

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date NOVEMBER 29, 1989 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
William L. Jan E.R. Manning	Sampbell and Flock T.A. El Paso Natural Gas	Santa Fe El Paso, TX
Bob Hulen	Byram	Santa Fe
Thrust Jerry Hoover	Conoco Conoco	Hobbs Hobbs
Rept Sullivan	Independent	Midland
W. J. Kelen	El Paso Electric Co.	Santa Fe
Gary A. McTemore	Conoco	Hobbs
James Bruce	Hinkle Law Firm	Albuquerque
W. G. Rhoad	Yates Drilling Co.	Artesia
Cy Cowan	Yates Petroleum Corp	Artesia
Larry Emmons	Amoco Production Co	Denver
Glenn Carter	Texaco	Hobbs
David McMahon	Rept Williamson	Midland TX
E. L. Smith	Pacifica Sugar	SF, NM
Tom N. Hardy	Sage Energy	Midland, TX

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NAME	REPRESENTING	LOCATION
<i>Terrell Downing</i>	<i>Lose Energy Co</i>	<i>Midland, TX</i>
<i>Lee Patrick</i>	<i>" " "</i>	<i>San Antonio, TX</i>
<i>B. J. Baggett</i>	<i>Am. Mex Oil</i>	<i>Farmington, N.M.</i>
<i>John Hammack</i>	<i>Roberts + Hammack Inc</i>	<i>Dallas, TX</i>
<i>Patrick Town</i>	<i>Santa Fe Energy</i>	<i>Midland, TX</i>
<i>Bob Lee</i>	<i>SANTA FE ENERGY</i>	<i>MIDLAND, TX</i>
<i>Rockman King</i>	<i>Exxon</i>	<i>Midland, TX.</i>
<i>William Tate</i>	<i>EXXON CORP.</i>	<i>MIDLAND, TX.</i>
<i>Joe W. Hill</i>	<i>EXXON</i>	<i>MIDLAND, TX.</i>

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4 CASE 9824

5
6 EXAMINER HEARING

7
8 IN THE MATTER OF:

9
10 Application of Ralph E. Williamson
11 for a Unit Agreement, Lea County,
12 New Mexico

13
14
15 TRANSCRIPT OF PROCEEDINGS

16
17 BEFORE: MICHAEL E. STOGNER, EXAMINER

18
19 STATE LAND OFFICE BUILDING

20 SANTA FE, NEW MEXICO

21 November 29, 1989

22

23

24

25

ORIGINAL

A P P E A R A N C E S

FOR THE DIVISION:

ROBERT G. STOVALL
Attorney at Law
Legal Counsel to the Divison
State Land Office Building
Santa Fe, New Mexico

FOR THE APPLICANT:

CAMPBELL & BLACK, P.A.
Post Office Box 2208
Santa Fe, N.M. 87504-2208
BY: WILLIAM F. CARR, ESQ.

I N D E X

	Page Number
Appearances	2
RALPH E. WILLIAMSON	
Direct Examination by Mr. Carr	4
Direct Examination by Hearing Examiner	12
DAVID A. McMAHON	
Direct Examination by Mr. Carr	14
Direct Examination by Hearing Examiner	21
Certificate of Reporter	22
E X H I B I T S	
1. Unit Agreement	6
2. Structure Map	16
3. Stratigraphic Cross-Section	18

1 HEARING EXAMINER: Go back to the first
2 page and we'll call the first case, Case Number 9824.

3 MR. STOVALL: Application of Ralph E.
4 Williamson for a unit agreement, Lea County, New
5 Mexico.

6 HEARING EXAMINER: Call for appearances.

7 MR. CARR: May it please the Examiner, my
8 name is William F. Carr, with the law firm Campbell &
9 Black, P.A., of Santa Fe. We represent Ralph E.
10 Williamson, and I have two witnesses.

11 HEARING EXAMINER: Are there any other
12 appearances in this matter?

13 Will the witnesses please stand to be
14 sworn.

15 (Thereupon, the witnesses were sworn.)

16 HEARING EXAMINER: Mr. Carr.

17 RALPH E. WILLIAMSON

18 Called as a witness herein, having been first duly
19 sworn upon his oath, testified as follows:

20 EXAMINATION

21 BY MR. CARR:

22 Q. Will you state your full name for the
23 record, please.

24 A. Ralph E. Williamson.

25 Q. Mr. Williamson, where do you reside?

1 A. I reside in Midland County or Midland,
2 Texas.

3 Q. And you are the Applicant in this case?

4 A. Yes, I am.

5 Q. Have you previously testified before the
6 Oil Conservation Division and had your credentials
7 accepted and made a matter of record?

