

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
14 March 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of L. C. Harris for a) CASE
unit agreement, Chaves and Eddy) 6490
Counties, New Mexico.)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Lynn Teschendorf, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87503

For the Applicant: Randolph Richardson, Esq.
Roswell, New Mexico

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I N D E X

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E X H I B I T S

Applicant Exhibit One, Geologic Report 6

Applicant Exhibit Two, Cross Section 6

Applicant Exhibit Three, Structure Map 6

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MR. NUTTER: We'll call next Case 6490.

MS. TESCHENDORF: Case 6490. Application of L. C. Harris for a unit agreement, Chaves and Eddy Counties, New Mexico.

MR. RICHARDSON: Randolph M. Richardson, Roswell, New Mexico, appearing on behalf of the applicant, and we have one witness to be sworn.

(Witness sworn.)

MR. RICHARDSON: A copy of the unit agreement has already been furnished to the Commission and I'd now like to hand you a geological report which has been marked Exhibit One through Three, and I also would like to advise that Mr. Harris has turned the unit to Yates Petroleum Corporation and Yates Petroleum Corporation will be the actual operator.

Is there any problem there?

MR. NUTTER: No, sir, no problem.

ROBERT H. CRESS

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

DIRECT EXAMINATION

BY MR. RICHARDSON:

Q. Mr. Cress, would you please state your name

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1 and present occupation?

2 A. My name is Robert H. Cress and I'm a
3 geologist.

4 MR. NUTTER: Is that K-R-E-S-S?

5 A. No, that's "C", C-R-E-S-S, like watercress.

6 MR. NUTTER: Okay.

7 Q. Would you please state your educational
8 and professional background which will enable you to testify
9 as an expert witness in this case?

10 A. I graduated from the University of Minne-
11 sota in 1949 with a degree in geological engineering.
12 I worked sixteen years with the Gulf Oil Corporation, and
13 the last thirteen years as an independent. I have some
14 twenty-three years in New Mexico.

15 Q. Are you familiar with the Walnut Draw Unit
16 area and the matters contained in the application to the
17 Commission for approval of a unit agreement?

18 A. Yes.

19 Q. Are the -- or was the geological report
20 prepared by you or under your jurisdiction, or supervision?

21 A. Yes.

22 MR. RICHARDSON: Are the qualifications
23 acceptable?

24 MR. NUTTER: Yes, they are.

25 Q. (Mr. Richardson continuing.) Is the form

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1 of unit agreement prescribed by Federal regulations and as
2 recently approved by the Commissioner of Public Lands?

3 A. Yes.

4 Q. Has a unit area been designated by the
5 United States Geological Survey as an area logically suit-
6 able for the development under a unit land development?

7 A. Yes.

8 Q. Would you please tell the Commission the
9 total number of acres within the unit area, the number and
10 percentages of acreage of Federal, State, and fee lands?

11 A. The total number of acres within the unit
12 are 9,780.99 acres. Of this 4,962.79 acres, or 50.74 per-
13 cent, are Federal lands.

14 4,418.20 acres, or 45.17 percent, are
15 State lands.

16 400 acres, or 4.09 percent, are fee lands.

17 Q. Will you please tell the Commission the
18 township and range, or township and ranges, in which this
19 unit is located and the approximate location or reference
20 to the nearest town?

21 A. Well, the nearest town is Hope, New Mexico.
22 The unit is eight miles northeast of Hope.

23 The unit lies in Chaves and Eddy Counties.
24 In Chaves County it lies in 15 South, Range 23 East. In
25 Eddy County it lies in 16 South, Ranges 23 East and 24 East.

1 Q Now would you please refer to the geological
2 report, which has been handed to the Examiner, marked
3 Exhibits One through Three, and would you please review the
4 report, referring to the map, written report, and cross
5 section by name or exhibit number, and indicating the sig-
6 nificance of the geological report?

7 A Report Number One is the geologic report,
8 which locates the unit, the location of the test and depth,
9 the proposed objectives, and briefly discusses the geological
10 conditions anticipated, and in addition, shows the depths
11 that we will encounter potential pays.

12 This report also outlines our criteria for
13 outlining the unit.

14 Report Number Two is a stratigraphic cross
15 section, and Report Number Three is a structure map on
16 the Siluro-Devonian, a major objective, and this map shows
17 a structural nose that's situated just south of the pinch-
18 out of the Siluro-Devonian, and you will note that the
19 unit is defined by the pinchout of the Siluro-Devonian on
20 the north, a fault on the west. The fault is a fault that
21 is down to the west type fault, and the rest of the unit
22 is outlined by the down dip delineating minus 2500-foot
23 contour.

24 I call your attention to two circles on
25 the structural map, one at the far west, or left, of the

1 map, and one at the far east. These encircle the two wells
2 that I show on my stratigraphic cross section.

3 Q Referring back to the written geological
4 report, Mr. Cress, would you please tell the Commission as
5 to your conclusions as to the formations likely to be en-
6 countered and the formations that you are considering as
7 possibly productive?

8 A Well, production to the south indicates
9 that we have pretty potential production possibilities in
10 the basal Abo or Upper Wolfcamp, which are Permian age.

11 In addition to this we anticipate potential
12 pays in the sands and limes of the Upper Pennsylvanian,
13 which lie immediately below the Permian, and rest uncon-
14 formably on the underlying truncated Pre-Pennsylvanian
15 Paleozoics.

16 The major objective is the Siluro-Devonian,
17 which is a Paleozoic formation. It lies underneath the
18 Mississippian lime.

