

DOCKET: EXAMINER HEARING - THURSDAY - JULY 29, 1993  
8:15 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO

Dockets Nos. 23-93 and 24-93 are tentatively set for August 12, 1993 and August 26, 1993. Applications for hearing must be filed at least 23 days in advance of hearing date.

The following cases will be heard before Michael E. Stogner, Examiner or David R. Catanach, Alternate Examiner:

**Application of Santa Fe Energy Operating Partners, L. P. for a unit agreement, Lea County, New Mexico.** Applicant seeks approval of the Thistle Unit Agreement for an area comprising 4,880 acres, more or less, of Federal and State lands in Sections 20, 21, 22, 27, 28, 29, 32, 33, and 34, Township 23 South, Range 33 East, which is centered approximately 4 miles north of mile marker 27 and State Highway 128.

**CASE 10775: Application of Santa Fe Energy Operating Partners, L.P. for an unorthodox infill gas well location and simultaneous dedication, Eddy County, New Mexico.** Applicant seeks approval of an unorthodox well location 1980 feet from the South line and 660 feet from the East line (Unit I) of Section 1, Township 24 South, Range 28 East, Malaga-Atoka Gas Pool. Further, the applicant seeks an exception to Division General Rule 104.c(2) to allow the existing 320-acre gas spacing and proration unit comprising the S/2 of said Section 1 to be simultaneously dedicated in the Malaga-Atoka Gas Pool to the proposed well and to the existing Malaga Federal 1 Well No. 1 located at a standard gas well location 660 feet from the South line and 1980 feet from the West line (Unit N) of said Section 1. Said unit is located approximately 2 miles northeast of Malaga, New Mexico.

**CASE 10767: (Continued from July 15, 1993, Examiner Hearing.)**

**Application of Santa Fe Energy Operating Partners, L.P. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Cisco/Canyon formation underlying all of Section 5, Township 22 South, Range 24 East, forming a standard 640-acre gas spacing and proration unit for any and all formations and/or pools developed on 640-acre spacing within said vertical extent. Said unit is to be dedicated to its reentry of the Discovery Operating Walt Canyon 5 Fed Well No. 1 at a standard location in said Section 5. Also to be considered will be the cost of reentering and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in reentering and completing said well. Said well is located approximately 2 miles south of the Tepee.

**CASE 10768: (Readvertised)**

**Application of Santa Fe Energy Operating Partners, L.P. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Cisco/Canyon formation underlying all of Section 8, Township 22 South, Range 24 East, forming a standard 640-acre gas spacing and proration unit for any and all formations and/or pools developed on 640-acre spacing within said vertical extent. Said unit is to be dedicated to a well drilled at an orthodox location in said Section 8. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling and completing said well. Said well is located approximately 3 miles south of the Tepee.

**CASE 10759: (Continued from July 1, 1993, Examiner Hearing.)**

**Application of Santa Fe Energy Operating Partners, L.P. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N/2 of Section 9, Township 24 South, Range 25 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent. Said unit is to be dedicated to its Mosley Canyon 9 State Com Well No. 1, to be drilled at an orthodox location within said N/2 proration unit. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling and completing said well. Said well is located approximately 4 miles north of White City.

**CASE 10760:** (Continued from July 1, 1993, Examiner Hearing.)

**Application of Breck Operating Corporation for compulsory pooling, San Juan County, New Mexico.** Applicant seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the W/2 of Section 20, Township 28 North, Range 10 West, forming a standard 320-acre gas spacing and proration unit for said pool developed within said vertical extent. Said unit is to be dedicated to its Kutz-Government Well No. 9, recompleted at an approved unorthodox location within said W/2 proration unit. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling and completing said well. Said well is located approximately 5 miles southeast of Bloomfield, New Mexico.

**CASE 10752:** (Readvertised)

**Application of Rand Oil and Gas, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Devonian formation or to a depth of 12,200 feet, whichever is deeper, underlying the E/2 NW/4 of Section 18, Township 17 South, Range 39 East, forming a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within said vertical extent, which presently includes only the South Knowles-Devonian Pool. Said unit is to be dedicated to a well to be drilled at a standard oil well location 1980 feet from the North and West lines (Unit F) of said Section 18. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling and completing said well. Said unit is located approximately 3 miles east of Knowles, New Mexico.

**CASE 10776:** **Application of Drum Energy Corporation for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Blinbry formation, or 6200 feet, whichever is deeper, underlying the SW/4 of Section 35, Township 19 South, Range 38 East, forming a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent, if the proposed well is a gas well, or the SE/4 SW/4 of said Section 35 forming a standard 40-acre spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent if the proposed well is an oil well. Said unit is to be dedicated to a well to be drilled at a standard location 1100 feet from the South line and 1980 feet from the West line in said Section 35. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling and completing said well. Said well is located approximately 1/2 mile south of Nadine, New Mexico.

**CASE 10755:** (Continued from July 1, 1993, Examiner Hearing.)

**Application of Hal J. Rasmussen Operating, Inc. for unorthodox locations and simultaneous dedication, Lea County, New Mexico.** Applicant seeks authorization to drill its Eaves A Well No. 18 - 160 feet from the North line and 2173 feet from the East line of Section 30; Eaves A Well No. 19 - 1414 feet from the South line and 3190 feet from the East line of Section 19; Eaves A Well No. 20 - 2570 feet from the South line and 3538 feet from the East line of Section 19; and, Eaves B Well No. 20 - 1414 feet from the South line and 429 feet from the East line of Section 30, all in Township 26 South, Range 37 East, Scarborough Yates-Seven Rivers Pool. Applicant further proposes to simultaneously dedicate the production from said wells with the production from wells on existing proration units. Said wells are located approximately 3 miles south of Bennett, New Mexico.

