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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
5 August 1980

COMMISSION HEARING

IN THE MATTER OF:

Application of Getty Oil Company for) CASE
statutory unitization, Lea County,) 6987
New Mexico.)

BEFORE: Commissioner Ramey
Commissioner Arnold

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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MR. RAMEY: We'll call next Case 6987.

MR. PADILLA: Application of Getty Oil Company for statutory unitization, Lea County, New Mexico.

MR. CARR: May it please the Commission, I am William F. Carr, Campbell and Black, P. A., Santa Fe, appearing on behalf of the applicant.

I have two witnesses who need to be sworn.

(Witnesses sworn.)

MR. RAMEY: Any other appearances?

HERMAN W. TERRY

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

DIRECT EXAMINATION

BY MR. CARR:

Q Will you state your name and place of residence?

A My name is Herman W. Terry, I reside at Hobbs, New Mexico.

Q Mr. Terry, by whom are you employed and in what capacity?

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1 A. I'm employed by Getty Oil Company as Area
2 Engineer in the Hobbs area.

3 Q. Have you previously testified before this
4 Commission or one of its Examiners and had your credentials
5 accepted and made a matter of record?

6 A. Yes, sir, I have.

7 Q. Are you familiar with the application of
8 Getty Oil Company as filed in this case?

9 A. Yes, sir.

10 Q. And are you familiar with the Myers
11 Langlie-Mattix Unit?

12 A. Yes, sir, I am.

13 MR. CARR: Are the witness' qualifications
14 acceptable?

15 MR. RAMEY: Yes, they are.

16 Q. Mr. Terry, will you please explain what
17 Getty Oil Company seeks with this application?

18 A. Yes, sir. With this application Getty
19 Oil Company is seeking to statutorily unitize for the purpose
20 of continued secondary recovery operations those mineral in-
21 terests which underlie the Myers Langlie-Mattix Unit of which
22 Getty Oil Company is the operator.

23 Q. Will you please summarize the events which
24 have led up to this hearing?

25 A. Yes, sir. Case No. 5087 was heard at an

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1 Examiner's Hearing on October 31st, 1973. At this hearing
2 Skelly Oil Company, now Getty Oil Company, sought permission
3 to initiate a secondary recovery project in the Langlie-Mattix
4 Pool in Lea County, New Mexico.

5 Order No. R-4680 was issued by the Com-
6 mission on November 20th, 1973, authorizing the project. The
7 unit was effective on February 1st, 1974, and the unit agree-
8 ment was revised twice thereafter.

9 To date in excess of 99 percent of both
10 the working interest owners and royalty interest owners have
11 ratified the unit agreement, and Getty has made a concentrated
12 effort to obtain 100 percent ratification of the unit agree-
13 ment.

14 MR. NUTTER: What was the percentage again,
15 please?

16 A In excess of 99 percent of both working
17 interest and royalty interest owners.

18 However, there still remain a total of
19 13 tracts for which we do not have 100 percent ratification
20 of the royalty interest owners. On these tracts we are main-
21 taining separate production facilities. Statutory unitization
22 of these unsigned royalty interests will greatly benefit
23 the working interest owners, royalty interest owners, as well
24 as overriding royalty interest owners, of the unit. It will
25 allow Getty as unit operator to enter into lease line agree-

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1 ments with offset operators and more efficiently flood the
2 unit area. It will reduce operating costs, increase oil re-
3 covery, and extend the economic life of the unit.

4 Q Mr. Terry, are you familiar with the
5 New Mexico statutory unitization act?

6 A Yes, sir, I am.

7 Q Have you prepared certain exhibits for
8 introduction in this case today?

9 A Yes, sir, I have.

10 Q Will you please refer to what has been
11 marked for identification as Getty Oil Company Exhibit Number
12 One and explain to the Commission what this is and what it
13 shows?

14 A Exhibit Number One is an index map which
15 shows the location of the Myers Langlie-Mattix Unit in Lea
16 County, New Mexico. This unit is located approximately nine
17 miles north of Jal, New Mexico.

18 Q Will you now refer to Exhibit Number Two
19 and explain this to the Commission?

20 A Exhibit Number Two is an ownership map
21 on which the unitized area of the Myers Langlie-Mattix Unit
22 has been outlined in magenta. The tract numbers have been
23 identified and the Federal, State, and fee land is identified.
24 Those tracts of fee land are further identified to indicate
25 which tracts have less than 100 percent ratification of the

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1 unit agreement.

2 As I previously mentioned, there are a
3 total of 13 unsigned tracts. These tracts being Tracts Nos.
4 50, 52, 53, 54, 55, 56, 61, 64, 65, 66, and Tract 81.

