

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

6 ~~15 December 1983~~

7 4 January 1984
8 EXAMINER HEARING

9 IN THE MATTER OF:

10 Application of Exxon Corporation
11 for a unit agreement, Dona Ana
12 County, New Mexico.

13 CASE
14 8035

15 BEFORE: Richard L. Stamets, Examiner

16 TRANSCRIPT OF HEARING

17 A P P E A R A N C E S

18 For the Oil Conservation
19 Division:

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22 State Land Office Bldg.
23 Santa Fe, New Mexico 87501

24 For the Applicant:

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I N D E X

JOSEPH P. POPE

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FRED PEIRCE

Direct Examination by Mr. Bruce 10

E X H I B I T S

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2 MR. STAMETS: Let's go back now
3 and call case 8035.

4 MR. PEARCE: That case is on
5 the application of Exxon Corporation for a unit agreement,
6 Dona Ana County, New Mexico.

7 MR. BRUCE: Mr. Examiner, my
8 name is Jim Bruce from the Hinkle firm in Santa Fe and I
9 have two witnesses to be sworn.

10 MR. PEARCE: Are there other
11 appearances in this matter?

12 (Witnesses sworn.)

13 MR. PEARCE: Thank you gentle-
14 men. One of you may take the hot seat.

15
16 JOSEPH R. POPE,
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. BRUCE:

22 Q Would you please state your name, city of
23 residence, occupation, and employer?

24 A My name is Joe Pope. I live in Midland,
25 Texas. I'm a petroleum landman and I'm employed by Exxon
Corporation.

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Q Have you previously testified before the New Mexico OCD as a petroleum landman and had your credentials accepted?

A Yes, I have.

Q Are you familiar with Exxon's application in 8035?

A Yes, I am.

MR. BRUCE: Is the witness considered qualified?

MR. STAMETS: Yes.

Q Would you briefly state what Exxon seeks by its application?

A What we're seeking here is the approval of the Dona Unit, which is a Federal exploratory unit that will encompass 24,941.3 acres in Dona Ana County, New Mexico.

Q Okay. Would you please refer to Exhibit A and describe this for the Examiner?

A This is the plat of the Dona Unit as we propose it. It's also Exhibit A to the Unit Agreement. This plat shows in the heavy dashed line the exterior outline of the unit and also sets out the various tracts according to their nature as Federal land, State land, or fee land, who owns the working interests and what percentages, and then the--over on the left as you look at it it sets out the Federal and State lease numbers by tract; sets out the correlative working interests and percentages;

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2 sets out the--what are the unleased mineral fee interests,
3 and it sets out the relative amount of Federal, State, fee
4 land.

5 Q Okay. And Exxon's Mason Draw Unit is
6 located where in respect to this?

7 A The Mason Draw Unit is located
8 immediately north of this unit.

9 Q And this unit was approved in OCD Order
10 R-7347?

11 A Yes. That's correct.

12 Q Okay. Would you please refer to Exhibit
13 B, and describe that for the Examiner?

14 A Exhibit B is our proposed unit agreement.
15 It is the latest form approved by the BLM, which was set out
16 in the Federal Register this summer, as modified to comply
17 with the laws of the State of New Mexico. It's exactly the
18 same form as we used in the Mason Draw Unit.

19 Q Okay. Now would you please refer to
20 Exhibit C and describe that?

21 A Exhibit C is our proposed operating
22 agreement. Again, we used this in the Mason Draw Unit with
23 Hunt, SHJR, and Louisiana Land and Exploration Company.

24 This is an undivided form of Federal
25 operating agreement. It's a standard undivided form, though
very seldom do you find undivided units, I might add, but it
is what the major participants used in the Mason Draw and
it's what we want to use, and all it does is it essentially

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2 spreads the working interests throughout the unit equally.

3 Q And between the companies that you just
4 mentioned, what interests do you not own at the present?

5 A Well, at this point, referring to Exhibit
6 A, Hunt, Louisiana Land and Exploration Company, and SHJR
7 have entered into trades or are about to enter into trades
8 and together control all but 283 acres--288.54 acres which
9 are the fee acreage. We don't have a ratification at this
10 point but we don't have formal preliminary approval on it
11 from Hunt and LLEC.

12 Q And how much Federal acreage is presently
13 unleased?

14 A There's 740 acres which are Tract Number
15 23, which was put up for simultaneous filing and has not yet
16 been drawn. It's in the moratorium.