8 A. Yes, I have.

9 Q. And at that time were you qualified as an
10 expert witness in petroleum engineering?

11 A. Yes, I was.

12 Q. Are you familiar with the application filed
13 in this case?

14 A. Yes, I am.

15 Q. Are you also familiar with the proposed
16 Southeast Salado Unit?

17 A. Yes, I am.

18 MR. CARR: Are the witness's qualifications
19 acceptable?

20 HEARING EXAMINER: They are.

21 Q. Mr. Williamson, will you briefly state what
22 you seek with this application?

23 A. Well, after examining geological evidence,
24 we feel that this area is very potentially productive
25 from the Lower Delaware Formation of the Brushy Canyon

1 Formation. There are numerous shows in the Upper
2 Delaware that substantiate this, as being an area of
3 anomaly or disturbance, and it is an area that has not
4 been drilled.

5 There's numerous leasehold interests there,
6 and by combining them into a unit, it will enable us
7 to look for hydrocarbons that probably would not
8 otherwise have been recovered.

9 Q. So you're seeking approval of a voluntary
10 Unit Agreement?

11 A. Yes, I am.

12 Q. What is the status of the lands in this
13 unit? Are they state, fee or federal?

14 A. The vast preponderance of the lands in this
15 unit are federal, but there is some small amount of
16 fee land. There is no state land.

17 Q. Have you prepared an exhibit for
18 presentation in this hearing?

19 A. Yes, I have.

20 Q. Would you identify what has been marked as
21 Williamson Exhibit No. 1 for Mr. Stogner, please.

22 A. This is a standard style federal Unit
23 Agreement covering the approximately 2,400 acres
24 that's included in the proposed Southeast Solado Unit
25 area.

1 Q. Attached to this agreement as Exhibit A, is
2 there a plat that identifies the unit boundaries?

3 A. Yes, there is.

4 Q. Would you refer to Exhibit B, and generally
5 review what is shown on that exhibit?

6 A. Well, Exhibit B to the Unit Agreement here,
7 outlines all of the lands involved in the unit, the
8 exact number of acreage involved, the federal serial
9 number, the lessee of record, the owner of the
10 operating rights, and generally just outlines the
11 totality of what we would like to be included in the
12 unit area.

13 Q. On the second page of Exhibit B, are all
14 the working interest owners set forth?

15 A. Yes, they are.

16 Q. What percentage of these interest owners in
17 the unit area have ratified the agreement, thereby
18 committing their acreage to the Unit Agreement?

19 A. Presently I have 68-plus percent of the
20 working interest owners voluntarily consenting to this
21 unit. In addition, I have paperwork in progress with
22 three other companies, Pogo Producing, Enron and
23 Exxon, which I received a very favorable response from
24 them and they are processing the papers, so that with
25 their joinder would bring the total to 87 percent.

1 And I'm currently negotiating with Yates
2 Petroleum in Artesia for the other 13 percent, and it
3 is my feeling that when we get all of this we will
4 control 100 percent of the unit area.

5 Q. Will you advise the Oil Conservation
6 Division as these additional ratifications are
7 received?

8 A. Yes, I will.

9 Q. Do you intend to commence unit operations
10 prior to the time you will have 100 percent
11 voluntarily committed?

12 A. No, I will not.

13 Q. Do you request to be designated unit
14 operator?

15 A. Yes, I do.

16 Q. What is the primary objective in this unit?

17 A. The primary objective is a series of Lower
18 Delaware sands in the Brushy Canyon Formation that we
19 feel are very potentially productive in this area.

20 Q. What horizons are covered by the proposed
21 Unit Agreement?

22 A. All horizons are to be unitized in the unit
23 area.

24 Q. Was this inclusion of all horizons made at
25 the request of the BLM?

1 A. Yes, it was.

2 Q. Would you review for Mr. Stogner generally
3 your plans for development of the unit area?

4 A. Well, once we get the unit together and
5 ratified and approved, the initial test wells should
6 be in Section 26 of 2633, be 1980 from the South and
7 1980 from the West of that Section, with an
8 approximate total depth of 8,700 feet.

9 Q. And at this time what are your anticipated
10 additional development plans?

11 A. Well, once we drill this well and establish
12 production, then the usual procedure is to establish a
13 participating area and drill a well approximately
14 every six months.

15 Q. When do you propose to actually spud the
16 initial test well on the unit area?

17 A. Within 90 days of the approval date of the
18 Unit Agreement, we would like to have actual field
19 operations under way.