5 Q Mr. Terry, I believe also Tracts 43 and
6 45 are characterized as unsigned, is that correct?

7 A Yes, sir, that is correct.

8 Q And when you say unsigned fee land, it
9 doesn't mean that there are no interests in the tract that
10 are signed, it means that there are just some fractional in-
11 terests that have not committed, is that correct?

12 A Yes, there -- in most cases we have the
13 biggest majority of the interests signed and in most cases
14 it's one royalty interest owner that has not ratified the
15 agreement.

16 Q Now on this plat the area that's out-
17 lined in magenta, that is the existing unit boundary, is that
18 correct?

19 A Yes, sir, that is correct.

20 Q That is also the proposed unit boundary?

21 A Yes, sir, we're not proposing to change
22 the unit boundary in any way.

23 Q Mr. Terry, what formation is being unit-
24 ized?

25 A The Langlie-Mattix Pool.

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1 Q How is the unitized interval being de-
2 fined? That is, what are the vertical limits of this --

3 A The unitized interval is defined as the
4 interval which extends from a point 100 feet above the base
5 of the Seven Rivers formation to the base of the Queen forma-
6 tion, this interval having been heretofore found to occur in
7 the Texas Pacific Oil Company Blinebry B No. 3 Well, which
8 is located 2310 feet from the west line and 330 feet from
9 the north line of Section 34, Township 23 South, Range 37
10 East, Lea County, New Mexico.

11 In this well the unitized interval was
12 present at an indicated depth interval of 3168 feet to 3570
13 feet, as recorded on the Schlumberger electrical log run num-
14 ber one, taken December 26th, 1952, this log having been
15 measured from a derrick floor elevation of 3300 feet above
16 sea level.

17 Q Has the portion of the reservoir that you
18 propose to unitize been reasonably defined by development?

19 A Yes, sir, it has.

20 Q Are there windows within the present
21 unit area?

22 A Yes, sir, there are. Referring back to
23 Exhibit Two, you'll note that there are three windows which
24 are present in the unit. The two smaller windows in the
25 western half of the unit present little, if any, operational

1 difficulties as far as secondary recovery operations are con-
2 cerned; however, I wish to point out that it's not the pur-
3 pose of this hearing to close either of these two windows
4 in the western half or the larger window in the eastern half
5 of the unit.

6 Q Now, I direct your attention to this
7 larger unit in the eastern portion of the unit area. Will
8 granting of this application facilitate your being able to
9 cooperatively waterflood this area?

10 A Yes, sir, in this statutory unitization
11 we'll facilitate the execution of a cooperative lease line
12 agreement with this large window and our other offset oper-
13 ators in this portion of the field.

14 Q Will you now refer to Getty's Exhibit
15 Number Three and explain this to the Commission?

16 A Exhibit Number Three is a map which shows
17 the status of wells contained in the Myers Langlie-Mattix
18 Unit and proposed wells and conversions.

19 You will note that there are a number
20 of wells which have been converted to injection service but
21 are shut-in because of the delay in executing a lease line
22 cooperative flood agreement with offset operators. The un-
23 signed royalty interests are the primary reason for this
24 delay. For example, Well No. 226 in the southeast corner
25 of the unit is proposed for injection service and is a key

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1 well for any lease line agreement that we might execute; how-
2 ever, Well No. 226 is the only producing well on Tract 81,
3 which is one of the unsigned tracts and cannot be converted
4 to injection service at this time.

5 Q. What is the status of the sign-up in that
6 particular tract?

7 A. It is less than 100 percent.

8 Q. Is all the working interest committed?

9 A. Yes, sir, all the working interest is
10 committed.

11 Q. But you do have an outstanding royalty
12 interest owner that --

13 A. Yes, sir, we do --

14 Q. -- has not signed?

15 A. -- have an outstanding royalty interest
16 that has not ratified.

17 Q. Will you please refer to what has been
18 marked for identification as Getty Exhibit Number Four and
19 explain the data contained on this exhibit to the Commission?

20 A. Yes, sir. Exhibit Number Four is a com-
21 parative production schedule which anticipates production
22 with and without statutory unitization.

23 Case number two, the case number two
24 schedule reflects the anticipated benefits of statutory
25 unitization. With the lease line agreement and the drilling

1 and conversion of wells, as shown on Exhibit Three, it is an-
2 ticipated that 500,000 barrels of additional secondary re-
3 covery of oil will be recovered.

4 Production facilities on these unsigned
5 tracts are old and in any case only temporary. Without
6 statutory unitization investment of \$600,000 will be required
7 in the near future for new production facilities on the un-
8 signed tracts, and operating expenses are estimated to be
9 \$90,000 greater per month than with a statutory unitization.

10 It is further anticipated that the life
11 of the unit will be shortened by two years because of the
12 higher operating expenses without statutory unitization.

