

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

6
7 18 November 1987

8 EXAMINER HEARING

9
10 IN THE MATTER OF:

11 Application of Yates Petroleum Cor- CASE
12 poration for a unit agreement, 9247
13 Chaves County, New Mexico.

14
15 BEFORE: David R. Catanach, Examiner

16
17 TRANSCRIPT OF HEARING

18
19 A P P E A R A N C E S

20 For the Division: Jeff Taylor
21 Attorney at Law
22 Legal Counsel to the Division
23 State Land Office Bldg.
24 Santa Fe, New Mexico 87501

25 For the Applicant: Chad Dickerson
Attorney at Law
DICKERSON, FISK, & VANDIVER
Seventh and Mahone/Suite E
Artesia, New Mexico 88210

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3 MR. CATANACH: Call next Case
4 Number 9247.

5 MR. TAYLOR: The application of
6 Yates Petroleum Corporation for a unit agreement, Chaves
7 County, New Mexico.

8 MR. CATANACH: This case was
9 heard November 4th and subsequently had to be readvertised
10 for acreage corrections.

11 Are there any appearances or
12 further testimony at this time?

13 If not, this case will be taken
14 under advisement.

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 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 correct record of the proceedings in the Examiner hearing of Case No. 9247 heard by me on November 18 1987.

David R. Catanaek, Examiner
Oil Conservation Division

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6 4 November 1987

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Yates Petroleum Cor- CASE
10 poration for a unit agreement, 9247
11 Chaves County, New Mexico.

12 BEFORE: Michael E. Stogner, Examiner
13
14
15

16 TRANSCRIPT OF HEARING
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18 A P P E A R A N C E S
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20 For the Division:

21 Jeff Taylor
22 Attorney at Law
23 Legal Counsel to the Division
24 State Land Office Bldg.
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I N D E X

LESLIE BENTZ

Direct Examination by Mr. Dickerson 3

KEN BEARDEMPHL

Direct Examination by Mr. Dickerson 8

Cross Examination by Mr. Stogner 12

E X H I B I T S

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Yates Exhibit Two, Cross Section 6

Yates Exhibit Three, Cross Section 7

Yates Exhibit Four, Unit Agreement 9

Yates Exhibit Five, Operating Agreement 11

Yates Exhibit Six, Letter 11

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MR. STOGNER: Call next Case
Number 9247.

MR. TAYLOR: The application of
Yates Petroleum Corporation for a unit agreement, Chaves
County, New Mexico.

MR. DICKERSON: Mr. Examiner,
I'm Chad Dickerson of Artesia, New Mexico, on behalf of the
applicant, and I have two witnesses, one of whom has
previously been sworn.

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

Please rise and let the record
show that Ms. Bentz has been previously sworn and her
qualifications as an expert witness accepted.

Will the witness that hasn't
been sworn in please stand.

(Mr. Beardemphl sworn.)

LESLIE BENTZ,
being called as a witness and having been previously sworn
and remaining under oath, testified as follows, to-wit:

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DIRECT EXAMINATION

BY MR. DICKERSON:

Q Ms. Bentz, will you state your name, your occupation, by whom you're employed and in what capacity, please?

A My name is Leslie Bentz. I'm employed by Yates Petroleum Corporation as a petroleum geologist.

Q And are you familiar with the geological data available for your examination within the area comprising the proposed East Wind State Unit Area?

A Yes, I am.

Q Ms. Bentz, what is the purpose of Yates' application in Case 9247?

A We are seeking approval of the proposed East Wind State Unit in Chaves County, New Mexico.

Q And what lands does Yates propose to commit to that unit?

A The proposed State Unit is comprised of the following lands in Township 9 South, Range 27 East: The south half of Section 9, less the north half of the southwest quarter; the south half of Section 10, Sections 15, 16, 21, 22, 28, and 33, and the east halves of Section 17 and Section 20.

Q And what is the general geographic loca-

1 tion of this proposed unit?

2 A It is located east/southeast of the Foor
3 Ranch PrePermian Pool and south of the South Palma Mesa
4 Field.

5 The Foor Ranch pool is multi-pay with
6 productive zones in the Permian, Abo and Wolfcamp forma-
7 tions, as well as the Pennsylvanian formation and the Ordo-
8 vician formation.

9 The South Palma Mesa produces from the
10 Abo and the Pennsylvanian formations.

11 Q And what objectives does Yates intend to
12 test by the formation of this unit and the drilling of this
13 test well?

14 A The primary objective of the test well is
15 to extend production in Pennsylvanian age alluvial sand-
16 stones. The Abo formation provides a minor secondary ob-
17 jective.

