

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
29 July 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Amoco Production Com-
pany for a unit agreement, Lea County,
New Mexico.

CASE
7310

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

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Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

James M. Appelt, Esq.
Amoco Production Company
Post Office Box 3092
Houston, Texas 77001

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2 MR. STAMETS: We will call next Case
3 7310.

4 MR. PADILLA: Application of Amoco Pro-
5 duction Company for a unit agreement, Lea County, New Mexico.

6 MR. APPELT: James Appelt, appearing for
7 Amoco Production Company.

8 MR. STAMETS: Okay, you may proceed.

9 MR. APPELT: Mr. Examiner, my name is
10 James Appelt, representing Amoco Production Company in con-
11 junction with Atwood and Malone. I think you have a copy of
12 their letter in the file.

13 We'll have two witnesses today, Mr. Chris
14 Raper, a landman for Amoco, and Allen Oertel, a geologist for
15 Amoco, and they need to be sworn.

16
17 (Witnesses sworn.)

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19 MR. APPELT: Mr. Examiner, we propose
20 for your consideration an exploratory oil and gas unit in
21 Lea County, located in the northeast portion of the Delaware
22 Basin. The unit area as proposed contains 2535.44 acres and
23 consists of several Federal leases. The formation of this
24 unit will permit us to drill a deep and expensive test well,
25 which we hope will be productive in the Devonian formation.

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2 And I believe the docket lists the pro-
3 posed unit as containing 2560 acres, which is a discrepancy
4 we wish to bring to the Examiner's attention at the outset.

5 MR. STAMETS: I believe that's an insig-
6 nificant difference in this case.

7 MR. APPELT: Thank you.

8 MR. STAMETS: You may proceed.

9 MR. APPELT: Call our first witness, Mr.
10 Chris Raper.

11
12 CHRIS L. RAPER

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

15
16 DIRECT EXAMINATION

17 BY MR. APPELT:

18 Q Mr. Raper, would you please state your
19 name, by whom you are employed, in what capacity, and at what
20 location?

21 A My name is Chris L. Raper. I'm employed
22 by Amoco Production Company U.S.A. in Houston as a Senior
23 Landman.

24 Q How long have you been employed by Amoco?

25 A Approximately 2-1/2 years.

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Q Have you ever testified before this Division before?

A No, I have not.

Q Would you briefly state your formal education?

A Yes. I graduated from the University of Texas in Austin in December of 1978, with a Petroleum Land Management degree, and have been with Amoco since that time.

Q Would you briefly summarize your work experience with Amoco?

A Yes. I've worked with all phases of land work in the west Texas - eastern New Mexico Division.

MR. APPELT: Are there any questions concerning his ability to testify?

MR. STAMETS: He's considered qualified.

Q Okay, Mr. Raper, you'll be asked to testify as to several exhibits. Were these exhibits prepared either by you or under your supervision and direction?

A Yes, they were.

Q Okay. I now ask you to turn to Exhibit One, which is a plat of the subject exploratory unit, and explain what this exhibit shows.

A This exhibit is captioned El Alto Grande Unit. It's in Lea County, New Mexico. It encompasses appro-

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2 ximately 2535 acres in Ranges 33 and 34 East, Township 22
3 South.

4 This acreage is all Federal, 100 percent.
5 The black hachured line is the unit boundary. The small
6 numbers within the black squares designate leases, separate
7 tracts.

8 Q Okay, what is the approximate depth you
9 will be drilling to attempt to obtain production?

10 A 15,100 feet.

11 Q Have there been any changes in the unit
12 boundary since it was originally filed with the USGS and
13 State agencies?

14 A No, there have not.

15 Q Have you made application with the U. S.
16 Geological Survey for approval of this unit?

17 A Yes, we have.

18 Q And have you obtained conditional ap-
19 proval?

20 A Yes, we have.

21 Q Would you now turn to Exhibit Two, which
22 is a table illustrating the working interest ownership in
23 the proposed unit, and please explain this exhibit to the
24 Examiner?

25 A This Exhibit Two is also captioned El

1
2 Alto Grande Unit with a description of the unit as far as
3 township and range go.

4 On the far lefthand column is the lessee
5 of record. The description of the land in the center column,
6 total acres and percentage of unit.

7 Amoco Production Company will contribute
8 approximately 1303 acres to the unit for 51.4 percent of the
9 unit.

10 Gulf Oil Corporation will contribute
11 596 acres, approximately, 23 percent of the unit.

12 Mountain Fuel Supply, 320 acres, 12.6
13 percent, and there is one open tract in the unit which is
14 315 acres.

15 Q Okay, would you next turn to Exhibit
16 Three, which is a letter from the U. S. Geological Survey,
17 and I'll ask you, does this letter grant conditional approval
18 for the proposed unit?

19 A Yes, it does.

20 Q Okay. Could you tell me the date of
21 the letter?

22 A July 14, 1981.

23 Q All right. In the third paragraph I
24 note the USGS approves the unit agreement with the modifica-
25 tions requested in Amoco's application. What were these

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modifications?

A. The modifications requested at the preliminary approval were that the open Federal tract within the unit would be issued subject to the agreement.

Q. Okay. Would you next turn to Exhibit Four, which is a copy of the proposed unit agreement? Are you familiar with this type of agreement?

A. Yes, I am.

Q. Have all changes requested by the USGS been made in this agreement?

A. Yes.

Q. Okay, I note that there is attached as an Exhibit B to this agreement at the end of the document a listing of the various interest ownerships within the unit, and I also note that there are some overriding royalties within the unit acreage. Have you taken any steps to contact the owners of these overriding royalty interests?