13 Q Mr. Terry, will you now refer to Exhibit
14 Number Five and review this for the Commission?

15 A Exhibit Number Five is a listing of esti-
16 mated reserves by well which will be lost if the unsigned
17 tracts are not statutorily unitized. This is a very conser-
18 vative estimate based upon our recovery in other areas of the
19 unit with fully developed waterflood pattern.

20 Q Mr. Terry, is unitized management, oper-
21 ation, and further development of a portion of the Myers
22 Langlie-Mattix Pool covered by this application reasonably
23 necessary to substantially increase the ultimate recovery of
24 oil from the unitized portion thereof?

25 A Yes, sir, they are.

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1 Q And exactly what type of secondary re-
2 covery operations are you employing?

3 A Waterflood.

4 Q Now will you refer to Getty Exhibit Number
5 Six and explain this, what this shows.

6 A Exhibit Number Six is a calculation of
7 the gross value of the 500,000 barrels of secondary oil which
8 can be recovered with statutory unitization. This calculation
9 indicates the gross value of this production to be \$18.24-
10 million. This exhibit also indicates how this additional
11 gross revenue would be divided.

12 Q And what price were you using in computing
13 those figures?

14 A We're using an average -- a first quarter
15 1980 average price of \$36.48 per barrel.

16 Q Are you taking into consideration the
17 windfall profits tax and other taxes?

18 A No, sir, this is strictly a gross calcu-
19 lation. We're not trying to account for windfall profit tax
20 or any taxes at all.

21 Q Now I believe you stated if this applica-
22 tion is granted, additional costs will be incurred in developing
23 the unit. Isn't that correct?

24 A Yes, sir, that's correct. It's antici-
25 pated that an investment of approximately 1.6 million dollars

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1 will be required for new wells and conversion, assuming that
2 as a result of statutory unitization we are able to execute
3 a lease line agreement with offset operators; however, statu-
4 tory unitization will make the anticipated \$600,000 investment
5 for facilities for the unsigned tracts unnecessary, and will
6 result in future -- a lower future operating expense, as well.

7 Q Will the estimated value of the additional
8 oil recovered from unitized management, plus a reasonable
9 profit, exceed the additional cost, if any, of conducting
10 these operations?

11 A Yes, sir, it will. Just briefly looking,
12 with a 1.6 million dollars required, with a saving of \$600,000,
13 we're looking at slightly, probably only approximately \$1-million
14 investment and the gross income that we anticipate is \$18.24-
15 million.

16 Q Mr. Terry, will you now refer to what
17 has been marked Getty Oil Company Exhibit Number Seven and
18 explain this to the Commission?

19 A Exhibit Number Seven is a graph of the
20 monthly oil and water production from the Myers Langlie-Mattix
21 Unit. The producing gas/oil ratio has been calculated and
22 plotted, as well as the monthly water injection volume. These
23 curves graphically point out the excellent response that we've
24 experienced in the Myers Langlie-Mattix Unit.

25 Q Are unitized methods of operation as applied

1 to the area covered by this application feasible?

2 A. Yes, sir, I think from looking at Exhibit
3 Seven that you can definitely see that they are feasible.

4 Q. Will you not refer to Exhibit Number Eight
5 and explain what this is and what it shows?

6 A. Exhibit Number Eight is a graph of the
7 predicted unit performance with and without statutory unitiza-
8 tion. As previously stated, statutory unitization will result
9 in the recovery of an additional 500,000 barrels of secondary
10 oil and extend the economic life of the unit by two years, and
11 this is graphically presented in this exhibit.

12 Q. Mr. Terry, will unitization and adoption
13 of the proposed unitized methods of operation benefit working
14 interest owners and royalty interest owners in the area affected
15 by this application?

16 A. Yes, sir, it will benefit all working
17 interest owners, all royalty interest owners, and all over-
18 riding royalty interest owners, as well.

19 Q. Have you reviewed this application with
20 the USGS?

21 A. Yes, sir, we discussed this application
22 with the USGS in January of this year and it was requested that
23 we keep them informed. We've contacted them since then. We
24 have a meeting scheduled in Albuquerque with the USGS in the
25 morning to discuss the application.

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1 Q Have you reviewed the application with the
2 State Land Office?

3 A Yes, sir, we've -- the State Land Office
4 has been notified and it's been indicated to us that they will
5 approve the unit agreement following the issuance of a statu-
6 tory unitization order.

7 Q And they're going to re-approve the --
8 the unit at that time?

9 A Yes, sir, that's correct.

10 Q Is unitized management operation and fur-
11 ther development of that portion of the Langlie-Mattix Pool,
12 which is the subject of this application, reasonably necessary
13 to effectively carry on secondary recovery operations?

