

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date AUGUST 26, 1987 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
W. Perry Pearce	Montgomery & Andrews, P.A.	Santa Fe
F. Chavez	DCD	Aztec
DICK ELLIS	SELF	DENVER, CO
W. Kellihin	Kellihin Kellihin and Associates	Santa Fe
Hal Coater	Roder Law Firm	Santa Fe
SR Foy	Bell, Fay & Middlebrooks, L.L.C.	Midland
Ric Bell	" " " "	"
Bob Huler	Byram	Santa Fe
TL Hill	MOBIL Producing TX & NM INC	Midland TX
T. E. Flanagan	" " " "	" "
Bill Murray	SAMEDAN OIL CORP	MIDLAND TX
Karen Quiney	Keechun, Kellahan & Quiney	Santa Fe
Charles H. Robinson	Juman	Hobbs, N.M.
Robert D. Hunt	Cities Service	Midland, TX.
Rebecca Egg	CITIES SERVICE	MIDLAND TX
RL Hocker	"	Tulsa, OK.
ED HANLEY	"	" "
Charles A. Gray	Sun Exploration & Prod.	Dallas, TX

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NAME	REPRESENTING	LOCATION
Karl Sommer	Ross Carbonics	Santa Fe
Jack Wheeler	Kviti Exploration, Inc.	Houston, Texas
John McPartey	Conoco	Hobbs, NM
Robert L. Bayless		Farmington
Nat Subramanian	Sun Expl & Prod Co	Dallas
R.H. Ewert	Sun Expl. & Prod.	Midland



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## STEVE FOY

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## RICK BELL

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MR. CATANACH: Call next Case  
9188.

MR. TAYLOR: Application of  
Bell, Foy, and Middlebrook, Limited, for a unit agreement,  
Chaves County, New Mexico.

MR. CATANACH: Are there  
appearances in this case?

MR. COOTER: Paul Cooter with  
the Rodey Law Firm in Santa Fe, appearing on behalf of the  
applicant.

We have two witnesses, Steve  
Foy and Rick Bell.

MR. CATANACH: Are there any  
other appearances in this case?

Will the witnesses please stand  
and be sworn in?

(Witnesses sworn.)

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

## DIRECT EXAMINATION

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BY MR. COOTER:

Q State your name for the record, please, sir.

A Steven Foy.

Q And by whom are you employed?

A I'm a general partner with Bell, Foy, and Middlebrook, Limited.

Q And what's your position with the company?

A I handle the land activities.

Q Explain briefly, if you would, Mr. Foy, what is sought by your company by this application?

A We seek to form a Federal and State exploratory unit for the purpose of drilling a Devonian test in Chaves County, New Mexico.

Q What depth do you anticipate that formation to be encountered?

A Oh, approximately 10,200 feet.

Q What lands are dedicated to your proposed unit?

A Sections 2, 11, and 14, Township 12 South, Range 30 East, Chaves County, New Mexico.

Q Three sections of land.

A Yes.

1 Q All three sections. Could you categorize  
2 the leases within the proposed unit area as Federal, State,  
3 fee?

4 A Okay. Sections 11 and 14 are two separ-  
5 ate Federal leases and there are two leases which cover Sec-  
6 tion 2, and they are State of New Mexico leases.

7 Q I believe a copy of the unit agreement  
8 was filed with your application?

9 A Yes, it was.

10 Q We have marked one as Exhibit Number One  
11 and tender that at this time.

12 There are two exhibits to that unit  
13 agreement. Exhibit A to it is a plat, is it not?

14 A That's correct.

15 Q And Exhibit Number Two is a listing of  
16 the leases?

17 A That's Exhibit B, yes.

18 Q Exhibit B. This Exhibit B on the one  
19 tendered differs somewhat from the Exhibit B to the one  
20 filed with your application in that you discovered an error  
21 in the land description on one of the State leases.

22 A Right, Tract No. 3 we had -- what we have  
23 filed with the Commission, we had the south half of the  
24 northeast quarter and it's supposed to be south half of the  
25 northwest quarter.

