

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 3 October 1984

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Yates Petroleum Corporation for a unit agreement, Santa Fe County, New Mexico. CASE 8354

10  
11 BEFORE: Gilbert P. Quintana, Examiner

12  
13 TRANSCRIPT OF HEARING

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16 A P P E A R A N C E S

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19 For the Oil Conservation Division: Jeff Taylor  
20 Attorney at Law  
21 Legal Counsel to the Division  
22 State Land Office Bldg.  
23 Santa Fe, New Mexico 87501

24 For the Applicant:  
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MR. QUINTANA: We'll call next  
Case 8354.

MR. TAYLOR: This case will be  
continued until October 17th. That's the application of  
Yates Petroleum Corporation for a unit agreement, Santa Fe  
County, New Mexico, and the applicant has asked that it be  
continued.

MR. QUINTANA: Case 8354 will  
so be continued to -- until October 17th, 1984.

(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. 8354 heard by me on Oct. 3 19 54  
Silbert P. Quintana, Examiner  
Oil Conservation Division

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2 ENERGY AND MINERALS DEPARTMENT  
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6  
7 17<sup>th</sup> October 1984

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20 Attorney at Law  
21 Legal Counsel to the Division  
22 State Land Office Bldg.  
23 Santa Fe, New Mexico 87501

24 For the Applicant: Chad Dickerson  
25 Attorney at Law  
LOSEE, CARSON, & DICKERSON P.A.  
Post Office Drawer 239  
Artesia, New Mexico 88210

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date OCTOBER 17, 1984 Time: 8:00 A.M.

NAME	REPRESENTING	LOCATION
Gene Thomas	The Petroleum Corp of Oel	Dallas
Armando Lopez	BLM	Roswell
Paul Huler	Byram	Santa Fe
Robt H Pell	Harvey E Yates Co.	<del>Nowhere</del>
Red Thompson	Harvey E Yates Co.	Midland
Jim Richardson	YATES PETROLEUM	Artesia
Bruce G. Blood	Yates Petroleum	Artesia
A. L. Keedick	El Paso Natural Gas	El Paso, TX
Chad DeBoron	Lawrence Duherron	Artesia NM
Loremary Arroyo	Harvey E. Yates Co.	Roswell NM
DAN KEENACIAN	ANADARKO PROD.	MIDLAND -
Michael Buzgo	ANADARKO	Midland.
Jimmy Kuebler	ANADARKO	Artesia
Gene Bruce	Hinkle Law Firm	Santa Fe
Karen Duherron	Kellahan + Kellahan	Santa Fe
Wm. ...	BLM	Santa Fe
Joe Lara	BLM	Santa Fe

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date OCTOBER 17, 1984 Time: 8:00 A.M.

NAME	REPRESENTING	LOCATION
W T Kellobin	Kellobin + Kellobin	Santa Fe
Patrick Tower	Santa Fe Energy Co.	Midland
Curtis A. Anderson	Santa Fe Energy Co	Midland
Charles Hagerman	Walter Teake	Dallas
A.K. Kendrick	Schalk Development Co	Carter, N.M.
James Jennings	Jennings & O'Leary	Roswell
Raymond L. Noble	J.M. Huber Corp	Midland, Texas
Bill Lawrence	J.M. Huber Corp.	Midland, Texas
Michael <del>Stover</del>	OOP	Santa Fe

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I N D E X

JANET RICHARDSON

Direct Examination by Mr. Dickerson 4

BRUCE BLACK

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Cross Examination by Mr. Quintana 10

Cross Examination by Mr. Taylor 13

E X H I B I T S

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Yates Exhibit Two, Unit Agreement 6

Yates Exhibit Three, Operating Agreement 6

Yates Exhibit Four, Letter 7

Yates Exhibit Five, Geologic Report 10

Yates Exhibit Six, (To be submitted.) 12

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3 MR. DICKERSON: Mr. Examiner, I  
4 might suggest in both Case 8356 and 8354 that because the  
5 parties have not formally executed these instruments and the  
6 government agencies have not formally approved them yet, but  
7 you might like to condition your order upon the subsequent  
8 approval by the Land Commissioner and the BLM.

