

NEW MEXICO OIL CONSERVATION COMMISSION

COMMISSION HEARING

SANTA FE, NEW MEXICO

Hearing Date SEPTEMBER 26, 1984 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
W. T. Zellheim	Zellheim & Zellheim	Santa Fe
C. M. Murray	Amerada Hess Corp	Tulsa
B. C. Pack	AMERADA HESS CORP	Tulsa
William F. Jarr	Gampbell and Black	Santa Fe
REBECCA A. Egan	CITIES SERVICE OIL & GAS CO	MIDLAND
E. J. Haulerx	Cities Service Oil & Gas Co	Tulsa, OK
Owen Lopez	Rimble Law Firm	Santa Fe
Dan Miller	Cous Engg	Santa Fe
Forrest Kriger	Amerada	Philadelphia
William Flannery	Transpco Engg	Shreveport, La.
Bob Hahn	Bryman	Santa Fe
DAVID COOPER	CO ₂ -IN-ACTION	AMARILLO, TX
W. J. Jones	CO ₂ -IN-ACTION	Amarillo
Z. Hecker	Cities Service Oil & Gas Corp	Tulsa
J. W. Wether	—	MIDLAND
Ken Rie	—	Tulsa
Michael Hammer	"	MIDLAND

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NAME	REPRESENTING	LOCATION
Karen Gibson	Kelshorn Wellbore	Santa Fe
Michael D. Lopez	OCD	Santa Fe
W.P. Neece	AMERIGAS	Dallas
Charles Cushman	Cities Service Oil & Gas Corp	Tulsa

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

26 September 1984

COMMISSION HEARING

IN THE MATTER OF:

Application of Cities Service Oil & CASE
Gas Corporation for a unit agreement, 8351
Harding and San Miguel Counties,
New Mexico.

BEFORE: Richard L. Stamets, Chairman
Commissioner Kelley

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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

For Citis Service: W. Thomas Kellahin
Attorney at Law
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501

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I N D E X

E. F. MOTTER

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CHARLES CREEKMORE

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3 MR. STAMETS: Call next Case
4 8351.

5 MR. TAYLOR: Application of
6 Cities Service Oil and Gas Corporation for a unit agreement,
7 Harding and San Miguel Counties, New Mexico.

8 MR. STAMETS: Call for appear-
9 ances in this case.

10 MR. KELLAHIN: Mr. Chairman,
11 I'm Tom Kellahin, Santa Fe, New Mexico, appearing on behalf
12 of the applicant and I have one -- two witnesses to be
13 sworn.

14 MR. STAMETS: Any other appear-
15 ances in this case?

16 Let both witnesses be sworn,
17 please.

18 (Witnesses sworn.)

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

22 DIRECT EXAMINATION

23 BY MR. KELLAHIN:

24 Q Mr. Motter, would you please state your
25 name and occupation?

1
2 A Yes. I'm E. F. Motter. I am Engineering
3 Manager for the Southwest Region for Cities Service Oil and
4 Gas Corporation, in Midland, Texas.

5 This area does encompass our area of res-
6 sponsibility and I've testified before the Commission numer-
ous times.

7 Q You've testified as a petroleum engineer,
8 have you not, sir?

9 A Yes, I have.

10 Q And were you involved on behalf of your
11 company in the attempts to formulate a voluntary unit con-
12 sisting of Federal, fee, and State acreage generally known
13 as the West Bravo Dome Area in Harding County, New Mexico?

14 A Yes, that's correct.

15 MR. KELLAHIN: Mr. Chairman, we
16 tender Mr. Motter as an expert petroleum engineer.

17 MR. STAMETS: He is considered
18 qualified.

19 Q Mr. Motter, let me direct your attention
20 to what we have marked as Cities Service Exhibit Number One,
21 and have you identify that for us.

22 A Yes. That is a plat of what's been re-
23 ferred to here today as the West Bravo Dome Area and Cities
24 is attempting to put a unit together for purposes of pro-
25 ducing carbon dioxide from the Tubb formation.

