NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date FEBRUARY 18, 1987 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
Hugh Ingram	Conoco	Hobbs
Robert Burnett	Conoco	Hobbs
Brad Hulme	Bogram	Santa Fe
AR Kendrick	Kendrick & Assoc.	Santa Fe
W Kellahin	Kellahin & Kellahin Attorneys	Sn. Fe
Robert H Bell	Harvey E Yates Co.	Roswell
Scott Hall	Campbell + Black	SF
Tom Huntington	Texaco	Denver
Richard S. Pierce	ARCO	[illegible]
George Mallon	Mallon Oil Co.	Denver
DICK ELLIS	McHUGH	DENVER
Chad DICKERSON	Dickerson, Fisk + Vandiver	Artesia
Kathy Colbert	YPC	"
Leslie Beatty	YPC	"
Ken Bateman	Whitehead Hill & Associates	Santa Fe.
Perry Pearce	Montgomery & Andrews, PA	Santa Fe
[illegible]	SLO	Santa Fe
KEVIN M. FITZGERALD	MALLON OIL	DENVER
JOHN ROE	DUBAN Production & J.P. Mitchell Foundation	

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NAME	REPRESENTING	LOCATION
J. Bruce	Hinkle Law Firm	Santa Fe
LES CARNES	FORAN OIL COMPANY	AMARILLO, TX
Richard FRALEY	Meridian Oil	[illegible]
GEORGE HOVER	ENRON OIL + GAS CO.	MIDLAND TX
Jerry L. Cherryhomes	Enron Oil & Gas Co.	MIDLAND, TEXAS
Craig Duke	Enron Oil & Gas Co.	Midland Texas
William F. Carr	Campbell & Black, P.A.	Santa Fe
AL GREER	BENSON-MONTIN-GREER	FARMINGTON
VIRGIL C. STOABS	"	"

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

18 February 1987

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corportion for a unit agreement, Lea County, New Mexico.	CASE 9076

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Commission:
Jeff Taylor
Legal Counsel for the Division
Oil Conservation Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

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

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MR. CATANACH: Call next Case Number 9076.

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

MR. CATANACH: Are there appearances in this case?

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

MR. TAYLOR: Are there other appearances in this case?

Will the two witnesses please stand and be sworn in at this time?

(Witnesses sworn.)

KATHY COLBERT,

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

DIRECT EXAMINATION

BY MR. DICKERSON:

Q Will you state your name, your occupation,

and by whom you're employed, please?

A My name is Kathy Colbert. I'm a landman, employed by Yates Petroleum Corporation in Artesia, New Mexico.

Q And, Ms. Colbert, have you previously testified before this Division as a petroleum landman?

A Yes, I have.

Q Are you familiar with the application and the land situation surrounding the application filed by Yates in this case?

A Yes, I am.

MR. DICKERSON: Is the witness considered qualified, Mr. Examiner?

MR. CATANACH: Ms. Colbert is considered qualified.

Q Will you state the purpose of Yates' application in Case 9076?

A Yates Petroleum Corporation wishes to obtain approval of their proposed Moonrise State Unit, which encompasses 1600 acres of State of New Mexico leases located in Lea County, in order to effectively explore and develop the area.

Q Will you refer to what we've submitted as Yates Exhibit Number One and orient the Examiner with regard to the location of this proposed unit?

A Yes. Exhibit Number One is a land plat that outlines the 1600-acre unit. This unit is located in Township 18 South, Range 36 East, Lea County. There are seven different leases included in this outline. They are all State leases, being 100 percent of this proposed unit.

The initial test well is the red dot location being 330 from the south, 330 from the west lines of Section 27.

Q Will you refer to what is marked as Exhibit Number Two and tell us what that instrument is?

A Exhibit Number Two is the unit agreement upon a standard form for State lands. The agreement does designate Yates Petroleum Corporation as operator and covers such subjects as the unit area, the definition of unitized substances, and rights and obligations of the opertor and nonoperators.

Q Will you refer to the exhibits attached to that proposed unit agreement and describe a little bit more detail to the Examiner with respect to the ownership of the various tracts within the unit?

A Yes. Exhibit B to the unit agreement lists all the parties and their percentages owned in each of these seven tracts.

Six of these tracts have been committed to the unit, being 90 percent of the area. The only tract

which has not been committed is Tract No. 7, Chevron's HBP 160-acre lease located in the northwest of 27.

Q What is Chevron's position as far as joinder of this unit?

A We have talked to them by phone and, of course, furnished them with all these exhibits, asked them to join the unit. They have declined.

Q So the balance of the working interest within the unit boundaries are 90 percent is owned or controlled either by Yates or its in-house related corporations.

A That's correct.

Q What, Ms. Colbert, is the expiration date of the earliest leases committed to the unit?