14 A Yes, sir, it is.

15 Q Will unitized methods of operation prevent
16 waste of oil and result with reasonable probability in an in-
17 creased recovery of substantially more oil from the unitized
18 portion of the pool than otherwise would be recovered?

19 A Yes, sir.

20 Q Mr. Terry, is Getty, as unit operator of
21 this unit, do they presently have authority to commit addi-
22 tional wells to injection in the unit area by administrative
23 procedure?

24 A Yes, sir, we do.

25 Q And are you requesting that any order

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1 resulting from this hearing likewise permit conversion of ad-
2 ditional wells to injection by administrative procedure?

3 A. Yes, sir, we are.

4 Q. In your opinion will granting this appli-
5 cation be in the interest of conservation, the prevention of
6 waste, and the protection of correlative rights?

7 A. Yes, sir.

8 Q. Were Exhibits One through Eight prepared
9 by you or under your direction and supervision?

10 A. Yes, sir, they were.

11 MR. CARR: At this time, may it please
12 the Commission, we would offer into evidence Applicant's Ex-
13 hibits One through Eight.

14 MR. RAMEY: The Exhibits One through
15 Eight will be admitted.

16 MR. CARR: We have nothing further of
17 this witness on direct.

18 MR. RAMEY: Any questions of the witness?
19 Mr. Nutter?

20
21 QUESTIONS BY MR. NUTTER:

22 Q. Mr. Terry, you stated that you weren't
23 seeking to close the windows that are in the unit area. In
24 looking at your Exhibit Number Three, first of all, I don't
25 have on my legend an explanation of what the orange circles

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1 depict. Should that be colored on the legend?

2 A. Yes, sir, that should be shown converted
3 shut-in.

4 Q. Okay, that's --

5 A. The orange -- the orange circles.

6 Q. And then I look up here at the Atlantic
7 tract, which is in Section 30. It's a 40-acre tract, and on
8 Section 3 it would appear that there are two green tracts
9 shown there, or two green circles.

10 A. Yes, sir.

11 Q. Being injectors, and two tilted squares,
12 being -- indicating they're proposed for injection.

13 A. Yes, sir, that's correct.

14 Q. And then on that 40-acre tract there's a
15 square around a circle that says proposed producer.

16 Now why aren't you closing the window
17 there? You've got four injection tracts surrounding a 40-acre
18 tract. It looks like you're driving oil off the unit onto
19 that 40-acre tract without any protection for the unit?

20 A. We've discussed this with ARCO, bringing
21 this particular window into the unit. It's just we're not
22 seeking to do this at this time, but our -- this is an unde-
23 veloped tract. ARCO has expressed an interest to bring the
24 window into the unit.

25 Q. Do you think it's going to be committed

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1 to the unit?

2 A. Yes, sir, I feel that in the future it
3 will be committed to the unit.

4 Q. What incentive does ARCO have to come into
5 the unit? It's sitting there with a producer surrounded by
6 four injection wells.

7 A. Presently there's only two injection
8 wells and I'm sure ARCO's future action will dictate whether
9 or not we convert these other two wells to injection service.
10 This is -- this is simply a proposed pattern of development
11 for the unit at this point.

12 Q. Now I can understand down here in the
13 southwest corner of the unit, that company has one proposed
14 injection well and one proposed producing well, so you'd come
15 out even with respect to unit operations there.

16 A. Well, this is our proposal here, as far
17 as this injection well, and then we've discussed with these
18 people, as well, the possibility of bringing this window into
19 the unit, or some type of cooperative agreement.

20 Q. Uh-huh, and if you had a cooperative
21 agreement, the unit would come out even, wouldn't it, with
22 respect to the 80-acre tract --

23 A. Yes, sir, this well --

24 Q. -- even if they didn't come in.

25 A. Yes, sir, that's correct.

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1 Q And then this Carter Foundation lease over
2 to the east here has a number of injection wells and producing
3 wells. You are working on a line agreement with that company?

4 A Yes, sir, we are. We have discussed a
5 line agreement with the Carter Foundation. They are definitely
6 not interested in entering the unit. They do wish to execute
7 a lease line agreement and the biggest hold-up on that is in
8 this Well 226.

9 Q Well now, you didn't have statutory unit-
10 ization available to you when this unit was originally put
11 together.

12 A No, sir.

13 Q And you couldn't make Carter come in under
14 any kind of a statutory unitization, but it is available to
15 you now. Why haven't you brought these undeveloped -- or these
16 uncommitted tracts in?

17 A We -- we just don't choose to bring in
18 Carter Foundation. We feel that a lease line agreement is --
19 is the way we would prefer to go on it, rather than try to
20 bring in this particular window.

21 Q Uh-huh. Now, why are these converted
22 injection wells shut-in, that being the orange wells? Because
23 you haven't arrived at a lease line agreement?

