

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BUILDING
5 SANTA FE, NEW MEXICO

6 26 April 1989

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Yates Petroleum Corp- CASE
10 oration for a unit agreement, Chaves 9652
11 County, New Mexico.

12
13
14 BEFORE: David R. Catanach, Examiner

15
16 TRANSCRIPT OF HEARING

17
18 A P P E A R A N C E S

19
20 For the Division: Robert G. Stovall
21 Attorney at Law
22 Legal Counsel to the Division
State Land Office Building
Santa Fe, New Mexico

23 For Yates Petroleum Chad Dickerson
24 Corporation: Attorney at Law
25 DICKERSON, FISK & VANDIVER
Seventh & Mahone/Suite E
Artesia, New Mexico 88210

I N D E X

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KATHY COLBERT

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LESLIE BENTZ

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1 MR. CATANACH: At this time
2 we'll call the hearing back to order and call Case 9652.

3 MR. STOVALL: Application of
4 Yates Petroleum Corporation for a unit agreement, Chaves
5 County, New Mexico.

6 MR. CATANACH: Are there ap-
7 pearances in this case?

8 MR. DICKERSON: Mr. Examiner,
9 I'm Chad Dickerson of Artesia, New Mexico, on behalf of the
10 applicant.

11 I have two witnesses.

12 MR. CATANACH: Any other
13 appearances?

14 MR. STOCKTON: Mr. Examiner,
15 I'm Bruce Stockton with the -- representing the Commission-
16 er of Public Lands.

17 MR. STOVALL: Do you intend to
18 present testimony?

19 MR. STOCKTON: No, I don't.

20 MR. CATANACH: Any other ap-
21 pearances? Will the witnesses please stand to be sworn in?

22

23

(Witnesses sworn.)

24

25

1 KATHY COLBERT,
2 being called as a witness and being duly sworn upon her
3 oath, testified as follows, to-wit:

4

5

DIRECT EXAMINATION

6

BY MR. DICKERSON:

7

Q Ms. Colbert, will you state your full
8 name, your occupation and by whom you're employed, please?

9

A My name is Kathy Colbert. I'm employed
10 by Yates Petroleum Corporation of Artesia, New Mexico, as a
11 landman.

12

Q And are you familiar with the land situ-
13 ation in the proposed West of Eden Unit, which is the sub-
14 ject of this application?

15

A Yes, I am.

16

Q You have previously testified on num-
17 erous occasions as a landman before this Division, have you
18 not?

19

A Yes, I have.

20

MR. DICKERSON: Tender Ms.
21 Colbert as a petroleum landman, Mr. Examiner.

22

MR. CATANACH: She is so qual-
23 ified.

24

Q Ms. Colbert, will you briefly summarize
25 the purpose of Yates' application in this case?

1 A In Case 9652 Yates Petroleum Corpora-
2 tion wishes to obtain approval of the West of Eden Unit,
3 containing 8,320.72 acres located in Chaves County, in or-
4 der to effectively explore and develop the area.

5 Q Okay, will you identify what we have
6 submitted as Exhibit Number One and review this plat for
7 the examiner?

8 A Exhibit Number One is a plat that out-
9 lines the unit located in Township 7 South, 8 South, Range
10 23 East.

11 This unit is comprised of 9.6 percent
12 Federal leases, 86.5 percent State leases, and contains 3.9
13 percent fee lands.

14 The plat also reflects the proposed 3500
15 foot Abo formation initial test well in red. The location
16 is 660 from the south line, 1980 from the west line of
17 Section 14, Township 7 South, Range 23 East.

18 Q All right, identify Exhibit Number Two
19 and tell us what it is?

20 A Exhibit Number Two is the unit agreement
21 on the standard form for Federal, State and fee lands.
22 This agreement does designate Yates Petroleum Corporation
23 as operator.

24 Q And as required, paragraph 12 of that
25 unit agreement allocates production from any well on the

1 committed tracts within the unit area to each of the sep-
2 arately owned tracts on a surface acreage basis, does it
3 not?

4 A That is correct.

5 Q Okay. Refer to Exhibit B to that unit
6 agreement and review that for the Examiner and tell us what
7 it contains.

8 A Exhibit B to the unit agreement sets out
9 each tract within the unit outline. Each tract number
10 shows the lease number or name, description, expiration
11 date, burdens on the lease, and lessee of record.

