

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

28 August 1985

EXAMINER HEARING

IN THE MATTER OF:

Application of Santa Fe Exploration CASE
Company for a unit agreement, Lea 8681
County, New Mexico.

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: Jeff Taylor
Attorney at Law
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For Santa Fe Exploration: Ernest L. Padilla
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MR. STOGNER: Call next Case
Number 8681.

MR. TAYLOR: The application of
Santa Fe Exploration Company for a unit agreement, Lea Coun-
ty, New Mexico.

MR. PADILLA: Mr. Examiner, Er-
nest L. Padilla, Santa Fe, New Mexico, for the applicant in
this case.

I have two witnesses to be
sworn.

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

Will the witnesses please stand
and be sworn.

(Witnesses sworn.)

STEVE L. SIMMONS,

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

DIRECT EXAMINATION

BY MR. PADILLA:

Q Mr. Simmons, for the record would you please state your name, by whom you're employed, and in what capacity?

A Steven L. Simmons. I'm employed by Santa Fe Exploration Company and I'm the Secretary-Treasurer.

Q What -- have you previously testified before the Oil Conservation Division and had your credentials accepted as a matter of record?

A No, I have not.

Q Would you please tell the examiner what your educational background is?

A I attended the University of Oklahoma and have a Bachelor's degree in business administration with a major in accounting.

I have four and a half years experience in the oil and gas industry; the last three of which are with Santa Fe Exploration Company.

Q What duties do you perform for Santa Fe Exploration other than --

A Well, it's a small company and I do a number of things, one of which is land work, some field work, some administrative and accounting.

1 Q Are you familiar with the Airstrip
2 Northwest Deep Unit Area?

3 A Yes, I am.

4 Q Have you put together the documents in
5 connection with that unit agreement?

6 A Yes.

7 MR. PADILLA: Mr. Examiner, we
8 tender Mr. Simmons as an expert landman.

9 MR. STOGNER: Mr. Simmons is so
10 qualified as a practical landman and an officer of the cor-
11 poration -- company.

12 Q Mr. Simmons, please refer to what we have
13 marked as Exhibit Number One and have you tell the Examiner
14 what that is and what it contains.

15 A Exhibit Number One is the standard form
16 unit agreement for the Airstrip Northwest Deep Unit, con-
17 sisting of Section 20, Township 18 South, Range 34 East, Lea
18 County, New Mexico, and it contains Exhibits A, which is the
19 map of the acreage, and Exhibit B, which shows the working
20 interest and royalty owners.

21 Q Looking at Exhibit A, would you explain
22 to the Examiner what the unit consists of?

23 A The unit area consists of Section 20,
24 Township 18 South, Range 34 East, and is made up of 320 ac-
25 res of fee land and the east half of the section consists of

1 two State leases, making a total of 640 acres.

2 Q Go on now to Exhibit B of the unit agree-
3 ment and tell us what that is.

4 A Exhibit B shows the ownership, working
5 interest and royalty, of the tracts as they're shown on Ex-
6 hibit A, Tract 1 being the fee lease, the west half; Tract 2
7 being the State lease, 240 acres, LG-2869; and Tract 3 being
8 the State Lease, V-687, consisting of 80 acres.

9 Q What percentage of the working interest
10 owners in the unit area have committed to the unit agree-
11 ment?

12 A One hundred percent.

13 Q How about the royalty interest?

14 A One hundred percent.

15 Q Let me show you what we have marked as
16 Exhibit Number Two and have you identify that.

17 A Exhibit Number Two is the letter which
18 gives the approval of the Director of the Oil and Gas Divi-
19 sion of the Commissioner of the State of New Mexico, Commis-
20 sioner of Public Lands' approval of the Airstrip Northwest
21 Deep Unit Agreement.

22 Q Let me refer you to page two of the unit
23 agreement and ask you why Manzano Oil Corporation is the
24 operator under that unit agreement.

25 A At the time we filed the -- filed the ad-

1 advertisement for the unit agreement, Santa Fe Exploration
2 Company owned 100 percent of the working interest and subse-
3 quent to that time we have made an agreement with Manzano
4 Oil Corporation and farmed out our interest to them.

5 Q You will retain some interest in the unit
6 area.

7 A Yes, we have retained an override, which
8 is convertible to a working interest after payout.

9 Q The unit -- the designation of Manzano
10 Oil Corporation on page two merely means that Manzano is
11 going to operate the unit.

12 A Yes, it does.

13 Q Do you have anything further to add to
14 your testimony?

15 A No, sir.

16 MR. PADILLA: Mr. Examiner, we
17 move the introduction of Exhibits One and Two.

18 MR. STOGNER: Exhibits One and
19 Two will be admitted into evidence.

20 MR. PADILLA: And we'll call
21 Marvin Gross, unless the Examiner has any questions of Mr.
22 Simmons.

23 MR. STOGNER: I have no ques-
24 tions of Mr. Simmons at this time.

25 Are there any other questions

1 of this witness?