24 A Yes, sir, because we do not have an
25 agreement.

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1 Q Uh-huh, and when you have an agreement,
2 those wells will be put back on injection?

3 A Yes, sir, that's correct.

4 Q They did inject at one time?

5 A No, they were -- no, sir, they were con-
6 verted and injection tubing was ran and they've been shut-in
7 since then. We haven't injected.

8 Q So you're just ready to go with injection.

9 A We're ready to go with this -- this is,
10 we feel, is the most effective way to flood the unit, and this
11 is the agreement that we're hoping to negotiate with the Carter
12 Foundation.

13 Q Now on your Exhibit Number Six, Mr. Terry,
14 we have all these computations in dollars. The fee royalty
15 unsigned would gain an additional gross revenue of \$7000.
16 That's -- why is this figure so low, because you have such a
17 small amount of unsigned --

18 A Yes.

19 Q -- royalty owners?

20 A Yes.

21 Q At the present time?

22 A Yes, sir, that's correct. If you'll look
23 at the interest there that the fee royalty -- unsigned fee
24 royalty have, that -- that's the reason.

25 Q Uh-huh, now their actual royalty is more

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1 than this. This is just the additional royalty --

2 A. This is just the additional, based upon
3 the recovery of an additional 500,000 barrels of oil.

4 MR. NUTTER: I believe that's all.
5 Thank you.

6 MR. RAMEY: Any other questions of the
7 witness?

8
9 CROSS EXAMINATION

10 BY MR. RAMEY:

11 Q Mr. Terry, say if -- if you don't get a
12 line agreement with Carter Foundation, are you prepared to come
13 back and request that they be force pooled into the unit?

14 A. I don't think I'm prepared to answer that
15 at this time. I think we would first probably try to arrive
16 at a different or a compromise, less than ideal lease line
17 agreement before we would take that course of action.

18 Q Okay, thank you.

19 MR. RAMEY: Any other questions?

20 MR. NUTTER: One more.

21
22 QUESTIONS BY MR. NUTTER:

23 Q Well, Mr. Terry, I haven't looked at the
24 description of the unit boundaries in the Exhibit Nine that's
25 coming up, but the unit boundaries are defined as excluding

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1 these windows. These are not unit -- these are not windows
2 of uncommitted acreage in the unit. They're lands that are
3 outside of the unit, is that it?

4 A. Yes, that's correct. That's the way
5 it's --

6 Q. Any statutory unitization order does not
7 affect these because they're not in the unit.

8 A. That's correct.

9 Q. Okay.

10 A. The unit area will remain exactly the
11 same as it is now and these windows are not within the unit.

12 Q. Okay.

13 MR. RAMEY: The witness may be excused.
14 Do you want to call your next witness, Mr. Carr?

15 MR. CARR: I call Harvey O. Woods.

16

17 HARVEY O. WOODS

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

20

21 DIRECT EXAMINATION

22 BY MR. CARR:

23 Q. Will you state your full name and place
24 of residence?

25 A. Harvey O. Woods, Midland, Texas.

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1 Q Mr. Woods, have you previously testified
2 before this Commission as a landman and had your credentials
3 accepted and made a matter of record?

4 A No, I have not.

5 Q Would you briefly summarize for the Com-
6 mission your educational background and your work experience?

7 A I'm a graduate of Hardin Simmons Univer-
8 sity in business management. I worked for Skelly and Getty
9 Oil Companies for the last twenty-seven years as a roustabout,
10 office manager, assistant operations superintendent, and a
11 landman.

12 Q And by whom are you currently employed?

13 A Getty Oil Company.

14 Q In what capacity?

15 A As a New Mexico area landman.

16 Q Are you familiar with the application of
17 Getty Oil Company in this case?

18 A Yes, I am.

19 Q And are you familiar with the Myers
20 Langlie-Mattix Unit?

21 A Yes, I am.

22 MR. CARR: Are the witness' qualifications
23 acceptable?

24 MR. RAMEY: Yes, they're acceptable.

25 Q Mr. Woods, have you prepared certain ex-

1 hibits for introduction in this case?

2 A. Yes, I have.

3 Q. Would you please refer to what has been
4 marked as Getty Exhibit Number Nine and identify that for the
5 Commission?

6 A. This is a unit agreement for the develop-
7 ment and operation of the Myers Langlie-Mattix Unit in Lea
8 County, New Mexico.

9 Q. Will you now refer to Applicant's Exhibit
10 Number Ten and explain what this is and what it shows?

11 A. This is the first and second revision of
12 the unit agreement that provides for -- that identifies the
13 character of the land, the waterflooding operation, and the
14 unit area.