**CASE 10756:** (Continued from July 1, 1993, Examiner Hearing.)

**Application of Hal J. Rasmussen Operating, Inc. for unorthodox locations and simultaneous dedication, Lea County, New Mexico.** Applicant seeks authorization to drill its Sholes A Well No. 9 at an unorthodox location 1300 feet from the South line and 660 feet from the East line and its Sholes A Well No. 10 at an unorthodox location 1300 feet from the North line and 660 feet from the East line of Section 24, Township 25 South, Range 36 East, Jalmat Gas Pool. Applicant further proposes to simultaneously dedicate the production from said wells with the production from wells on existing proration units. Said wells are located approximately 1 mile west of Jal, New Mexico.

**CASE 10717:** (Continued from July 1, 1993, Examiner Hearing.)

**Application of Davcro Inc. for salt water disposal, Lea County, New Mexico.** Applicant seeks authority to re-enter the previously plugged and abandoned Cactus Drilling Corporation Sawyer Deep Well No. 1 located 330 feet from the South line and 2310 feet from the West line (Unit N) of Section 19, Township 9 South, Range 38 East, and utilize said well to dispose of produced salt water into the Sawyer-San Andres Associated Pool through the open-hole interval from approximately 5120 feet to 5600 feet. Said well is located approximately 4.5 miles east of Crossroads, New Mexico.

**CASE 10749:** (Continued from July 1, 1993, Examiner Hearing.)

**Application of Devon Energy Corporation for pool creation and special pool rules, Eddy County, New Mexico.** Applicant seeks the promulgation of special rules for the Ingle Wells-Delaware Pool located in portions of Sections 26 and 35 of Township 23 South, Range 31 East and in a portion of Section 2, Township 24 South, Range 31 East, including a provision for a gas-oil limitation of 5000 cubic feet of gas per barrel of oil. Said area is located approximately 2 miles west of mile marker 19 on highway 128.

**CASE 10543:** (Reopened)

**Application of Yates Petroleum Corporation for an unorthodox gas well location and simultaneous dedication, Eddy County, New Mexico.** Applicant seeks to reopen this matter to present new evidence to support its original application for an unorthodox gas well location for its Irish Hills "KW" State Well No. 3, located 660 feet from the North and East lines (Unit A) of Section 2, Township 19 South, Range 24 East, to test all formations and/or pools from the top of the Wolfcamp formation to the base of the Morrow formation which are spaced on 320-acre spacing. Lots 1 through 4 and the S/2 N/2 (N/2 equivalent) of said Section 2 are to be dedicated to said well forming a standard 321.08-acre gas spacing and proration unit. Further, the applicant seeks an exception to Division General Rule 104.C(2) to allow the N/2 equivalent of Section 2 to be simultaneously dedicated in the Penasco Draw-Permo Pennsylvanian Gas Pool to the proposed well and to the existing Irish Hills "KW" State Well No. 2 located at a standard location 1980 feet from the North and East lines (Unit G) of said Section 2. Said unit is located approximately 11.5 miles west by south of Seven Rivers, New Mexico.

**CASE 10763:** (Continued from July 15, 1993, Examiner Hearing.)

**Application of Yates Petroleum Corporation for a unit agreement, Lea County, New Mexico.** Applicant seeks approval of the Sammal Queen Unit Agreement for an area comprising 440 acres, more or less, of State land in Sections 1 and 12, Township 17 South, Range 33 East, which is centered approximately 3 miles north of Buckeye, New Mexico.

**CASE 10764:** (Continued from July 15, 1993, Examiner Hearing.)

**Application of Yates Petroleum Corporation for a unit agreement, Lea County, New Mexico.** Applicant seeks approval of the Saffron Unit Agreement for an area comprising 1,396.01 acres, more or less, of Federal and State lands in Sections 1, 2 and 3 of Township 23 South, Range 32 East, which is located approximately 24 miles west of Eunice, New Mexico.

**CASE 10777:** **Application of Texaco Exploration and Production, Inc. for special pool rules, Lea County, New Mexico.** Applicant seeks the promulgation of special rules and regulations for the North Teague-Ellenburger Pool including a provision for a special depth bracket allowable of 700 barrels of oil per day. Said pool is located in Township 23 South, Range 37 East, located 1 1/2 miles northeast of the United Carbon Co. Harkness Plant.

**CASE 10778:** **Application of Conoco Inc. for a high angle/horizontal directional drilling pilot project, special operating rules therefor and an unorthodox producing interval, San Juan County, New Mexico.** Applicant seeks authority to initiate a high angle/horizontal directional drilling pilot project in the Basin Fruitland Coal Gas Pool, with special operating rules, including the designation of a prescribed area limiting the surface location and the horizontal displacement of the wellbore such that its surface location and producing interval be no closer than 790 feet to the outer boundary of its spacing unit being a standard 320-acre spacing unit consisting of the E/2 of Section 21, Township 29 North, Range 8 West. Said project area is located approximately 5 miles southwest of Navajo City, New Mexico.

**CASE 10779:** Application of Phillips Petroleum Company to qualify five portions of its East Vacuum Grayburg-San Andres Unit Pressure Maintenance Project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act", Lea County, New Mexico. Applicant seeks an order pursuant to the rules and procedures for qualification of Enhanced Oil Recovery Projects and Certification for the Recovered Oil Tax Rate, as promulgated by Division Order R-9708, qualifying five portions of its East Vacuum Grayburg-San Andres Unit Pressure Maintenance Project and located in various parts of the NW/4 of Section 5, Township 18 South, Range 35 East, and in Sections 32, 33, and 34, Township 17 South, Range 35 East, San Andres formation of the Vacuum Grayburg-San Andres Pool, for the recovered oil tax rate under the "Enhanced Oil Recovery Act" (Law 1992, Chapter 38, Sections 1 through 5). Applicant further seeks authority to expand these portions of said project by means of a significant change in the process. Said project area is located approximately 14 miles east of Humble City, New Mexico.