 Basically this exhibit shows the owner-
ship of the various working interest owners. The yellow ac-

1 reage is acreage that is held by Cities Service. The Ameri-
2 gas is not colored. It's the shaded area and you'll notice
3 it does encompass probably some 70-75,000 acres.

4 Q Well, Mr. Motter, I'm having difficulty
5 distinguishing between the shading in the dark green on Mit-
6 chell Ranch and the other shading that says "State acreage."
7 Is there a difference?

8 A No, there is not.

9 Q All right.

10 A The Mitchell Ranch is, as far as we know,
11 is entirely held by fee. There is no State. I don't think
12 Amerigas holds any State or Federal acreage, leases out
13 there.

14 If I may, --

15 Q Well, my point is I can't tell the dif-
16 ference in the shading between the State leases and the Mit-
17 chell Ranch. Is there --

18 A Well --

19 Q -- another exhibit that will do that for
20 us.

21 A Yes. I think the Commission already has
22 -- Mr. Stamets has one in front of him that is much better.
23 This is a photocopy and I think you can distinguish that.

24 That particular exhibit was presented in
25 a previous case and we have a limited amount of copies, but
I believe that will show that acreage.

I can again reiterate that the cross

1 hatched for the Mitchell Ranch is entirely fee acreage.
2

3 (There followed a discussion off the record.)
4

5 MR. KELLAHIN: Mr. Chairman, we
6 might do this, if you'll allow us, subsequent to the hear-
7 ing. I'd like to present you with another exhibit that will
8 clearly identify for you and in color that I can discern,
9 what is the Mitchell Ranch acreage.

10 MR. STAMETS: Good.

11 MR. KELLAHIN: It may be of use
12 to you.

13 MR. STAMETS: That sounds like
14 an excellent idea.

15 A I would like to comment on this that
16 Cities acquired this acreage from Amoco late 1980 and early
17 '81, and this was an area which did not go in the large
18 Bravo Dome Unit by virtue of the fact that the Mitchell
19 Ranch and/or Amerigas elected not to go into the big unit.

20 This then isolated this entire area from
21 the big unit.

22 We acquired this acreage from Amoco and
23 drilled seventeen wells immediately upon acquiring the ac-
24 reage; actually, from a period of about March of '81 to the
25 latter part of May, 1981.

26 Q All right, let me look at Exhibit Number
27 Two with you, Mr. Nutter -- Mr. Motter -- I'm looking at Mr.

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Nutter. I'm having trouble.

A I've been called worse.

Q Mr. Motter, when you look at Exhibit Number Two, can you tell us how the Amoco-operated Bravo Dome Unit is identified, its boundary identified?

A Yes, on Exhibit Two it's the -- it's the cross -- I don't know really what you'd call that, but if you'll notice over here in the lefthand under the distinction, it shows the Amoco Bravo Dome Unit boundary, and it's -- it is on the area, and pretty much coincides, except for that to the south, with both the large dotted line and between the Amoco Bravo Dome Unit and the area that we are attempting to unitize.

Exhibit Number Two is the area that we originally proposed for unitization at a meeting that we had called in February of '82, February 3rd, to be exact, and the reason that we did not go down to the south of Township 17 North was the fact that we had drilled a dry hole that's been referred in earlier testimony, and I believe that's in --

Q Section 16?

A -- Section 16, 17 North, Range 30 East. We felt like that that was the gas/water contact and so we eliminated that acreage to the south.

Q How did you determine the western boundary for the proposed unit area?

A At that particular meeting, the acreage

1
2 to the west at that time was held predominantly by Sun Oil
3 Company and they were asked if they wished for that acreage
4 to be included in the unit. We were aware of the dry hole
5 that you notice over in 28, Township 18, 28, in Section, I
6 believe that's 23 that was drilled by CO2-In-Action and as
7 has been previously testified, there's a facies change. Sun
8 said that they would take a look at it and advise us in a
short period of time.

