

**NEW MEXICO OIL CONSERVATION COMMISSION  
EXAMINER HEARING  
SANTA FE, NEW MEXICO  
JUNE 11, 1992 -- 8:15 A.M.**

NAME	REPRESENTING	LOCATION
Maurice Trimmer	Byram Co	SF
Paul Haden	Mewbourne Oil Co.	Midland
Dexter Harmon	Mewbourne Oil	Midland
Karl W. Harmon	Kellham Kellham + Assoc.	Santa Fe
Patricia Shattuck	Cambell Corp. et al.	Santa Fe
James S. Canoll	Zosser & Canoll	Artesia
Robert Bullock	YATES Pet	Artesia
DAVE BONEAU	YATES PETROLEUM	ARTESIA
Ernest L. Padilla	Padilla & Company	Artesia
James Bruce	Humble Low Firm	Santa Fe
Bill Morris	BHP Petroleum	Houston
Julie Ferrero	BHP Petroleum	Houston
Andy McCarthy	De Kato Energy	Denver

[illegible]

NEW MEXICO OIL CONSERVATION DIVISION  
STATE LAND OFFICE BUILDING  
STATE OF NEW MEXICO  
CASE NO. 10475

IN THE MATTER OF:

The Application of Terra Energy,  
Ltd., for a unit agreement,  
Chaves County, New Mexico.

BEFORE:

MICHAEL E. STOGNER  
Hearing Examiner  
State Land Office Building  
June 11, 1992

REPORTED BY:

DEBBIE VESTAL  
Certified Shorthand Reporter  
for the State of New Mexico

ORIGINAL

## A P P E A R A N C E S

FOR THE NEW MEXICO OIL CONSERVATION DIVISION:

ROBERT G. STOVALL, ESQ.

General Counsel

State Land Office Building

Santa Fe, New Mexico 87504

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.

Post Office Box 2208

Santa Fe, New Mexico 87504-2208

BY: PATRICIA A. MATTHEWS, ESQ.

## I N D E X

## Page Number

## Appearances

2

WITNESS FOR THE APPLICANT:

## 1. STEPHEN W. SPEER

Examination by Ms. Matthews

5

Examination by Mr. Stovall

13

Examination by Examiner Stogner

15

## Certificate of Reporter

20

## E X H I B I T S

## Page Identified

Exhibit No. 1

6

Exhibit No. 2

8

Exhibit No. 3

8

Exhibit No. 4

9

Exhibit No. 5

10

Exhibit No. 6

10

Exhibit No. 7

11

Exhibit No. 8

11

1                   EXAMINER STOGNER: This hearing will  
2 come to order. I'm Michael Stogner, today's  
3 appointed hearing officer. Today is June 11,  
4 1992, for Docket 17-92.

5                   Call Case 10475.

6                   MR. STOVALL: Application of Terra  
7 Energy, Limited, for a unit agreement, Chaves  
8 County, New Mexico.

9                   EXAMINER STOGNER: Call for  
10 appearances.

11                  MS. MATTHEWS: I'm Patricia Matthews  
12 here of Campbell, Carr, Berge & Sheridan here for  
13 Terra Energy, Limited, in Case 10475.

14                  EXAMINER STOGNER: Do you have any  
15 witnesses?

16                  MS. MATTHEWS: Yes. My first witness  
17 is Stephen Speer. He's a geologist.

18                  EXAMINER STOGNER: Are there any other  
19 witnesses that you will be calling today?

20                  MS. MATTHEWS: No, Mr. Stogner.

21                  EXAMINER STOGNER: Will the witness,  
22 please, stand and be sworn at this time.

23                         [The witness was duly sworn.]

24                  EXAMINER STOGNER: Ms. Matthews.

25                  MS. MATTHEWS: Would like to take a

1 seat, please.

2 STEPHEN W. SPEER

3 Having been duly sworn upon his oath, was  
4 examined and testified as follows:

5 EXAMINATION

6 BY MS. MATTHEWS:

7 Q. Would you state your full name and  
8 place of residence, please?

9 A. My name is Stephen W. Speer, and I live  
10 in Roswell, New Mexico.

11 Q. By whom are you employed?

12 A. I'm an independent geologist working as  
13 a consultant for Terra Energy.

14 Q. Have you testified before the Division  
15 or any of its examiners on a previous occasion?

16 A. No. I haven't.

17 Q. Would you, please, briefly summarize  
18 your educational background?

19 A. I got a bachelor of geological sciences  
20 degree at New Mexico State University in 1981, a  
21 master of arts degree in geology at the  
22 University of Texas, Austin, in 1983, and I  
23 worked for Yates Petroleum from 1983 to 1990.