19 Q Would you please also tell the Commission
20 the objective depth and location of the initial test well?

21 A The test is to be located in Section 7 of
22 Township 16 South, Range 24 East, in Lot 3, which would be
23 the northwest of the southwest quarter of Section 7.

24 Q Township 16 South, Range 24 East.

25 A The depth is proposed at 6500 feet.

1 Q Have the other working interest owners in
2 the unit been contacted?

3 A Yes.

4 Q In your opinion, what percentage of the
5 working interest will be committed and what percentage of
6 the royalty will be committed?

7 A It's my opinion 95 percent of the working
8 interest will be committed and 80 percent of the royalty.

9 Q In your opinion will the operation of this
10 area under the proposed unit plan of development be in the
11 interest of conservation and prevention of waste?

12 A Yes.

13 Q Will the different institutions of the
14 State, if any, receive their fair share of production if
15 established?

16 A Yes.

17 Q In the event of production will the corre-
18 lative rights of all parties to the unit agreement be
19 protected?

20 A Yes.

21 MR. RICHARDSON: We would now like to
22 enter the geologic report into evidence, Exhibits One, Two,
23 Three.

24 MR. NUTTER: Applicant's Exhibits One through
25 Three will be admitted in evidence.

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MR. RICHARDSON: I have nothing further.

Do you have any additional questions? I have one more statement I'd like to make.

MR. NUTTER: What is that regarding?

MR. RICHARDSON: Our time limit. We have a March 31st expiring big Federal lease, and we are planning to drill on it, at least Yates is planning to drill on that lease, but if the BLM can't get the, let's say, buffalo chips counted in time to let us on, we have to move the location, so that there's a rather short time fuse.

MR. NUTTER: I see, I don't think there'll be any problem with getting an approval for the unit agreement, Mr. Richardson.

I do have a couple of couple of questions, though, for Mr. Cress.

CROSS EXAMINATION

BY MR. NUTTER:

Q. How many acres did you say are in the unit?

A. 9,780.99.

Q. Now the application -- oh, there's a difference in the --

A. Yes, sir, there's an error on the geologic report, and I'm sorry, I neglected to mention it.

MR. RICHARDSON: Also on the application.

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1 That application was worked up from the County -- County
2 map without an accurate measurement of the lots, the accu-
3 rate acreage in the lots.

4 It's about seventeen acres difference.

5 Q So the correct figure is 9780.99.

6 MR. RICHARDSON: Yes, sir.

7 Q Okay. Now, one other thing. The unit
8 agreement, maybe this is more properly addressed to you,
9 Mr. Richardson.

10 MR. NUTTER: The unit agreement designates
11 L. C. Harris as the unit operator.

12 MR. RICHARDSON: Right.

13 MR. NUTTER: Now, is a new unit agreement
14 being prepared that would --

15 MR. RICHARDSON; Yes.

16 MR. NUTTER: -- designate Yates Petroleum
17 or will Yates take over as successor unit operator under
18 this agreement?

19 MR. RICHARDSON: No, there will be a new
20 unit agreement.

21 MR. NUTTER: I see.

22 MR. RICHARDSON: We will furnish the new
23 unit agreement with Yates as operator to you.

24 MR. NUTTER: Designated as operator.

25 MR. RICHARDSON: Yes.

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MR. NUTTER: Okay. Are there any further questions of Mr. Cress? He may be excused.

Do you have anything further, Mr. Richardson?

MR. RICHARDSON: No, sir.

MR. NUTTER: Does anyone have anything they wish to offer in Case Number 6490?

We'll take the case under advisement.

(Hearing concluded.)

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REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a court reporter, DO HEREBY CERTIFY that the foregoing and attached 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, knowledge, and skill, from my notes taken at the time of the hearing.

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Sally W. Boyd
Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6490, heard by me on 2/14 1979.

[Signature], Examiner
Oil Conservation Division

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date MARCH 14, 1979 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
William L. Bass	Campbell + Black, P.A.	Santa Fe
Chris St. ...	GETTY OIL CO.	MIDLAND
GARY MILLER	SUN OIL CO.	MIDLAND
J. J. Harris	Sun Oil Co	Dallas
Bill Thomas	Sun Oil Co	Midland
R. M. Williams	Morris R. Antweil	Hobbs
Terry Cress	Gulf Oil Corp	Midland
C.F. KALTERER	" " "	" "
STEVE ...	LLANO, INC.	HOBBS
HARVEY L. GARD	Pogo Producing Co.	Houston, TX
R.H. LANE	West ...	HOBBS.
E.C. Jourdan	Potash Co of Amer.	Carlsbad
ALFRED KLAPP	LLANO, INC.	HOBBS
RE Kuby	Amoy Chemical Corp	Carlsbad
ROBERT D. BROWN	AMAX CHEMICAL CORP.	CARLSBAD
P.M. ...	" " "	" "
R.H. Cress	" " "	" "
Jasa Kellars	Kellars ...	Santa Fe
CHARLES A. FEEZER	DOW & FEEZER P.A.	CARLSBAD

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date MARCH 14, 1979 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
Carter Hooper	Montgomery Law Firm	Santa Fe
J.W. Mulligan	Foy Boyd Hiss Co INC { POGO PROD. Co. }	MIDLAND, TEX
G.W. Edwards et al	Claro Inc.	Hobbs, N.M.
Don Carey	Luna, Inc.	Hobbs, N.M.
R L Bayless	MERRION E BAYLESS	Farmington N.M.
Ray Stall	USGS	Artesia
Jack Willock	USGS	Albuquerque
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David C. ...	Mason, Mason & Cox, Attorneys	Hobbs