

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

ORIGINAL

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:

APPLICATION OF APACHE CORPORATION  
FOR APPROVAL OF A UNIT AGREEMENT,  
LEA COUNTY, NEW MEXICO

DOCKET 29-10  
CASE NO. 14529

TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 2, 2010 8:15 a.m.

Santa Fe, New Mexico

RECEIVED OCD  
2010 SEP 10 P 3:26

BEFORE: TERRY WARNELL, Hearing Examiner  
DAVID K. BROOKS, Legal Advisor

This matter came on for hearing before the New Mexico Oil Conservation Division, TERRY WARNELL, Hearing Examiner, and DAVID K. BROOKS, Legal Advisor, on Thursday, September 2, 2010, at the New Mexico Energy, Minerals and Natural resources Department, 1220 South St. Francis drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Paul Baca  
Paul Baca Court Reporters  
500 Fourth Street, NW - Suite 105  
Albuquerque, New Mexico 87102

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APPEARANCES

For Apache Corporation:

HOLLAND & HART  
110 North Guadalupe, Suite 14  
Santa Fe, New Mexico 87501  
505-988-4421  
BY: WILLIAM F. CARR, ESQ.  
carr@hollandhart.com

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Reporter's Certificate

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EXHIBITS

EXHIBIT

DESCRIPTION

PAGE

1 Affidavit of John Thoma with  
attachments

8

1 THE EXAMINER: My name is Terry Warnell.  
2 I will be the hearing examiner today. And this is  
3 David Brooks. He will be the legal advisor.  
4 Welcome. I hope you all get a chance to sign in in  
5 the back there.

6 Let's go ahead and go on the record.  
7 Today is September 2, 2010. It's 8:15. This is  
8 Hearing Docket 29-10, and we've got 27 cases on the  
9 docket. The good news is we've got some  
10 continuances and dismissals that we'll go through,  
11 and then we'll get started.

12 Starting with page 1, the very first case,  
13 Case No. 14413, has been continued to November 18,  
14 2010. Second page, Case No. 14499 has been  
15 continued to the next docket, September 16.

16 Number 6, down a ways on that page 2, Case  
17 No. 14532 is dismissed. Case No. 14533 is continued  
18 to September 16.

19 Page 3, Case No. 14438 is continued to  
20 September 16. Page 4, Case No. 14538 is continued  
21 to September 16.

22 MR. CARR: Mr. Examiner, did you say  
23 14538, Marshall & Winston?

24 THE EXAMINER: Yes.

25 MR. CARR: I believe that case is going to

1 be heard today.

2 THE EXAMINER: Okay, I apologize for that.  
3 Case No. 14538 will be heard today.

4 Okay. Page 5, Case No. 14509 has been  
5 dismissed. And if we go over a few pages to Page  
6 No. 9, Case 13940 is continued to November 18. And  
7 then Page No. 10, Case 14506 is continued to  
8 September 30. Case No. 8352 is continued to  
9 September 16. Case No. 14520 is continued to  
10 September 16.

11 The case on the last page, page 11, Case  
12 No. 14524 is continued to September 16. And the  
13 last case, Case No. 14514, is continued to  
14 September 16.

15 Those are the continuances and dismissals  
16 that I'm aware of. Any that I missed, other than  
17 the one that Mr. Carr pointed out? Very well.

18 I think we'll pretty much go in order,  
19 unless somebody has a big hardship or something with  
20 that. We may want to push -- well, "push" may not  
21 be the right word.

22 We may want to take Mr. Hall, your case,  
23 14539, and Mr. Kellahin's case, 12857. I was  
24 thinking of saving those for the last two of the  
25 day.

1           There's only one other case on the docket  
2 that's after yours. So we may push it in front of  
3 you, if that's all right, so we can give you our  
4 undivided attention this afternoon or whenever we  
5 get to those cases.

6           So with that, let's go ahead and we'll  
7 start with our first case, Case No. 14529,  
8 Application of Apache Corporation for approval of a  
9 Unit Agreement, Lea County, New Mexico.

10           Call for appearances, please.

11           MR. CARR: May it please the Examiner?

12           My name is William F. Carr, with the  
13 Santa Fe office of Holland & Hart. We represent  
14 Apache Corporation, and we request permission to  
15 present the case by affidavit.

16           May it please the Examiner? In this case  
17 the Apache Corporation seeks approval of the Equis  
18 State Exploratory Unit. This unit is comprised of  
19 approximately 2,480 acres of State of New Mexico  
20 lands located in Lea County, New Mexico.

21           Exhibit No. 1 is an affidavit of John  
22 Thoma. Mr. Thoma is a geologist employed by  
23 Pedernales Production, but he is the geologist who  
24 was responsible for the formation of this unit.

25           Apache Corporation is the designated unit

1 operator in the Unit Agreement. And the unit is  
2 designed to test all formations from the surface to  
3 the base of the Precambrian formation.

