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STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING)
CALLED BY THE OIL CONSERVATION)
DIVISION FOR THE PURPOSE OF)
CONSIDERING:)
APPLICATION OF YATES PETROLEUM)
CORPORATION FOR A UNIT AGREEMENT,)
LEA COUNTY, NEW MEXICO.)
_____)

CASE NO. 10293 & 10294

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: JIM MORROW, Hearing Examiner

May 30, 1991

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on May 30, 1991, at 8:20 a.m. at Oil Conservation Division Conference Room, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Freda Donica, RPR, Certified Court Reporter No. 417, for the State of New Mexico.

FOR: OIL CONSERVATION DIVISION

BY: FREDA DONICA, RPR
Certified Court Reporter
CCR No. 417

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I N D E X

May 30, 1991
Examiner Hearing
CASE NO. 10293 & 10294

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APPEARANCES

YATES PETROLEUM CORPORATION WITNESSES:

ROBERT BULLOCK

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STERLING FLY

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REPORTER' CERTIFICATE

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E X H I B I T S

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C through F
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A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
 General Counsel
 Oil Conservation Commission
 State Land Office Building
 310 Old Santa Fe Trail
 Santa Fe, New Mexico 87501

FOR THE APPLICANT: SANDERS, BRUIN, COLL & WORLEY, P.A.
 Attorneys at Law
 BY: DAMON RICHARDS, ESQ.
 P. O. Box 550
 Roswell, New Mexico 88201

1 HEARING EXAMINER: Call case 10293.

2 MR. STOVALL: Application of Yates Petroleum
3 Corporation for a unit agreement, Lea County, New Mexico.

4 HEARING EXAMINER: Appearances?

5 MR. RICHARDS: Let's do the 10294 first, if you don't
6 mind.

7 MR. STOVALL: You can do them together.

8 MR. RICHARDS: Yes.

9 HEARING EXAMINER: Call case 10294.

10 MR. STOVALL: Application of Yates Petroleum
11 Corporation for a unit agreement, Lea County, New Mexico.

12 HEARING EXAMINER: Call for appearances in these cases.

13 MR. RICHARDS: Damon Richards for Yates Petroleum
14 Corporation. We're going to have two witnesses, Rob Bullock
15 and Chip Fly.

16 HEARING EXAMINER: Any other appearances?

17 Will the witnesses please stand to be sworn?

18 (Witnesses sworn.)

19 ROBERT BULLOCK

20 the witness herein, having been first duly sworn, was
21 examined and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. RICHARDS:

24 Q. Please state your name, address and your
25 occupation.

1 A. My name is Robert Bullock. I'm employed by Yates
2 Petroleum Corporation, 105 South 4th Street, Artesia, New
3 Mexico, as a petroleum landman.

4 Q. Give us your educational and professional
5 background.

6 A. I have a bachelor of business administration from
7 New Mexico State University and have been a petroleum
8 landman for 12 years.

9 Q. Are you familiar with the Eidson Ranch Unit area
10 and the Scratchy Ranch Unit area?

11 A. Yes.

12 Q. Have you ever testified as an expert witness
13 before the OCD or before the division in the past?

14 A. Yes, I have.

15 MR. RICHARDS: Are the qualifications of the witness --

16 HEARING EXAMINER: Yes, sir, his qualifications are
17 acceptable.

18 What was your first name again?

19 THE WITNESS: Robert.

20 Q. (By Mr. Richards) We have marked as Exhibit A the
21 unit agreement for the development and operation of the
22 Eidson Unit in case number 10293. And Exhibit A in case
23 10294 is the unit agreement for the development and
24 operation of the Scratchy Ranch State Unit.

25 MR. STOVALL: Have you got a second set of those for

1 us?

2 MR. RICHARDS: Yes. I need to mark the A, B, C.

3 MR. STOVALL: Send it up and I'll put a pencil mark on
4 it.

5 Q. (By Mr. Richards) You've reviewed these forms,
6 haven't you?

7 A. Yes, I have.

8 Q. Is the form of unit agreement prescribed by the
9 federal regulations on the Eidson Ranch Unit and as recently
10 approved by the Commissioner of Public Lands?