**CASE 10780:** Application of Marathon Oil Company for an unorthodox coal gas well location, San Juan County, New Mexico. Applicant seeks approval of an unorthodox well location in the Basin Fruitland Coal Gas Pool for its proposed Bolack Well No. 9-3 to be drilled at an unorthodox well location 790 feet from the North line and 1710 feet from the West line (Unit C) of Section 9, Township 27 North, Range 11 West. Said well is to be dedicated to a 320-acre spacing unit consisting of the W/2 of Section 9. Said unit is located approximately 9 miles south of Bloomfield, New Mexico.

**CASE 10781:** Application of Marathon Oil Company for an unorthodox coal gas well location, San Juan County, New Mexico. Applicant seeks approval of an unorthodox well location in the Basin Fruitland Coal Gas Pool for its proposed Schwerdtfeger Well No. 17-2 to be drilled at an unorthodox well location 1605 feet from the South line and 1135 feet from the East line (Unit D) of Section 17, Township 27 North, Range 11 West. Said well is to be dedicated to a 320-acre spacing unit consisting of the E/2 of Section 17. Said unit is located approximately 9 miles south of Bloomfield, New Mexico.

**CASE 10782:** Application of Marathon Oil Company for an unorthodox coal gas well location, San Juan County, New Mexico. Applicant seeks approval of an unorthodox well location in the Basin Fruitland Coal Gas Pool for its proposed Bolack Well No. 9-4 to be drilled at an unorthodox well location 1700 feet from the South line and 1100 feet from the East line (Unit D) of Section 9, Township 27 North, Range 11 West. Said well is to be dedicated to a 320-acre spacing unit consisting of the E/2 of Section 9. Said unit is located approximately 9 miles south of Bloomfield, New Mexico.

**CASE 10783:** In the matter of the hearing called by the Oil Conservation Division upon its own motion for an order creating, redesignating, and extending vertical and horizontal limits of certain pools in Lea and Roosevelt Counties, New Mexico.

- (a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Delaware production and designated as the Bilbrey-Delaware Pool. The discovery well is the Manzano Oil Corporation Anderson Well No. 1 located in Unit L of Section 35, Township 21 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM  
Section 35: SW/4

- (b) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the North Diamondtail-Atoka Gas Pool. The discovery well is the Pogo Producing Company Red Tank 34 Federal Well No. 1 located in Unit B of Section 34, Township 22 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM  
Section 34: N/2

- (c) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Abo production and designated as the Eight Mile Draw-Abo Pool. The discovery well is the Yates Petroleum Corporation Internorth ADG State Well No. 1 located in Unit A of Section 25, Township 11 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 11 SOUTH, RANGE 34 EAST, NMPM  
Section 25: NE/4

- (d) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the Northwest Jenkins-Atoka Gas Pool. The discovery well is the Bright & Company Apache Well No. 1 located in Unit E of Section 5, Township 9 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 9 SOUTH, RANGE 34 EAST, NMPM  
Section 5: N/2

- (e) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Delaware production and designated as the North Legg-Delaware Pool. The discovery well is the Mitchell Energy Corporation Comanche 17 State well No. 2 located in Unit H of Section 17, Township 21 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 33 EAST, NMPM  
Section 17: NE/4

- (f) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for the Wolfcamp production and designated as the East Lovington-Wolfcamp Pool. The discovery well is the Nearburg Producing Company Western 17F State Well No. 1 located in Unit F of Section 17, Township 16 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM  
Section 17: NW/4

- (g) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for San Andres production and designated as the South Pearl-San Andres Pool. The discovery well is the Manzano Oil Corporation Sims State Well No. 1 located in Unit M of Section 12, Township 20 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 35 EAST, NMPM  
Section 12: SW/4

- (h) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Glorieta and Paddock production and designated as the Southwest Teague Glorieta-Upper Paddock Pool. The discovery well is the Texaco Exploration & Production Inc. B. F. Harrison B. Well No. 8 located in Unit D of Section 9, Township 23 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM  
Section 9: NW/4

- (i) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the Mid Vacuum-Bone Spring Pool. The discovery well is the Yates Petroleum Corporation Nowata AGR State Well No. 1 located in Unit P of Section 9, Township 18 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM  
Section 9: SE/4

- (j) EXTEND the vertical limits of the West Blinebry Pool in Lea County, New Mexico, to include the Lower Paddock formation.

- (k) EXTEND the vertical limits of the Cline-Blinebry Pool in Lea County, New Mexico, to include the Lower Paddock formation and redesignate the Cline-Blinebry Pool as the Cline Lower Paddock-Blinebry Pool.

- (l) EXTEND the vertical limits of the North Teague-Blinebry Gas Pool in Lea County, New Mexico, to include the Lower Paddock formation and redesignate the North Teague-Blinebry Gas Pool as the North Teague Lower Paddock-Blinebry Gas Pool.

- (m) Reclassify the West Nadine-Blinebry Pool in Lea County, New Mexico, as the West Nadine Paddock-Blinebry Pool.

- (n) EXTEND the Allison-Pennsylvanian Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 37 EAST, NMPM  
Section 17: SW/4

- (o) EXTEND the South Baum-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 33 EAST, NMPM  
Section 6: E/2 and SW/4  
Section 7: NW/4