1 Q That has been corrected and a correct Ex-  
2 hibit B is attached to this copy of the unit agreement.

3 A Yes.

4 Q Did you tell us the well location?

5 A The well location is 990 from the north  
6 line and 1980 from the west line of Section 11.

7 Q What formations are covered by your pro-  
8 posed unit agreement?

9 A All formations.

10 Q And who is the operator?

11 A Bell, Foy, Middlebrook, Limited.

12 Q When will the initial well be commenced?

13 A Within six months of the effective date  
14 of the unit agreement but in all probability in September.

15 Q Exhibit Two is a letter from the BLM, is  
16 it not?

17 A Yes, it is.

18 Q And did the BLM give preliminary approval  
19 for the proposed unit?

20 A Yes, they have and they've designated the  
21 area as logically subject of unitization.

22 Q Exhibit Number Three is a letter dated  
23 August 12, 1987, from the Land Commissioner. Did he approve  
24 the proposed unit?

25 A Yes, he granted preliminary approval of



1 the unit agreement.

2 Q Have the -- all of the owners of the wor-  
3 king interest, working interests within the proposed unit  
4 agreement ratified the unit agreement and the unit operating  
5 agreement?

6 A Yes. All working interest owners, as to  
7 all tracts within the unit, have committed their interest to  
8 the unit.

9 Q And those are evidenced by Exhibits Four,  
10 Five, and Six, are they not?

11 A Yes, that's correct.

12 Q Santa Fe Energy Operating Partners, L.P.,  
13 Felmont Oil Corporation, and Conoco, Inc., are all of those  
14 working interest owners.

15 A That is correct.

16 Q How about the overriding royalty interest  
17 owners?

18 A We have not yet obtained the joinder,  
19 their commitments, but we are currently working on that.

20 Q Let me ask you to identify Exhibit Number  
21 Seven.

22 A That's our unit operating agreement.

23 Q The ratification by the working interest  
24 owners, they ratify both the unit agreement and the unit  
25 operating agreement.

1           A           That's correct.

2           Q           Are part of the lands restricted from  
3 drilling operations?

4           A           Yes. There is approximately half of a  
5 section that is -- has a no surface occupancy restriction to  
6 it.

7           Q           What section is that, Mr. Foy?

8           A           That is primarily the east half of Sec-  
9 tion 11.

10          Q           Your initial test well is not going to be  
11 on that land or -- or directionally drilled to under that  
12 land.

13          A           That is correct.

14          Q           That may come at a later date, hopefully.

15          A           Yeah, hopefully, yes.

16          Q           In your opinion, Mr. Foy, do the agree-  
17 ments afford effective control of the operations within the  
18 unit area?

19          A           Yes, they do.

20          Q           Would the approval of the unit in your  
21 opinion prevent waste?

22          A           Yes, it would.

23          Q           Protect correlative rights of the owners  
24 of both the mineral interests and the leasehold estates?

25          A           Yes, it would.

1 Q And be in the best interest of conserva-  
2 tion?

3 A Yes, they would.

4 MR. COOTER: I have no other  
5 questions of this witness.

6

7

CROSS EXAMINATION

8

BY MR. CATANACH:

9 Q Mr. Foy, that has a no occupancy clause  
10 on it? Do you know why?

11 A It's in the Mescalero Natural Outstanding  
12 -- Mescalero Sands Outstanding Natural Area, and it's a sand  
13 dune type area and throughout the entire area there's only  
14 certain parts of it that, you know, have been given no sur-  
15 face occupancy.

16 The acreage that -- that would be within  
17 the unit that is covered by a no surface occupancy restric-  
18 tions, we would be able to develop by directional drilling,  
19 but the State acreage, of course, is not part of that.

20 Q Do you have the overriding royalty inter-  
21 est owners listed somewhere?

22 A On the Exhibit B we have a column for  
23 overriding royalty interest. Now the Stander, I think that  
24 was his name, one of them that is the only overriding royal-  
25 ty interest. Buchanan has since assigned out some interest

1 to some other people, so it probably should be a list as  
2 Buchanan, et al.

3 I have the names of those people for you  
4 if you are interested.

5 Q Okay, why don't you provide us with a  
6 copy of that, if you would.

7 A Okay.

8 MR. CATANACH: I don't have any  
9 other questions of this witness. He may be excused.

10 MR. COOTER: Next call Mr.  
11 Bell.

12 On the owners of the overriding  
13 royalty interest, we just completed a title examination and  
14 I'll be happy to supply that by letter.

15 MR. CATANACH: Okay, that would  
16 be fine.

17 MR. COOTER: Would that be  
18 satisfactory?

19 MR. CATANACH: You bet.

20 MR. COOTER: Sure.

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23 RICK BELL,

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

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## DIRECT EXAMINATION

BY MR. COOTER:

Q Would you state your name for the record,  
please, sir?