11 A. Yes.

12 Q. And on the Scratchy Ranch Unit, is it in the form
13 that's recently approved by the Commissioner of Public
14 Lands?

15 A. Yes, it is.

16 Q. To distinguish between them, there is going to be
17 some federal land in the Eidson Ranch Unit, but the Scratchy
18 Ranch Unit is mostly state land; is that correct?

19 A. It's 100 percent state.

20 Q. Has the unit area been designated by the Federal
21 Bureau of Land Management as an area logically suitable for
22 development under a unit plan of development?

23 A. Yes.

24 Q. Has the Commissioner of Public Lands of the State
25 of New Mexico granted preliminary approval yet?

1 A. No, they haven't; that is, as of this hour, no.

2 Q. And they've instructed us to go ahead through
3 with the hearing?

4 A. That's correct.

5 Q. And they'll continue to look at that; is that
6 correct?

7 A. That's correct.

8 Q. On both these units?

9 A. Yes.

10 Q. Please tell the division the townships and ranges
11 of the Eidson Ranch Unit, which is case 10293.

12 A. The Eidson Ranch is in Township 16 South, Range
13 33 East. Sections 4, 5 and 6 all -- covers 2,990.08 acres,
14 and it's located ten miles north of -- approximately ten
15 miles northeast of Maljamar.

16 The Scratchy Ranch Unit encompasses 5,120 acres,
17 all state lands. The township and ranges on this unit are
18 in 15 South 32 East, all of Sections 13, 14, 23, 24, 25, 26,
19 35 and 36. It's located approximately 15 miles northeast of
20 Maljamar.

21 Q. Please tell the division the total number of
22 acres within each unit area.

23 A. Within the instant ranch we have 2,990.08 acres,
24 and the Scratchy Ranch Unit is 5,120 acres.

25 Q. Can you now break those acres down according to

1 the acreage of federal, state and fee lands?

2 A. On the instant ranch unit we have 2,630.08 acres
3 of state lands, which would be about 87.96 percent of the
4 unit. There's a 40-acre federal tract which is 1.34 percent
5 of the unit and a 320-acre fee tract which is 10.7 percent
6 of the unit.

7 Q. Under Exhibit B, which is the unit operating
8 agreement, who is named as unit operator?

9 A. Yates Petroleum Corporation.

10 Q. What percentage of the working interest is
11 already committed to each unit?

12 A. On the Eidson Ranch we have 87.96 percent of the
13 working interest committed to that unit. On the Scratchy
14 Ranch Unit, approximately 96 percent of the working interest
15 is committed to the unit.

16 Q. In your opinion, what percentage of the working
17 interest will be committed and what percentage of the
18 royalty interest will be committed in both of the units?

19 A. I think it's not going to differ much from what I
20 gave you. It's going to be, on the Eidson Ranch, almost 88
21 percent; on the Scratchy Ranch it will be 96 percent.

22 Q. Were Exhibits A and B in both these cases, which
23 are the unit agreement and the unit operating agreements,
24 prepared by you or pursuant to your direction?

25 A. Yes, they were.

1 Q. In your opinion, will the operation of this area
2 under the proposed unit plans of operation be in the
3 interest of conservation and prevention of waste?

4 A. Yes.

5 Q. Will the different institutions of the state, if
6 any, receive their fair share of production, if established?

7 A. Yes, they will.

8 Q. In the event of production, will the correlative
9 rights of all parties to both these unit agreements be
10 protected?

11 A. Yes.

12 MR. RICHARDS: We would like to enter Exhibits A and B
13 into evidence in this case.

14 HEARING EXAMINER: In both cases?

15 MR. RICHARDS: Yes, in both cases.

16 HEARING EXAMINER: We accept Exhibits A and B into the
17 record.

18 MR. RICHARDS: Does the division have any questions of
19 this witness?

20 HEARING EXAMINER: Well, I had a couple. Why don't you
21 tell me about the interests that aren't committed, or you
22 don't expect will be committed?