A. We have taken any steps at this time pending approval, final approval, of the unit. The overriding royalty owners will be contacted and given the opportunity to ratify the unit.

Q. Okay, with regard to timing involved in the unit agreement, do you have any leases with expiration dates in the near future?

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2 A Yes, we do. We have a lease which Gulf
3 is the lessee of which has a September 1, 1981, expiration,
4 which will be contributed to the proration unit for the ini-
5 tial test, being the north half of Section 19, Tract 2 on your
6 exhibit.

7 Q So it is incumbent on us to receive
8 final approvals from the appropriate regulatory bodies before
9 September 1st, 1981.

10 A That is correct.

11 Q Is Amoco ready and willing and able to
12 proceed with development if we receive the necessary approvals
13 from the State and Federal agencies?

14 A Yes, they are.

15 MR. APPELT: Mr. Examiner, that's all
16 the questions of we have of this witness.

17 MR. STAMETS: Are there any questions
18 of the witness? He may be excused.

19 MR. APPELT: We call our next witness,
20 Mr. Allen Oertel.

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22 ALLEN O. OERTEL

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

25

DIRECT EXAMINATION

BY MR. APPELT:

Q Mr. Certel, will you please state your name, by whom you are employed, in what capacity, and in what location?

A Allen O. Oertel. I'm employed by Amoco Production Company in Houston as a geologist.

Q How long have you been working for Amoco?

A Seven months.

Q Have you ever testified before this Division before?

A No.

Q Okay, Mr. Oertel, would you briefly state your formal education?

A Graduated from Eastern Illinois University in 1978 with a Bachelor of Science in geology, and graduated in 1980 from Southern Illinois University with a Master of Science in geology.

Q Would you briefly summarize your work experience with Amoco?

A In the past seven months I've been engaged in projects and operations within the southeast New Mexico area.

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MR. APPELT: Are there any questions concerning his ability to testify?

MR. STAMETS: No.

Q Mr. Certel, you'll be asked to testify as to two exhibits. Were these exhibits prepared either by you or under your supervision and direction?

A They were.

Q Would you please turn to Exhibit Five, which is a plat showing the production history in the area of the proposed unit, and please explain this exhibit to the Examiner?

A The exhibit is a plat of the area. Shown in the black outline is the outline of the proposed unit. The red star indicates the proposed location of the unit well, which will be 1980 from the north line and 1980 from the west line.

There have been six other Devonian tests in the area. Immediately to the south of the proposed unit in Section 6 is the Conoco Bell Lake Unit No. 6 Well. This well, drilled in 1960, has cumed 24 Bcf of gas from the Devonian.

In 23 South, Range 34 East, in Section 27 there is the Shell Antelope Ridge Unit No. 1. This well, drilled in 1962, had cumed 5.1 Bcf.

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In Section 19 of 23 South, Range 34 East, the Continental Bell Lake Bradley "A" Well, drilled in 1965, cumed .87 Bcf of gas from the Devonian before it was abandoned.

There were three other Devonian tests in the area. All of these tested nonproductive. These were the Shell North Antelope Ridge Unit No. 1 in Section 22, Township 23 South, Range 34 East. Then up in Township 22 South, Range 34 East, in Sections 23, the Burnson Ojo Chiso No. 1, and then up in Section 4, the Shell Federal "GR".

Q Okay. Have you identified what the star and red line indicate already?

A Yes. The star is the proposed location of our unit well.

Q Okay. Would you next turn to Exhibit Six, which is structure map of the proposed unit and please explain this exhibit to the Examiner?

A This is a structure map on the Devonian, which is the horizon we plan to test. The adjacent to the black lines are the subsea elevations of the Devonian. You will note a heavy dark line running from the top to the bottom of the map. This is a major fault in the area with approximately 2000 feet of throw on it. The fault is downthrown to the west, upthrown to the east.

Just on the east side of this fault are

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several structural highs, one of which we intend to play. The Devonian throughout this area is fairly uniform in its thickness and porosity and it is therefor the structure which controls production.

An example of such a structure controlling production would be the South Bell Lake Unit, located immediately to the south of our proposed unit. This is the South Bell Lake Field, and if you'll refer to Section 19, Township 23 South, Range 34 East, this is the Continental Bell Lake Bradley "A" Well. This well cumed .87 Bcf of gas before it was abandoned.

Up in Section 6, this is the Continental Bell Lake Unit No. 6 Well, this well is approximately 150 feet structurally higher than the previously mentioned well, and it cumed approximately 24 Bcf of gas and is still producing.

The unit was constructed to include all half sections which would allow penetration of the Devonian at an elevation of -11,300 feet or higher.

Q Okay, the star indicates the location of the proposed well.

A That's correct.

Q Do you believe that almost all, if not all, of the proposed unit area will be productive?

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A. Yes.

MR. APPELT: Mr. Examiner, we have no further questions at this time.

MR. STAMETS: Any questions of this witness?

CROSS EXAMINATION

BY MR. STAMETS:

Q. Mr. Oertel, was the contouring done on the basis of geologic data or on seismic data?

A. Geologic.

MR. STAMETS: Any other questions? The witness may be excused.

Anything further in this case?

MR. APPELT: Mr. Examiner, we offer Exhibits One through Six and the accompanying testimony at this time.

MR. STAMETS: These exhibits will be admitted.

And if there is nothing further, the 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

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7310, heard by me on 7/29 1981.

Richard L. Stamm Examiner
Oil Conservation Division