15 Q. And is this in a usual form?

16 A. It's in a usual form, yes.

17 Q. And does it set out the basis for partici-
18 pation of each of the parties in the unit?

19 A. Yes, it does.

20 Q. Are the waterflooding operations presently
21 being conducted in this unit?

22 A. Yes, they are.

23 Q. Would you please explain the basis for
24 the participation formula?

25 A. Prior to unitization they had an engineering

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1 study committee that made a study of the recommended reservoir
2 based on past cumulative production, the anticipated secondary
3 recovery, and the acreage contributions of each tract, and
4 they arrived at a formula for tract participation from that
5 study.

6 Q In your opinion, does this formula allo-
7 cate production to the separately owned tracts on a fair,
8 reasonable, and equitable basis?

9 A Yes, it does, and after the unit was
10 created the working interest owners negotiated an equitable
11 formula for the tract participation and it was ratified by the
12 working interest owners.

13 Q And that's the formula we're presenting
14 to the Commission today?

15 A That is true.

16 Q What is the basis for participation in
17 the unit?

18 A 85 percent ultimate recovery, 10 percent
19 cumulative past production, and 5 percent acreage.

20 Q Mr. Woods, would you please refer to what
21 has been marked for identification as Getty Oil Company Exhibit
22 Number Eleven and identify this for the Commission?

23 A Yes. This is the unit operating agreement
24 for the Myers Langlie-Mattix Unit.

25 Q Now I'd ask you to review Exhibit Number

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1 Twelve and explain to the Commission what it is and what it
2 shows.

3 A. This is a unit operating agreement, Exhibit
4 D, second revision, July 1, 1976. It outlines the supervision
5 of the unit to be exercised by the now operator. It defines
6 the rights and duties of all parties. It shows how investments
7 and costs are to be shared. It establishes voting procedure
8 for decisions to be made by the working interest owners. This
9 is based on the equal working interest owner participation in
10 the unit; sets forth the accounting procedures, and contains
11 other standard provisions in a unit of this type.

12 Q. Okay, so the voting procedures are tied
13 to the ownership of each of the working interest owners?

14 A. Yes, based on their participation.

15 Q. And the unit operating agreement, as
16 amended, shows how costs will be allocated and paid.

17 A. Absolutely.

18 Q. Mr. Woods, if statutory unitization is
19 approved pursuant to this application, will the unit continue
20 to be operated under the same unit agreement, unit operating
21 agreement?

22 A. There will be no change in either agreement.

23 Q. Will you now refer to what has been
24 marked for identification as Getty Exhibit Number Thirteen and
25 explain to the Commission what this is?

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1 A. Yes. This is a list of the working interest
2 owners in the Myers Langlie-Mattix Unit, and it shows the unit
3 participation and indicates which interests are not signed, or
4 unsigned.

5 Q. What percentage of the working interest
6 ownership is presently unsigned?

7 A. Less than 1/100ths of one percent.

8 Q. Will you now refer to what has been
9 marked for identification Getty Exhibit Number Fourteen and
10 explain this to the Commission?

11 A. This is an indemnity agreement with the
12 Langlie-Mattix Myers Unit. It covers the unqualified tracts
13 that wish to come into the unit but will indemnify the other
14 working interest owners of any type of -- of bills or costs or
15 any kind of liability against unqualified tracts.

16 Q. Mr. Woods, would you now refer to Getty
17 Exhibit Number Fifteen and explain what this is to the Commis-
18 sion?

19 A. This is a letter dated October the -- I
20 mean February the 5th, 1980, requesting for Division orders
21 and any type of information from all working interest owners
22 to provide us with the information to try to sign unsigned
23 royalty owners in various tracts in the unit.

24 Q. And this letter was mailed to all working
25 interest owners?

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1 A. All unsigned -- oh, the letter was mailed
2 to all working interest owners in the unit, yes.

3 Q. And you were attempting to get the most
4 current address of the royalty interest owners?

5 A. We were trying to get information to lead
6 us to sign the unsigned royalty tracts, yes.

7 Q. Now I'd ask you to explain what Exhibit
8 Number Sixteen is.

9 A. This is a list of the royalty interest
10 owners, including the royalty and overriding royalty interests
11 within the unit. It shows the royalty interest, their parti-
12 cipation in these tracts. It also indicates the unsigned
13 royalty owners.

14 Q. What percentage of the royalty interest
15 ownership is currently unsigned?

16 A. 1/4th of one percent.

17 Q. Now, Mr. Woods, please refer to what has
18 been marked for identification as Getty Exhibit Number Seventeen
19 and explain this to the Commission?

20 A. Okay. This was a letter that was written
21 to only those that were not committed to the unit.

22 Q. This was only to royalty interest owners?

23 A. These are to royalty interest owners,
24 overriding royalty and royalty, and the reason for this was
25 trying to, or attempting to get those people to ratify the unit

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1 on a voluntary basis.

