

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

4 November 1987

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Cor- CASE
poration for a unit agreement, 9244
Lea County, New Mexico.

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: Jeff Taylor
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For the Applicant: Chad Dickerson
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1 MR. STOGNER: Call Case Number
2 9244.

3 MR. TAYLOR: The application of
4 Yates Petroleum Corporation for a unit agreement, Lea
5 County, New Mexico.

6 MR. DICKERSON: Mr. Examiner,
7 I'm Chad Dickerson of Artesia, New Mexico, on behalf of the
8 applicant, and I have two witnesses.

9 MR. STOGNER: Are there any
10 other appearances in this matter?

11 Will the witnesses please stand
12 and be sworn at this time.

13
14 (Witnesses sworn.)

15
16 NORBERT REMPE,
17 being called as a witness and being duly sworn upon his
18 oath, testified as follows, to-wit:

19
20 DIRECT EXAMINATION

21 BY MR. DICKERSON:

22 Q Mr. Rempe, would you state your name and
23 occupation, please?

24 A My name is Norbert Rempe and I'm a
25 geologist and I work for Yates Petroleum Corporation in

1 Artesia, New Mexico.

2 Q Mr. Rempe, you have previously testified
3 as a geologist before this Division and your credentials are
4 a matter of record, are they not?

5 A Yes, sir, I have.

6 Q Are you familiar with the application
7 that Yates has filed in Case 9244 for approval of its pro-
8 posed Lazy Tree --

9 A Yes, I have.

10 Q -- Unit Area? And have you made a geolo-
11 gical study of the acreage proposed to be dedicated to this
12 unit?

13 A Yes, I have.

14 MR. DICKERSON: Tender Mr. Rem-
15 pe as an expert geologist, Mr. Examiner.

16 MR. STOGNER: Mr. Rempe is so
17 qualified.

18 Q Mr. Rempe, what is the purpose of Yates'
19 application in Case 9244?

20 A The purpose is to form a state unit which
21 encompasses Sections 1, 2, 12, and the east half of Section
22 11, Township 13, 33, as well as Sections 6, 7, 8 in the
23 north half of Section 18, the northwest quarter of Section
24 5, Township 13, 33, encompassing a total of 4640 acres.

25 Q What is the proposed location and depth

1 of your unit test well?

2 A The initial test well is to be drilled in
3 a location 660 feet from the north line, 660 feet from the
4 east line, Section 11 -- Section 12, Township 13, Range 32
5 East.

6 Q Okay, will you refer to what we have sub-
7 mitted as Exhibit Number One, Mr. Rempe, and tell the Exam-
8 iner what you have shown on that map?

9 A Exhibit Number One is a structure map on
10 the Wolfcamp XX marker, which is based on subsurface data
11 from surrounding wellbores and it shows an east/southeast
12 plunging anticline which extends over the proposed unit ac-
13 reage.

14 Superimposed on this anticline is shown
15 the outline of the carbamate mound forming the hydrocarbon
16 reservoir. Previous test wells are clearly located on the
17 flanks of this mound and therefore they tested tight for
18 lack of porosity, permeability, or both.

19 Porosity but no permeability was found in
20 many zones in the Amerada well in Section 5, Township 13,
21 Range 33 East, which was re-entered by HEYCO in 1985.

22 Q Mr. Rempe, turn to Exhibit Number Two, if
23 you would, and tell the Examiner what you have shown by that
24 cross section.

25 A Exhibit Number Two is a cross section

1 which intersects this anticline that's shown on the geologi-
2 cal map at more or less perpendicular to the axis of the an-
3 ticline, and it shows the structurally high position of the
4 proposed test well.

5 Q Can you briefly summarize for us, Mr.
6 Rempe, the geological basis for the formation of this unit?

7 A We have wells surrounding the structure
8 on which we want to drill which show ample porosity and they
9 show at least incipient or small shows of hydrocarbons. We
10 feel that if we drill in the center of this structure we
11 should have enhanced porosity and especially enhanced per-
12 meability.

13 Q Mr. Rempe --

14 A Thus we should be able to produce the
15 reservoir.

16 Q -- in your opinion will the approval of
17 this application be in the interest of conservation, the
18 prevention waste, and the protection of correlative rights?

19 A Yes.

20 Q Were Exhibits One and Two prepared by
21 you?

22 A Yes.

23 MR. DICKERSON: Move admission
24 of Yates Exhibits One and Two, Mr. Examiner, and I have no
25 further questions of this witness.