18 Q Ms. Bentz, will you identify what we have
19 submitted as Exhibit Number One and summarize for us the in-
20 formation that you've shown on that map?

21 A Exhibit Number One is a structural con-
22 tour map. The mapping horizon is the PrePenn unconformity.
23 The contour interval is 100 feet. Superimposed is an Iso-
24 pach of two Lower Penn channel sandstones. The 10-foot Iso-
25 pach contours are located by a small dashed line. The pro

1 posed unit is marked by a large dashed line and the proposed
2 location of the test well is shown.

3 Datum points utilized are noted with cir-
4 cles and the appropriate structural and Isopach values are
5 so labeled.

6 Penn gas producers are marked in red.
7 Pertinent cumulative production is noted by the wells.
8 Stratigraphic cross sections A-A' and B-B' are shown by
9 dashed-dot line.

10 The structure map shows the proposed unit
11 area to be located downthrown from the Poor Ranch uplift.
12 Structure over this area is regional homoclinal east/south-
13 east dip.

14 An Isopach constructed on a Lower Penn-
15 sylvanian sandstone interval reveals the location of two al-
16 luvial channels. The channels are productive outside the
17 proposed unit in the North Poor Ranch pool and the South
18 Palma Mesa Field.

19 The Isopach map indicates that the same
20 productive alluvial channels trend south/southeast across
21 the proposed unit. The justification for the proposed unit
22 is the 10-foot Isopach which delineates the channels.

23 Q Identify for us, Ms. Bentz, Exhibit Num-
24 ber Two and tell us what you show on that cross section.

25 A Exhibit Number Two, cross section A-A',

1 shows the pertinent correlations, the mapping horizon, and
2 the Isopach interval. Line A-A' is located north/northwest
3 to south/southeast across the proposed unit and the proposed
4 location.

5 This cross section details the North Moor
6 Ranch channel and provides further evidence for the Isopach
7 map.

8 Q Refer Mr. Stogner to Exhibit Number Three
9 and tell us what's shown by that cross section.

10 A Exhibit Number Three, cross section B-B',
11 is very similar to the previous cross section. This line
12 extends from north to south through the South Palma Mesa
13 Field and the east edge of the proposed unit.

14 The cross section details that particular
15 Pennsylvanian channel sandstone productive in the field.

16 Q Ms. Bentz, can you briefly summarize for
17 us the geological basis for the formation of this East Wind
18 State Unit?

19 A Productive Pennsylvanian age channel
20 sandstones have been delineated which trend across the
21 majority of the acreage inclusive in the proposed unit out-
22 line. It is believed that the proposed unit outline is jus-
23 tified by the extant data.

24 Q And in your opinion, Ms. Bentz, will ap-
25 proval of this application be in the interest of conserva-

1 tion and the prevention of waste and the protection of cor-
2 relative rights?

3 A Yes.

4 Q And were Exhibits One, Two, and Three pre-
5 pared by you?

6 A Yes, they were.

7 MR. DICKERSON: Mr. Stogner,
8 move admission of Yates Exhibits One, Two, and Three, and I
9 have no further questions of Ms. Bentz.

10 MR. STOGNER: Exhibits One,
11 Two, and Three will be admitted into evidence.

12 I have no questions.

13 Mr. Dickerson?

14
15 KEN BEARDEMPHL,
16 being called as a witness and being duly sworn upon his
17 oath, testified as follows, to-wit:

18
19 DIRECT EXAMINATION

20 BY MR. DICKERSON:

21 Q Mr. Beardemphl, will you state your name,
22 your occupation, and by whom you're employed, please?

23 A Ken Beardemphl, landman with Yates Petro-
24 leum Corporation.

25 Q Mr. Beardemphl, you have previously in

1 the recent past qualified as a landman and testified before
2 this Division, have you not?

3 A Yes, sir.

4 Q And are you familiar with the land owner-
5 ship situation regarding the acreage within the proposed
6 East Wind State Unit Area?

7 A Yes, sir.

8 MR. DICKERSON: Tender Mr. Ber-
9 demphl as a landman, Mr. Examiner.

10 MR. STOGNER: Mr. Beardemphl is
11 so qualified.

12 Q Mr. Beardemphl, will you identify for us
13 Exhibit Number Four and tell us what it is?

14 A It is the unit form, standard unit form
15 for the State lands unit agreement for the development and
16 operation of the East Wind State Unit with Yates Petroleum
17 as operator.

18 Q And, as required, Yates intends by para-
19 graph 2 of this instrument to unitize all productive sub-
20 stances encountered in whatever formation they may be?