2 Q And what response did you receive to this
3 letter?

4 A About 50 percent of those that were un-
5 signed at that particular time responded to this letter.

6 Q Would you briefly summarize your prior
7 efforts to get royalty interest owners to commit their interest
8 to the unit?

9 A For the past five years we've had anywhere
10 from two to three employees researching records, trying to get
11 available information as to the present whereabouts of all the
12 unsigned royalty owners. We mailed out certified letters for
13 a unit agreement, unit operating agreement, and ratification,
14 and spent numerous telephone calls and even trips to visit
15 with the people that were unsigned to attempt to get those
16 people to voluntarily ratify the unit.

17 Q Do you believe you have done all that you
18 reasonably can do to obtain voluntary commitment?

19 A At this time, yes, I do.

20 Q Has Getty made a good faith effort to
21 secure voluntary unitization of all working interest owners
22 and royalty interest owners in the area affected by this ap-
23 plication?

24 A Yes, sir, they have.

25 Q Will you now refer to what has been marked

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1 Getty Exhibit Number Eighteen and explain to the Commission
2 what this is and what it shows?

3 A. This is a tabulation of the royalty in-
4 terest, showing a total interest -- total Federal interest, a
5 total State interest, and the unsigned fee and the signed fee.
6 And then under the working interest it shows a signed royalty,
7 the signed working interest and the unsigned working interest,
8 and both tabulate over 99 percent, as a round-off area, of
9 more than --

10 Q. What was that? Would you repeat that
11 answer?

12 A. On this right here?

13 Q. Yes,

14 A. There's a total of less than 2 percent --
15 say 2000 to 1 percent does not sign in the royalty and the --
16 and the working interest ownership.

17 Q. And is this total --

18 A. It's not equal to 100, no. Call it a
19 round-off area of -- round-off area is allowed out here of
20 about 2-millionths.

21 Q. Have there been any changes in this
22 tabulation since May of 1980?

23 A. No change,

24 Q. Mr. Woods, were Exhibits Nine through
25 Eighteen either prepared by you or can you testify to their

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1 accuracy from your own knowledge?

2 A. Either by me or under my supervision.

3 MR. CARR: At this time we would offer
4 Getty Exhibits Nine through Eighteen.

5 MR. RAMEY: Getty Exhibits Nine through
6 Eighteen will be admitted.

7 MR. CARR: We have nothing further of
8 this witness on direct.

9 MR. RAMEY: Any questions? Mr. Nutter.

10
11 QUESTIONS BY MR. NUTTER:

12 Q Mr. Woods, in response to questions, Mr.
13 Terry stated that the CARter Foundation tract, the Atlantic
14 tract, and this other tract down here in Section 7, were not
15 in the unit area; that the unit area was defined by the magenta
16 line and it excluded those tracts.

17 Then on examination of the unit agreement
18 and Exhibit A, the Carter Foundation tract is shown to be in
19 the unit area in Tract 9.

20 The Atlantic tract is shown in the unit
21 area as Tract 82, and the King, Warren, and Dye tract in Sec-
22 tion 7 is shown to be Tract Number 67.

23 Now I realize that in the participation
24 they're shown as having zero participation but they are in the
25 unit area. Now if we enter an order statutorily unitizing the

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1 unit area, as defined, those tracts are coming in.

2 A. It will have to be revised to exclude
3 those tracts, the unit agreement.

4 Q. What have we got here to revise it? We
5 don't have any testimony --

6 MR. CARR: The two revisions to the unit
7 agreement, which are Exhibits -- the following exhibits --

8 A. Exhibits right there exclude those.

9 MR. CARR: -- exclude that from the unit
10 area.

11 Q. All right, Exhibit Number One is the
12 first revision to the operating agreement. Where are those
13 exhibits, Mr. Carr?

14 MR. PADILLA: Isn't that Exhibit Ten?

15 MR. NUTTER: No, that's the --

16 MR. CARR: They should be Exhibit Ten, Mr.
17 Nutter. Let's see Exhibit Ten.

18 MR. TERRY: It's right there.

19 MR. NUTTER: Okay, Exhibit Ten is the new
20 revised Exhibit A to the unit agreement, is that it?

21 MR. CARR: That's correct.

22 MR. NUTTER: And Exhibit C here is a re-
23 vision of the schedule of tract participation. No, it doesn't
24 exclude Tract 9.

25 MR. RAMEY: Where -- where is Tract 9?

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1 MR. NUTTER: Or did you renumber the
2 tracts?