17 Q Okay. Would you please look at
18 Exhibits--Exxon Exhibits D through H and briefly describe
19 these for the Examiner?

20 A Exhibit D is a synopsis of our negotia-
21 tions with Louisiana Land and Exploration Company. It in-
22 cludes attached to it copies of the first and last page of
23 the trade letter on this between Exxon and Louisiana Land
24 and Exploration and a copy of the letter I sent to LL&E
25 transmitting ratifications of our proposed unit agreement,
unit operating agreement. I've been in contact with LL&E.
They're going to sign it. They're just running it through
their signature process.

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Q Okay. And Exhibit E?

A This is very similar, only it applies to Hunt and SHJR. SHJR, by the way, is a Hunt family partnership and it's real closely attached with Hunt.

Q Okay. And Exhibits F, G, and H?

A Exhibits F, G, and H describe the contacts made primarily by Mr. David Wilcox in our office with the three mineral fee owners. These are owners of mineral patents.

The first one, Exhibit F, refers to Mr. and Mrs. Lewis Buescher, I believe is how you say that. B-U-E-S-C-H-E-R, who own Tract 36, some .4 percent of the Unit. We have offered them a lease at 10 dollars an acre, 1/8 royalty, and 10 year term. Mr. Buescher seems to think he wants more so I believe we've gone back with 20 dollars and that's where our negotiations are at this point. On obtaining preliminary approval by the BLM and the State it's our intention to approach him with still the lease option as it stands, or a trade similar to what we've done with Hunt, and Louisiana Land and Exploration Company, or just let him join the unit and those are the three options that we are offering Mr. Buescher at this time.

Q Okay. And Exhibit G, with respect to Camilu-Vig?

A Okay, Mr. Wilcox has been in contact with Mr. Joe Garcia who I believe is president of Camilu-Vig about this land and other land. Mr. Garcia is not

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2 interested at all in leasing. We'll offer him the join or
3 farm out participation and we expect he's going to farm out,
4 but we will wait for the preliminary approval to be formally
5 granted before we send him the docket.

6 Q Okay. And finally Exhibit H?

7 A This is under the name of Atlas Building
8 Products Company in the records. Atlas is currently owned
9 now by Featherlite Corporation. The state of the negotia-
10 tions, again by Mr. Wilcox, with Featherlite, well, we have
11 offered them \$10.00 an acre and a 10 year term. They said
12 that was not acceptable but they would come back with a
13 counter-proposal. That was December 8th we gave the offer
14 in writing after a phone conversation and it was the 29th
15 when I drafted this letter and as of yesterday when I left
16 the office, we had not heard back from them.

17 Again we'll offer them the same lease,
18 farm out or join preferences as the other two, but these are
19 very small interests.

20 Q Okay, Mr. Pope, in your opinion as a pet-
21 roleum landman, is the \$20.00 per mineral acre fair and
22 reasonable considering the nature of the area?

23 A Yes, we think it's fair.

24 Q Okay. Would you please state or
25 summarize your reasons for seeking approval of the unit
agreement?

A Well, we believe that a Federal explora-
tory unit is the most appropriate way to test a very

1
2 rank wildcat area to see if there are recoverable hydrocar-
3 bons in economically sufficient quantities down there, and
4 at the same time to protect the correlative rights of -- of
5 the working interest and mineral interest owners.

6 This will be a very expensive proposition
7 and it has very high risks.

8 Q Okay. Have you submitted the unit agree-
9 ment and unit operating agreement to the State Land Office
10 for approval?

11 A Yes, we have.

12 Q And have you received any word from them?

13 A I just spoke with Mr. Graham this
14 morning. They -- he indicated they are going to grant pre-
15 liminary approval but they have not written it up yet.

16 Q Okay. Were Exhibits A through H prepared
17 by you or under your direction?

18 A Yes, they were prepared by me.

19 Q Okay.

20 MR. BRUCE: At this time I'd
21 move for the admission of the exhibits.

22 MR. STAMETS: The exhibits will
23 be admitted.

24 Q Mr. Pope, in your opinion will the
25 granting of this application be in the interest of conserva-
tion, the prevention of waste, and the protection of corre-
lative rights?

A Yes, they will.

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2 MR. BRUCE: I have no further
3 questions, Mr. Examiner.