21 A That's correct.

22 Q And paragraph 11 allocates unit produc-
23 tion among the members of the unit on a surface acreage
24 basis, as also required, does it not?

25 A Yes, sir.

1 Q What is the anticipated depth of your in-
2 itial unit well, Mr. Beardemphl?

3 A 6,700 feet.

4 Q Refer Mr. Stogner to the map comprising
5 Exhibit A to the unit agreement and identify for him the
6 various tracts within the unit area.

7 A Exhibit A is the plat showing the tract
8 numbers, the owners, the lease numbers, and the expiration
9 dates of the proposed unit.

10 Q Refer to Exhibit B to that unit agreement
11 and describe the information shown by those pages.

12 A Yes, sir. Exhibit B has the land de-
13 scriptions, the number of acres, the serial numbers, the ex-
14 piration dates of the leases, the basic royalty owner, and
15 the percentage, the lessee of record, overriding royalty
16 owner percentages, and working interest owners and percent-
17 ages.

18 Q And what is the date of the earliest
19 lease expiring within this unit area?

20 A December 1, 1978 -- 1987, excuse me.

21 Q Yates will therefore be required to have
22 final approval and be actually commencing drilling opera-
23 tions on or before December 1st?

24 A Yes, sir.

25 Q Mr. Beardemphl, identify Exhibit Number

1 Five and tell us what that is.

2 A Exhibit Five is a model form operating
3 agreement, AAPL 610, 1977, for the East Wind State Unit with
4 Yates Petroleum Corporation as the operator.

5 Q And page four of that instrument obli-
6 gates Yates to commence its test well on or before December
7 1st, does it not?

8 A That's correct.

9 Q Direct Mr. Stogner's attention to Exhibit
10 A, describe the ownership within the unit area to him, and
11 tell him the status of the commitment or lack of commitment
12 of the various interest owners.

13 A There is 93.7 percent committed at this
14 time; 65 percent have signed the ratification; 28 percent
15 verbal commitment; and 6 percent uncertain at this time.

16 Q At any rate, does Yates Petroleum Corpor-
17 ation anticipate sufficient joinder to enable it to exercise
18 reasonably effective control over unit operations?

19 A Yes, sir.

20 Q And the ratifications that you do have to
21 this time are submitted as part of Exhibit Number Three of
22 the unit agreement, are they not?

23 A Yes, sir.

24 Q Mr. Beardemphl, identify Exhibit Number
25 Six for us and tell Mr. Stogner what that letter is.

1 A It is a letter from the Comissioner of
2 Public Lands granting preliminary approval to the proposed
3 unit.

4 Q Were Exhibits Four, Five, and Six either
5 prepared or compiled by you or under your direction and sup-
6 ervation?

7 A Yes, sir.

8 MR. DICKERSON: Move admission
9 of Yates Exhibits Four, Five, and Six, Mr. Examiner, and I
10 have no further questions of this witness.

11 MR. STOGNER: Exhibits Four,
12 Five, and Six will be admitted into evidence at this time.

13
14 CROSS EXAMINATION

15 BY MR. STOGNER:

16 Q Mr. Beardemphl, what 6 percent has not
17 been committed yet?

18 A Oh, on Exhibit A of the operating agree-
19 ment, Texaco, USA, is in the process of selling their lease
20 to Yates Petroleum, and Sun Exploration has not got manage-
21 ment approval to join or farmout or they just haven't de-
22 cided yet; still working on it.

23 Q When was the last time you talked to Tex-
24 aco?

25 A It was Monday.

1 Q No further questions. You may be ex-
2 cured.

3 MR. STOGNER: Mr. Dickerson, I
4 believe we had a problem with the advertisement in this par-
5 ticular thing -- case. Do you want to address that at this
6 time?

7 MR. DICKERSON: Yes, Mr. Stog-
8 ner.

9 We amended the application and
10 changed the proposed unit boundaries in anticipation of the
11 possibility that we might have to readvertise the case. We
12 requested, and with your permission put the case on today
13 subject to such readvertisement.

14 MR. STOGNER: Okay, I did not
15 see any problem with that. That's the reason we went ahead
16 and and went on; however, like you mentioned, there was a
17 problem with the advertisement -- with the application and
18 which required readvertisement for the November 18th, 1987
19 hearing at which time this case will be continued to be
20 called upon; we're not anticipating any further additional
21 testimony. This case will probably be taken under advise-
22 ment at that time.

23 Case Number 9247 will be con-
24 tinued to the Examiner Hearing scheduled for November 18th,
25 1987.

(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 correct copy of the proceedings in
the said hearing of Case No. 9247
heard by me on 4 November 1987.

Michael R. Steyer, Examiner
Oil Conservation Division