12 The working interest owners under each
13 lease are also reflected in this exhibit.

14 Q And is Yates intending to attempt to ob-
15 tain joinder of this unit agreement by all working interest
16 owners shown on that exhibit?

17 A Yes, we are.

18 Q All right. Review Exhibit Number Three
19 for us.

20 A Exhibit Number Three is a proposed oper-
21 ating agreement on a standard AAPL Form 610, year 1977.

22 Q And has this operating agreement along
23 with the unit agreement been submitted to all the parties
24 within the proposed unit boundary?

25 A Yes, it has.

1 Q Refer to Exhibit A to that unit oper-
2 ating agreement and review for us the manner in which the
3 initial test well of the Abo formation will be paid for.

4 A Exhibit A to the unit operating agree-
5 ment lists all the parties and their percentages under the
6 initial test well. The initial test well will be paid for
7 by the five parties owning the lease where the well is
8 located.

9 Q And all the other customary contractual
10 terms of a joint operating agreement contained in this in-
11 strument have likewise been submitted for approval and
12 joinder by all other working interest owners?

13 A That's correct.

14 Q All right, identify Exhibit Four for us
15 and tell us what it is.

16 A Exhibit Four is a copy of the letters to
17 the BLM, Commissioner of Public Lands, where we have re-
18 quested preliminary approval of this unit.

19 Q And what is your understanding of the
20 current status of that request?

21 A It is my understanding as to the Commis-
22 sioner of Public Lands that they do not have a problem with
23 this unit. I understand that they are a little bit short-
24 staffed at this time and could not give a letter granting
25 such preliminary approval.

1 Q All right, and with respect to the ap-
2 approval by the Bureau of Land Management, what is the status
3 of that?

4 A I have not had a written response from
5 them. In the past we have not had a response unless the
6 unit had more than 10 percent Federal lands. They always
7 waited to see what the Commissioner and obviously OCD
8 thought at their hearing.

9 Q All right. The last of your exhibits,
10 Number Five, review that for us, please.

11 A Exhibit Five is just a group of corres-
12 pondence to the parties involved in the unit where we
13 transmitted the various interest and also where we did
14 invite them to join this unit.

15 Q What is the earliest lease expiration
16 date that you have under the leases committed to this unit?

17 A June 1st, 1989.

18 Q And it will be necessary that Yates have
19 final approval of the unit and have commenced its drilling
20 operations on its initial test well on or before June 1st?

21 A That's correct.

22 Q All right.

23 MR. DICKERSON: Mr. Examiner,
24 I move admission of Yates Exhibits One through Five and I
25 have no further questions of Ms. Colbert.

1 MR. CATANACH: Exhibits One
2 through Five will be admitted as evidence.

3 MR. STOVALL: I do have a
4 question, Mr. Examiner.

5

6

CROSS EXAMINATION

7

BY MR. STOVALL:

8

Q With respect to Exhibit One --

9

A Yes.

10

Q -- Ms. Colbert, and I'm looking at your

11

plat map and it appears to me that you have identified the

12

Federal land with a sort of stippled pattern, is that cor-

13

rect?

14

A The Federal land is shaded. It's a

15

little bit hard to see on these xeroxed copies. The only

16

Federal lease involved is in Sections 23 and 24 of 7, 23.

17

The stippled lease down at the bottom in

18

8, 23, is the fee land.

19

Q Okay, maybe I'm not -- maybe I'm using

20

the term "stippled" but the cross hatched is the fee land.

21

A Oh, okay. Okay, yes, that's correct,

22

and the little shaded --

23

Q And the shaded is the Federal.

24

A -- is the Federal, yes.

25

Q And the only thing involved is in 23 and

1 24?

2 A That's correct. As to Federal, there is
3 an HBP tract which is Tract Number 1.

4 Q Oh, okay, that's all -- well, what I was
5 looking at, let me -- let me clarify my questions. I'm
6 looking at the shaded portion and I see 160 acres and your
7 list says 800 acres Federal land.

8 A Right, because, like I say, the shaded
9 has not shown up and may be it was inadvertently left off
10 the original drafting copy when they did it.