23 THE WITNESS: On the the smaller unit, the Eidson Ranch
24 Unit, the federal tract is owned by Santa Fe Energy
25 Operating Partners. They have 100 percent working interest.

1 Q. (By Mr. Richards) What percentage of the unit is
2 that?

3 A. That is a 1.34 percent. They have indicated they
4 will not commit this tract to the unit. They're going to
5 stand out. It will be a non-committed tract. And the
6 320-acre fee tract is under lease to Yates Petroleum
7 Corporation, but it is not on a type of lease that will
8 allow us to commit it to the unit. It will be an
9 uncommitted fee tract.

10 HEARING EXAMINER: How about in the larger unit?

11 THE WITNESS: In that larger unit, there's an 80-acre
12 state tract owned by Merelow, Inc. They have not joined as
13 of this date, and they probably will not join. There's an
14 80-acre state tract that is owned by a group of people in
15 Chicago. And we have talked with them, and as of this date,
16 they have not indicated they would join. They're still
17 considering the possibility, so they may also be a standout,
18 non-committed 80-acre tract of that unit.

19 HEARING EXAMINER: So there's two eighties in the
20 5,120-acre unit. And what was the size of that Santa Fe
21 tract?

22 THE WITNESS: It's a 40-acre federal tract.

23 HEARING EXAMINER: And then the Yates tract is how big?

24 THE WITNESS: The fee tract is 320 acres.

25 HEARING EXAMINER: That's the one in Eidson?

1 THE WITNESS: Yes, sir.

2 HEARING EXAMINER: How much?

3 THE WITNESS: 320.

4 HEARING EXAMINER: How do you handle those
5 non-committed tracts in a unit like this?

6 THE WITNESS: Well, it would be a matter of dealing
7 with them on a subsequent well. They would -- if you drill
8 -- just -- if you drill on that fee tract, at some point in
9 time he's going to have a hundred percent well on him. And
10 the state would not benefit from that well, and we couldn't
11 hold any -- there's nothing to be -- no leases will be held
12 -- it wouldn't be recognized as a unit well.

13 HEARING EXAMINER: It would just be a window in the
14 unit?

15 THE WITNESS: That's correct.

16 HEARING EXAMINER: And if it -- if you ever needed to
17 communitize that or force pool it, that would just be
18 another matter; is that correct?

19 THE WITNESS: That's correct.

20 HEARING EXAMINER: That's all the questions I have.

21 MR. STOVALL: Let me follow up a little bit with that.

22 EXAMINATION

23 BY MR. STOVALL:

24 Q. You indicated that fee tract is a -- Yates holds
25 the lease on that tract?

1 A. That's correct.

2 MR. STOVALL: Is it the intention of Yates to commit
3 the working interest of the tract and treat the royalty as
4 -- I mean, to the unit, and treat the royalty as a separate
5 royalty tract? Is there any prohibition against that?

6 MR. RICHARDS: The lease itself does not give the
7 lessee the right to pool or the right to unitize this
8 lease. It gives them the right to pool, but not to
9 unitize. Since it doesn't give them that right, then
10 there's a possibility you could commit the working interest
11 without committing the royalty interest; but we would rather
12 keep it the same. That may be one possibility we'll look
13 at.

14 Q. (By Mr. Stovall) Looking at Exhibit A, on Exhibit
15 A, am I correct in seeing that those are substantially
16 oversized sections?