A Rick Bell.

Q By whom are you employed, Mr. Bell?

A General partner, Bell, Foy, and Middle-  
brook, Limited.

Q And what's your position?

A I am a geologist/geophysicist.

Q Have you previously testified before this  
Division?

A Yes, I have.

Q Would you briefly relate your education  
and professional experiences for us?

A I have a Bachelor's degree from Eastern  
New Mexico University in geology; a Master's degree in geo-  
physics from the University of Texas, El Paso.

I've been employed in the oil and gas  
business for approximately ten years, the last four years  
involved in private ownership in operating companies. Four  
years prior to that I was Exploration Manager for Union  
Texas Petroleum and my previous experience from that point  
was Assistant District Geologist for Jake L. Hamon out of

1 Dallas.

2 Q Have you studied the lands included in  
3 the proposed Culp Ranch Unit?

4 A Yes, I have.

5 Q We're going to talk about two exhibits  
6 that were furnished when we filed this. These are our only  
7 copies, let me put them down here. The witness may have to  
8 stand up and look down that way.

9 First, let me ask you to explain to the  
10 Examiner what has been marked as Exhibit Number Eight, the  
11 seismic structure map?

12 A That is a seismic structure map contoured  
13 on the Devonian horizon. It is controlled by approximately  
14 26 miles of seismic data that you see represented on the  
15 map, which is comprised of essentially eight north/south and  
16 east/west lines, some of it being old singlefold and with  
17 four of the lines being later multifold CDP data.

18 Basically it illustrates a three section  
19 faulted anticlinal feature that covers the area and which  
20 the proposed operating unit comprises.

21 Q Let me ask you to explain Exhibit Nine  
22 and if you want to --

23 A Exhibit Nine, essentially there are only  
24 two deep penetrations in the -- within the unit area.

25 Exhibit Nine is the key log information

1 on the Conoco Mescalero Federal 11-1 that was drilled in  
2 March of '86, which illustrates it being a compensated neu-  
3 tron log and a dualatero log micro SFL, it illustrates the  
4 Devonian section and also illustrates what we believe in  
5 Schlumberger Services to be an oil/water contact in the up-  
6 per 40 feet of the Devonian section.

7 So essentially, based on that exhibit and  
8 comprising what we see structurally, we believe that under-  
9 neath the proposed unit acreage that we will get approxi-  
10 mately 178 feet high to that well above the oil/water con-  
11 tact and encounter a productive Devonian section.

12 Q Let me ask you similar opinions that I  
13 asked Mr. Foy.

14 In your opinion do the agreements afford  
15 effective control of the operations in the unit area?

16 A Yes, they do.

17 Q And would approval of the unit prevent  
18 waste?

19 A Yes, it will.

20 Q Protect correlative rights of both the  
21 mineral interests and the leasehold estates?

22 A Yes, it will.

23 Q And be in the best interest of conserva-  
24 tion?

25 A Yes.

1 MR. COOTER: Mr. Examiner, we  
2 offer Exhibits Number One through Nine.

3 MR. CATANACH: Exhibits One  
4 through Nine will be admitted into evidence.

5 MR. COOTER: And that concludes  
6 our questioning of this witness.

7  
8 CROSS EXAMINATION

9 BY MR. CATANACH:

10 Q Mr. Bell, this Conoco Well was drilled in  
11 Section 11?

12 A That is correct.

13 Q Was it -- is this a plugged well or --

14 A Yes. They, Conoco's evaluation of the  
15 well was, based on that drill stem test where they went back  
16 up and tested the upper part of the Devonian section, that  
17 the well was capable of producing approximately 100 barrels  
18 of oil from the Devonian a day and approximately 1000  
19 barrels of water, and due to the location of the well they  
20 felt it was uneconomical and elected to plug it.

21 MR. CATANACH: I think that's  
22 all we have of this witness at this time. He may be  
23 excused.

24 MR. COOTER: Mr. Catanach, that  
25 concludes the presentation of our case.



1 MR. CATANACH: There being  
2 nothing further in Case 9198, it will be taken under  
3 advisement.

4  
5 (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 the foregoing Transcript of Hearing before  
the Oil Conservation Division (Commission) 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. 9198  
heard by me on August 26, 1987.  
David R. Ceterak, Examiner  
Oil Conservation Division