11 Tract No. 1 and 2 are --

12 Q Okay, I just wanted to make sure that
13 the exhibit clearly reflects the acreage that is involved.

14 A Okay, well, we will sure correct that,
15 but Tracts No. 1 and 2 are Federal lands --

16 Q Okay.

17 A -- totaling 800 acres.

18 Q Okay. Thank you.

19

20

CROSS EXAMINATION

21 BY MR. CATANACH:

22 Q Ms. Colbert, what -- what percentage of
23 working interest within the unit do you have -- have you
24 secured voluntary agreement from?

25 A Right now we have 97 percent in hand.

1 I had a call yesterday from the Bechtel interest which has
2 10 percent of that little Tract 2, saying that they are
3 sending the joinders. They just could not get them to us.

4 Hopefully, we will have 100 percent
5 committed before we drill this well.

6 Q And the drilling deadline is June 1st?

7 A That's correct.

8 MR. CATANACH: I have no fur-
9 ther questions. The witness may be excused.

10 MR. STOVALL: Before you
11 leave, Ms. Colbert, just a moment, let's see if the Com-
12 missioner's office has any questions.

13 MR. STOCKTON: No, I don't
14 have.

15

16

LESLIE BENTZ,

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

19

20

DIRECT EXAMINATION

21 BY MR. DICKERSON:

22 Q Ms. Bentz, will you state your name,
23 your occupation and by whom you are employed, please?

24 A My name is Leslie Bentz. I'm employed
25 by Yates Petroleum Corporation of Artesia, New Mexico, as a

1 petroleum geologist.

2 Q And you were qualified and sworn in the
3 previous case, were you not?

4 A Yes, I was.

5 Q Ms. Bentz, have you made a study of the
6 available geological information regarding the proposed
7 West of Eden Unit for purposes of your testimony here
8 today?

9 A Yes, I have.

10 MR. DICKERSON: Tender Ms.
11 Bentz as an expert petroleum geologist, Mr. Catanach.

12 MR. CATANACH: She is so
13 qualified.

14 Q Ms. Bentz, can you summarize for us the
15 geological factors which dictate the formation of this
16 exploratory unit?

17 A Okay. I'd like to start off with a
18 geographic location. The proposed unit is located on the
19 eastern edge of the West Pecos Slope Abo Gas Pool. The
20 field produces from Abo (Leonardian age) alluvial channel
21 sandstones. The cumulative production from this field to
22 date is approximately 17 BCF.

23 Q And what is Yates' principal objective
24 in forming this unit and drilling its initial exploratory
25 well?

1 A WE would like to extend production in
2 the Abo formation and our primary -- the location of the
3 test well is located 660 feet from the south line, 1980
4 feet from the west line of Section 14, Township 7 South,
5 Range 23 East.

6 Q And the southwest quarter of that sec-
7 tion is to be dedicated to the well?

8 A That's correct.

9 Q Identify what we have submitted as
10 Yates Exhibit Number Six and review that for us, Ms. Bentz.

11 A Exhibit Number Six is a net isolith map
12 of channel sandstones within the Abo formation. The con-
13 tour interval used in constructing this map is 10 feet.
14 The proposed unit is marked by a dashed line and the pro-
15 posed location of the test well is shown. Datum points are
16 noted by circles and the appropriate datum is listed next
17 to the circle.

18 Abo producers are colored in red.

19 Cross sections A-A' and B-B' are also
20 noted on this map.

21 The isolith map illustrates that the Abo
22 formation in this field was deposited as a fluvial system.
23 The proposed West of Eden Unit is located on the eastern-
24 most edge of the main depositional center and as noted by
25 the map, the amount of sandstone decreases dramatically to

1 the east at the expense of a predominantly mudstone facies.

2 Q Identify the cross section you have
3 submitted as Exhibit Number Seven and review it for us,
4 please.

5 A Exhibit Number Seven, stratigraphic
6 cross section A-A', is located southwest -- southwest to
7 northeast across the proposed unit and the proposed loca-
8 tion. The cross section further illustrates the loss of
9 reservoir quality channel sandstones from west to east
10 across the proposed unit.

11 The Abo section in the Yates Petroleum
12 Eden Valley No. 1-Y is indicative of the distal facies
13 dominated by mudstone and overbank type deposits.