1 MR. STOGNER: Exhibits One and
2 Two will be admitted into evidence.

3
4 CROSS EXAMINATION

5 BY MR. STOGNER:

6 Q Mr. Rempe, when I look at the southern
7 portion of this unit there's a dry hole in Section 18 that
8 shows it went to the TD, I assume, of 4776 feet.

9 Would you elaborate on that, why this
10 particular acreage was included?

11 A I believe that is a Yates lease and there
12 might be a chance still in the northern part of that sec-
13 tion. You see the dry hole in the northeast of 18, in the
14 northeast of the northeast of 18, was not deep enough to
15 really test the objective; therefore we cannot rule out that
16 we might have reserves in there.

17 Q And again what is your main objective?

18 A Main objective is the Permo Penn. Main
19 among them, there are several objectives, and main among
20 them the various Bough zones, but also some deeper zones
21 which are various -- which are sometimes names, Ranger Lake,
22 and a variety of other names for those zones, as well.

23 Q What is the closest Permo Pennsylvanian
24 production around this unit?

25 A It's to the south and it's indicated on

1 the cross section. It is right at point A on the cross sec-
2 tion in Section 14 of 13, 32. That produced from a zone in
3 one of the lower Bough -- or from a lower Bough zone indi-
4 cated on your cross section.

5 It's the one on the left.

6 Q This is a relatively new well in itself,
7 isn't it?

8 A This well was drilled in -- or was com-
9 pleted in 1984, yes, and it have a very good potential. It
10 flowed originally 880 barrels of oil. I'm sorry, 390 barrels
11 of oil, and it has -- it has produced until December or
12 through December, '86, 136,870 barrels of oil.

13 Q Was that particular production put in a
14 pool?

15 A Yeah, that belongs to the Baum North
16 Pool, I believe. It may be the Lazy J but I do believe it
17 is the Baum North.

18 MR. STOGNER: I have no further
19 questions of this witness.

20 Are there any other questions
21 of Mr. Rempe?

22 If not, he may be excused.

23 Mr. Dickerson?

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JIM BALL,

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

DIRECT EXAMINATION

BY MR. DICKERSON:

Q Mr. Ball, will you state your name, your occupation, and by whom you're employed?

A My name is Jim Ball and I'm a landman for Yates Petroleum Corporation.

Q Mr. Ball, you have previously testified as a landman before this Division, have you not?

A Yes, I have.

Q And are you familiar with the application filed by Yates for approval of its Lazy Tree Unit Area?

A Yes, I am.

MR. DICKERSON: Tender Mr. Ball as a landman, Mr. Stogner.

MR. STOGNER: Mr. Ball is so qualified.

Q Mr. Ball, will you refer to what we have submitted to the Examiner as Exhibit Number Three and tell him what that instrument consists of?

A Okay. Exhibit Three is the unit agreement. It's on a state form. It consists of exhibits which

1 include the ratifications. A few are signed and some
2 aren't. I'll go into that later. And the land plat is
3 Exhibit A. The Exhibit B is a further detailed description
4 of the land status. You'll note that all the leases are
5 State leases and are all currently leased at this time.

6 Q Mr. Ball, paragraph 2 of this standard
7 and required unit form provides that all unitized substances
8 in all formations will be pooled by this formation of this
9 unit, does it not?

10 A Yes, it does.

11 Q And again the printed form of agreement
12 in paragraph 11 provides that the production from the unit
13 will be allocated among the various interest owners on a
14 surface acreage basis, as is customary, does it not?

15 A That's correct.

16 Q Refer the Examiner to Exhibit A attached
17 to your unit agreement and describe for him in a little bit
18 more detail, Mr. Ball, what that map reflects.

19 A Okay. The map reflects who the owners
20 are, the expiration dates, the lease serial number, if
21 they're HBP status or not, and, as I said earlier, they're
22 -- they're all leased right now.

23 Q And Exhibit B to that unit agreement,
24 tell Mr. Stogner what information is shown on that exhibit.

25 A Okay. It gives the exact lease descrip-

1
2 tions. It gives the serial number and expiration dates, the
3 number of acres within the unit boundaries per tract, the
4 royalty of each lease, the burdens on the royalty, and the
5 working interest owner breakdown and lesse of record.

6 Q What is the current status of your at-
7 tempts to invite other parties to join the unit area, Mr.
8 Ball?

9 A Well, as of yesterday I received a verbal
10 of 84 percent will be committed to the unit, or 84.47, and I
11 suspect that the others will come in any day.

12 Q You anticipate approval prior to December
13 1st of the substantial majority of the interests within the
14 unit area?