24 Q. All right. Are you familiar with the  
25 application in this case. Mr. Speer?

1           A.       Yes, I am.

2           Q.       Are you familiar with the proposed  
3 South Lone Wolf Unit?

4           A.       Yes, I am.

5                   MS. MATTHEWS: I would request that the  
6 witness' qualifications be accepted by the  
7 Commission at this point.

8                   EXAMINER STOGNER: Mr. Speer is so  
9 qualified.

10                  MS. MATTHEWS: I have the exhibits for  
11 our hearing. I'll present them to you at this  
12 time.

13           Q.       (BY MS. MATTHEWS) Would you, please,  
14 briefly state the purpose of the South Lone Wolf  
15 agreement?

16           A.       We're seeking approval of South Lone  
17 Wolf Unit, which is a voluntary exploratory unit  
18 containing approximately 1,960 acres of state and  
19 federal lands in Chaves County, New Mexico.

20           Q.       Have you prepared or have there been  
21 prepared under your direction and supervision  
22 certain exhibits for introduction in this case?

23           A.       Yes, there have.

24           Q.       I'm going to hand to you what's been  
25 marked Exhibit No. 1, and could you explain to me



1 what that exhibit shows, please?

2 A. Exhibit 1 is a State/Federal Fee  
3 Exploratory Unit form on a voluntary, the  
4 standard voluntary unit agreement filled out for  
5 the South Lone Wolf Unit. It includes an  
6 amendment requested by the BLM concerning  
7 payments to the federal government. Otherwise  
8 it's a standard form.

9 Q. Is that a standard state form?

10 A. Yes, ma'am.

11 Q. Would you refer to Exhibit A of the  
12 unit agreement and describe what Unit A shows --  
13 I mean Exhibit A shows?

14 A. Exhibit A is a map of the unit area,  
15 which is located in Township 13 South, 29 East,  
16 Chaves County, showing all the lands to be  
17 unitized delineating federal versus state  
18 minerals in the unit. There's only federal and  
19 state minerals in the unit, no fee acreage.

20 MS. MATTHEWS: At this time I'd like to  
21 make a clarification. The application indicates  
22 that there are fee lands included, and that's  
23 incorrect. There are just federal and state  
24 lands included.

25 Q. Would you also now refer to Exhibit B

1 of the unit agreement and describe what that  
2 exhibit shows?

3 A. Exhibit B goes with Exhibit A, and it's  
4 a schedule of the lands showing ownership over  
5 royalty interests and working interests  
6 percentages for each of the various tracts within  
7 the unit, proposed unit. There's 1280 federal  
8 acres in the unit, 680 state acres within the  
9 unit for a total of 1960 acres.

10 Q. Has the proposed unit area been  
11 designated by the Bureau of Land Management as an  
12 area adequately suited for unit development?

13 A. Yes, it has. Exhibit No. 2 is a letter  
14 from Armando Lopez with the Roswell office BLM  
15 giving us preliminary approval of the unit area.

16 Q. I'm going to hand to you Exhibit No.  
17 2. Is that the exhibit you were referring to in  
18 your answer just previously?

19 A. Yes, it is.

20 Q. Has the Commissioner of Public Lands  
21 given his preliminary approval to the proposed  
22 unit agreement?

23 A. Yes, he has, and that's Exhibit No. 3.

24 Q. Is Exhibit No. 3 a letter dated June 9,  
25 1992, which Grants Terra Energy, Limited, a

1 preliminary approval of this unit?

2 A. Yes, it is a preliminary approval  
3 letter with the condition that the third well  
4 drilled within the unit should be drilled on  
5 state lands.

6 Q. To your knowledge has Terra Energy  
7 agreed to do that?

8 A. I believe so.

9 Q. What percentage of the interest owners  
10 in the unit area are committing their acreage to  
11 the unit agreement?

12 A. One hundred percent. All the lands are  
13 controlled by Terra Energy.

14 Q. Is it Terra's desire to be designated  
15 unit operator?

16 A. Yes.

17 Q. What is the primary objective of this  
18 unit?

19 A. The primary objective will be the  
20 Devonian-Fusselman Formation at approximately  
21 9600 feet.

22 Q. I'm going to hand to you what's been  
23 marked as Exhibit 4. Would you review that  
24 exhibit and describe what it shows?

25 A. Exhibit 4 is an electric log on the

1 Kerr-McGee State A-1, which is immediately south  
2 of the unit in Section 32, showing the objective  
3 horizons, the Devonian and Fusselman underlying  
4 the Mississippian and Pennsylvanian section.