17 A. That's correct, yes.

18 Q. Those are the lot designations, the little
19 numbers?

20 A. That's correct.

21 HEARING EXAMINER: Section-and-a-half, it looks like
22 there.

23 THE WITNESS: That's correct, 990-something acres, I
24 believe.

25 MR. STOVALL: I have no further questions.

1 MR. RICHARDS: Thank you.

2 HEARING EXAMINER: The witness may be excused.

3 MR. RICHARDS: We'll call our next witness, Sylvester
4 Sterling, also known as Sterling Fly, Chip Fly.

5 STERLING FLY

6 the witness herein, having been first duly sworn, was
7 examined and testified as follows:

8 DIRECT EXAMINATION

9 BY MR. RICHARDS:

10 Q. Please state your name, address and your present
11 occupation.

12 A. My name is Sterling Fly. I'm a geologist with
13 Yates Petroleum Corporation in Artesia, New Mexico.

14 Q. State your educational background and your
15 professional background, please.

16 A. I have a master's degree from the University of
17 Texas and eleven-and-a-half years experience in petroleum
18 geology.

19 Q. Are you familiar with the Eidson Ranch Unit area
20 and the Scratchy Ranch State Unit area and the matters
21 contained in the application to the division for approval of
22 the unit agreements?

23 A. Yes.

24 Q. Have you ever testified as an expert witness
25 before this division?

1 A. I have.

2 MR. RICHARDS: Are the qualifications of the witness
3 acceptable to the division?

4 HEARING EXAMINER: Yes, sir, his qualifications are
5 accepted.

6 Q. (By Mr. Richards) Has the Eidson Ranch Unit been
7 designated by the Federal Bureau of Land Management as an
8 area logically suitable for development under a unit plan of
9 development?

10 A. Yes.

11 Q. Have you prepared, or have Exhibits C, D, E and F
12 in both cases been prepared under your direction?

13 A. Yes, I prepared all the geological exhibits.

14 Q. Please refer to the geological report marked as
15 Exhibit C to the Eidson Ranch Unit, which is case 10293.

16 A. Exhibit C is a summary of the objectives of the
17 Eidson Ranch State Unit. It describes briefly the size of
18 the unit and in a rough way the makeup, different types of
19 ownership.

20 Q. What are the objectives of the unit operator?

21 A. Okay. The primary objective is Atoka sandstone.
22 Secondary objective is Morrow sandstone, and other
23 objectives would be Canyon, Cisco, Wolfcamp, Strawn, any of
24 which is possible; Queen, possibly.

25 Q. Please refer to your Exhibit D, which is your

1 stratigraphic cross-section. Please tell the division the
2 reason for your preparation of this exhibit and your
3 analysis of it.

4 A. Okay. Exhibit D --

5 Q. This is on the Eidson Ranch?

6 A. Correct. Exhibit D is a stratigraphic
7 cross-section. On the bottom of the map, of the
8 cross-section itself, shows where the cross-section runs.
9 It's roughly an east-west cross-section, though due to lack
10 of well control for the unit area, it bows down to the
11 south. The primary stratigraphic datum that this
12 cross-section was hung on was the Atoka shale marker, marked
13 as "datum" on the cross-section. Other formations shown are
14 the Strawn, Lower Strawn, Atoka, Morrow, Morrow Clastics and
15 Mississippian Austin Cycle.

16 As I indicated, our primary objective is the
17 Atoka sandstone, which is indicated here as the Bell
18 sandstone for a Bell Petroleum well down in Section 15, I
19 believe it was. On a well that Yates drilled recently, this
20 West Sombero State Unit Number 1, the center well in the
21 cross-section encountered a 50-foot sandstone in the Atoka
22 formation there at 12,915. That's our primary objective is
23 to -- well, when we tested this, it was tested wet. Our
24 primary goal is to chase this sand updip, get it into a
25 favorable structural position and, hopefully, get a real

1 prolific production out of that. It's an excellent
2 reservoir quality sand. As you can see on the
3 cross-section, the sand is most thickly developed in the
4 Yates well, but it does seem to generally occur in most
5 penetrations in some thickness. At least on this
6 cross-section they all encountered some of the sand.