9 MR. QUINTANA: We'll call next  
10 Case 8354.

11 MR. TAYLOR: The application of  
12 Yates Petroleum Corporation for a unit agreement, Santa Fe  
13 County, New Mexico.

14 MR. DICKERSON: Mr. Examiner,  
15 I'm Chad Dickerson of Artesia, New Mexico, appearing on be-  
16 half of the applicant.

17 I have the same two witnesses  
18 which were previously sworn and testified in the previous  
19 case and, as in the previous case, this application is filed  
20 and publicized in the name Yates Petroleum Corporation, but  
21 Peyton Yates will be designated as actual unit operator.

22 MR. QUINTANA: Mr. Dickerson,  
23 since both of your witnesses have previously sworn in and  
24 are testifying the same -- a different case and the same  
25 type of proceedings, we will forego swearing them in.

MR. DICKERSON: Okay.

MR. QUINTANA: You may proceed.

MR. DICKERSON: Okay.



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JANET RICHARDSON,

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

DIRECT EXAMINATION

BY MR. DICKERSON:

Q Ms. Richardson, would you refer to -- or would you briefly summarize the purpose of Peyton Yates' application in Case 8354?

A Okay. In Case 8354 Peyton Yates requests approval of the La Mesa Unit, which is situated solely in Santa Fe County.

Q Approximately how many acres does this unit cover?

A This unit has approximately 98,458 acres.

Q Okay. Refer the Examiner to what you have marked and submitted as Exhibit Number One and tell him what this plat shows?

A Okay. Exhibit Number One is the plat for the boundaries of the unit agreement. It shows the Federal land designated. They are approximately 43.6 percent. The State lands are 22.04 percent and fee lands, which are 34.33 percent.

Q And the total number of acres contained within the unit boundary is also shown on that exhibit?

A Yes, it is.

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Q What percentage of joinder by all -- both the BLM, the State of New Mexico Land Commissioner, and the fee interest owners do you anticipate obtaining in this unit?

A We anticipate obtaining approximately 82 percent of the owners.

Q Now you have previously contacted all those parties but no formal signatures have yet been obtained?

A Yes, we have.

Q Okay, turn to what is marked Exhibit Number Two and tell us what that is.

A Exhibit Number Two is a copy of the unit agreement which we propose to use for this La Mesa Unit. It is on a form previously approved by the -- well, as a form used for Federal, State, and fee unitization.

Q Okay. Exhibit B to that unit agreement shows what information?

A This shows the lease designation, who owns the leases after each tract number.

Q So separate boundaries of each lease tract and 100 percent ownership is shown on Exhibit number B?

A Yes, it is.

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

A Exhibit Number Three is a copy of the

1  
2 model form operating agreement that we are proposing to use  
3 the La Mesa Unit.

4 Q And referring to Exhibit A to that exhibit,  
5 what information is shown on Exhibit A?

6 A This Exhibit A shows the parties that are  
7 going to pay for the initial well.

8 Q And Peyton Yates pays for 100 percent of  
9 the initial unit cost, is that correct?

10 A Yes, he does.

11 Q Again refer to Exhibit Number Four, Ms.  
12 Richardson, and tell the Examiner what that is?

13 A Exhibit Number Four is a copy of a letter  
14 from the Federal Government after our unit designation meet-  
15 ing.

16 Q And has the BLM tentatively approved the  
17 unit boundaries and your proposed drilling program?

18 A Yes, they have.

19 Q And when do you anticipate submitting the  
20 unit agreement and unit operating agreement for final ap-  
21 proval?

22 A Immediately.

23 MR. DICKERSON: Mr. Examiner, I  
24 move admission of Exhibits One, Two, Three and Four, and I  
25 have no further questions of this witness.

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

Are there any further questions

1  
2 of this witness?

3 The witness may be excused.

4 MR. DICKERSON: And Mr. Bruce  
5 Black will be called at this time, Mr. Examiner.

6 BRUCE BLACK,  
7 being called as a witness and having been previously sworn  
8 upon his oath, testified as follows, to-wit:

9  
10 DIRECT EXAMINATION

11 BY MR. DICKERSON:

12 Q Mr. Black, you previously were sworn and  
13 testified in the previous case, as well, were you not?

14 A Yes, sir.

15 Q Would you state for the Examiner what  
16 your Exhibit Number Five submitted in Case 8354 is?

17 A It's the La Mesa Unit, dated June 15th,  
18 1984, geologic report.

19 Q Okay. Would you direct the Examiner's  
20 attention to the portions of that agreement and briefly sum-  
21 marize the geological foundation for the proposed unit bound-  
22 ary?

