

1 STATE OF NEW MEXICO  
2 ENERGY AND MINERALS DEPT.  
3 OIL CONSERVATION DIVISION  
4 STATE LAND OFFICE BLDG.  
5 SANTA FE, NEW MEXICO  
6 9 May 1984

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Union Oil Com- CASE  
10 pany of California for a unit 8173  
11 agreement, Lea County, New  
12 Mexico.

13 BEFORE: Richard L. Stamets, Examiner

14 TRANSCRIPT OF HEARING

15 A P P E A R A N C E S

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19 For the Oil Conservation Division: W. Perry Pearce  
20 Attorney at Law  
21 Legal Counsel to the Division  
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Santa Fe, New Mexico 87501

23 For the Applicant: James T. Jennings  
24 Attorney at Law  
JENNINGS & CHRISTY  
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Roswell, New Mexico 88201

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I N D E X

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MR. STAMETS: We'll call next Case 8173.

MR. PEARCE: That case is on the application of Union Oil Company of California for a unit agreement, Lea County, New Mexico.

MR. STAMETS: We will skip over that case and check back on it at the break.

MR. JENNINGS: I'm James T. Jennings of Jennings and Christy of Roswell, on behalf of applicant, Union Oil Company of California.

I do have two witnesses.

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

(Witnesses sworn.)

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

DIRECT EXAMINATION

BY MR. JENNINGS:

Q Would you please state your name, place of residence and occupation?

A Okay. My name is Stacie Ann Kruer. I live in Midland, Texas.

Q You might spell your name for the re-

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porter, please.

A K-R-U-E-R.

And I work for Union Oil of California and I'm a development geologist.

Q Stacie, where did you -- do you have any degrees?

A I received my BS in geology from Oregon State University and I received my Masters of Science from the University of Utah, also in geology.

Q And how long have you been employed by Union Oil Company?

A Three years.

Q And I think you stated as a development geologist?

A Correct.

Q Have you ever testified before this Commission or any other commission?

A No, sir.

Q Well, just don't be nervous because everything's relaxed.

MR. JENNINGS: Will you accept the witness' qualifications?

MR. STAMETS: Yes, she is considered qualified.

Q Stacie, are you generally familiar with the application filed in Cause Number 8173 by Union Oil Company of California?

A Yes, sir.

1  
2 Q Just generally, what is Union seeking in  
3 that application?

4 A Okay. Union Oil is seeking approval of  
5 the Brown State Unit to drill a proposed 12,500 foot Brown  
6 State 28-1.

7 This well will be located 660 feet from  
8 the north line and 1980 feet from the east line of Section  
9 28 in Township 15 South, Range 32 East, Lea County, New Mex-  
10 ico.

11 The proposed --

12 Q Stacie, do you -- before you continue  
13 would you refer to what has been marked as Exhibit One and  
14 tell the Commission -- Commission what that is and then you  
15 can refer to it when -- regarding your testimony.

16 A Okay. Exhibit One is an area map showing  
17 the various fields in the area and these include the Feather  
18 Wolfcamp Field, the Feather Morrow Field, and the North An-  
19 derson Ranch Field, which is Wolfcamp and Morrow.

20 And the proposed unit is shown by the red  
21 outline and the proposed well by the red dot.

22 The scale is one inch to 2000 feet and  
23 Union's acreage is shown in yellow and the Morrow wells are  
24 shown in blue in the area.

25 Q Would you locate those two Morrow wells  
and tell what they produce, or what all the Morrow wells in  
there produce?

A Okay. The Santa Fe Energy State UTP

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Wells are located in Section 21 and they're presently producing oil. They've been classified as oil wells.

The 32-1 in Section 32 has just recently been completed in the Morrow and it is presently hooked up to a pipeline but it will produce gas.

Q What's the status of production in the Anderson, North Anderson Ranch Field?

A Okay. The North Anderson Ranch consists -- the majority of production is from the Wolfcamp. In Section 28 there are presently no producing Wolfcamp wells.

There are two Wolfcamp wells in the North Anderson Ranch Unit, the 1-33 and the 2-33 in Section 33.