7 Q. What's your secondary objective?

8 A. Secondary objective is the Morrow Clastics. And
9 in the Morrow we're liable to encounter numerous sandstones,
10 so we don't have to pick a particular sandstone as our
11 primary secondary objective. Would be this -- what's
12 indicated as Sam sandstone on this Samedan well,
13 next-to-the-last well to the right on the cross-section,
14 they encountered a 30-foot sandstone just above the
15 Mississippian and perforated it and cut a potential for
16 calculated open flow of 2.9 million cubic feet of gas a
17 day. Morrow gas production is typically dependent on the
18 development of good reservoir quality sandstone. Structural
19 position may help, but it's not critical in the development
20 of a gas reservoir any more. And there are -- as indicated
21 on the cross-section, there are other thin sandstone
22 possibilities.

23 Q. Would you now refer to Exhibit E that you
24 prepared on the Eidson Ranch Unit? Explain what this map is
25 and how you prepared it.

1 A. Exhibit E is, as shown on the label, an Atoka
2 sandstone isolith. It's essentially, on the cross-section,
3 an isolith of the Bell sandstone most significantly through
4 the unit area. Now, up here on the north, north of the unit
5 area may not -- it's probably not going to be the exact same
6 sandstone as that Bell sandstone. But through the Eidson
7 Ranch you see that we had 50 feet down there in Section 16
8 in the Yates well. And then that Bell well is the one with
9 the value of 43. And you see a very clear definition of
10 this Atoka channel sandstone trend from sand channels
11 trended from northwest towards the southeast. And we feel
12 like the channel that we got there in Section 16 should be
13 present through most of our unit area.

14 Q. Now refer to your Exhibit F, which is your
15 structure map and explain to the division the significance
16 of it.

17 A. This is a structure map on the top of the Morrow
18 limestone, as indicated on the cross-section. And in
19 addition to showing this -- the unit outlined for the Eidson
20 Ranch Unit, it also doubles as an exhibit for the Scratchy
21 Ranch Unit to the north.

22 Q. So Exhibit E is the same in both the Scratchy
23 Ranch Unit area and the Eidson?

24 MR. STOVALL: Exhibit F?

25 MR. RICHARDS: Did I say E?

1 A. And so, anyway, focusing on the Eidson Ranch
2 Unit, we mapped in a favorable structure through most of the
3 map unit. So, as I said earlier, we're wanting to get this
4 sandstone on a favorable structure, and through most of the
5 unit area of the Eidson Ranch Unit, we have indicated
6 favorable structure.

7 Q. (By Mr. Richards) Please tell the division your
8 conclusions as to the formations likely to be encountered
9 and considered prospective for production. You've already
10 indicated that once, but once again, tell them your primary
11 objective in the Eidson Ranch, and we'll go from there.

12 A. The primary objective is the Atoka sandstone,
13 combination of thick sand and favorable structure.
14 Secondary objective is the Morrow sandstone, which is
15 dependent mainly upon the occurrence of reservoir quality
16 sandstone. Other objectives that we will undoubtedly test
17 include Wolfcamp, Cisco, Canyon, Strawn, possibly Queen and
18 any other straits.

19 Q. Please give the division the projective depths
20 for the initial test well and the date on or before which
21 the test well will be drilled.

22 A. We're projecting total depth of about 13,800
23 feet, and we anticipate spudding prior to July the 1st.

24 Q. Give the division the approximate location of the
25 initial test well in the Eidson Ranch Unit.

1 A. Initial test well is 1,980 from south line of
2 Section 5 and 660 from the east line.

3 Q. The exhibits, especially the structure map, show
4 that a few wells have been drilled inside the unit area.
5 Can you explain those?

6 A. There's only one well in Section 4, southeast
7 southeastmost corner of Section 4. That was a well that
8 penetrated through the Atoka. I believe it topped in the
9 Morrow and didn't get into the Morrow clastic section. The
10 Atoka in that had about two feet of sand, so it just missed
11 the reservoir. And it does show to be an oil well there.
12 They produced in the Seamon, which is a canyon zone, and
13 they made about 5,000 barrels of oil.