15 A Yes, I do.

16 Q What is the expiration date of the ear-
17 liest expiring lease within this unit area, Mr. Ball?

18 A It is December 1st of this year.

19 Q And it will be necessary for Yates to ob-
20 tain final approval and be in the process of actual drilling
21 operations prior to that date, then, will it not?

22 A That's correct.

23 Q Refer to Exhibit Number Four, Mr. Ball,
24 and tell the Examiner what that is.

25 A That's the standard 1977 AAPL model oper-
ating agreement form.

1 Q And Article VI on page 4 of that instru-
2 ment, because of your lease expiration date provides for
3 Yates to commence the initial unit well on or before Decem-
4 ber 1st, 1987?

5 A That's correct.

6 Q Refer the Examiner to Exhibit A to your
7 operating agreement and describe or point out to him the
8 breakdown of the ownership interest of the parties within
9 this area.

10 A Okay. Of course, the Yates entities are
11 the -- Yates Pet will be the operator. All the Yates enti-
12 ties will be a party to the unit, as well as, I've got a
13 verbal that -- from Bass. They'll farm out to Yates. I
14 have a verbal that F. Karsten and Manforth Production will
15 farm out to Yates. All the remaining parties with the ex-
16 ception of Southland have indicated they will -- they're
17 leaning in a favorable attitude to join this unit through
18 ratification or farmout or outright sell.

19 Q And so in your opinion you anticipate
20 joinder of this unit by sufficient number of parties repre-
21 senting a large enough share of the total interest to enable
22 Yates to exercise reasonably effective control over unit
23 operations?

24 A That's correct.

25 Q Refer to what we've submitted as Exhibit

1 Number Five, Mr. Ball, and tell us what that is.

2 A Exhibit Number Five is -- that is the
3 preliminary approval from the Commissioner of Public Lands
4 and which gave us preliminary approval subject to a few
5 conditions. I'd like to point out that conditions four and
6 five have been corrected, are in the corrected form that you
7 have in front of you today.

8 Q Okay, Mr. Ball, were Exhibits Three,
9 Four, and Five prepared or compiled by you or under your
10 direction and supervision?

11 A Yes, they were.

12 MR. DICKERSON: Mr. Examiner,
13 move admission of Yates Exhibits Three, Four, and Five, and
14 I have no further questions of Mr. Ball.

15 MR. STOGNER: Exhibits Three,
16 Four, and Five will be admitted into evidence at this time.

17
18 CROSS EXAMINATION

19 BY MR. STOGNER:

20 Q Mr. Ball, now, Southland Royalty Company
21 is now operated and owned by somebody else, is that correct?

22 A The way it was explained to me by someone
23 at Meridian is that Meridian was sort of a maintenance type
24 of party, that Southland is still an entity that should re-
25 tain the Southland name.

1 Q Okay. But you have been dealing with
2 personnel from Meridian --

3 A Yes, I have.

4 Q -- who acts for Southland.

5 A That's correct.

6 Q Whenever I look at Exhibit A, I guess
7 that's page two of your -- I'm sorry -- Exhibit Number Four,
8 that's page two of Exhibit A of that particular example, and
9 if I look in here at Yates Petroleum Company, I go over here
10 to the right and there's some columns, deep initial test
11 well, shallow subsequent wells, and deep subsequent wells,
12 and the percentages are different for Yates Petroleum Com-
13 pany, Bass Enterprises, and Sabine Production Company.
14 Could you elaborate on what those different figures mean?

15 A Yes. Yates Pet, or excuse me, Sabine
16 owns from zero to 5000 feet.

17 Yates and Bass share acreage 50/50 below
18 5000 feet, so that's the reason why it looks different.

19 Q Now what formations, pools, or depths are
20 being unitized by this proposed unit?

21 A It will be all.

22 Q Okay. 100 percent State lands?

23 A Yes, sir.

24 Q Okay.

25 MR. STOGNER: I have no further

1 questions of this witness.

2 Are there any other questions
3 of Mr. Ball?

4 MR. DICKERSON: No.

5 MR. STOGNER: He may be
6 excused.

7 Mr. Dickerson, do you have
8 anything further in Case Number 9244?

9 MR. DICKERSON: No, sir.

10 MR. STOGNER: Does anybody else
11 have anything further in this case?

12 Case Number 9244 will be
13 taken under advisement.

14

15 (Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY
CERTIFY that the foregoing Transcript of Hearing before the
Oil Conservation Division (Commission) was reported by me;
that the said transcript is a full, true, and correct record
of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 9244
heard by me on 4 November 1987

Michael P. Higgins, Examiner
Oil Conservation Division