9 I might go ahead and say that at that
10 particular meeting Amerigas was at the meeting and they had
11 TransPetco accompanied them, a party, I believe they're out
12 of Shreveport, and advised that they were purchasing the
13 Amerigas acreage and if successful, would hold over fifty
percent of the acreage.

14 We had told them there tht we would pro-
15 pose a straight acreage allocation that's been done in the
16 Bravo Dome Unit.

17 Q Did you invite both TransPetco and Ameri-
18 gas to participate in this voluntary unit?

19 A Yes, we did.

20 Q And that was the February, 1982 --

21 A February of 1982.

22 Q All right, sir. What's the next thing
that happened?

23 A Okay, the next thing that happened is we
24 had another meeting on February the 25th, 1982, and then
25 TransPetco was invited to attend and then they told us that

1
2 they were working on negotiations to purchase Amerigas' ac-
3 reage, that everything looked good, and that they would pro-
4 ceed with formation of the unit, since all the working in-
5 terest owners there indicated no opposition to these people
6 operating, since they were the apparent largest working in-
7 terest owner.

8 On March the 1st, '82, I sent a letter to
9 all the working interest owners with the minutes of the Feb-
10 ruary 25th meeting, advising that TransPetco would continue
11 with the unitization efforts.

12 On March the 9th, 1983, excuse me, 1982,
13 I was advised by TransPetco that they had successfully nego-
14 tiated the purchase of the Amerigas acreage and wanted to
15 review all Cities Service data, that they would be proceed-
16 ing with unitization efforts.

17 So for the next several months this group
18 brought in a number of other groups to look over our data,
19 obviously people needed for financing and so on and so
20 forth.

21 In the summer of '83 things really bogged
22 down and were not moving. I contacted TransPetco a time or
23 two about their progress towards unitization and finally we
24 went back to Amerigas and started talking to them again
25 about starting again unitization efforts.

At these meetings in August and September
of '83, we discussed numerous times with Amerigas a solution
to our problems out there, trading acreage. In other words,

1 they would trade Cities Service acreage in an area where
2 they're predominantly making pickup; we would pick up some
3 of their acreage.
4

5 One of the things that Cities was con-
6 cerned about was we recognized we had -- they had to have
7 approval of their lessee and we were never sure that this
8 was going to be forthcoming.

9 So on September the 21st of 1983 we again
10 called a meeting of all the working interest owners and
11 that's Exhibit Number Three, if you'll look at that.

12 Q Exhibit Number Three has a proposed unit
13 boundary for the voluntary Tubb Unit that shows an outline
14 at least initially of working interest owners that you
15 thought might be able to agree upon unit participation.

16 A That's right, and if you'll note, I re-
17 cognize it's a little bit difficult to distinguish the Mit-
18 chell Ranch on here, but it included a lot of Mitchell Ranch
19 acreage and -- but it did exclude what they call the valley,
20 and this was an area where they had wells that they wished
21 not to put in the unit and also had indicated that they
22 might want to develop.

23 So if you'll notice the area especially,
24 I guess, to the upper and righthand part between the Amoco
25 Brave Dome and the proposed area of unitization, there is
kind of a corridor through there which we reserved out for
Amerigas to develop at their wishes, and on down to the
south there's considerable Amerigas acreage was removed.

1
2 But they did continue in this area and I
3 think, if my memory serves me right, that they still had
4 about thirty percent in this particular --

5 Q Were you able to reach a consensus with
6 regards to the boundary as depicted on Exhibit Number Three
7 in the formulation of your voluntary unit?

8 A No, sir. At that particular meeting the
9 Amerigas people indicated that -- well, they wanted to see
10 our economics on what we plan to do out there as far as
11 developing, marketing, et cetera, and they told us at that
12 time that if they could participate without capital
13 investment, they would probably go with the unit.

14 So we, at that particular meeting all
15 those in attendance voted in favor of a formula based on 100
16 percent acreage and we were told to proceed.