14 HEARING EXAMINER: That's the well in Section 4?

15 THE WITNESS: Yes, sir.

16 Q. (By Mr. Richards) In your opinion, does the unit
17 area of the Eidson Ranch Unit cover all or substantially all
18 of the geological features considered as possibly
19 productive?

20 A. Yes.

21 Q. In your opinion, will the operation of this area
22 under the proposed unit plan of operation be in the best
23 interest of conservation and prevention of waste?

24 A. Yes.

25 Q. Will the different institutions of the state, if

1 any, receive their fair share of production, if established?

2 A. Yes.

3 Q. In the event of production, will the correlative
4 rights of all parties to this unit agreement be protected?

5 A. Yes.

6 MR. RICHARDS: We would like to enter Exhibits C, D, E
7 and F in the Eidson Ranch Unit case, which is case number
8 10294. Do you have any questions on that one before we go
9 to the Scratchy Ranch?

10 HEARING EXAMINER: We'll go ahead and accept those
11 exhibits and ask you one or two questions about the
12 exhibits. In Section 5, the 320-acre tract that would be
13 excluded, is that the tract that's right in the middle of
14 that section?

15 THE WITNESS: Yes, sir.

16 HEARING EXAMINER: Will the unit include all formations
17 from the surface to the base of the Morrow?

18 THE WITNESS: Yes.

19 HEARING EXAMINER: That's all the questions I have.

20 MR. STOVALL: I don't ask geologists questions.

21 Q. (By Mr. Richards) Let's refer to the Scratchy
22 Ranch once again. Were Exhibits C through F prepared by you
23 or under your direction?

24 A. Yes.

25 Q. Look at Exhibit C and explain the geological

1 report to us.

2 A. This -- again, this is a summary of the
3 objectives and size of the unit. Primary objective for the
4 Scratchy Ranch Unit is the Morrow sandstone, and the
5 secondary is the Atoka sand. Other objectives would include
6 the Strawn and Canyon, Cisco.

7 Q. Let's refer to Exhibit D on the Scratchy Ranch
8 Unit, which is your stratigraphic cross-section.

9 A. Exhibit D is very similar to the cross-section we
10 just looked at for the Eidson Ranch. Again, all --

11 MR. STOVALL: Mr. Fly, let's unfold the paper so the
12 court reporter can hear.

13 A. Okay. This one, again, like I say, it's just
14 like the other one in which the stratigraphic datum is the
15 Atoka shale. And I will refer first to the little map down
16 on the southwest corner showing where the cross-section
17 runs.

18 On the Scratchy Ranch Unit, what Yates proposes
19 to do is to reenter this former Marathon well in Section 14
20 and deepen that approximately 3,000 feet to explore for
21 these lower Penn sandstones. So this cross-section shows
22 the same formations and so forth as the previous well.

23 Referring first to the Morrow clastic interval,
24 our primary objective, we see the possibility of numerous
25 sands. Our main objective within that interval would be

1 this Sam sandstone, the Samedan sandstone which was
2 developed down in Section 10 of 16 South, 33 East. It would
3 be a basal Morrow sandstone.

4 And other sandstones, unnamed, occur to the east
5 side of the unit higher up in the section. You see several
6 sandstones in the Gulf well, the second well from the
7 right. Okay. To the west of the unit there are several
8 sandstones developed lower down, so we see the possibility
9 of numerous potential reservoir stands in the Morrow.

10 Then the secondary objective is the Bell
11 sandstone, the Atoka sandstone again. Expect to encounter
12 some thickness of Atoka sandstones. Hard to predict exactly
13 how much because there is no well control for two or three
14 miles to either side.

15 Q. (By Mr. Richards) Please refer to your next
16 exhibit then, Mr. Fly.

17 A. Okay.

18 Q. Explain what the exhibit is and why you prepared
19 it.

20 A. This is E; is that right?

21 Q. Yes.

22 A. Exhibit E is a sandstone isolith map for the
23 Morrow interval; that's cumulative or gross sandstone
24 isolith, not any particular sandstone. But it sets up a
25 north-south pattern of sandstone development, thick trends.

