

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 14 March 1984

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Gulf Oil Corporation
10 for a unit agreement, Lea County, CASE
11 New Mexico. 8050

12 BEFORE: Richard L. Stamets, Examiner

13 TRANSCRIPT OF HEARING

14 A P P E A R A N C E S

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18 For the Oil Conservation Division: W. Perry Pearce, Esq.
19 Legal Counsel to the Division
20 State Land Office Bldg.
Santa Fe, New Mexico 87501

21 For the Applicant: Karen Aubrey
22 Attorney at Law
23 KELLAHIN & KELLAHIN
P. O. Box 2265
24 Santa Fe, New Mexico 87501
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I N D E X

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3 MR. STAMETS: We will call next
4 Case 8050.

5 MR. PEARCE: That case is on
6 the application of Gulf Oil Corporation for a unit agree-
7 ment, Lea County, New Mexico.

8 MS. AUBREY: Karen Aubrey, Kel-
9 lahin and Kellahin.

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

12 How many witnesses do you ex-
13 pect to call, Ms. Aubrey?

14 MS. AUBREY: I have two witen-
15 ses to be sworn.

16 MR. PEARCE: Could I ask both
17 to rise at this time, please?

18 (Witnesses sworn.)

19 STEVE BURKE,

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

22
23 DIRECT EXAMINATION
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1
2 BY MS. AUBREY:

3 Q Would you please state your name, occupa-
4 tion, and by whom you are employed?

5 A My name is Steve Burke. I'm a land agent
6 for Gulf Oil Corporation.

7 Q And, Mr. Burke, are you familiar with the
8 application of Gulf, which is on for hearing this morning?

9 A Yes, I am.

10 Q Mr. Burke, can you tell us what the pur-
11 pose of the -- of Gulf's application is?

12 A This application is for the approval of
13 the unit agreement for the development and operation of the
14 proposed East Bradley Unit Area in Lea County, New Mexico.

15 Q And, Mr. Burke, can you tell us the size
16 of that unit area?

17 A It's 4,480 acres.

18 MS. AUBREY: Mr. Examiner, I'd
19 like to point out that this case was advertised as being
20 1000 acres short. We have checked with Mr. Pearce, general
21 counsel for the Commission, prior to the hearing and he in-
22 dicated that the size difference was not significant in in-
23 suring the size of the unit and it was agreeable to proceed
24 today.

25 MR. PEARCE: I'd also like to
point out for the record, Mr. Examiner, that the area is gen-
erally described in term of township and range and those are
correct in the advertisement.

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2 MR. STAMETS: And what is the
3 correct acreage?

4 A 4,480 acres.

5 MR. STAMETS: Okay, you may
6 proceed.

7 MS. AUBREY: Thank you, Mr. Ex-
8 aminer.

9 Q Mr. Burke, you have prepared for the Exa-
10 miner a copy of the unit agreement?

11 A Yes, I do.

12 Q And is that marked as Exhibit One?

13 A Yes, it is.

14 Q Is that unit agreement in a form which
15 has been substantially approved by both the Bureau of Land
16 Management and the Commissioner of Public Lands?

17 A Yes, we have received preliminary ap-
18 proval.

19 Q Does that exhibit, Mr. Burke, show what
20 the percent of Federal land and the percent of State land
21 is?

22 A Yes, it does. At the back of Exhibit
23 One, listed as Exhibit B, we have a schedule of the lands
24 and leases which show the Federal lands and the State lands.

25 Q And can you tell the Examiner what per-
centage of the unit area is Federal land and what percentage
of the unit area is State land?

A The unit is 85.7 percent Federal land and

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2 14.3 percent State land.

3 Q I'd like to refer you to Exhibit A to Ex-
4 hibit One, Mr. Burke. Can you tell us what that is?

5 A This is a plat showing the unit area. It
6 describes both Federal and State lands, and lists tract num-
bers for each different lease.

7 Q Does it also show the ownership within
8 each section of the unit?

9 A Yes, it does.

10 Q Mr. Burke, have you been negotiating and
11 are you still negotiating for participation by the unit in-
12 terest owners in the agreement?

13 A Yes, we are.

14 Q Do you expect to receive shortly partici-
15 pation by in excess of 75 percent of the owners?

16 A Yes, we do. We anticipate voluntary
17 joinder by over 75 percent.

18 Q Have you received approval for this unit
19 agreement from both the State Land Office and from the BLM?

20 A Yes, we've received preliminary approval.

21 Q Can you tell us, Mr. Burke, what forma-
22 tions you are seeking to unitize?

23 A All oil or gas within the unit area is
24 unitized. Our initial test will be a test of the Atoka for-
25 mation or 15,500 feet, whichever is the lesser.

Q Does your unit agreement contain an oper-
ating agreement?

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2 A Yes, there is an operating agreement. It
3 is Exhibit Two.

4 Q And does that operating agreement de-
5 scribe the procedure for expansion of the unit?

6 A Yes.

7 Q Can you tell us what that procedure will
8 be?

9 A There -- there will be allowed expansion
10 upon agreement of all parties.

11 Q Do you have any time limit for drilling
12 additional wells in the unit?

13 A We have six months from approval of the
14 unit agreement in which to commence our initial well, and
15 following that, we have six month periods in which to find,
16 obtain commercial production, and after that we must submit
17 a plan of development which states our development plans
18 within the unit area on a yearly basis.