- (p) EXTEND the Blinebry Oil and Gas Pool in Lea County, New Mexico, to include therein:  
TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM  
Section 7: SE/4  
Section 18: NE/4
- (q) EXTEND the Northwest Bootleg Ridge-Delaware Pool in Lea County, New Mexico, to include therein:  
TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM  
Section 11: E/2 and SW/4
- (r) EXTEND the Buffalo-Yates Pool in Lea County, New Mexico, to include therein:  
TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM  
Section 2: SE/4
- (s) EXTEND the South Corbin-Morrow Gas Pool in Lea County, New Mexico, to include therein:  
TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM  
Section 20: NE/4
- (t) EXTEND the South Corbin-Wolfcamp Pool in Lea County, New Mexico, to include therein:  
TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM  
Section 8: NE/4
- (u) EXTEND the Diamondtail-Delaware Pool in Lea County, New Mexico, to include therein:  
TOWNSHIP 23 SOUTH, RANGE 32 EAST, NMPM  
Section 11: NW/4
- (v) EXTEND the Fairview Mills-Wolfcamp Gas Pool in Lea County, New Mexico, to include therein:  
TOWNSHIP 25 SOUTH, RANGE 34 EAST, NMPM  
Section 3: S/2
- (w) EXTEND the South Fowler-Tubb Pool in Lea County, New Mexico, to include therein:  
TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM  
Section 23: NW/4
- (x) EXTEND the Geronimo-Delaware Pool in Lea County, New Mexico, to include therein:  
TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM  
Section 30: SW/4
- (y) EXTEND the Ha: Mesa-Delaware Pool in Lea County, New Mexico, to include therein:  
TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM  
Section 32: N/2 and SW/4
- (z) EXTEND the Northeast Jenkins-Devonian Pool in Lea County, New Mexico, to include therein:  
TOWNSHIP 9 SOUTH, RANGE 35 EAST, NMPM  
Section 20: NE/4

- (aa) EXTEND the East Lovington Ridge-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM

Section 15: SE/4  
Section 16: NW/4  
Section 17: SW/4  
Section 18: E/2

- (bb) EXTEND the West Lovington-Strawn Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM

Section 1: Lots 1, 2, 3, 4, 5, 6, 7 and 8

- (cc) EXTEND the North Lusk-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM

Section 32: NW/4

- (dd) EXTEND the Midway-Strawn Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM

Section 8: SE/4

- (ee) EXTEND the Pearl-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 35 EAST, NMPM

Section 26: S/2

- (ff) EXTEND the Pearsall-Seven Rivers Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM

Section 31: NE/4

- (gg) EXTEND the Pitchfork Ranch-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 25 SOUTH, RANGE 33 EAST, NMPM

Section 1: N/2

- (hh) EXTEND the Quail Ridge-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM

Section 3: SE/4

- (ii) EXTEND the Quail Ridge-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM

Section 32: SW/4

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM

Section 6: SE/4

- (jj) EXTEND the Querecho Plains-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM

Section 26: NW/4

(kk) EXTEND the Red Tank-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM

Section 25: SW/4  
Section 26: W/2  
Section 36: NW/4

(ll) EXTEND the West Red Tank-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM

Section 23: S/2  
Section 26: W/2  
Section 27: SE/4  
Section 28: E/2

(mm) EXTEND the Teague-Blinebry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM

Section 34: W/2

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM

Section 3: NW/4

(nn) EXTEND the Tonto-Atoka Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM

Section 21: N/2

(oo) EXTEND the West Tonto-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM

Section 1: NW/4

(pp) EXTEND the South Tonto Yates-Seven Rivers Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM

Section 31: NE/4

(qq) EXTEND the Tres Papalotes-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 34 EAST, NMPM

Section 32: NE/4

(rr) EXTEND the Vacuum-Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM

Section 1: W/2

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM

Section 6: NW/4 and SE/4

(ss) EXTEND the Young-Grayburg Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM

Section 8: S/2

**CASE 10784:** In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating and extending certain pools in Chaves and Eddy Counties, New Mexico.

- (a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the West Bear Grass Draw-Atoka Gas Pool. The discovery well is the Amoco Production Co. Empire South Deep Unit Well No. 6 located in Unit P of Section 1, Township 18 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM

Section 1: S/2

- (b) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the North Brushy Draw-Delaware Pool. The discovery well is the Southwest Royalties North Brushy Draw 35 Federal Well No. 1 located in Unit G of Section 35, Township 25 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 29 EAST, NMPM

Section 35: NE/4

Section 36: W/2

- (c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Southeast Carlsbad-Wolfcamp Gas Pool. The discovery well is the Collins and Ware, Inc. Happy Valley Federal Com Well No. 1 located in Unit G of Section 28, Township 22 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM

Section 28: N/2

- (d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the East Cedar Lake-Morrow Gas Pool. The discovery well is the Texaco Exploration and Production, Inc. Dow "B" 33 Federal Well No. 1 located in Unit J of Section 33, Township 17 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM

Section 33: E/2

- (e) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Crooked Creek-Atoka Gas Pool. The discovery well is the Yates Petroleum Corp. Lechuguilla Canyon AJ Federal Well No. 1 located in Unit O of Section 8, Township 24 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM

Section 8: S/2

- (f) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the North Hoag Tank-Strawn Gas Pool. The discovery well is the Yates Petroleum Corp. Rancherita AMH State Com Well No. 1 located in Unit N of Section 8, Township 19 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM

Section 8: S/2

- (g) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Bone Spring production and designated as the Illinois Camp-Bone Spring Pool. The discovery well is the Mewbourne Oil Co. Turkey Track "15" State Well No. 1 located in Unit E of Section 15, Township 18 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM

Section 15: W/2

- (h) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Upper Pennsylvanian production and designated as the South Indian Basin-Upper Pennsylvanian Gas Pool. The discovery well is the Yates Petroleum Corp. Bandana Federal Unit Well No. 1 located in Unit H of Section 20, Township 22 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 24 EAST, NMPM

Section 20: E/2

- (i) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the South Leo-Wolfcamp Pool. The discovery well is the Yates Petroleum Corp. Benson Deep Federal ET Com Well No. 1 located in Unit B of Section 33, Township 18 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM

Section 33: NE/4

- (j) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the Southeast Quahada Ridge-Delaware Pool. The discovery well is the Enron Oil and Gas James Ranch Unit Well No. 19 located in Unit J of Section 36, Township 22 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM

Section 36: SE/4

- (k) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware (Brushy Canyon) production and designated as the Red Bluff-Brushy Canyon Pool. The discovery well is the Yates Petroleum Corp. Flower AGA State Well No. 1 located in Unit I of Section 3, Township 26 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 26 SOUTH, RANGE 28 EAST, NMPM