17 The next thing we did was to meet
18 September the 29th of '83, we met with both the Bureau of
19 Land Management and the State Land Office to outline our
20 proposal and ask if there were any particular things that
21 they saw they would like to see included as far as the
22 contracts, and so on and so forth.

23 Q All right, so the November '83, our
24 Exhibit Number Four, represents the first unit boundary line
25 submitted to BLM and the State Land Office.

26 A That's correct.

27 Q All right.

28 A I might also say that we went ahead and

1
2 prepared our operating agreements and we included certain
3 phrases in our operating agreement which provided for cer-
4 tain amounts of recovery by the working interest owners that
5 put up the capital and where anybody that didn't put up
6 their capital would come back in after a certain payout. We
7 had a certain number on surface equipment, another number on
8 wells, and at that particular meeting Amerigas advised that
9 they had approached their lessor concerning certain restric-
10 tions in the lease agreement and that they didn't feel like
11 they could participate in our unit unless they could work
out some of these problems.

12 Subsequent to that they wrote us a letter
13 and they asked for two items to be included in our unit con-
14 tract. One of them was that -- implied covenants concerning
15 continuous development to be included on the unit rather
16 than leases as a whole, should be on the unit as a whole
rather than the leases.

17 They also requested that all working in-
18 terest owners sign a surface use agreement with Mr. Mit-
19 chell. We took that into consideration and in the meantime
20 we had scheduled another subcommittee meeting of the engi-
21 neers to determine reserves and on the area that is outlined
22 in Exhibit Three we did this not only for our own informa-
23 tion but also for a balancing agreement which was to be in-
24 cluded. We came up with 300-billion cubic feet of reserves
in this area.

25 We held our next unit meeting on November

1
2 the 30th and where we introduced Amerigas' request and the
3 two things they'd asked us to include and it was denied. In
4 fact they lacked to get a second on both motions, so we did
5 not put those in the unit agreement.

6 We then, well, Amerigas advised that they
7 wanted to be completely removed from the unit area. So we
8 did the best we could with the exception of windows that
9 were involved, we just flat couldn't take those out, and
10 this resulted in what is numbered Exhibit Number Four and
11 that was introduced in November of 1983.

12 Amerigas, of course, was at the next
13 meeting and we voted to proceed on that basis. Realizing
14 this was a considerable change from what we had discussed
15 with the BLM and the State Land Office, we again went back
16 to the -- both groups in February of '84, of this year.

17 In late February I received a phone call
18 from BLM advising that they had certain procedures to follow
19 and that there were some things on this new unit outline
20 that did not meet their qualifications and that they would
21 like to discuss it with us.

22 So we did discuss it with them in more
23 detail and at that time there was about twenty percent
24 Federal acreage.

25 They advised us --

26 Q Excuse me, Exhibit Number Four represents
27 the configuration with the twenty percent Federal?

28 A Yes, that's right.

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Q All right, sir.

A So we met with the BLM office in Albuquerque and at that meeting they told us they just did not have the authority to approve the unit as was outlined and gave us a few reasons and suggested that we might want to talk to the State office. So we came up and talked to the State people and then in March the 7th we received a letter denying Cities Service's application, or proposal.

So we met a week later and at that particular time they told us that when they held less than 10 percent interest as far as royalty is concerned, if there were certain other restrictions, well, some of the restrictions were removed, and so then we made an effort to reduce the Federal acreage to less than 10 percent and --

Q Is that what is represented in Exhibit Number Five, Mr. Nutter -- Mr. Motter?

A That's right. So we then -- so again, since this was a different change, we called a working interest owners meeting on May the 1st, 1984, in which we introduced our proposal number five.

At that meeting Amerada Hess held what a bit of Federal acreage and they said they would like to see at least portions of Federal tracts included in the unit, still recognizing that we stay with less than ten percent Federal acreage.

