please stand
15 and be sworn?

16 (Witnesses sworn.)

17 BRUCE TAYLOR,
18 being called as a witness and being duly sworn upon his
19 oath, testified as follows, to-wit:

20 DIRECT EXAMINATION

21 BY MR. BRUCE:

22 Q Would you please state your name, ad-
23 dress, occupation, and employer?

24 A My name is Bruce Taylor. My address is
25 16825 North Chase, Houston, Texas.

1
2 My employer is Pelto Oil Company out of
3 Houston.

4 Q And what is your occupation at Pelto Oil
5 Company?

6 A I am a petroleum landman.

7 Q Have you previously testified before the
8 New Mexico OCD?

9 A No, I have not.

10 Q Would you please give a brief history of
11 your education and work background?

12 A Yes. I have a business degree from the
13 University of New Haven, Connecticut.

14 I started my career as a petroleum land-
15 man with Texaco for approximately two and a half years.

16 I continued my career with TransOcean Oil
17 out of Houston for two and a half years.

18 And I've been with Pelto Oil Company for
19 four years as a petroleum landman.

20 Q And what region do you cover for Pelto
21 Oil?

22 A The western region.

23 Q And are you familiar with Pelto Oil Com-
24 pany's application for approval of the Pinon Unit Area and
25 the land matters involved in that unit?

A Yes, I am.

MR. BRUCE: Mr. Examiner, is
the witness considered qualified?

1
2 MR. STOGNER: He is so quali-
3 fied.

4 Q Mr. Taylor, would you please briefly
5 state what Pelto Oil Company seeks in this application?

6 A Yes. Pelto Oil Company seeks the appro-
7 val of our Pinon Unit Area, which consists of 44,349.63
8 acres in Townships 13 and 14 North, Range 8 and 9 East, San-
ta Fe County, New Mexico.

9 Our unit consists of Federal, State, and
10 fee acreage.

11 Q The Examiner is now looking at Exhibit A.
12 Would you please describe what is contained in that exhibit?

13 A Yes. Our unit, as I mentioned, contains
14 44,349.63 acres.

15 13,790.970 is Federal acreage, which is
approximately 31.10 percent of our unit.

16 3,305.02 acres is represented of State
17 leases. This is 7.45 percent of the unit area.

18 The remainder is fee acreage, which is
19 27,253.64 acres, which is 61.45 percent of our unit.

20 Q And how many wells does Pelto Oil Company
21 plan to drill on this land?

22 A Two wells.

23 Q And have you submitted the unit plat for
24 approval to the Federal government?

25 A Yes, we have.

Q And have you received preliminary appro-

1
2 val?

3 A Yes, we have.

4 Q And have you submitted it to the State
5 for approval?

6 A Yes, we have.

7 Q And have you receive verbal approval from
8 them?

9 A Yes.

10 Q Next is Exhibit B. Does that set forth
11 the State and -- all of the State and Federal leases in-
12 cluded in the unit?

13 A Yes, it does.

14 Q And approximately how much of the total
15 acreage in the unit do you anticipate will be committed to
16 the unit?

17 A 84.5 percent.

18 Q Were Exhibits A and B prepared by you or
19 under your direction?

20 A Yes, they were.

21 Q And in your opinion will the granting of
22 this unit application be in the interest of conservation and
23 the prevention of waste?

24 A Yes, it will.

25 MR. BRUCE: Mr. Examiner, I sub-
mit exhibits A and B.

MR. STOGNER: Exhibits A and B
will be admitted into evidence.

1
2 MR. BRUCE: I have no further
3 questions of this witness.

4 CROSS EXAMINATION

5 BY MR. STOGNER:

6 Q Mr. Taylor, you say that Pleto plans to
7 drill two wells on this unit?

8 A Yes.

9 Q Initially. Do you have any idea where
10 these might be located?

11 A Yes, I do. The first, if I may, our
12 first well we anticipate will be in protracted Section 31 of
13 Townships 14 North, 8 East, and our second proposed well
14 would be in Section 21, Townships 14 North, 9 East.

15 Q Thank you, Mr. Taylor.

16 MR. STOGNER: I have no further
17 questions of Mr. Taylor.

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

20 BRUCE BLACK,
21 being called as a witness and being duly sworn upon his
22 oath, testified as follows, to-wit:

23 DIRECT EXAMINATION

24 BY MR. BRUCE:

25 Q Would you please state your name, city of

1 residence, occupation, and relationship to Pelto Oil Com-
2 pany?