Section 3: SE/4

- (l) EXTEND the Southeast Acme-San Andres Pool in Chaves County, New Mexico, to include therein;

TOWNSHIP 8 SOUTH, RANGE 27 EAST, NMPM

Section 11: SE/4

Section 12: SW/4

Section 14: NE/4

- (m) EXTEND the East Burton Flat-Strawn Gas Pool in Eddy County, New Mexico, to include therein;

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM

Section 2: N/2

- (n) EXTEND the Cabin Lake-Delaware Pool in Eddy County, New Mexico, to include therein;

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM

Section 1: SE/4

- (o) EXTEND the East Catclaw Draw-Delaware Pool in Eddy County, New Mexico, to include therein;

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM

Section 16: NW/4

- (p) EXTEND the Cemetery-Morrow Gas Pool in Eddy County, New Mexico, to include therein;

TOWNSHIP 20 SOUTH, RANGE 24 EAST, NMPM

Section 35: N/2

- (q) EXTEND the Coyote-Queen Pool in Chaves County, New Mexico, to include therein;

TOWNSHIP 11 SOUTH, RANGE 27 EAST, NMPM

Section 20: SW/4

- (r) EXTEND the North Dagger Strawn-Upper Pennsylvanian Pool in Eddy County, New Mexico, to include therein;

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM

Section 21: SW/4

- (s) EXTEND the Eagle Creek-Permo Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein;

TOWNSHIP 17 SOUTH, RANGE 25 EAST, NMPM

Section 15: S/2

Section 16: S/2

- (t) EXTEND the Esperanza-Delaware Pool in Eddy County, New Mexico, to include therein;

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM

Section 10: S/2

Section 15: W/2

- (u) EXTEND the South Golden Lane-Delaware Pool in Eddy County, New Mexico, to include therein;

TOWNSHIP 21 SOUTH, RANGE 29 EAST, NMPM

Section 8: SE/4

- (v) EXTEND the Grayburg Jackson-Seven Rivers-Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein;

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 17: NE/4

- (w) EXTEND the Greenwood-Bone Spring Pool in Eddy County, New Mexico, to include therein;

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM

Section 12: NW/4

- (x) EXTEND the East Herradura Bend-Delaware Pool in Eddy County, New Mexico, to include therein;

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM

Section 25: SW/4

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM

Section 2: SE/4

- (y) EXTEND the North Illinois Camp-Morrow Gas Pool in Eddy County, New Mexico, to include therein;

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM

Section 36: S/2

- (z) EXTEND the Ingle Wells-Delaware Pool in Eddy County, New Mexico, to include therein;

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM

Section 26: N/2 and SE/4

Section 35: NE/4

- (aa) EXTEND the Los Medanos-Delaware Pool in Eddy County, New Mexico, to include therein;  
TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM  
Section 17: SE/4
- (bb) EXTEND the Los Medanos-Morrow Gas Pool in Eddy County, New Mexico, to include therein;  
TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM  
Section 36: All
- (cc) EXTEND the South Loving-Delaware Pool in Eddy County, New Mexico, to include therein;  
TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM  
Section 16: NW/4
- (dd) EXTEND the Nash Draw Cherry Canyon Pool in Eddy County, New Mexico, to include therein;  
TOWNSHIP 23 SOUTH, RANGE 29 EAST, NMPM  
Section 12: S/2
- (ee) EXTEND the South Pecos Slope-Abo Gas Pool in Chaves County, New Mexico, to include therein;  
TOWNSHIP 10 SOUTH, RANGE 26 EAST, NMPM  
Section 6: NE/4
- (ff) EXTEND the Pine Lodge-Abo Gas Pool in Chaves County, New Mexico, to include therein;  
TOWNSHIP 9 SOUTH, RANGE 22 EAST, NMPM  
Section 7: SE/4  
Section 18: E/2 and SW/4
- (gg) EXTEND the Race Track-Devonian Pool in Chaves County, New Mexico, to include therein;  
TOWNSHIP 10 SOUTH, RANGE 27 EAST, NMPM  
Section 13: NE/4
- (hh) EXTEND the East Red Lake-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein;  
TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM  
Section 27: N/2
- (ii) EXTEND the West Sand Dunes-Delaware Pool in Eddy County, New Mexico, to include therein;  
TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM  
Section 20: SE/4  
Section 21: SW/4  
Section 28: E/2  
Section 33: NW/4  
TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM  
Section 5: NW/4
- (jj) EXTEND the Walters Lake-Bone Spring Pool in Eddy County, New Mexico, to include therein;  
TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM  
Section 2: SE/4

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date JULY 29, 1993 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
W. Kellolin	Kellolin & Kellolin	Santa Fe
Andrew Horn	Hinkle Law Firm	Santa Fe
Archie D. Smith	Santa Fe Energy	Midland, Tx.
Wanda White	Santa Fe Energy	Midland Tx
John Hill	HINKLE LAW FIRM	SANTA FE
William L. San	Campbell, San, Syc + Suddan	Santa Fe
Craig T. H	MARATHON OIL	MIDLAND, TX
Gene Dan	Santa Fe Energy	Midland Tx
Carolyn Yater	Yater Petroleum	Austin, TX
Jerry Hoover	Conoco	Midland TX
DON EURANK	CONOCO	MIDLAND, TX
Karen Aubrey	Law Office of Karen Aubrey	Santa Fe
David Mussett	Drum Energy Corp.	Midland TX
JOE ALEXANDER	DRUM ENERGY	MIDLAND, TX
Reed Meek	CONOCO Inc	midland, TX
DAMIAN BARRETT	CONOCO	" "
Joe Miller	CONOCO	" "
JIM STEVENS	PHILLIPS	ODESSA, TX
GARY GRAY	Santa Fe Energy	MIDLAND, TX

## NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date JULY 29, 1993 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
Ert Padilla Greg Rasmussen	Padilla + Snydr Rasmussen Operating	Santa Fe Mill land

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STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