A The earliest expiration date is March 1st of this year. There are three leases out of the seven committed.

Q And when does Yates propose to commence its drilling operations?

A We propose to spud next week, prior to the first.

Q And you request that the Division give us expedited approval, if possible, of this unit agreement?

A If possible, yes.

Q Refer to Exhibit Number Three and tell the

1 Examiner what that is.

2 A Exhibit Three is the proposed unit oper-
3 ating agreement, which is on an AAPL Form 610, 1977. It
4 does cover areas such as acquisition and maintenance of
5 leases and expenditures and liabilities of the participating
6 parties.

7 There is an accounting procedure attached
8 to govern the joint operations.

9 The Exhibit A to this agreement again
10 lists all the parties and their percentages, not only under
11 the unit, but under the initial test well.

12 Since only 90 percent of the unit acreage
13 will be participating in the initial test well, it shows
14 that the four participating companies will pay for this
15 well.

16 Q And there is no depth restriction for the
17 lands proposed to be unitized.

18 A None.

19 Q There is also a provision, isn't there,
20 Ms. Colbert, for subsequent joinder in the event Chevron
21 should later decide that it desires to join the unit?

22 A This is correct.

23 Q That's contained in Exhibit Number Two,
24 the State unit agreement?

25 A Yes, the unit agreement.

Q Refer to what we have submitted as Exhibit Number Four and tell us what that is.

A Exhibit Number Four is a letter from the Commissioner of Public Lands, dated January 28th, 1987, which grants preliminary approval for the proposed Moonrise State Unit as previously outlined.

Q And there were no requested changes or problems that the office of the Commissioner had with the proposed unit?

A Not as to the unit or its form.

Q Were Exhibits One through Four either prepared by you or compiled by you or under your direction and supervision?

A Yes.

MR. DICKERSON: Mr. Examiner, at this time move admission of Yates Exhibits One through Four and I have no further questions of this witness.

MR. CATANACH: Exhibits One through Four will be admitted into evidence.

CROSS EXAMINATION

BY MR. CATANACH:

Q Ms. Colbert, when was Chevron contacted and invited to join the unit?

A They were contacted by phone approximately

the middle of January.

Immediately after that they were furnished all copies of the unit agreement, the proposed geology summary, and notification that there would be a hearing set for this month.

They have not responded in writing, simply by telephone.

MR. DICKERSON: Let me point out, Mr. Examiner, that Chevron's N Lease, as testified, is held by production from wells on other lands and Chevron's interest will in no way be adversely affected by the approval of this unit and Chevron does, in fact, under the terms of the unit agreement at any time subsequent have the right to join the unit, if they should change their mind and elect to do so.

MR. CATANACH: Any time after?

MR. DICKERSON: Yes, sir. Section 2 of the unit agreement submitted as Exhibi Two.

MR. CATANACH: I have no further questions of the witness. She may be excused.

LESLIE BENTZ,

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

DIRECT EXAMINATION

BY MR. DICKERSON:

Q Will you state your name, by whom you're employed, and your occupation, please?

A Yes. My name is Leslie Bentz. I'm a geologist employed by Yates Petroleum Corporation, Artesia, New Mexico.

Q Ms. Bentz, have you previously testified before this Division or one of its examiners and had your credentials accepted as a matter of record?

A Yes, I have.

Q Are you familiar with the geological basis for the boundaries of the proposed Moonrise State Unit?

A I am.

Q What is the primary objective that Yates seeks to test in the formation of this unit?

A The primary objective of the test well within the unit is to test the Leonardian Lower Bone Spring and Wolfcamp age bottom flow deposits.

Q Please refer to what we have submitted as Yates Exhibit Number Five and tell the Examiner what you show on that map.

A Exhibit Five shows the location of the proposed unit with respect to the Lower Leonardian Delaware

Basin and immediately adjacent to the western edge of the Central Basin Platform.

The last major uplift of the Central Basin Platform occurred during the Wolfcamp. Shallow water carbonates deposited during the Wolfcamp were completely eroded from this positve area.

It was in this manner that a large amount of shelf generated carbonates were introduced into the Delaware Basin. Hydrocarbon production from debris flows has been established on the eastern side of the Central Basin Platform and producton is expected on the western side.

Subsidence of this platform during Abo, Lower Leonardian, time, resulted in establishemnt of a fringing reef along the shelf margin.

A major drop in sea level exposed the reef to subaerial influences. Large blocks of the reef material were carried into the basin through submarine canyons. Hydrocarbon production from allochthonous blocks of shelf margin carbonates in otherwise basinal deposits has been prolific in Lea County.

Q Refer to what we have submitted as Exhibit Number Six and tell us what that is.

A Exhibit Six illustrates the loation of the proposed unit in relationship to areas of Lower Leonardian, Abo and Bone Spring, production, and Wolfcamp production.