2 If not, he may be excused at
3 this time.

4

5 MARVIN C. GROSS,

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

8

9 DIRECT EXAMINATION

10 BY MR. PADILLA:

11 Q Mr. Gross, for the record would you
12 please state your full name and where you reside?

13 A Marvin C. Gross, and I reside in Roswell,
14 New Mexico. I'm a consulting geologist representing Sant Fe
15 Exploration and Manzano Oil.

16 Q Mr. Gross, in connection with this --
17 well, let me ask you first, have you previously testified
18 before the Oil Conservation Division and had your creden-
19 tials accepted as a geologist?

20 A Yes, I have.

21 Q Are you familiar with the Airstrip North-
22 west Deep Unit Area?

23 A Yes.

24 Q And have you prepared certain exhibits
25 for introduction at this hearing today?

1 A The Morrow cross section exhibit that is
2 being presented today was originally prepared by Mr. Smith,
3 a geologist that was employed by Santa Fe in 1983.

4 I have taken and revised the map since
5 the well in Section 18 has been drilled, recontoured and up-
6 dated it.

7 MR. PADILLA: Mr. Examiner, we
8 tender Mr. Gross as an expert geologist.

9 MR. STOGNER: He is so quali-
10 fied.

11 Q Mr. Gross, would you please refer to what
12 we have marked as Exhibit Number Three and have you tell us
13 what that is?

14 A Exhibit Three is a cross section of the
15 Morrow section extending from the well in Section 9 of 18,
16 34, to a well in Section 4 of 19, 34.

17 It shows that in this area we have a de-
18 position of a narrow sand channel and our idea is to, of
19 course, be within this sand thickness, the thickest part of
20 this channel and up dip to the well in 18, which was wet,
21 and the well in 29, which was -- produced water.

22 And the structure map on the cross sec-
23 tion indicates that we can get approximately 100 to 150 feet
24 high to the well in Section 18; therefore, should produce
25 gas.

1 Q Mr. Gross, is the Morrow formation the
2 deepest formation to be tested with the initial well drilled
3 in the unit?

4 A Yes, it is. The Morrow is our deepest
5 horizon; however, there is several zones in the Bone Spring
6 that we will test and there's approximately ten to twelve
7 zones that have shows in the area and has produced in
8 different wells --

9 Q Does --

10 A -- in the area.

11 Q The Airstrip Northwest Deep Unit will be
12 an exploratory unit, is that correct?

13 A Yes, it will.

14 Q In your opinion would approval of the
15 application be in the best interest of conservation and
16 prevention of waste and protection of correlative rights?

17 A Yes, it would, and especially in the Bone
18 Spring horizons. There are so many zones that have numerous
19 shows but we don't know the reservoir qualities of them, and
20 to me it would be economically feasible to have time to test
21 your well before you drilled an offset to it, before you
22 were forced to drill an offset, and the unit would allow us
23 to develop the acreage in a prudent manner.

24 Q Mr. Gross, do you have anything further
25 to add to your testimony?

1	A	No.
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2 MR. PADILLA: Mr. Examiner, I
3 move the introduction of Exhibit Three and I pass the wit-
4 ness.

5 MR. STOGNER: Exhibit Three
6 will be admitted in evidence at this time.

7 I have no further questions of
8 Mr. Gross.

9 Are there any other questions
10 of this witness?

11 If not, he may be excused.

12 Mr. Padilla, do you have any-
13 thing further in Case 8681?

14 MR. PADILLA: Nothing further.

15 MR. STOGNER: I've got one
16 quick question for Mr. Simmons.

17 Is it my understanding that the
18 unit operator is Manzano and not Santa Fe Exploration, Mr.
19 Simmons?

20 MR. SIMMONS: Yes, sir.

21 MR. STOGNER: Why is it that
22 Santa Fe Exploration is the applicant today?

23 MR. SIMMONS: The advertising,
24 we advertised for the unit.

25 MR. STOGNER: And you work, you

1 and Mr. Gross both work for Santa Fe Exploration, is that
2 correct?

3 MR. SIMMONS: Well, Mr. Gross
4 also works for Manzano.

5 MR. GROSS: I'm an independent
6 consultant, sir.

7 MR. SIMMONS: The situation was
8 that I was the only one available to come up here and I knew
9 more about it than -- or I put the unit together before we
10 farmed it out to Manzano and I just was trying to do them a
11 favor.

12 MR. STOGNER: Okay, so is Santa
13 Fe Exploration, I assume, is acting as an agent for Manzano,
14 is that correct?

15 MR. SIMMONS: Yes, exactly.

16 MR. STOGNER: Okay, and a work-
17 ing interest owner in the unit.

18 MR. SIMMONS: Yes.

19 MR. STOGNER: Okay. Thank you,
20 Mr. Simmons. I have no further questions.

21 Is there anything further in
22 this case?

23 If not, this case will be taken
24 under advisement.

25

(Hearing concluded.)

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 (Commission) 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 and correct transcript of the proceedings in
the Examiner hearing of Case No. 8681
heard by me on 28 August 1985.
Michael E. Boyer, Examiner
Oil Conservation Division