14 Q Okay, identify your cross section, Exhi-
15 bit Number Eight, and review it for Mr. Catanach.

16 A Exhibit Number Eight, cross section
17 B-B', is located northwest to southeast across the unit and
18 again across the proposed location and again it shows
19 basically the same thing as stratigraphic cross section
20 A-A', the loss of reservoir quality sandstones immediately
21 east of the proposed West of Eden Unit.

22 Q Based on a review of this data, Ms.
23 Bentz, what conclusion have you drawn from your study?

24 A Well, the proposed West of Eden Unit is
25 located on the outer limits of a fluvial clastic deposi-

1 tional center. It is situated immediately to the east --
2 excuse me. Immediately to the east the deposits are do-
3 minated by mudstone and overbank deposits that contain
4 little, if any, reservoir quality sands.

5 It is this concept that provides justi-
6 fication for the proposed exploratory unit.

7 Q Ms. Bentz, in your opinion will the
8 approval of this exploratory unit be in the interest of
9 conservation, the prevention of waste, and the protection
10 of correlative rights?

11 A Yes, it will.

12 MR. DICKERSON: Mr. Catanach,
13 I move admission of Exhibits Six through Eight and I have
14 no further questions of this witness.

15 MR. CATANACH: Exhibits Six
16 through Eight will be admitted as evidence.

17 I have no questions of the
18 witness.

19 Any other questions of this
20 witness?

21 MR. DICKERSON: No, sir.

22

23 QUESTIONS BY MR. STOCKTON:

24 Q Ms. Bentz, I understand that there are
25 some discussions between Yates and the Bureau of Land

1 Management about subsequent well locations. Is that right?

2 A There were some discussions. I per-
3 sonally never talked to the Bureau of Land Management my-
4 self. Ernie Zsabo, State Geologist, called and said that
5 the BLM would like us to drill a well on the HBP lease
6 which is included in this unit and Ernie said that he felt
7 like that that was not appropriate and for me not to con-
8 tact the Bureau of Land Management, that he would talk to
9 the Bureau of Land Management.

10 Q And the HBP lease is in Section 23, is
11 that (not clearly understood)?

12 A Section 35.

13 Q Section 35.

14 A Uh-huh.

15 MR. STOCKTON: I have nothing
16 further.

17 MR. CATANACH: The witness may
18 be excused.

19 Is there anything further in
20 this case?

21 MR. DICKERSON: Nothing.

22 MR. CATANACH: All right, it
23 will be taken under advisement.

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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 (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 record of the proceedings in
the Examiner hearing of Case No. 9652
heard by me on April 26 1989.

David R. Catanzaro, Examiner
Oil Conservation Division

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICO

Hearing Date

APRIL 26, 1989Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
Randy R. Johnson	Parker Parsley Petroleum	Midland TX.
DANIEL PRICE	MOBIL	MIDLAND TX
WILLIAM P. GOSSETT	MOBIL	HOBBS, NM
RAY D. GRAHAM	MCCLELLAN OIL	Roswell
THOMAS WEHMEYER	TEXACO	HOBBS, NM
Robert Hart	TEXACO	Hobbs, NM
W. Kellorbin	Kellorbin Petroleum	Santa Fe
Charles Dickerson	Dickerson Int'l + Petroleum	Artesia
Leslie Bentz	Yates Pet.	Artesia
Kathy Colbert	Yates Pet.	Artesia
SCOTT HALL	Campbell + Black	SF
DAVE BONEAU	YATES PETROLEUM	ARTESIA
W. Perry Reardon	Montgomery & Andrews	Santa Fe
James A. Smith	Meridian Oil	Formosa
Cy Cowan	Yates Petroleum	Artesia
S. O'Leary	OCD	Aztec
Kent Fogarty	Dugan Prod	Formosa

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date APRIL 26, 1989 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
Dennis Moore	SDX, Inc.	Midland Texas
JOHN CORBETT	Hixon	Farmington N.M.
William Stacy	Temple & Black	Santa Fe
Bui Baggett	Ari-Mex	Farmington
Jacy LeCoq	Byram & Co.	Santa Fe
Craig Eggerman	Mobil	Denver
Mark Craig	Mobil	Denver
John Faulhaber	Mobil	Denver
Eric Busch	H3tec DCD	H3tec