Q Stacie, now would you refer to what has been marked as Union's Exhibit Number Two and tell what that is?

A Okay.

Q And explain it to us.

A Exhibit Number Two is a geological structure map contoured on top of the Morrow formation. The scale again is one inch to 2000 feet. Contour interval is 25 feet.

Again the proposed unit is shown by the red outline and the proposed Morrow well by the red dot, and again Union's acreage is shown in yellow.

This map shows that the Brown State Unit will be located on a north plunging nose of a north/south trending anticline, which has approximately 100 feet of clo-

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sure.

Structure dips to the north across the proposed unit at approximately 75 feet per mile.

The proposed location will be 30 to 35 feet higher than the Santa Fe Energy State UTP No. 1 in Section 21 and approximately 75 to 80 feet lower than the Union State 1-33 in Section 33.

The cross section A-A', which runs through the proposed location and the Santa Fe Energy State UTP No. 1 and the Union State 1-33 is shown by the red line.

Q What kind of production do you anticipate?

A We're expecting equivalent production to the State UTP No. 1, the Santa Fe Energy State UTP No. 1. It is -- it was completed in November of '81 and it has since produced 84,179 barrels of oil and .428 billion cubic feet of gas through December of '83.

The State UTP No. 2 has only been producing for one month. I only have December's production and it has produced 111 barrels of oil.

Q Now, Stacie, would you refer to what has been marked as Exhibit Three and explain that, tell us what it is and explain it?

A This is a southwest/northeast cross section A-A', which I pointed out on the structure map, going through the Union State 1-33, the proposed location, and the Santa Fe Energy State UTP No. 1. The scale is one inch to

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-- equals 40 feet vertical, one inch equals 500 feet horizontally. The proposed unit is shown at the top and perfs in the State UTP No. 1 are shown in red.

This cross section shows the Pennsylvanian Morrow formation, which is about 400 feet thick in the area. The reservoir effective in the Morrow is the Morrow sand.

The State UTP -- Santa Fe Energy UTP No. 1 penetrated approximately 18 feet of sand at a depth of 12,364 feet. These sands are expected to extend across the proposed unit and are expected to be productive in the unit area.

Correlative sands were found in the Union State 1-33 and although there were gas shows present, these sands were found to be tight and were never tested in the Morrow formation.

Q Stacie, referring back to Exhibit Two, are the wells shown on your cross section the wells that are connected with the red line that you've indicated?

A Yes, sir.

Q Do you anticipate that there is possible production throughout this unitized section?

A Through Section 28.

Q Stacie, in your opinion will the unitizing this section be in the interest of conservation and protect waste --

A Yes, sir.



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Q --protect against waste?

A Yes, sir, it will.

Q Will it protect the correlative rights of all the operators in the area?

A Yes, sir.

Q Were Exhibits Numbers One, Two, and Three prepared by you or under your supervision?

A Yes, sir, they were prepared by me.

MR. JENNINGS: We have nothing else of this witness.

MR. STAMETS: Any questions of the witness? She may be excused.

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

DIRECT EXAMINATION

BY MR. JENNINGS:

Q Will you state your name, place of residence and occupation, please, sir?

A My name is Robert V. Lockhart. I'm employed by Union Oil Company of California in Midland, Texas, as the Midland District Land Manager.

Q How long have you been employed by Union Oil Company, Mr. Lockhart?

A Since 1961.

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Q And how long have you been serving in your present capacity?

A As Manager since 1977.

Q Are you familiar with the application that's been filed herein by --

A Yes.

Q -- Union?

A We're attempting to seek the State's approval for the formation of a State-approved one section unit. It's composed of all of Section 28, Township 15 South, Range 32 East, Lea County, New Mexico.

The section is composed of five leases. We have thirteen working interest owners and our first expiration is September 1st, 1984 in Tract 5, contributed by Yates Petroleum, et al.

Q Mr. Lockhart, would you refer to what has been marked as Union's Exhibit Number Four, the unit agreement?

A Yes, sir.

Q Is that generally a state form?

A Yes, sir, this is a prescribed State form that was furnished in our initial preliminary approval to proceed with the formation of this unit. It was furnished to the State.