3 It calls it an unqualified tract but it's
4 still listed in here as a tract in the unit.

5 MR. CARR: Tract 9, like other tracts up
6 in the -- oh, let's see, Mr. Nutter --

7 MR. NUTTER: Tracts 82 and 67, I believe,
8 are --

9 MR. CARR: Well, these tracts have been
10 treated as if they were outside of the unit. There are also
11 some other tracts to the north and east that are -- are the
12 same. They're carried in here as unqualified tracts that were
13 within the original proposed area, but they are treated through-
14 out as if they are not within the unit area at all and not,
15 therefor, windows.

16 MR. NUTTER: Shouldn't the Exhibit B be
17 revised to eliminate those tracts?

18 MR. CARR: Well, perhaps it should be.
19 It would be consistent with the ad. It would be consistent
20 with the legal -- with the application and all in this case
21 to do that, too, take those out and perhaps an additional re-
22 vision of Unit B would be necessary to avoid this confusion
23 on this.

24 MR. NUTTER: Now I note that originally
25 Tract Number 67 on the original unit agreement and Exhibit C

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1 was shown as being a participating tract, but is now shown as
2 not participating at all. Did that tract at one time partici-
3 pate?

4 MR. CARR: It apparently has never parti-
5 cipated. It was in the area but unqualified.

6 MR. PADILLA: Well, the other, Tract 82
7 and Tract 9 do show zero participation from both, but Tract
8 67 does show a percent participation.

9 MR. NUTTER: We're looking at Exhibit C
10 to the unit agreement, the original unit agreement.

11 MR. CARR: The original?

12 MR. NUTTER: Right. Okay, now you'll note
13 there that Tract 9 shows zero participation for Phase One and
14 zero participation for Phase Two.

15 Then on the next page Tract 67 shows part-
16 icipation on Phase One and Phase Two, Tract 82 shows zero
17 participation for Phase One and Phase Two.

18 So even though that tract didn't qualify,
19 apparently at one time it participated.

20 MR. CARR: Mr. Nutter, there is an error
21 in the Exhibit C attached to the original unit agreement and
22 it is correct -- it is corrected by the revisions to it that
23 were adopted in 1974. If you desire I can call a witness who
24 can testify to that fact.

25 MR. NUTTER: Is it shown on one of the

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1 exhibits?

2 MR. CARR: It's Exhibit Number Twelve. It's actually --
3 or I'm sorry, Exhibit Number Ten. It's actually the third
4 page of that exhibit. Exhibit C lists the schedule of tract
5 participation and Tract 67 has been excluded.

6 MR. NUTTER: Well, all three tracts are
7 excluded on that exhibit.

8 MR. CARR: That's correct.

9 MR. NUTTER: 9 and 67 and 82.

10 MR. CARR: That's right. That's correct.
11 And this is in error because it has never participated in the
12 unit; that is referring to Tract 67.

13 MR. NUTTER: Okay. Well, apparently Ex-
14 hibit A and Exhibit Number Ten is correct, then. This shows
15 the unit outline as amended, as the actual unit area, which
16 excludes the old Tract 9, 67, and 82.

17 MR. CARR: That's correct.

18 MR. NUTTER: And also some tracts up on
19 the north end that --

20 MR. CARR: That is correct.

21 MR. NUTTER: -- you mentioned, and a 40-acre
22 tract down on the south end.

23 MR. CARR: That's right.

24 MR. NUTTER: Yeah, one 40-acre tract in
25 the south end.

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MR. CARR: In Section 9.

MR. NUTTER: Where Well 220 is.

MR. CARR: Yes, sir, in Section 9, that's correct.

MR. NUTTER: Okay.

MR. CARR: Which is the southwest of the northeast of that section.

MR. NUTTER: Okay, so now if you could prepare a new exhibit B to go with this revised Exhibit A, to substitute for the Exhibit B that's in Exhibit Ten.

MR. CARR: Right, we can do that.

MR. NUTTER: Excluding those tracts completely and not just listing them as unqualified tracts, but excluding them, then the unit area could be defined. Exhibit Ten as amended would stand as the definition of what the unit area is, and it wouldn't affect royalty interests or working interests, either one, in those lands that are outside the unit area.

MR. CARR: Getty has the data to do that, and with the Commission's permission, we will supply that data to you immediately with the amended exhibit reflecting that these tracts are not just unqualified but not within the unit area at all.

MR. NUTTER: Not in the unit area at all.

MR. CARR: Correct.

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1 MR. NUTTER: Right. That's all the
2 questions I have on that.

3 MR. RAMEY: Any other questions of Mr.
4 Woods? He may be excused.

5 MR. CARR: We have nothing further.

6 MR. RAMEY: Does anyone have anything
7 further in Case 6987?

8 If not, the Commission will take the
9 case under advisement, and the hearing is adjourned.

10

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(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 C.S.R.

SALLY W. BOYD, C.S.R.

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