20 Q. Why are you looking at this 90-day time
21 requirement?

22 A. There is a lease in the unit area that
23 expires March the 1st of '90. This is the first one
24 to expire, and we would like to keep this lease in
25 effect and, therefore, have this unit area intact.

1 And that lease is very important to the unit area.

2 Q. You're therefore requesting that the Order
3 in this case be expedited to the extent possible?

4 A. Yes, I do.

5 Q. Does the Unit Agreement provide for
6 periodic filings of plans of development?

7 A. Yes, they do.

8 Q. Does it include filing these plans of
9 development with the Oil Conservation Division?

10 A. I do not believe that it does at the
11 present time.

12 Q. Would you object to any order that results
13 from this hearing requiring that plans of development
14 be filed with the Oil Conservation Division?

15 A. No, I would not object to that.

16 Q. Do you know, under the Unit Agreement, how
17 often these plans are to be filed?

18 A. Approximately every six months.

19 Q. What is the status of the operating
20 agreement for this proposed unit?

21 A. The operating agreement has been signed.
22 It's now in Conoco's office in Hobbs. It was
23 basically their agreement, and I have signed it and
24 they have approved it, and they're waiting for their
25 division manager to sign it. I should have it in my

1 hand sometime early next week.

2 Q. Will you provide a copy of the approved
3 operating agreement to the Oil Conservation Division
4 on receipt?

5 A. Yes, I will.

6 Q. Has this proposed unit been reviewed with
7 the Bureau of Land Management?

8 A. Yes, it was.

9 Q. What was their response?

10 A. They had a very favorable response to the
11 unit. We presented geology that defined the proposed
12 unit boundaries based on geology, and they did not see
13 any problem with what we were proposing.

14 Q. In your opinion, will granting this
15 application be in the best interest of conservation,
16 the prevention of waste and the protection of
17 correlative rights?

18 A. Yes, it will.

19 Q. In your opinion, will the unit operations
20 result in the recovery of hydrocarbons that otherwise
21 would not be recovered?

22 A. Yes, it will.

23 Q. Was Exhibit No. 1 prepared by you?

24 A. Yes.

25 Q. Will you also present geological testimony

1 through another witness?

2 A. Yes, I will.

3 MR. CARR: At this time, Mr. Stogner, we
4 would move the admission of Williamson Exhibit No. 1.

5 HEARING EXAMINER: Exhibit No. 1 is
6 admitted into evidence at this time.

7 MR. CARR: That concludes my direct
8 examination of this witness.

9 EXAMINATION

10 BY MR. STOGNER:

11 Q. Mr. Williamson, let's go back to Exhibit B
12 and let me clarify something. You mentioned that you
13 had 68-plus percent ratified. Whose parties have you
14 ratified so far?

15 A. Well, Conoco is the biggest one. I am
16 personally the operator of record of a portion of the
17 Exxon acreage listed in the south, on the bottom part
18 of that. And the other parties involved here are
19 processing the paperwork to get this thing ratified
20 and get the farm out agreements intact and get
21 everything signed up.

22 Q. So you, approximately, have about seven
23 percent of the Exxon interests?

24 A. Yes.

25 Q. Okay. And those, Conoco and your portion

1 of the Exxon interests, are the only ones ratified at
2 this time?

3 A. We have a small interest by JFG
4 Enterprises. That is ratified also.

5 Q. Where is that listed in Exhibit B?

6 A. Well, they own a portion of the operating
7 rights involved in the Exxon portion.

8 Q. So that would be included in that Exxon?

9 A. Yes.

10 Q. But as far as the Exhibit B, the Yates,
11 Pogo, Enron and the other portion of the Exxon, have
12 not been ratified yet?

13 A. Not formally yet, as a matter of record,
14 yes.

15 Q. What was the location of your proposed
16 initial well?

17 A. It's 1980 from the South and West of
18 Section 26, Township 26 South, Range 30 East, Lea
19 County.

20 HEARING EXAMINER: I have no other
21 questions of this witness at this time. You may be
22 excused.

23 Mr. Carr?

24 MR. CARR: At this time we would call Mr.
25 McMahon.

1 DAVID A. McMAHON

2 Called as a witness herein, having been duly sworn
3 upon his oath, testified as follows:

4 HEARING EXAMINER: Mr. Carr.

5 EXAMINATION

6 BY MR. CARR:

7 Q. Will you state your full name for the
8 record, please.

9 A. David A. McMahon.

10 Q. Mr. McMahon, where do you reside?

11 A. Midland, Texas.

12 Q. By whom are you employed and in what
13 capacity?

14 A. I'm employed in a consulting capacity by
15 Ralph Williamson.

16 Q. Have you previously testified before the
17 New Mexico Oil Conservation Division?

18 A. No, I haven't.

19 Q. Could you briefly review your educational
20 background for Mr. Stogner?

21 A. Yes. I received a bachelor's and master's
22 degree from the University of Texas, and a Ph.D. in
23 geology, again from Texas A & M University.