So we met with a rather small group, a subcommittee of Amerada Hess, Cities, and CO2-In-Action re-

1
2 presentatives, and we came up with what is my final exhibit,
3 Number Five, and that is the proposed unit outline today.

4 Q Is this a proposed unit outline that has
5 received preliminary approval from the Commissioner of Pub-
6 lic Lands and the Bureau of Land Management?

7 A That is correct.

8 Q Has adequate preliminary drilling taken
9 place in your opinion with regards to this proposed
10 voluntary unit area from which you can determine a starting
11 boundary for the unit?

12 A Yes. We, of course, will have about
13 fourteen of the wells that we've either acquired or drilled
14 will be included in this area. There will be a couple wells
15 outside the area which are isolated by virtue of being non-
16 contiguous, but we feel like this is the best we can do with
17 the starting boundary.

18 I might comment a little bit that our
19 unit is -- contains the normal enlargement proceedings and
20 one of the things that we would do is to bring in certain
21 amounts of Federal acreage to have a somewhat more uniform
22 boundary, and of course, we would like to encourage Amerigas
23 to come in and solve some of these other problems.

24 Agreements, by the way, were sent out on
25 June the 10th to all working interest owners and our next
witness will testify as to the current status.

Q All right, sir. Let's turn, Mr. Motter,
at this point to your operation plans. They're --

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A This is Exhibit Seven.

Q Is it Six or Seven? What was Exhibit Six?

A I have five. I have six plats.

Q What's the difference between the June '84 and the May '84.

(Thereupon a discussion was had off the record.)

MR. KELLAHIN: Mr. Chairman, if you'll change the operational bookley to Exhibit Number Seven.

The Exhibit Number Six that Mr. Motter was referring to is the proposed unit boundary, still the current boundary of June '84.

Q All right, sir, let me make sure we're correct.

Exhibit Number Six, then, is the current proposed unit boundary for the Cities Service operated West Bravo Dome Unit Area.

A That is correct.

Q And it is this configuration on Exhibit Six that has received preliminary approval from the Commissioner of Public Lands and the Bureau of Land Management.

A That is correct.

Q In your opinion, Mr. Motter, is the configuration as outlined on Exhibit Number Six still one that

1
2 is suitable for unit operations?

3 A Yes, it is. It's not desireable but it's
4 workable.

5 Q All right, sir.

6 Let's turn now to Exhibit Number Seven.

7 A Exhibit Number Seven is a bookley that we
8 have prepared for use in discussing this matter with royalty
9 owners, working interest owners, and a lot of this data was
covered in the previous hearing.

10 I'll go through it just briefly. On page
11 one is the general overview and two is the geology, page
12 two, excuse me.

13 On page three is our plan of unit
14 development and the Commission can read this at their lei-
sure.

15 On five is the drilling operations.

16 On six is what we plan to do. I might
17 point out there that we would use the same procedure as Amo-
18 co uses in that there will be remote equipment at the well-
19 site and the energy will be provided by solar.

20 The next several attachments are merely
21 the same geological data that we submitted in the previous
hearing.

22 I think the next thing that I would like
23 to point is, if you'd turn quickly to attachment 13 --

24 Q All right, sir, let's stop for a moment
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A All right.

Q -- at attachment 13, Mr. Motter, and have you go through that exhibit with us.

A All right. Attachment 13 is our proposed plan of development over the next two years and I might comment that this has developed the entire unit area.

We would propose to drill 32 wells in 1985, construct a gathering system, compression, dehydration, and also construct a 23-mile CO2 deliver line to take this over to the Bravo line operated by Amoco, well, 23 miles east of us.

Total expenditure is estimated to be \$20,500,000.

In 1986 we will continue to drill 18 more wells and, of course, the gathering system will have to be enlarged, 2-1/2 million.

We will build a large enough dehydration, compression in 1985 that we will not have to enlarge it in 1986, another \$7-million.

This is not set out in exhibits but if you'll please turn to the next two pages, the details of these expenditures are in there. There was a question in one of the previous hearings on where do these numbers come from. Well, here they are.

