

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

3 February 1982

EXAMINER HEARING

IN THE MATTER OF:

Application of Grace Petroleum Corporation for a unit agreement, Lea County, New Mexico.

CASE
7472

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
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For the Applicant:

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I N D E X

TODD WILSON

Direct Examination by Mr. Kellahin	3
Cross Examination by Mr. Nutter	10

E X H I B I T S

Applicant Exhibit One, Structure Map	5
Applicant Exhibit Two, Map	7
Applicant Exhibit Three, Unit Agreement	7
Applicant Exhibit Four, Letter	9

MR. NUTTER: We'll call next Case 7472.

MR. PEARCE: Application of Grace Petroleum Corporation for a unit agreement, Lea County, New Mexico.

MR. KELLAHIN: If the Examiner please, I'm Tom Kellahin, of Kellahin and Kellahin, Santa Fe, New Mexico, appearing on behalf of the applicant, and I have one witness.

(Witness sworn.)

TODD WILSON

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Wilson, for purposes of the record, would you please state your name and occupation?

A My name is Todd Wilson. I'm a geologist for Rio Pecos Corporation.

Q Have you previously testified before the Division, Mr. Wilson?

A No, sir.

Q Would you describe for the Examiner when

1
2 and where you obtained your geology degree?

3 A. I received a Bachelor of Arts degree
4 from the University of New Mexico in approximately 1973 and
5 a Master of Science from Oklahoma State University in Still-
6 water, Oklahoma, in 1975.

7 Q. Subsequent to graduation, Mr. Wilson,
8 have you been employed as a petroleum geologist doing business
9 in New Mexico?

10 A. I was initially employed by Cities Ser-
11 vice for two years; did exploration work in Texas; went to
12 Texas Oil and Gas, and proceeded with exploration work in
13 Anadarko Basin in the Texas panhandle; and Holly Energy for
14 another year and worked in Texas; and proceeded with Mark D.
15 Wilson and worked for two years in New Mexico.

16 Q. All right, sir. Now you've been retained
17 or employed by the applicant in this case, Grace Petroleum
18 Corporation, to prepare certain exploration geology for the
19 formation of their Buffalo-Deep East Unit?

20 A. No, sir. This unit was originally de-
21 signed by myself for Rio Pecos Corporation.

22 Q. All right, sir. So you did do the ex-
23 ploration geology for this unit for a different operator?

24 A. Yes, that's correct.

25 Q. The proposed operator for the unit at

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this point is Grace Petroleum Corporation?

A. Yes, sir.

Q. All right, sir.

MR. KELLAHIN: We tender Mr. Wilson as an expert geologist.

MR. NUTTER: Mr. Wilson is qualified.

Q. Mr. Wilson, let's look first at your Exhibit Number One, which is your structure map of the Strawn, and have you identify that map for us.

A. Okay. Exhibit One is a structure map contoured on top of the Strawn shale. It is the most reliable subsurface formation marker we have in this area above the Devonian, to get an accurate interpretation for expected Morrow structure.

Q. Let me ask you if that map shows an outline of the Buffalo-Deep East Unit?

A. Yes, it does. The outline is in yellow.

Q. All right, sir. And what are the proposed formations to be unitized by the unit?

A. The proposed formation for Federal, USGS purposes is Morrow.

Q. The unit agreement provides for the unitization of all formations below a particular subsurface depth, does it not?

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A. Yes, 4721 feet.

MR. NUTTER: From there below.

MR. KELLAHIN: From that point below,
and that would include the Morrow formation, which is one of
the principal formations?

A. Yes, it is the primary objective.

Q. Are there any other objectives for the
unit?

A. Yes, there are shallow objectives, in-
cluding Bone Springs, possible Wolfcamp, Strawn Sand, and
Devonian.

Q. Where do you propose to locate and
drill the first unit well?

A. The first unit well will be drilled
1980 from the east, 660 from the north, Township 19 South,
Range 33 East, in Section 2.

Q. Will the total depth of that well be
sufficient to penetrate and test the Devonian formation?

A. Yes.

MR. NUTTER: What was the location,
again?

A. 1980 from the east, 660 from the north,
of Section 2, 19 South, 33 East.

Q. All right, sir, let's go to Exhibit Num-

ber Two and have you identify that exhibit for me.

A. Exhibit Number Two is a Morrow Sand distribution map. This map was prepared on well control information primarily in the southern part of the unit area, and the map is prepared to demonstrate dominant Morrow sands systems that are present and productive within the area, and their expected trend across the unit area.

Q. In your opinion, Mr. Wilson, will approval of the unit give the unit and the unit operator substantially control of all the Morrow feature as depicted on your exhibit?

A. Yes.

Q. Let me have you turn at this point to what we've marked as Exhibit Number Three and identify that.

A. Exhibit Number Three is the unit agreement.

Q. Would you describe generally what kind of acreage is being proposed to be dedicated to the unit?

A. Okay, there is one section, approximately 653 acres of State land in Section 2. The remainder is Federal land.

Q. All right, sir, and have you received at this point preliminary approval from the Commissioner of Public Lands for the formation of this unit?