1 And these are channel sands in general that migrated towards
2 the south during Morrow time. And you can see there is some
3 separation between the sands. There's not -- the sands are
4 much thinner in general than the Atoka sands. And as I said
5 earlier, the Morrow is less dependent on structure,
6 structural position, so we think that there's a very good
7 chance of getting a good reservoir sandstone in the Morrow.

8 Q. Now let's refer to your Exhibit F.

9 A. It's the same structure map we looked at for the
10 Eidson Ranch Unit. And, in general, it's -- through the
11 unit area, it's fairly flat, with some indication of it
12 coming up, rising in the north end and possible subtle
13 structure toward the south.

14 Q. Please tell the division your conclusions as to
15 the formations likely to be encountered and considered
16 prospective for production.

17 A. Okay. The Morrow has a very good chance of
18 encountering good reservoir quality sandstones. The Atoka,
19 we should encounter good reservoir quality sandstone and,
20 hopefully, in a favorable structural position to help that.

21 Others -- other objectives, the Strawn, the
22 various Canyon and Cisco members have a chance. There's --
23 production in them is generally farther to the south. I
24 would point out the -- there is one old well indicated in
25 Section 25 on the unit to be an oil well. That was in the

1 Abo interval. That produced 600 barrels of oil and about
2 1,900 MCF of gas. The -- now, this well in Section 14 that
3 we're proposing to reenter and deepen went to ten-five. It
4 tested some intervals in the Abo.

5 HEARING EXAMINER: In the what?

6 A. In the Abo, in the permal Penn interval. And
7 also the well in Section 24, was a ten-five well, tested
8 about the same. Neither of them gave much indication of
9 commercial hydrocarbon in the zones that they penetrated.

10 Q. (By Mr. Richards) Are you requesting that this
11 unit area cover all depths from the surface down?

12 A. Yes.

13 Q. Please give the division the projected depths for
14 the initial test well and the date on or before which it
15 will be drilled.

16 A. Well, we're projecting this well to also go down
17 to about 13,800, and we would spud this prior to August the
18 1st.

19 Q. Please tell the division the approximate location
20 of the initial test well?

21 A. Well, the location of this initial test well is
22 this old Marathon reentry, which is in Section 14, 15 South,
23 32 East; 2,080 feet from south line, 1,980 feet from east
24 line.

25 Q. What do you propose to do in that well?

1 A. Well, we would have to move a big rig on and
2 drill out the plugs and deepen approximately 3,000 feet to
3 drill all the way to the Mississippian or the Austin cycle,
4 as shown on the cross-section, test any and all shoals for
5 potential production.

6 Q. Does the unit area cover all or substantially all
7 of the geological features considered as possibly
8 productive?

9 A. Yes.

10 Q. In your opinion, will the operation of this area
11 under the proposed unit plan of operation be in the best
12 interest of conservation and prevention of waste?

13 A. Yes.

14 Q. Will the different institutions of the state, if
15 any, receive their fair share of production, once it's
16 established?

17 A. Yes.

18 Q. In the event of production, will the correlative
19 rights of all parties to this unit agreement be protected?

20 A. Yes.

21 MR. RICHARDS: We'd like to enter Exhibits C through F
22 in this case.

23 HEARING EXAMINER: Which case is this again?

24 MR. RICHARDS: Scratchy Ranch Unit, 10293.

25 HEARING EXAMINER: We accept Exhibits C through F in

1 this case.

2 MR. RICHARDS: Does the division have any questions?

3 HEARING EXAMINER: Will you go ahead and start these
4 two wells prior to approval of the unit agreement?

5 THE WITNESS: Well, we have a month before we have to
6 get the wells spud, so there shouldn't be a problem with
7 needing to do that, especially the Scratchy. You know, it's
8 August 1st, the other one is July 1st; so we have a little
9 bit of lag time here.