24 Q. Following graduation, could you review your
25 work experience? Some of it may precede some of these

1 degrees, but would you just summarize your work
2 experience for the Examiner.

3 A. Yes, I worked for Tenneco Oil Company as a
4 geologist from 1975 to 1979 in South Louisiana and in
5 the Permian Basin in West Texas and New Mexico.

6 Since 1979 I have been an independent and
7 consulting geologist working the Permian Basin in West
8 Texas and New Mexico.

9 Q. Are you familiar with the application filed
10 in this case on behalf of Ralph E. Williamson?

11 A. Yes, I am.

12 Q. Are you familiar with the proposed
13 Southeast Salado Unit area?

14 A. Yes.

15 Q. Have you made a study of this area?

16 A. Yes, I have.

17 MR. CARR: We would tender Mr. McMahon as
18 an expert witness in petroleum geology.

19 HEARING EXAMINER: Dr. McMahon is so
20 qualified.

21 Q. Dr. McMahon, have you prepared certain
22 exhibits for presentation in this case?

23 A. Yes, I have.

24 Q. Would you refer to what has been marked for
25 identification as Williamson Exhibit No. 2 and

1 identify this, please?

2 A. Yes. This Exhibit 2 is a structure map on
3 the top of the Delaware sandstone. This is a
4 stratagraphic prospect, but the purpose of this map is
5 to define the Upper Delaware anomaly on which we're
6 basing our test of the Lower Delaware sandstone.

7 Q. Now, the proposed unit boundaries are
8 outlined in the dark blue line on this agreement?

9 A. Yes, that's correct.

10 Q. What does the yellow outline indicate?

11 A. The yellow outline is the outline of the
12 Upper Delaware anomalous area, defined by shows from
13 wells.

14 Q. Would you go around the boundary and show
15 the Examiner what information you have utilized in
16 determining the limits of this anomaly as depicted on
17 this exhibit?

18 A. Yes On the west side we have in Section
19 27, we have a well on the west part of that section
20 which was cored in the Upper Delaware. There were no
21 shows.

22 On the east part of that section is a well
23 that's temporarily abandoned but did produce from the
24 Upper Delaware's Bell Canyon sandstone, and a well
25 which had shows from cores and drill stem tests.

1 On the north boundary we also, in Section
2 23, have a well that had shows, and then to the north
3 of that, in Section 13, was a well with no shows.

4 Also, on the eastern boundary we have a
5 well in Section 24 with no shows, and also in Section
6 25, on the east side of the unit, we have two wells
7 which did not have shows in the Delaware.

8 In Section 26, which is within the unit, we
9 also had two wells which did drill stem tests, oil and
10 gas from the Ramsey sand.

11 Q. When we look at this exhibit, the wells
12 that are shaded red indicate what?

13 A. The wells that are shaded red indicate
14 shows from the Upper Delaware.

15 Q. And the green dot?

16 A. And the green dot is production from the
17 Upper Delaware. We have one temporarily abandoned
18 well within the unit, and then an Upper Delaware field
19 to the north of the unit, the Salado Draw field.

20 Q. What is the reason for drawing the southern
21 boundary as you have?

22 A. The southern boundary is an administrative
23 boundary. That's the Texas and New Mexico State line.

24 Q. This is an exhibit or a structure map drawn
25 on top of the Upper Delaware, is that correct?

1 A. Yes, that's correct.

2 Q. The primary objective in this application
3 was stated by Mr. Williamson to be the Lower Delaware?

4 A. Yes.

5 Q. What does this structure map on the Upper
6 Delaware tell you about the Lower Delaware?

7 A. Based on our experience in the area, we
8 feel that these anomalous shows within the Upper
9 Delaware can be indicative of potential within the
10 Lower Delaware, the Brushy Canyon. Many of the same
11 geologic processes that operated and were operating
12 under the Upper Delaware time were also similar
13 processes operated in the deposition of these
14 sandstones during the Brushy Canyon time.