Q Do the exhibits attached to that Exhibit Four reflect the acreage and breakdown of the acreage?

A Yes, sir, we have a map that's entitled,

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2 I believe, Exhibit A and then our Exhibit B is a breakdown  
3 of the leases in detail.

4 MR. JENNINGS: Just a minute.

5 Q Mr. Lockhart, have you made a request to  
6 the State of New Mexico for approval of the unit?

7 A Yes, we have. I believe it was by letter  
8 dated -- is it March 21st, Jim?

9 Q March 22nd.

10 A March 22nd.

11 Q Would you please refer to what has been  
12 marked as Exhibit Five, in two parts, and this is what has  
13 been marked Exhibit Five. Is that your request?

14 A Yes, sir.

15 Q And did you receive any response?

16 A Yes, the State gave us preliminary approval  
17 to proceed with the formation of this unit by letter  
18 dated April 9th, I believe, 1984.

19 Q And refer to that attachment thereto and  
20 is that the approval?

21 A Yes.

22 Q Have you requested -- have you contacted  
23 all of the working interest owners?

24 A Yes, sir, we furnished all the working  
25 interest owners with a proposal letter and they have re-  
sponded both verbally and in writing that they do concur  
with our plan to form this unit and they will participate in  
the drilling of this well subject to final approval of our

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operating agreement and unit agreement form.

Q I hand you what has been marked as Exhibit Six and would you identify that and tell us what it is, please?

A Yes, sir, this is our proposal letter to the partners for the formation of this unit, wherein we furnished them with a copy of our proposed AFE and the attachments thereto are the responses that we've had from our partners. They've either signed the AFE or a letter stating they would support our plan.

Q When you submitted the proposal did you also submit the AFE?

A Yes, sir.

Q What's the estimated cost of this well, Mr. Lockhart?

A The total cost is anticipated to be \$990,000.

Q And what's the depth?

A 12,500 feet. It's a Morrow test, located in the northwest quarter the northeast quarter Section 28.

Q Have you prepared a unit operating agreement?

A Yes, sir.

Q Is that what has been marked as Exhibit--

A Yes, sir.

Q -- Seven?

A Yes, sir.

1  
2 Q What is -- have you had that executed or  
3 are you process -- are you in the process of getting that  
4 executed?

5 A It's in the process of being furnished to  
6 our non-operators, our partners in the well.

7 Q When -- when the unit agreement is com-  
8 pleted will you furnish the Commission with a copy of the  
9 executed counterpart?

10 A Yes, sir.

11 Q Will you likewise furnish the Commission  
12 with a copy, executed copy -- counterpart of the unit agree-  
13 ment when it has been executed?

14 A Yes, sir, along with everyone's ratifica-  
15 tion of the unit agreement and operating agreement.

16 Q Mr. Lockhart, do you feel that this --  
17 granting this unit will be in the interest of conservation  
18 and will prevent waste?

19 A Yes, sir, I do.

20 Q Do you further feel it will protect the  
21 correlative rights of all the operators in the area?

22 A Yes, sir.

23 Q Do you have anything further that you  
24 wish to offer at this time?

25 A No, sir.

Q Mr. Lockhart, were Exhibits Four, Five  
and Six and Seven documents prepared in the ordinary course  
of business, copies thereof?

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A Yes, sir. Under my supervision.

MR. JENNINGS: I believe that's all we have of this witness.

MR. STAMETS: Are there questions of the witness?

MR. PEARCE: May I, Mr. Examiner?

MR. STAMETS: Yes, please do.

MR. PEARCE: Mr. Jennings, on the last page of Exhibit Four, Tract Number 5, being the southeast quarter, northeast quarter, 80 acres, that shows a basic royalty of 1/6th. Is that a State lease with a 1/6th?

MR. JENNINGS: Yes, sir.

A Yes, sir.

MR. PEARCE: Thank you, sir.

MR. JENNINGS: V-193.

MR. STAMETS: If there are no further questions, the witness is excused.

A Thank you.

MR. STAMETS: If there is nothing further the case is 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. 8173 heard by me on 5-9 1984.

Richard L. Plam Examiner  
Oil Conservation Division