Q What is the proposed spacing pattern that you'll use for the unit wells, Mr. Motter?

A We have proposed these on the basis of

1
2 one well per section.

3 Q All right, sir, let's turn over to that
4 portion of the exhibit book with attachment 16 that shows
5 the gathering system.

6 A That's correct.

7 Q Is this a gathering system that has been
8 designed based upon 640-acre spaced wells?

9 A Yes, that is correct. It is designed to
10 pick up the gas from the wells already existing and I might
11 comment that the terrain in this particular area is rather
12 difficult and if you see some lines that don't really make
13 sense, we go on the shortest line between two points, we
14 have to take the CO2 up and down, oh, some 300 feet difference
15 in elevation and we try to do it the most economical way
16 we can.

17 Q Does the unit, or does Cities Service
18 have in place the necessary agreements for the surface usage
19 for its gathering system and its pipeline?

20 A Yes, we have a contract with the Mitchell
21 Ranch, who not only owns a lot of fee land out here, but
22 they also have surface leases on much of the State leases
23 and some of the Federal, and we have a contract that's been
24 in existence ever since we've been drilling in 1981. It
25 provides for the use of the land and it does provide for
gathering facilities or pipelines in this area.

The fees are all set and so on and so
forth.

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2 Q Would you go back to attachment 15, Mr.
3 Motter, and explain for us your anticipated production sche-
4 dule?

5 A Yes. This is our projected production
6 schedule. I would make one comment. There probably will be
7 some production late in 1985. As soon as the gathering
8 line, compression, dehydration are in, there's really no
9 need that we shouldn't start producing.

10 We feel like we'll have an outlet. In
11 fact we have projects going in the Permian Basin that can
12 use CO2 by pipeline in March of 1985.

13 Q So you have a readily available market
14 for the carbon dioxide as produced from the unit?

15 A That's correct.

16 Q All right, sir.

17 A So there might be, and probably will be,
18 some production in 1985.

19 I believe that that's really all the per-
20 tinent things in the brochure that needs to be discussed. I
21 would be happy to answer any questions.

22 Q All right, Mr. Motter, do you believe
23 that the proposed unit area is one that's suitable for unit
24 operations in the Tubb formation?

25 A Let me answer as I did before: It's
workable but not desireable. We would like to clean up the
boundary.

Q Were Exhibits One through Seven prepared

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by you or compiled under your direction and supervision?

A Yes, they were.

MR. KELLAHIN: That concludes
my examination by Mr. Motter.

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

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Motter, looking at the Exhibit Number
Six, it would appear that there are parts of this unit which
are isolated from the other parts or joined only at a cor-
ner?

A The unit agreement is very similar to the
Bravo Dome Unit and provides that anything that is conti-
guous even on a corner may join the unit.

Q How about is -- all these lines running
around here I'm not sure what I'm looking at.

In Section 9, 19, 29, the southwest quar-
ter, is the southwest quarter in the unit or out of the
unit?

A Okay, I have to find that.

MR. KELLAHIN: 19, 29?

A 19, 29?

MR. KELLAHIN: Section what?

MR. STAMETS: Oh, I'm sorry,
it's Section 1, 2, 3.

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A 1, 2, 3, the southwest quarter?

Q Uh-huh.

A It's Mitchell Ranch and it is out of the unit.

Q Would the same apply, then, to those two pieces just immediately to the west?

A That's correct.

Q Okay.

A The only, I might say at this stage, that the only Mitchell Ranch acreage that is included in here is -- it would be in the northwest quarter of Section 7 in the same township and range that you're referring to, and it may be better, Mr. Stamets, if you'll look at the large colored map, I can point those out.

(Thereupon a discussion was had off the record.)

Q Okay, Mr. Motter, in that township, Section 22, is there a piece of unit isolated in there meeting at the corner?

A I need to find 22. I need to -- let me have my map.