The blue color denotes Abo reef production. Bone Spring production is marked in red, and Wolfcamp production is colored green.

Q So the closest production to the proposed unit area from these formations is approximately two miles away?

A Yes.

Q Refer to Exhibit Number Seven and tell us what you show by that map.

A Exhibit Seven is a structure map contoured on top of the Third Bone Spring Sand. The scale is one equals 2000 feet. The contour interval is 100 feet.

The location of the seismic lines are marked by red shot points. The proposed location and TD are so noted.

This map shows the proposed unit to be on a structural high. The proposed drill site is located within the area of maximum structural closure. The steep dip on the eastern edge of the unit delineates the western edge of the Central Basin Platform.

Q Okay, refer us to Exhibit Number Eight and tell us what that is.

A Exhibit Eight is an Isochron map of the Third Bone Spring to Strawn interval. The scale is one equals 2000 feet. The contour interval is one millisecond.

The seismic record indicates an anomalous stratigraphic thickening of this interval. The seismic reflections within this interval are somewhat erratic but indications of westward prograding inclined bedding can be found.

This suggests the accumulation of eroded shelf and shelf margin material deposited at the basin edge. The draping of overlying sediments caused by differential compaction also indicates that the accumulation is a carbonate.

The justification for the unit outline is the closure of the time interval point .160. The proposed well site will penetrate the section at its thickest and a total depth of 10,600 feet will test both the lower Leonard Bone Spring and the Wolfcamp intervals.

Q Refer to Exhibit Number Nine and tell the examiner what you show by that instrument.

A Exhibit Number Nine is a west to east structural cross section. This cross section shows the stratigraphic relationship between the Delaware Basin and the Central Basin Platform.

Faulting is present through the Wolfcamp, which indicates the last significant movement occurred during this period.

The Gulf Lea ACF State No. 1 illustrates

that in this vicinity on the western edge of the Central Basin Platform Wolfcampian through Mississippian sediments have been stripped away.

The L & B State "J" No. 1-33, located on the western edge of the unit, has a thicker than normal section of Wolfcamp and Lower Bone Spring, Abo equivalent, age sediments. The substantiates the seismic anomaly in this interval that justified the formation of the unit.

A well drilled at the proposed loation should penetrate a thicker section of Lower Bone Spring and Wolfcamp detrital at a structurally advantageous position.

Q And from your study of this data have you formed a conclusion as to the propriety of the proposed unit boundaries?

A Yes, I have. Evaluation of extant subsurface and seismic data indicates that the proposed Moonrise State Unit is justified.

Q Ms. Bentz, in your opinion will the approval of this proposed Moonrise State Unit be in the interest of conservation, the prevention of waste, and the protection of correlative rights?

A Yes, it will.

Q Were Exhibits Five through Nine compiled by you or under your direction and supervision?

A Yes, they were.

MR. DICKERSON: Mr. Examiner, move admission of Yates Exhibits Five through Nine and I have no further questions of this witness.

MR. CATANACH: Exhibits Five through Nine will be admitted into evidence.

What was your last name? I'm sorry.

MS. BENTZ: Bentz.

MR. CATANACH: Bentz.

MS. BENTZ: B-E-N-T-Z.

CROSS EXAMINATION

BY MR. CATANACH:

Q How would you justify the unit boundaries again?

A It's by the closure of the time interval

MR. DICKERSON; This is reflected on your Exhibit Number Eight?

A Yes, it is.

MR. DICKERSON: Why don't you describe in a little more detail how you relate that time --

A Okay.

MR. DICKERSON: -- interval to the boundaries of this unit?

A Basically this is a stratigraphic cross

section. The structure you see is formed from a stratigraphic thickening of this interval.

I feel that the L & B State No. 1 is just outside a much thicker area where there we 'll probably get a thicker accumulation of detrital and we will be structurally high to that, but I think that the .160 shows where we are getting the real build-up that is above regional.

Q The secondary objective in the well would be the Bone Spring, is that correct?

A Actually, I feel like that both the Bone Spring and Wolfcamp would have to be considered primary objectives.

Q Are there any other formations that you've looked at that may be productive in this area?

A There could be some production from younger horizons in the Bone Spring due to the drape over this structure.

There is also San Andres production in the area.

MR. DICKERSON: The proposed unit form, Mr. Examiner, unitizes all horizons under the unit boundary.

Q That proposed well would be at a standard location for -- for 40-acre proration units, is that correct?

1 A That's correct.

2 MR. CATANACH: I have no

3 further questions of the witness. She may be excused.

4 Is there anything further in

5 Case 9076?

6 If not, it will be taken under

7 advisement.

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9 (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 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 this portion 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. 9076, heard by me on February 18 1987.

David R. Catanach, Examiner
Oil Conservation Division