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A. Yes, sir, from the State Land Office.

Q. Yes, sir, and have you received verbal approval from the US Geological Survey for the commitment of Federal acreage to this unit?

A. Yes, sir.

Q. Now Exhibit Three is a form of unit agreement. Has that form been approved by the Commissioner of Public Lands and the USGS?

A. Yes, sir.

Q. And if you'll turn to the attachments to that unit agreement, have you appended to the unit agreement a plat that shows the unit outline and the leases to be committed to the unit?

A. Yes, sir.

Q. And Exhibit B, is that a tabulation of the leases committed to the unit?

A. Yes, sir.

Q. Now, with regard to the leases, Mr. Wilson, do you have any lease expiration problems?

A. Yes, we have in Section 26 of 18 South, 23 East, an early expiring lease as of March 1st, 1982.

Q. What are your proposals or plans concerning the commencement of the first unit well?

A. The first unit well will be commenced

on or before March 1st, 1982.

Q. What percentage of the lessees and working interests within the unit area have committed their interest to this unit?

A. All acreage owners have agreed to join in the unit.

Q. And who will be the unit operator?

A. Grace Petroleum.

Q. All right, sir, let's turn to Exhibit Number Four and have you identify that one for me.

A. Exhibit Number Four is a letter from the State Land Office giving preliminary approval of the unit.

Q. All right, sir. In your opinion, Mr. Wilson, will approval of this application be in the best interest of conservation, the prevention of waste, and the protection of correlative rights?

A. Yes, sir.

MR. KELLAHIN: We move the introduction of Exhibits One, Two, Three, and Four.

MR. NUTTER: Exhibits One through Four will be admitted in evidence.

MR. KELLAHIN: That concludes our examination of Mr. Wilson.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Wilson, looking at the ownership map and -- or at the unit map and also Exhibit B to the unit agreement, I don't see this Rio Pecos on here. How do they enter the picture?

A Okay. I work for Rio Pecos Corporation out of Midland, Texas. We are a family-owned corporation, and I do exploration work in Texas for the organization.

I developed this particular prospect and we propose the unit and have gotten all the participants to agree to join the unit.

Now I guess for Federal purposes, we listed Grace Petroleum as operator, since we will carry no operation in this well. We will just have standard override royalty.

Q And Rio Pecos is not a working interest owner, then.

A No, sir, we have no working interest in this well.

Q And the working interest ownership is as shown on Exhibit B, being Gulf, Huber, Amoco, and Conoco, and Grace.

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A. Yes, sir. Part of them have farmed out; part of them have agreed to participate.

Q. The ones that have farmed out, who have they farmed out to?

A. To Rio Pecos Corporation.

Q. Have they farmed their working interests out?

A. Yes.

Q. So really this does not reflect all the working interest ownership then, does it? Just the lessee of record.

A. Yes, that is, I think, the case. I'm no -- I know very little about land. Your questions confuse me a little bit.

I can explain this in detail as to the companies and how they're going to participate or farm out in this unit, if you would like.

Q. Please do.

A. Okay, Gulf Oil Corporation has agreed to farm out on a 50 percent backin after payout.

J. M. Huber, the same farmout on 50 percent backout.

Conoco is going to participate 100 percent with their working interest percent.

Grace is going to participate 100 percent with their working interest.

Amoco is going to participate 100 percent with their working interest to the base of the Morrow formation and to farmout the Devonian rights to Rio Pecos Corporation.

Q But you don't intend for this initial well to go to the Devonian?

A. Yes, I do.

Q Oh, it's going to the Devonian?

A. As a secondary objective.

Q So the initial well will not only be a Morrow test, it will also be a Devonian test, also?

A. This in large part will depend upon how our structural position is at the time we reach the top of the Mississippian formation.

Q I see. And then the Gulf and Huber interests will come in -- they're farmed out right now to Rio Pecos, and they'll come in on a -- after payout on the well?

A. Yes, for half, 50 percent.

Q Okay. I understand now.

And the initial well, then, is going to be in the northwest quarter of the northeast quarter of Section 2?

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2 A. Yes, sir.

3 MR. NUTTER: Are there any other ques-
4 tions of the witness?

5 MR. KELLAHIN: No, sir.

6 MR. NUTTER: He may be excused.

7 Do you have anything further, Mr. Kella-
8 hin?

9 MR. KELLAHIN: Not in this case.

10 MR. NUTTER: Does anyone have anything
11 they wish to offer in Case Number 7472?

12 If not, we'll take it 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 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 correct and true transcript of the hearing held before the Oil Conservation Division of the State of Texas on 2/3 1982.
[Signature], Examiner
 Oil Conservation Division

SALLY W. BOYD, C.S.R.

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