23 A All right. Figure 1 is this figure right  
24 here. It shows the proposed unit location with the two pro-  
25 posed locations, one located in the southern portion of the  
unit and the other up in the central, east central portion  
of the unit.

1  
2 The Figure number 4 will give you the  
3 geologic picture as best we can construct it. Again, this  
4 is a totally wildcat area except for one well, which has  
5 been drilled back in, I believe, 1983, and that was CKZ, lo-  
6 cated down at the southwestern portion of the unit outline  
7 itself. That's the only well that's been drilled in the  
8 unit. That was drilled as a tight hole and we do not have  
9 any information. It was not logged, as we understand, so  
there is no log to compare that with.

10 The unit is hypothetically based upon  
11 what we believe, our best estimates of what the Pennsylvan-  
12 ian structure looks like in a very complexly thrusting  
13 faulting, and then later covered by Tertiary area.

14 This area lies -- is bounded on the west  
15 side by our proposed Caja del Rio Grande Unit in approxi-  
16 mately the -2000 foot to the top of the Pennsylvanian struc-  
tural contour.

17 The east side is much easier delineated.  
18 It is delineated by large, normal faults, which are down to  
19 the west, which has dropped the whole Paleozoic section down  
20 and the whole area, particularly the southern portion of the  
21 area, has a number of imbricate thrust fault planes, which  
22 we -- at least that's what we believe they are, we haven't  
23 drilled them yet -- which are thrusting the Paleozoic sec-  
24 tion from the northwest toward the southeast and repeating  
the section.

25 We believe we have a very large Paleozoic

1  
2 structure sitting at depths underneath these thrusts.

3 We see the thrusts, these laramide  
4 thrusts, in the Sangre de Cristo Mountains just east of San-  
5 ta Fe. We know that laramide thrusting took place. In our  
6 seismic out in the basin we believe that we see these lara-  
7 mide thrusts on top of this large Paleozoic structure at  
8 depth.

9 So we want to test that structure with at  
10 least two places. We'd like to test the structurally --  
11 near the structural highs in both the southern part of the  
12 area and then also up to the central portion.

13 MR. DICKERSON: Mr. Examiner,  
14 it might be helpful, some of the background information that  
15 Mr. Black testified to in Case 8356 is also pertinent to  
16 this case and we would ask that the Examiner take adminis-  
17 trative notice of the testimony in Case 8356.

18 MR. QUINTANA: Administrative  
19 notice on the previous case on Mr. Black's testimony will be  
20 taken into account.

21 Q Mr. Black, would you just very briefly  
22 summarize the proposed drilling program for the initial de-  
23 velopment of this unit?

24 A Yes, sir. We propose -- Peyton Yates  
25 proposes to drill two wildcats, one a 7000-foot wildcat in  
26 Section 26 of 15 North and 9 East.

27 The second will be an 8200-foot wildcat  
28 in Section 20 of 16 North, 9 East.

1  
2                   These will both -- are intended as full  
3 Paleozoic tests and we will not only be drilling at the  
4 rooted Paleozoic plate but we will also be looking at the  
5 overthrust sheets as we go through that.

6                   Now here again there are no wells in  
7 these immediate vicinities and these are real wildcats, so  
8 they'll be real lesson learners for us.

9                   MR. DICKERSON: Mr. Examiner, I  
10 move admission of the Applicant's Exhibit Five at this time  
11 and I have no further questions of him.

12                   MR. QUINTANA: Exhibit Five  
13 will be taken into evidence.

14                   CROSS EXAMINATION

15 BY MR. QUINTANA:

16                   Q           Mr. Black, I notice as in the previous  
17 case you plan to test three different areas of the unit, the  
18 south, the middle, and the north.

19                   A           Yes.

20                   Q           In this you're planning to test the  
21 southern, the very southern edge of the proposed unit and  
22 the central area of the proposed unit. Do you have any  
23 plans to test it on the far north?