5 Q. I'm going to now hand to you Exhibit 5,  
6 and would you, please, describe what that exhibit  
7 shows?

8 A. Exhibit 5 is a map showing well  
9 information on tests, various deep tests, the  
10 Pennsylvanian and older formations in the unit  
11 area showing that there have been a few tests  
12 down to the Devonian in this area, several of  
13 which have found to be productive for oil. And  
14 basically it's just giving well information on  
15 the various tests to depth there.

16 Q. All right. Would you, please, describe  
17 what Exhibit 6 contains?

18 A. Exhibit 6 is a seismic structure map on  
19 the Mississippian horizon, which mimics the  
20 Devonian structure. This is the map we use to  
21 delineate the unit outline. The structure we're  
22 looking for is bound by faults on all sides,  
23 except the northeast side where the structure is  
24 plunging off to the northeast.

25 Q. And I'm going to hand to you Exhibit

1 No. 7. Would you describe what that exhibit  
2 contains?

3 A. Exhibit 7 is the same map that was  
4 shown in Exhibit No. 6, the Mississippian  
5 structure map. We've superimposed the unit  
6 outline over the structure to show that all of  
7 the structure that we believe to be productive at  
8 this point is encompassed within the unit.

9 Q. All right. And finally Exhibit 8,  
10 would you look at that and tell me briefly what  
11 that exhibit shows?

12 A. Exhibit 8 is a geological-geophysical  
13 discussion giving a synopsis of the various maps  
14 and exhibits we've shown previously and  
15 describing the reservoir that we're going to be  
16 drilling to in this well.

17 Q. What other horizons are being unitized  
18 by this unit agreement?

19 A. The unit agreement unitizes all depths,  
20 all horizons.

21 Q. What are your plans for development of  
22 this unit, that is, when are you going to or when  
23 do you plan to spud the initial well?

24 A. The initial well will be spud  
25 approximately June 18, depending on the date of

1 the final approval of the unit agreement.

2 Q. What are your plans or what are Terra's  
3 plans for additional development?

4 A. They'll be implemented as required by  
5 the unit agreement.

6 Q. Does Terra intend to comply with the  
7 continuous drilling requirements as set forth in  
8 the unit agreement?

9 A. If there are continuous drilling  
10 options in the unit agreement, they will.

11 Q. Are you requesting that the order by  
12 the Commission be expedited in this case?

13 A. Yes, we are.

14 Q. Does the unit agreement provide for  
15 periodic filings of the plans of development?

16 A. Yes.

17 Q. Does this provision provide that these  
18 plans will be filed with the Commissioner of  
19 Public Lands and the Oil Conservation Division?

20 A. Yes.

21 Q. How often are these plans to be filed?

22 A. Well, again it will be as set forth in  
23 the unit agreement.

24 Q. Does the unit agreement state that  
25 these plans will be filed within six months after

1 completion of the initial well capable of  
2 producing substances in paying quantities and  
3 thereafter from time to time before the  
4 expiration of the existing plan?

5 A. Yes.

6 Q. In your opinion will granting this  
7 application be in the best interests of  
8 conservation, the prevention of waste, and the  
9 protection of correlative rights?

10 A. Yes.

11 Q. Were Exhibits 1 through 8 prepared by  
12 you or under your direct supervision?

13 A. Yes.

14 MS. MATTHEWS: I'd like to offer those  
15 exhibits at this time.

16 MR. STOVALL: Mr. Examiner, I've got a  
17 question before we do that.

18 EXAMINER STOGNER: Okay. Mr. Stovall.

19 EXAMINATION

20 BY MR. STOVALL:

21 Q. When I look at the back behind the  
22 geologic description, I think that's Exhibit 8,  
23 I've got what appear to be other copies. It  
24 looks like the same copy of Exhibit 2 as was  
25 introduced and appears earlier in my exhibit

1 package from the BLM. Then I have a document  
2 marked Exhibit 3, which is a letter from the  
3 State Land Office to Terra Energy, but it is  
4 different from the letter which is the prior  
5 exhibit.

6 MS. MATTHEWS: Mr. Stovall, if I may  
7 look at those, I may have clipped inappropriate  
8 exhibits to your packet.

9 MR. STOVALL: It looks like it may be  
10 just a problem with my packet. Did you go across  
11 the street and learn this from Mr. Kellahin?

12 MS. AUBREY: I'm going to tell him you  
13 said that.

14 MS. MATTHEWS: This was in fact my  
15 error. Other than that is the packet complete?

16 MR. STOVALL: Yes. Everything else was  
17 in it. Just a couple of extra things. I didn't  
18 know if the others were that way or not.

19 MS. MATTHEWS: I apologize. Are there  
20 any questions from the panel?

21 MR. STOVALL: With that resolved I  
22 don't have any concerns about the exhibits.

23 EXAMINER STOGNER: I believe all of our  
24 exhibits are the same now. So let's admit  
25 Exhibits 1 through 8 into evidence at this time.