4 The initial unit well will be drilled as a  
5 horizontal well in the Wolfcamp formation,  
6 traversing the south half of the north half of  
7 Section 17, Township 14 South, Range 35 East. It  
8 will be drilled from a standard surface location to  
9 a standard bottom hole location.

10 The geologic exhibits attached to the  
11 affidavit document the discontinuous nature of the  
12 porosity development in the unit area. And they  
13 show that to effectively and economically develop  
14 the Wolfcamp in this area, horizontal development is  
15 preferred.

16 Exhibit A to the affidavit is the Unit  
17 Agreement. Exhibit B is the plat to the Unit  
18 Agreement which shows the unit boundaries.

19 Exhibit C is Schedule B to the Unit  
20 Agreement that identifies the working interest  
21 ownership in the unit area.

22 The working interest ownership is owned  
23 100 percent by Apache Corporation and Pedernales  
24 Production, LP. And 100 percent of the working  
25 interest is voluntarily committed to the Unit

1 Agreement.

2 Attachment C identifies the royalty  
3 interest in the unit area. 100 percent of the  
4 royalty interest is owned by the State of New  
5 Mexico.

6 And Exhibit D is a letter from the  
7 Commissioner of Public Lands giving preliminary  
8 approval to the proposed unit.

9 Attachments E and F are general area  
10 production maps and Upper Wolfcamp/Basal Abo  
11 isoporosity maps. They characterize both the area  
12 production and the distribution of the porosity.

13 Attached as Exhibit H is a cross-section  
14 of the Wolfcamp reservoir. And you will see that  
15 there are three wells in the area that have  
16 penetrated the Upper Wolfcamp formation, but none of  
17 these wells have produced from the targeted Wolfcamp  
18 section. It's the primary subject of this  
19 unitization effort.

20 Attachment G is another structure map that  
21 shows the proposed location of the initial well and  
22 the porosity development that is the target in that  
23 initial well.

24 And Exhibit H is a stratigraphic  
25 cross-section. On this cross-section the Wolfcamp

1 Dolomite is designated and highlighted in lavender,  
2 and the porosity is shaded in red on the  
3 stratigraphic cross-section. It traverses the unit  
4 area from west to east.

5 As evidenced by the cross-section, each  
6 penetration in the area has shown that there is  
7 potential viable productive pay within the Wolfcamp.

8 The affidavit concludes by stating that  
9 the unit area can be reasonably developed under a  
10 unit plan and that if the initial well is  
11 successful, additional wells will be drilled in the  
12 unit area.

13 Apache Corporation requests that this  
14 application be granted, that Exhibit 1 be admitted,  
15 and states that approval of the Equis State  
16 Exploratory Unit will be in the best interest of  
17 conservation, the prevention of waste and the  
18 protection of correlative rights.

19 I move the admission of Exhibit 1.

20 THE EXAMINER: Thank you. Exhibit 1 is  
21 admitted.

22 (Exhibit 1 was admitted.)

23 Questions, Mr. Brooks?

24 MR. BROOKS: Only what does Equis,  
25 E-Q-U-I-S, mean?

1 MR. CARR: I have no idea.

2 MR. BROOKS: I don't, either. I know what  
3 equus is.

4 MR. CARR: Equis is the name of the new  
5 unit.

6 MR. BROOKS: That's all I have.

7 THE EXAMINER: And the horizontal minutes *Limits*  
8 I guess are there on page 1 of the exhibit?

9 MR. CARR: Yes, they are. You can see the  
10 area that's the target of development really is from  
11 9,700 feet to 10,000 feet.

12 THE EXAMINER: If they start making these  
13 cross-sections any smaller, we're going to have to  
14 bring in a micron microscope or something. If the  
15 intent there is to gloss over everything, it  
16 certainly does that, I guess.

17 Okay. With that, we'll take Case  
18 No. 14529 under advisement.

19 (The hearing concluded at 8:29 a.m.)  
20  
21

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 \_\_\_\_\_.

\_\_\_\_\_, Examiner  
Oil Conservation Division

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1 STATE OF NEW MEXICO

2 COUNTY OF SANTA FE

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5 REPORTER'S CERTIFICATE

6 I, Paul Baca, New Mexico Certified Court  
7 Reporter No. 112, do hereby certify that I reported  
8 the foregoing proceedings in stenographic shorthand,  
9 that I did administer the oath to the witness, and  
10 that the foregoing pages are a true and correct  
11 transcript of those proceedings and was reduced to  
12 printed form under my direct supervision.

13 I FURTHER CERTIFY that I am neither  
14 employed by nor related to any of the parties or  
15 attorneys in this case and that I have no interest  
16 in the final disposition of this case.

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PAUL BACA  
Certified Court Reporter No. 112  
License Expires: 12/31/2010

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