19 Q Mr. Burke, who is designated as the
20 operator of the unit in Exhibits One and Two?

21 A Gulf Oil Corporation.

22 Q And will you tell the Examiner what the
23 participation formula is that's proposed under the unit
24 agreement?

25 A The participation formula is on an ac-
26 reage basis.

27 Q Mr. Burke, will the approval of the ap-
28 plication prevent waste, promote conservation, and protect

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correlative rights?

A Yes, it will.

Q Were Exhibits One and Two prepared by you or under your direction?

A Yes.

Q Mr. Burke, can you tell the Examiner whether or not you have any problem with expiring leases in the unit area?

A Yes, we do. We have two leases within the unit area which will expire April 1st, and for this reason we ask that this matter be handled as expediently as possible.

MS. AUBREY: Mr. Examiner, I have no other questions of this witness.

MR. STAMETS: Are there any questions of this witness?

CROSS EXAMINATION

BY MR. PEARCE:

Q Mr. Burke, which leases are expiring?

A Sir, these leases are Tract No. 3 and Tract No. 4.

MR. STAMETS: Any other questions?

The witness may be excused.

DIANA DUFF,

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

DIRECT EXAMINATION

BY MS. AUBREY:

Q Would you state your name, occupation, and employment for the record?

A My name is Diana Duff, a Senior Petroleum Geologist with Gulf Oil.

Q And, Ms. Duff, have you previously testified before the Oil Conservation Division and had your qualifications made a matter of record?

A Yes, I have.

MS. AUBREY: Mr. Examiner, are the witness' qualifications acceptable?

MR. STAMETS: They are.

Q Ms. Duff, in connection with the application of Gulf Oil for approval of the unit agreement, have you prepared an exhibit for consideration of this hearing?

A Yes, I have. Exhibit Three is a structure map on top of the Bell Canyon.

Q And what does this structure map purport to show in terms of the unit agreement?

A It shows a structural high in the unit area, the shallower formation reflecting a deeper structure. We had only two -- well, at the time we began putting the

1
2 unit together, we had only one point in the deep formation
3 in the Atoka. At this time we now have two points.

4 Q Can you identify for us what those two
5 points are?

6 A They are shown in pink on the Commission
7 exhibit.

8 Q And are those the two Pogo Wells?

9 A Yes, they are, in Section 20 and Section
10 17.

11 Q Does Exhibit Three also show some wells
12 which you believe to be control wells?

13 A Yes. All of the wells highlighted in
14 yellow, the subsea datums on the top of the Bell Canyon.

15 Q Can you give the Examiner your opinion as
16 to whether or not there's a correlation between the Bell
17 Canyon and the Atoka as shown on your structure map?

18 A In the Permian Basin we routinely use
19 shallower structure to indicate a deeper structure.

20 Q Ms. Duff, can you give us a geological
21 opinion that the configuration of the unit boundary is geo-
22 logically justified?

23 A Yes, it is. There's an analog in Winkler
24 County, Texas, the Crittendon Field, and the six Bell --
25 well, the six Atoka producers are on a structure very simi-
lar to this; the Bell Canyon overlying structure duplicates
the underlying Atoka.

Q And, Ms. Duff, in your opinion as a geo-

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2 logist, does Exhibit Three reflect a justified boundary for
3 the unit?

4 A Yes, it does.

5 MS. AUBREY: I have no more
6 questions of this witness.

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

9 Anything further in this case?

10 MS. AUBREY: Nothing further.

11 MR. STAMETS: The case will be
12 taken under advisement.

13 (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

Stamp: RECEIVED
Stamp: 8050
Stamp: 3-7-84
Stamp: 1984
Richard L. [Signature], Examiner
Oil Conservation Division

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 15 February 1984

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Gulf Oil Corpora-
10 tion for a unit agreement, Lea
11 County, New Mexico.

CASE
8050

12 BEFORE: Richard L. Stamets, Examiner

13
14 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
20 Division:

W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

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MR. STAMETS: We'll call next Case 8050.

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

Mr. Examiner, applicant has requested that that matter be continued till March the 14th, 1983 -- 84.

MR. STAMETS: The case will be so continued.

(Hearing concluded.)

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Sally W. Boyd CSR

2-15-84
Richard L. Hunt
8050
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1 STATE OF NEW MEXICO
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3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BLDG.
5 SANTA FE, NEW MEXICO
6 1 February 1984

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Gulf Oil Corporation- CASE
10 for a unit agreement, Lea County, 8050
11 New Mexico.

12 BEFORE: Richard L. Stamets, Examiner

13 TRANSCRIPT OF HEARING

14 A P P E A R A N C E S

15 For the Oil Conservation Division: W. Perry Pearce, Esq.
16 Legal Counsel to the Division
17 State Land Office Bldg.
18 Santa Fe, New Mexico 87501

19 For the Applicant:
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MR. STAMETS: The hearing will
please come to order.

Call first Case 8050,
application of Gulf Oil Corporatin for a unit agreement, Lea
County, New Mexico, and at the request of the applicant this
case will be continued to the February 15th Examiner
Hearing.

(Hearing concluded.)

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Sally W. Boyd

8050
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Richard P. Hunt
Oil Conservation Division