24                   A           Ultimately, yes. I think part of the  
25 complexity of this, and I can show you this. This is a  
classified line but it is not shown on the locations here.

This is an example of some of the thrust-

1  
2 ing in that area. You can see the overthrust, the imbricate  
3 thrust plates on top of these lower Paleozoic sections, and  
4 we intend to test the best locations going into that thing,  
5 but anywhere one of these imbricate thrusts are overriding a  
6 lower Paleozoic structure, or structural plank, we could  
7 have structural and stratigraphic traps underneath those  
8 plates.

9 So eventually, yes, we would like to pro-  
10 bably think in terms of testing that, but we're not asking  
11 that for the initial unit well.

12 Q The reason I asked that question, Mr.  
13 Black, is I notice in the letter from the United States De-  
14 partment of Interior where it states "we are willing to ac-  
15 cept the two-well commitment of the La Mesa Unit Area, as  
16 long as the second well tests the northern half of the pro-  
17 posed area."

18 What do you plan to do as far as meeting  
19 that commitment?

20 A We feel that that will certainly test the  
21 concepts. It's like any wildcat area, you can drill next to  
22 it on the next location and have a different geologic pic-  
23 ture. So we feel that that well will certainly tell us  
24 whether or not the reservoirs are there, if the porosity is  
25 there, the permeability, and tell us a lot about those  
thrust sheets.

That is a very key test. Depending on  
what happens there, then we'll move on.



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Q Is it -- would it be too much trouble for Mr. Black to make copies of some of those exhibits that you have --

A No, that would be fine.

Q -- showed to me but are not included as far as the testimony.

A Be glad to.

Q Could you send that to us? Could you possibly get them together and label that Exhibit Number Six?

MR. DICKERSON: Okay.

Q I'd like to see as much evidence as possible in this case.

MR. QUINTANA: Let the record show that Mr. Black will make certain copies of structure maps --

MR. DICKERSON: Mr. Examiner, let me ask, Mr. Examiner, you're not asking for complete. He stated that part of the information is --

A Seismic lines.

MR. DICKERSON: -- confidential, and you're not asking that we submit the confidential, proprietary information, are you?

MR. QUINTANA: We will only ask for you to include some of those maps that you were using as part of your testimony.

A No problem with that.

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2 MR. QUINTANA: And if any of  
3 those are classified, we can have them so marked and make  
4 sure that they're not available to anybody else.

5 MR. DICKERSON: Okay, all right,  
6 thank you.

7 MR. QUINTANA: Let the record  
8 show that Mr. Black will make copies of his exhibits that he  
9 presented in this case and they will be marked as Exhibit  
10 Number Six.

11 Any further questions of Mr.  
12 Black?

13 MR. TAYLOR: I'd just like to  
14 follow up on what we're talking about on the Federal appro-  
15 val.

16 CROSS EXAMINATION

17 BY MR. TAYLOR:

18 Q Have you proposed these two locations to  
19 the government since the date of this July letter and are  
20 they more or less in concurrence that that central location  
21 will test the northern part of the unit?

22 MR. DICKERSON: The well loca-  
23 tions, is the BLM aware of your proposed well locations and  
24 tentatively approved them?

25 MS. RICHARDSON: Yes, those  
were locations that we submitted them.

MR. TAYLOR: So they are agree-

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2 able that the well location that we consider to be more or  
3 less central in the unit will test the northern part of the  
4 unit?

5 MS. RICHARDSON: Yes.

6 MR. DICKERSON: And, Mr. Exami-  
7 ner, in both of these cases if you will merely condition  
8 your order on the subsequent approval of the BLM and the  
9 Land Commissioner, I think all of our problems would be tak-  
en care of in that manner.

10 Because we anticipate approval  
11 with no problems. This has been talked along for almost a  
12 year with the government.

13 MR. QUINTANA: Is there any  
14 further questions of Mr. Black? He may be excused.

15 Is there -- does anybody else  
16 have anything further in Case 8354?

17 In that case, Case 8354 will be  
18 taken under advisement.

19 (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. 8354 heard by me on OCT. 17 1984.

Gilbert P. Quintana, Examiner  
Oil Conservation Division