1 MS. MATTHEWS: I have no further  
2 questions of the witness.

3 EXAMINER STOGNER: Thank you, Ms.  
4 Matthews.

5 EXAMINATION

6 BY EXAMINER STOGNER:

7 Q. Mr. Speer, now there's been some  
8 acreage delineated from this unit as what was  
9 applied for. Do you have any idea why some of  
10 the acreage was taken out?

11 A. It was based pretty much again on the  
12 Mississippian structure map under the feeling  
13 that it was nonproductive based on our  
14 interpretation.

15 Q. So what was advertised was bigger than  
16 what is being applied for?

17 A. Yes. It was initially, I believe, was  
18 over 2100 acres.

19 Q. So there will be no problem with the  
20 difference there since what was advertised was  
21 bigger than what is being requested.

22 In looking at, looks like the Exhibit B  
23 of your first exhibit that was admitted, Terra  
24 Energy is the lessee of record; is that correct?

25 A. Right.

1 Q. And the percentages of the state and  
2 federal lands are denoted on that particular  
3 page; is that correct?

4 A. Yes, sir, down on the lower left  
5 there: 65 federal, 35 state approximately.

6 Q. In Terra's development of this acreage,  
7 you might have said it and I'm sorry if I missed  
8 it, where is the first well going to be drilled?

9 A. I never specifically pointed that out.  
10 The first well will be drilled in the southeast  
11 of the northwest of Section 29 in about the  
12 center of the unit, which is a federal tract.

13 Q. Now, when I'm looking at Exhibit No. 7,  
14 I show that you have, looks like what appears to  
15 be two seismic lines crossing; is that your  
16 proposed well?

17 A. Yes, sir. There's a north-south line  
18 there too that runs right through the well  
19 locations.

20 Q. How about the second one, if there be  
21 one?

22 A. The second well?

23 Q. Uh-huh.

24 A. Well, obviously, I think it's pretty  
25 obvious it goes south, probably into the

1 southwest of 29 would be my guess. Again, that's  
2 to be determined.

3 Q. Now, I guess there was one stipulation  
4 in there that a third well must be on state  
5 land. I guess that would be --

6 A. The state land would probably be in  
7 Section 32 would be my guess.

8 Q. Okay.

9 A. The operator has indicated they may  
10 want to shoot additional seismic in the event  
11 they're successful to help delineate subsequent  
12 well locations also.

13 Q. I'm looking at your Exhibit No. 5.  
14 There seems to be some wells in there. Now, the  
15 Kerr-McGee well that you used for the type log in  
16 Section 32 has been plugged and abandoned?

17 A. Yes, sir. It was drilled in 1953.

18 Q. How about the two sections, it looks  
19 like Section 29 has a well in it or -- I'm  
20 referring to Exhibit No. 5.

21 A. That is not a well. It's part of that  
22 description for the well in 28. The one that  
23 looks like a producing well in the southeast?

24 Q. Yes.

25 A. Yeah, that's an "at" -- I don't know

1 the term for the --

2 MR. STOVALL: "a" with a circle around  
3 it?

4 THE WITNESS: It's an "a" with a circle  
5 around it.

6 Q. (BY EXAMINER STOGNER) I'm sorry. Go  
7 ahead.

8 A. There are no wells in Section 29.  
9 There are no wells within this unit area.

10 Q. Okay. In Section 29 there is the word  
11 spud, and right above is it a dot. Is that the  
12 proposed well?

13 A. Right. That's the proposed location.  
14 The rest of that wording in Section 29 all goes  
15 to the well in the southeast of 28.

16 Q. And the "at" is not -- oh, yes, is not  
17 a well?

18 A. Right. Not yet anyhow.

19 EXAMINER STOGNER: I have no other  
20 questions of Mr. Speer.

21 Are there any other questions of this  
22 witness? If not, he may be excused.

23 Ms. Matthews, do you have anything  
24 further?

25 MS. MATTHEWS: No.

1                   EXAMINER STOGNER: Does anybody else  
2 have anything further in Case No. 10475? If not,  
3 this case will be taken under advisement. Thank  
4 you.

5                   [And the proceedings were adjourned.]  
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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 10475,  
heard by me on June 11, 1992.  
Michael E. Stogner Examiner  
Oil Conservation Division

## 1 CERTIFICATE OF REPORTER

2  
3 STATE OF NEW MEXICO )  
4 COUNTY OF SANTA FE ) ss.  
5

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

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

18 WITNESS MY HAND AND SEAL JUNE 19, 1992.  
19  
20

21   
22 \_\_\_\_\_  
23 DEBBIE VESTAL, RPR  
24 NEW MEXICO CSR NO. 3  
25