10 HEARING EXAMINER: What was the depth of the Scratchy
11 well again?

12 THE WITNESS: 13,800.

13 HEARING EXAMINER: Can you identify, and will you, if
14 you can, the two 80-acre tracts on the map that will be
15 excluded from the unit, or will be -- won't commit to the
16 unit?

17 THE WITNESS: I guess it's number seven and --

18 HEARING EXAMINER: This is -- I'm talking about this
19 Scratchy unit now.

20 MR. STOVALL: Do we need to get Mr. Bullock back for
21 that?

22 THE WITNESS: Looks like Tract 7, which is in 24, and
23 15 in 35.

24 HEARING EXAMINER: And the working interest owners
25 there have indicated they won't. I believe that was the

1 testimony earlier. Okay, that's fine. I don't have any --
2 let's see.

3 The Yates well in -- or the well, the dry hole in
4 Section 14 on the Scratchy unit, do you know who drilled
5 that well?

6 THE WITNESS: Marathon did back in '77 or '78,
7 something like that.

8 HEARING EXAMINER: Thank you.

9 EXAMINATION

10 BY MR. STOVALL:

11 Q. Almost more in the way of a statement, assuming
12 the division approves the unit: As you know, approvals are
13 subject to approval by the land office and the feds, as
14 appropriate. It's my understanding that both agencies have
15 only taken a preliminary look at this; is that correct?

16 A. That's correct.

17 MR. STOVALL: If they make any changes to the unit
18 designation, and after an order has been issued, you will
19 come back and we'll have to issue a supplemental order?

20 MR. RICHARDS: That's correct. We will come back to
21 the OCD if there's any changes.

22 HEARING EXAMINER: All right. The witness may be
23 excused.

24 Anything further?

25 MR. RICHARDS: No, sir. Just need to mark these

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exhibits.

HEARING EXAMINER: Cases 10294 and 10293 will be taken
under advisement.

(The foregoing hearing was adjourned at the
approximate hour of 9:00 a.m.)

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STATE OF NEW MEXICO)

:

COUNTY OF SANTA FE)

I, FREDA DONICA, RPR, a Certified Court Reporter, DO
HEREBY CERTIFY that I stenographically reported these
proceedings before the Oil Conservation Division; and that
the foregoing is a true, complete and accurate transcript of
the proceedings of said hearing as appears from my
stenographic notes so taken and transcribed under my
personal supervision.

I FURTHER CERTIFY that I am not related to nor employed
by any of the parties hereto, and have no interest in the
outcome hereof.

DATED at Santa Fe, New Mexico, this 30th day of
June, 1991.

Freda Donica
Freda Donica
Certified Court Reporter
CCR No. 417

I do hereby certify that the foregoing is
a complete and true transcript of the proceedings in
the Examiner hearing of Cases Nos. 10293 and 10294-
heard by me on May 30 1991.
Jim J. [Signature] Examiner
Oil Conservation Division

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date MAY 30, 1991 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
William L. Jan	Campbell and Jack, PA.	Santa Fe
Jack M. Wilson	Collins & Ware	Santa Fe
Roger T. Elliott	"	"
Robert Bullock	Yates Petroleum	Artesia, NM
Stirling H. [unclear]	Yates Pet	Artesia
VICTOR T. LYON	Gas Co / NM	Santa Fe
DAMON RICHARDS	SANDERS LAW FIRM	ROSWELL
TOM MAIRI	Woodbine Petroleum Inc	Dallas, TX
BOB BELL	HEY CO	ROSWELL
DAVE PERRY	HEY CO	ROSWELL
[unclear]	Kelch/Kelch/Johnson	Santa Fe
W. Perry Pearce	Montgomery & Andrews, P.A.	Santa Fe
Bill Selzer	Collins & Ware	Midland
Bill Hering	Union Oil Co of Calif.	Farmington
Paul West	" "	"
Kurt Boley	Sendero Petroleum	Midland

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date MAY 30, 1991 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
Frank T. Chavez	OCD	Aztec
Sarah Smith	GCNM	Albuquerque
Ann Beltr	GCNM	Albuquerque