4 MR. STAMETS: Are there any
5 questions of the witness? He may be excused.

6 FRED PEIRCE,
7 being called as a witness and being duly sworn upon his
8 oath, testified as follows, to-wit:

9
10 DIRECT EXAMINATION

11 BY MR. BRUCE:

12 Q Sir, would you please state your name,
13 city of residence, occupation, and employer?

14 A Fred Peirce, Midland, Texas, 3115 Humble
15 Street. I'm a geologist with Exxon.

16 Q Have you previously testified before the
17 OCD and had your credentials accepted?

18 A Yes.

19 Q And are you familiar with Exxon's Case
20 8035?

21 A Yes.

22 MR. BRUCE: Is the witness con-
23 sidered qualified?

24 MR. STAMETS: He is.

25 Q Mr. Peirce, would you please look at Ex-
hibit I and describe this for the Examiner?

A This is a north-south cross section. You

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2 will notice the scale on the lower right, so we're looking
3 at about six miles on this cross section. We thought it
4 would be an adequate document to show the concept of what
5 we're -- what our idea is.

6 The north side comes off the edge and in-
7 cludes a little bit of Mason Draw Unit, and I might point
8 out that that Mason Draw well is drilling right now; it's a
9 little bit below 8000 feet, and that well will be just about
10 on the north edge of this cross section.

11 The south side of the cross section is
12 just a little bit south of the south edge of the Dona Unit.
13 The Dona Unit in this position would be five miles north-
14 south.

15 This is an interpretation based on seis-
16 mic and we have a seismic reading here of east-west and north-
17 south lines of almost one mile apart and in no case more
18 than two miles apart. So we have quite an intense seismic
19 grid, and this represents an interpretation of that particu-
20 lar grid.

21 Notice that the type of stratigraphic
22 section we expect to encounter in that upper 4000 feet or so
23 is unlabeled Tertiary. Then we anticipate a possible 1000
24 feet of Cretaceous, maybe up to 3 or 4000 feet of Permian,
25 and then at the pink Pennsylvanian section, Mississippian,
Silurian, Ordovician, and finally Pre-Cambrian.

Now our real interest is in the Pennsylvanian section. You might notice that on the right side of

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2 the cross section that the Pennsylvanian is, oh, a little
3 over 1000 feet thick, and notice the thickening wedge to the
4 south, and within six miles that wedge is thickened to some
5 6000 feet.

6 And within that wedge notice that I've
7 shown interpreted low stand porous clastics and those
8 lenticular sands are the stratigraphic shot that we're going
9 after. I might emphasize that it is a stratigraphic plan,
10 not a structural. That seismic ridge, we would like to have
11 seen a clean structure. We haven't seen it, so we're going
12 to go in and look at this high risk type of play, going for
13 those Pennsylvanian sands.

14 Our researchers, and others, have
15 indicated that there appears to be a Lower Pennsylvanian
16 worldwide low stand of sea level and that would bring sea
17 level, could bring sea level out to this position and could
18 deposit these floor line sands in that position.

19 We do see on seismic this wedge, which is
20 very well demonstrated, and we do see seismic reflections
21 pinching out just as we've shown the sands pinching out, and
22 the actual north-south limits of the unit are more or less
23 the north and south edge of these sands as portrayed right
24 here on the cross section, and you'll notice that up above
25 I've shown the zone at location. We haven't precisely
located it yet, but it would be designed to look at those
sands.

And you might notice that we would en-

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2 counter those sands at a depth of about 11,000 to 13,000
3 feet.

4 It may be interesting to note that is a
5 type of play that has been in the last few years, has been
6 so interesting up in the Anadarko Basin. These Pennsylvan-
7 ian sands at 15,000 feet to 20,000 feet are stratigraphic
8 sands and it's been a very successful gas play.

9 So that's the model that we will antici-
10 pate to encounter here. Because of the stratigraphic nature
11 it will be very high risk but also potential high reward.

12 So that's the concept and the nature of
13 what we're trying to do here.

14 Q Okay, Mr. Peirce, was Exhibit I prepared
15 under your direction?

16 A Yes, it was.

17 Q And in your opinion would the granting of
18 this application be in the interest of conservation, the
19 prevention of waste and the protection of correlative
20 rights?

21 A Yes, it would.

22 MR. BRUCE: I would like to
23 move the admission of Exhibit I.

24 MR. STAMETS: The exhibit will
25 be admitted.

MR. BRUCE: And I have no fur-
ther questions.

MR. STAMETS: Are there any

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questions of the witness? He may be excused.

If there is nothing further,
this case will be taken under advisement.

(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 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. _____ heard by me on _____ 19____.
_____, Examiner
Oil Conservation Division