CASE 10,774

EXAMINER HEARING

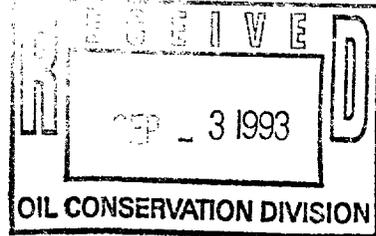
IN THE MATTER OF:

Application of Santa Fe Energy Operating Partners,  
L.P., for a unit agreement Lea County, New Mexico

**ORIGINAL**

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER



STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

July 29, 1993

A P P E A R A N C E S

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FOR THE DIVISION:

ROBERT G. STOVALL  
Attorney at Law  
Legal Counsel to the Division  
State Land Office Building  
Santa Fe, New Mexico 87504

FOR THE APPLICANT:

HINKLE, COX, EATON, COFFIELD & HENSLEY  
Attorneys at Law  
By: JOHN R. KULSETH, JR.  
218 Montezuma  
P.O. Box 2068  
Santa Fe, New Mexico 87504-2068

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## I N D E X

## Page Number

Appearances

2

Exhibits

4

CURTIS D. SMITH

Direct Examination by Mr. Kulseth

6

Examination by Examiner Stogner

10

DAVID WHITE

Direct Examination by Mr. Kulseth

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Examination by Examiner Stogner

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Further Examination by Mr. Kulseth

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Certificate of Reporter

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E X H I B I T S

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APPLICANT'S EXHIBITS:

Exhibit 1	7
Exhibit 2	7
Exhibit 3	7
Exhibit 4	8
Exhibit 5	8
Exhibit 6	8
Exhibit 7	8
Exhibit 8	8
Exhibit 9	8
Exhibit 10	9
Exhibit 11	13
Exhibit 12	13
Exhibit 13	13
Exhibit 14	15
Exhibit 15	14

\* \* \*

1           WHEREUPON, the following proceedings were had  
2 at 8:19 a.m.:

3  
4  
5

6           EXAMINER STOGNER: With that, this hearing  
7 will come to order in Docket Number 22-93. Please note  
8 today's date, Thursday, July 29th, 1993. I'm Michael  
9 E. Stogner, appointed Hearing Examiner in today's  
10 matters.

11           First I'll call Case Number 10,774, which is  
12 the Application of Santa Fe Energy Operating Partners,  
13 L.P., for a unit agreement, Lea County, New Mexico.

14           I'll call for appearances.

15           MR. KULSETH: Mr. Examiner, John Kulseth from  
16 the Hinkle Law Firm, for the Applicant.

17           We have two witnesses to be sworn.

18           EXAMINER STOGNER: Are there any other  
19 appearances in this matter?

20           Will the witnesses please stand to be sworn  
21 at this time?

22           (Thereupon, the witnesses were sworn.)

23           EXAMINER STOGNER: Mr. Kulseth?

24           MR. KULSETH: Thank you, Mr. Examiner.

25           I call Curtis Smith.

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CURTIS D. SMITH,

the witness herein, after having been first duly sworn upon his oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KULSETH:

Q. Please state your name and city of residence.

A. My name is Curtis Smith. I live in Midland, Texas.

Q. And what is your occupation?

A. I'm a landman for Santa Fe Energy.

Q. Have you previously testified before the New Mexico Oil Conservation Division as a petroleum landman?

A. Yes, I have.

Q. And were your credentials accepted as a matter of record?

A. Yes, they were.

Q. Are you familiar with the land matters involved in this case?

A. Yes, I am.

MR. KULSETH: Mr. Examiner, I tender Mr. Smith as an expert petroleum landman in this case.

EXAMINER STOGNER: Mr. Smith is so qualified.

MR. KULSETH: Thank you, Mr. Examiner.

Q. (By Mr. Kulseth) Mr. Smith, what does Santa

1 Fe Seek in this case?

2 A. Santa Fe seeks to form an exploratory unit  
3 covering 4880 acres of federal and state lands located  
4 in Township 23 South, Range 33 East of Lea County, New  
5 Mexico.

6 Q. And what lands are within the unit?

7 A. The lands shown on Exhibit 1, the land plat,  
8 outlining the 4880 acres, also the legal description on  
9 Exhibit 2, tracts 1 through 11, and tracts 1 through 5  
10 of those lands are state -- are federal lands, and  
11 tracts 6 through 11 are state lands.

12 Q. And what is Exhibit 3?

13 A. Exhibit 3 is the unit agreement for the  
14 exploratory unit.

15 Q. And in your opinion, is this agreement fair  
16 and reasonable?

17 A. Yes, it is. It's on the state and federal  
18 standard form.

19 Q. What are the basic provisions of that  
20 agreement?

21 A. Well, the unit covers all formations and  
22 provides that a well shall be drilled to test the  
23 Delaware formation within six months after its  
24 effective date. It contains a six-month continuous  
25 drilling obligation. Production will be allocated

1 based on participating areas.

2 Q. And who are the working interest owners?

3 A. The working interest owners are listed on  
4 Exhibit 4, and of those working interest owners, we  
5 have 85.5 percent approval. Mr. C.W. Trainer has  
6 ratified the unit, and that ratification is Exhibit 5.  
7 And of course Santa Fe Energy, with an 81.5 percent,  
8 also approves the unit.

9 Q. Has the Land Commissioner preliminarily  
10 approved the unit?

11 A. Yes, the Land Commissioner has, and Exhibit 6  
12 is our letter dated July 19th, 1993, giving us  
13 preliminary approval.

14 Q. And has the BLM approved designation of the  
15 unit?

16 A. Yes, and Exhibit 7 is the designation by the  
17 BLM, their letter dated June 24th, 1993.

18 Q. And what is Exhibit 8?

19 A. Exhibit 8 is the unit operating agreement for  
20 the Thistle Unit.

21 Q. Is this a voluntary unit?

22 A. Yes, it is, and the unit operating agreement  
23 is on the 1982 AAPL model form.

24 Q. What is Exhibit 9?

25 A. Exhibit 9 is a copy of the AFE for the

1 initial well. The well will be drilled to a total  
2 depth of approximately 9200 feet, and the completed  
3 well cost is \$653,000.