15 Q. Is the location of the original test well
16 indicated on this exhibit?

17 A. Yes, it is. It's in Section 26, indicated
18 with a circle and a number one.

19 Q. On this exhibit there's also a trace for a
20 cross-section, is that correct?

21 A. Yes, that's correct.

22 Q. Is that what has been marked as Exhibit No.
23 3?

24 A. Yes, it is.

25 Q. Is this cross-section on the Upper or the

1 Lower Delaware?

2 A. The cross-section shown, it's a
3 stratigraphic cross-section, and it's within the Lower
4 Delaware Brushy Canyon formation, the objective
5 formation here.

6 Q. Would you refer to that cross-section and
7 review that for the Examiner, please.

8 A. Yes. The information here came from, there
9 are several deep wells within the area, not within the
10 unit boundaries but within the area that did penetrate
11 the Brushy Canyon formation.

12 As part of our study, I examined samples
13 from these wells in the Brushy Canyon and determined,
14 from this examination, several potential zones within
15 the Brushy Canyon. The primary zone of
16 potential--again this is a stratigraphic cross-section
17 so it's hung stratigraphically, there are structural
18 dips across here--but in the location that we're
19 showing, we would be looking at the primary sandstone
20 just below 8,000 feet, about 8,400 feet.

21 We've marked the proposed location as
22 indicated here, and the potential zones are shown on
23 yellow on this. Again, the wells nearby were shown,
24 the mechanical well logs, and also the sample logs
25 made by myself from the sample examination.

1 Q. Now, Dr. McMahon, what conclusions have you
2 reached based on your study of the geology in this
3 area?

4 A. Based on the study of geology in the area
5 we feel there's potential within the Lower Delaware
6 sandstones, that we can produce these by forming this
7 unit.

8 Q. If this unit is formed, do you have an
9 opinion as to whether or not reserves can be recovered
10 that otherwise would be left in the ground?

11 A. Yes, I do.

12 Q. And in your opinion, will the approval of
13 this application impair the correlative rights of any
14 interest owner in the area?

15 A. No, this is a voluntary unit.

16 Q. Were Exhibits 2 and 3 prepared by you?

17 A. Yes.

18 MR. CARR: At this time, Mr. Stogner, we
19 would move the admission of Williamson Exhibits 2 and
20 3.

21 HEARING EXAMINER: Exhibits 2 and 3 will be
22 admitted into evidence at this time.

23 MR. CARR: And that concludes my direct
24 examination of Dr. McMahon.

25 EXAMINATION

1 BY MR. STOGNER:

2 Q. Dr. McMahon, whenever I look at Exhibit No.
3 2, I'm kind of curious of your choices within the unit
4 of your logs that you chose, especially to that number
5 one, which you had it cored, it was cored, you had
6 coring information, is that correct?

7 A. From the Upper Delaware Ramsey sand, yes.

8 Q. How come the well that did have some
9 production wasn't included in this cross-section, or
10 what would we see from that?

11 A. What we would see, this cross-section
12 starts with the top of the Brushy Canyon sandstone, so
13 that particular well was not drilled this deep. And,
14 in fact, it TD'd several thousand feet in the section
15 above this, so it wouldn't show on this cross-section.

16 HEARING EXAMINER: That's a good reason.

17 Okay. I have no other questions for Dr. McMahon.

18 Any other questions of this witness? You
19 may be excused.

20 Mr. Carr?

21 MR. CARR: I have nothing further, Mr.
22 Examiner.

23 HEARING EXAMINER: Does anybody else have
24 anything further in Case 9824? If not, this case will
25 be taken under advisement.

1 CERTIFICATE OF REPORTER

2

3 STATE OF NEW MEXICO)
) ss.
 4 COUNTY OF SANTA FE)

5

6 I, Carla Diane Rodriguez Certified
 7 Shorthand Reporter and Notary Public, HEREBY CERTIFY
 8 that the foregoing transcript of proceedings before
 9 the Oil Conservation Division was reported by me; that
 10 I caused my notes to be transcribed under my personal
 11 supervision; and that the foregoing is a true and
 12 accurate record of the proceedings.

13 I FURTHER CERTIFY that I am not a relative
 14 or employee of any of the parties or attorneys
 15 involved in this matter and that I have no personal
 16 interest in the final disposition of this matter.

17 WITNESS MY HAND AND SEAL December 3, 1989.

18

19

Carla Diane Rodriguez
 CARLA DIANE RODRIGUEZ
 CSR No. 91

20

21 My commission expires: May 25, 1991

22

23

24

25

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examiner hearing of Case No. 9824,
 heard by me on 29 November 1989.
Michael E. Stager, Examiner
 Oil Conservation Division