3 A Yes. My name is Bruce Black. I live in
4 Farmington, New Mexico. I'm a consulting geologist for Pel-
5 to Oil Company.

6 Q And have you previously testified before
7 the OCD as a geologist?

8 A Yes, sir, I have.

9 Q And are you familiar with the geological
10 matters pertaining to the Pinon Unit?

11 A Yes, I am.

12 MR. BRUCE: Mr. Examiner is the
13 witness considered qualified?

14 MR. STOGNER: Dr. Black is so
15 qualified.

16 Q Dr. Black, would you please refer to what
17 is a booklet marked as Exhibit C and describe the geology of
18 this area?

19 A All right. If I could have you turn to
20 page two, the Figure 1, Regional Index Map.

21 As you can see, the unit is located in
22 the southern portion of what is referred to as the Espanola
23 Basin. It's between the, roughly between the towns of
24 Madrid and Galisteo, and it is south of Santa Fe
25 approximately, oh, eight to ten miles, and that will give
you a rough feeling where it sits geologically and
geographically.

1
2 If you'll turn next to the enclosure at
3 the back, which is a large scale map, a larger scale map, of
4 the Pinon Unit, showing the drill depths to the base of the
5 Niobrara formation, you can see that our proposed locations
6 are located in synclinal flexures in two areas of the unit.

7 What we're attempting to do is evaluate
8 the Cretaceous section, more specifically the fractured Nio-
9 brara potential in this unit, and the drill depth map is
10 self-explanatory.

11 The unit sits just to the southeast and
12 northwest of two intrusive complexes so we're trying to stay
13 out of that area, and it is bordered on the southwest by a
14 very complex zone of imbricate thrust faults, and that about
15 borders us on the extreme southeast edge.

16 It is generally a synclinal area, kind of
17 -- we look at it kind of as a mini San Juan Basin type of a
18 play, and that's the kind of thing we're after.

19 Q Was Exhibit C prepared by you or under
20 your direction, Dr. Black?

21 A Yes, it was.

22 Q And in your opinion will the granting of
23 this application be in the interest of conservation and the
24 prevention of waste?

25 A Yes, it will.

MR. BLACK: I move the admis-
sion of Exhibit C at this time, Mr. Examiner.

MR. STOGNER: Exhibit C will be

1
2 admitted into evidence.

3 MR. BRUCE: I have no further
4 questions of this witness.

5
6 CROSS EXAMINATION

7 BY MR. STOGNER:

8 Q Dr. Black, was any seismographic work
9 done out there in this area?

10 A Yes, it was; it sure was.

11 Q And from that data is that where you came
12 up with these contours?

13 A In part, yes. The contours are a combin-
14 ation of stratigraphic controls from well tests that have
15 already been drilled. Those tests are shown on Figure Num-
ber 3.

16 You can see that there are two wells that
17 have already been drilled within the unit outline and they
18 correspond, of course, to the contour maps.

19 We have some limited seismic in the area
20 and so we have also utilized that limited seismic, and then
21 the rest of the data was done by surface geology and projec-
tion of the surface dips.

22 This is our best estimate of the base of
23 the Niobrara formation.

24 Most of the well control, as you can see,
25 is outside the unit area just to the immediate southeast of

1 of the unit.

2 Q Would you please give me a description of
3 the wells that have already been drilled?
4

5 A Yes, that's the Pelto State No. 1, lo-
6 cated in Section 36 of 14 North, 8 East, and the Pelto Ortiz
7 No. 1, which is located in projected Section 26 of 14 North
8 and 8 East.

9 Q Did both of these wells encounter the
10 Granite?

11 A No, neither one did. Both of these wells
12 were drilled to the Dakota formation only, but they did en-
13 counter and go through the objective that we're looking at.

14 So we have good control on it. The cen-
15 ter of this is very well controlled in the sense that we --
16 we have well control on it, and then, of course, the mar-
17 gins, as I say, are controlled by both surface geology and
18 seismic data.

19 MR. STOGNER: I have no further
20 questions of Dr. Black.

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

23 Mr. Bruce, do you have anything
24 further in this case this morning?

25 MR. BRUCE: Nothing further,
Mr. Examiner.

MR. STOGNER: Does anybody else
have anything further in Case Number 8386 this morning?

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2 If not, this case will be taken
3 under advisement.
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5 (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 Con-
servation Division was reported by me; that the said tran-
script 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 correct and true transcript of the hearing in
the case of 8386
heard by me on Oct. 31 1984
Michael E. Bogner Examiner
Oil Conservation Division