4 Q. Does Santa Fe request expedited approval of  
5 this unit?

6 A. Yes, we do. We plan to spud a well on or  
7 before September 1st. We have a lease in the unit area  
8 that expires September 1st.

9 Q. Who was notified of the hearing?

10 A. The Land Commission, the Land Commissioner,  
11 and the BLM.

12 Q. Okay, and that -- You have an affidavit?

13 A. Yeah, Exhibit 10 is my affidavit with the  
14 letters attached for notification.

15 Q. Were Exhibits Number 1 through 10 prepared by  
16 you or prepared from company records?

17 A. Yes, they were.

18 MR. KULSETH: Mr. Examiner, I move to admit  
19 Exhibits 1 through 10.

20 EXAMINER STOGNER: Exhibits 1 through 10 will  
21 be admitted into evidence.

22 MR. KULSETH: Thank you.

23 Q. (By Mr. Kulseth) Mr. Smith, in your opinion  
24 will the granting of this Application be in the  
25 interests of conservation, the prevention of waste and

1 the protection of correlative rights?

2 A. Yes.

3 MR. KULSETH: Mr. Examiner, I have no  
4 questions for this witness.

5 EXAMINATION

6 BY EXAMINER STOGNER:

7 Q. Mr. Smith, as far as the other working  
8 interest owners, what has the extent of your  
9 conversations been with those parties?

10 A. We have had a meeting with Conoco, and I have  
11 talked to Meridian over the telephone.

12 American Quasar, of course, was merged --  
13 somehow merged into Wolverine.

14 The land matters, because of the old  
15 Brinninstool Unit and the contraction of that unit and  
16 an existing operating agreement, the land matters are  
17 fairly complicated, and we're actually in the process  
18 of trying to convince Wolverine that they still have an  
19 interest in Sections 21 and 28.

20 And Conquest with their .3 percent interest,  
21 we're still trying to find the status of Conquest  
22 Exploration Company.

23 Q. Okay. When I look at Exhibit Number 1, I  
24 show the Brinninstool unit, C.W. Trainer as operator,  
25 it looks like it has the west half of Section 21 and

1 the east half of 20. Is that the only extent of that  
2 Brinninstool Unit that you were referring to?

3 A. Yes, it was contracted down to the west half  
4 of 21 and the east half of 20.

5 Originally the Brinninstool Unit covered all  
6 of Sections 17, 18, 19, 20, 21, 22, 27, 28 and 29, and  
7 then it was contracted down to this 640-acre unit that  
8 you see. And that's one reason for the configuration  
9 of the outline, including the east half of the  
10 southwest quarter of Tract 2.

11 We would have brought our unit outline up  
12 through the east of 20 and west half of 21 if the  
13 Brinninstool Unit did not already exist.

14 Q. And this is the outlined unit as shown on  
15 Exhibit 1 that was preliminarily approved by both the  
16 BLM and the State Land Office?

17 A. Yes, that's correct.

18 EXAMINER STOGNER: I have no other questions  
19 of Mr. Smith.

20 Are there any other questions of this  
21 witness?

22 There being none, you may be excused.

23 THE WITNESS: Thank you.

24 EXAMINER STOGNER: Mr. Kulseth?

25 MR. KULSETH: Call David White.

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DAVID WHITE,

the witness herein, after having been first duly sworn upon his oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KULSETH:

Q. Please state your name and city of residence.

A. David White, Midland, Texas.

Q. And your occupation and your employer?

A. Petroleum geologist, Santa Fe Energy Resources.

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

A. Yes, I have.

Q. And were your credentials accepted as a matter of record?

A. Yes.

Q. Are you familiar with the geology in the unit area in this case?

A. Yes, I am.

MR. KULSETH: Mr. Examiner, I tender Mr. White as an expert petroleum geologist in this case.

EXAMINER STOGNER: Mr. White is so qualified.

MR. KULSETH: Thank you.

Q. (By Mr. Kulseth) Mr. White, what is the target formation of the initial unit well?

1           A.    It is the Lower Brushy Canyon of the Delaware  
2 Mountain Group.

3           Q.    And what is Exhibit 11?

4           A.    Exhibit 11 is a structure map on the top of  
5 the Bone Spring, which underlies the target interval,  
6 also includes the cross-section A-A' -- the red square  
7 is our proposed location -- an outline of the proposed  
8 unit, and the outline of the Brinninstool Unit, plus  
9 all wells in the area.

10          Q.    And referring to Exhibits 12 and 13, can you  
11 discuss the Delaware geology in the area?

12          A.    Certainly.  The Lower Brushy Canyon in  
13 particular -- the entire Brushy Canyon, as a matter of  
14 fact -- consists mainly of fine to very-fine-grain  
15 massive sands, interbedded very fine to fine-grain  
16 sands and siltstones, organic-rich dark siltstones, and  
17 carbonated mudstones, with the massive sandstones being  
18 interpreted as the main reservoir facies.

19                   Exhibit Number 12 is an isopach of the  
20 interbedded sands and siltstones and the massive  
21 channel sandstones, basically showing the trend of  
22 deposition of these sands.

23                   They were deposited as -- or interpreted to  
24 be deposited as a subaqueous turbidite channel or fan  
25 complexes.  You see the main part of that channel, as

1 depicted by the thickness, extends through the proposed  
2 unit area.

3           Going back to the structure map, you see a  
4 trough running down approximately the middle of the  
5 display. My interpretation is that initially, or at  
6 the time of deposition of the Lower Brushy Canyon, that  
7 trough served as the main depo path for those sands.

8           The -- If I can refer to the cross-section,  
9 the cross-section A-A', which extends from the Getty  
10 well in Section 4 up through our proposed location,  
11 through the American Quasar Brinninstool, now C.W.  
12 Trainer Brinninstool well, and then on up to the Amoco  
13 well up in Section 10, I have outlined the top of the  
14 Lower Brushy Canyon, the top Bone Spring, and in yellow  
15 is highlighted the main sand, the target sand.

16           Also highlighted in red is the porosity.

17           In the American Quasar well, there were mud  
18 log shows in that interval, and it has a good, massive  
19 sand.

20           As you prograde to the south, into the Getty  
21 well, you see that you lose your character of the  
22 sand -- it becomes more silty -- and you also lose your  
23 porosity, although there was a DST in that interval  
24 that tested 30 feet of free oil, two of the things that  
25 give us, even though it is high-risk, some confidence

1 in our project.

2 Exhibit 13 is an isopach of that porosity  
3 interval, of the Lower Brushy Canyon with net porosity  
4 of 12 percent or greater.

5 And what this shows is that area that we  
6 think is prospective for choosing our boundaries for  
7 our unit. We used this net porosity map, looking at  
8 ten feet as being our economic cutoff, and proposing to  
9 drill our well in 33, that should intercept, as best as  
10 our interpretation is, the thickest portion of that  
11 Lower Brushy Canyon sand.

12 Q. What other prospective formations are there?  
13 And I refer you to Exhibit 14.

14 A. Exhibit 14 is a map of all penetrations that  
15 have gone through the Lower Brushy Canyon, or at least  
16 into the top Bone Spring.

17 Production, as you can see, as designated by  
18 the legend at bottom, is from various formations from  
19 Morrow, Atoka, Wolfcamp and Bone Spring in the area.

20 Q. Were Exhibits 11 through 14 prepared by you  
21 or under your direction?

22 A. Yes, they were.

23 MR. KULSETH: Mr. Examiner, I move the  
24 admission of Exhibits 11 through 14.

25 EXAMINER STOGNER: Exhibits 11 through 14

1 will be admitted into evidence at this time.

2 MR. KULSETH: Thank you.

3 Q. (By Mr. Kulseth) Mr. White, in your opinion  
4 will the granting of this Application be in the  
5 interests of conservation, the prevention of waste and  
6 the protection of correlative rights?

7 A. Yes.

8 MR. KULSETH: Okay. Mr. Examiner, I have no  
9 other questions of this witness.

10 EXAMINATION

11 BY EXAMINER STOGNER:

12 Q. Mr. White, what's the proposed or suspected  
13 depth of the Brushy Canyon in your initial well?

14 A. Of our zone? I'm looking at it to be  
15 somewhere around 8900 to 9000 feet for the top. We  
16 want to go to 9200 so we have enough for rathole, et  
17 cetera.

18 Q. Now, there shows to be two other wells that I  
19 see that have plugged and abandoned markers on your  
20 maps --

21 A. Yes.

22 Q. -- and one of them is very near your proposed  
23 well.

24 A. Right.

25 Q. Do you have any information on --

1           A.    Yes, that well was drilled to 5000 feet, just  
2           into the top of the Bell Canyon, and plugged and  
3           abandoned. That well was drilled in 1984 to 5400 feet.

4                    And the other well was also -- was drilled,  
5           and I don't have the date; it was in the Sixties --  
6           also to 5360.

7                    And both were just into the top of the Bell  
8           Canyon interval, the Ramsey sand, and had apparently no  
9           shows or no production.

10           Q.    Are there any other surrounding wells that  
11           have some of the shallower Delaware group producers  
12           like the Bell Canyon or Cherry Canyon?

13           A.    Over to the west in -- Well, Sections 17, 18  
14           and 19, those wells are all shallow Bell Canyon Ramsey  
15           producers, part of the Double X Field, I believe, Bell  
16           Canyon.

17           Q.    And looking at Exhibit Number 14, you show  
18           some of the deeper horizons, such as the Morrow, may be  
19           a potential producer. What is the depth of the Morrow  
20           in this area?

21           A.    The depth of the Morrow is 15,800 feet.

22                    The two wells to the north were both drilled  
23           to approximately 16,000 feet to test the Morrow, those  
24           two that are producers in the morrow.

25                    EXAMINER STOGNER: I don't believe I have any

1 other questions of the witness.

2 Mr. Kulseth, this particular exhibit, the  
3 cross-section, is that a separate exhibit, or is that a  
4 portion of it?

5 MR. KULSETH: It was just for demonstrative  
6 purposes. If you'd like to have it submitted we can do  
7 that.

8 EXAMINER STOGNER: If you have no problem  
9 with it, I would --

10 THE WITNESS: No, we have several copies that  
11 we --

12 EXAMINER STOGNER: Okay.

13 FURTHER EXAMINATION

14 BY MR. KULSETH:

15 Q. And that was prepared by you?

16 A. Oh, yes.

17 MR. KULSETH: Mr. Examiner, I would move the  
18 admission of Santa Fe Exhibit Number 15.

19 EXAMINER STOGNER: With that, Exhibit Number  
20 15 will be admitted into evidence.

21 MR. KULSETH: Thank you.

22 Santa Fe has no other witnesses, Mr.  
23 Examiner.

24 EXAMINER STOGNER: Okay. Is there anything  
25 further in Case Number 10,774?

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If not, this case will be taken under  
advisement.

(Thereupon, these proceedings were concluded  
at 8:37 a.m.)

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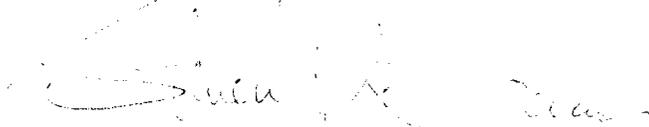
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO )  
 ) SS.  
COUNTY OF SANTA FE )

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

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

WITNESS MY HAND AND SEAL August 8, 1993.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 14, 1994

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 10774, heard by me on 29 July 1993.

  
Examiner  
Oil Conservation Division