Yes, that comes in by virtue of being contiguous with the section to the northwest of it.

Q So if it's contiguous at a corner, that's all right with the State Land Office and other -- okay.

MR. STAMETS: Any other ques

tions of the witness?

He may be excused.

MR. KELLAHIN: Mr. Chairman,
I'll call at this time Mr. Charles Creekmore.

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Do you have a background as a petroleum
landman, Mr. Creekmore?

A Yes. I graduated in December, 1979, from
the University of Tulsa Law School and I was admitted to the
bar in the State of Oklahoma in April of the following year,
and I've been employed by Cities Service as a landman in
unitization and contracts, contracts for a short time and
unitization from that period on, from May of 1981. I've
been employed by them for 3-1/2 years, approximately.

Q Pursuant to that employment are you fami-
liar with the unit agreement that Cities Service has pre-
pared and proposed for the West Bravo Dome Carbon Dioxide
Gas Unit?

A Yes, I am.

Q Would you describe for us what has been
your experience in a general way with the West Bravo Dome

1 Unit Area?

2 A Either I or at my instruction have draf-
3 ted this unit agreement and prepared the exhibits that are
4 part of this agreement.

5 MR. KELLAHIN: We tender Mr.
6 Creekmore as an expert petroleum landman.

7 MR. STAMETS: He is considered
8 qualified.

9 Q Mr. Creekmore, would you please identify
10 for us what we've marked as Cities Service Exhibit Number
11 Eight?

12 A This is a unit agreement for the develop-
13 ment and operation of the West Bravo Dome Carbon Dioxide Gas
14 Unit, as it so states on the front, which is located in Har-
ding County, New Mexico.

15 Q What are the attachments to the unit
16 agreement?

17 A Well, the unit agreement is basically an
18 API form for unitization generally used in secondary
19 recovery; however, it has been adapted for CO2 use as it was
20 in the Bravo Dome Unit and we determined that it was probab-
21 ly the best instrument to use in this unit to be consistent
with what was used by Amoco in the larger unit.

22 Q With regards to the unit, what kinds of
23 attachments are there to the unit agreement?

24 A Well, there are exhibits at the back.
25 There's an Exhibit A, B, and C.

1
2 Exhibit A is a plat which has been passed
3 out, a plat just like that.

4 Q Does Exhibit A conform to the boundary
5 that Mr. Motter was testifying to in his Exhibit Number Six,
6 dated June, 1984?

7 A Yes, sir, it does.

8 Q And it's the acreage contained within
9 that area that you've attempted to consolidate as a volun-
10 tary unit for unit participation?

11 A Yes, sir, that is correct.

12 Q What is Exhibit B?

13 A Exhibit B is an actual description of
14 that acreage broken down in the mode mostly accepted by the
15 -- well, primarily accepted by the Federal government for
16 their acreage.

17 It is broken down first in Federal ac-
18 reage and State acreage and then fee acreage.

19 Q What is Exhibit C?

20 A Exhibit C is the participation factors
21 for each tract. Oh, there is an additional exhibit to that,
22 Exhibit D.

23 Q All right, let's talk about Exhibit C.
24 What is that?

25 A Exhibit C is the -- each tract, the num-
ber of acres in the tract and then the participation factor
for that tract.

Q How is that participation factor derived

1
2 for participation in the unit?

3 A That participation factor, you would have
4 to turn back to the unit itself back in Article V, and it is
5 based on a surface acre percentage. It's the acres per
6 tract compared to the acres in the entire unit.

7 Q Is that the form of participation that
8 was used and approved for Amoco in the operation of their
9 Bravo Dome Unit?

10 A Yes, sir, it was.

11 Q And is this a form of unit agreement that
12 has been submitted to and approved by the Commissioner of
13 Public Lands and the Bureau of Land Management?

14 A Yes, sir.

15 Q Mr. Creekmore, would you tell us at this
16 time approximately what percentage of the working interest
17 owners have indicated to you their willingness to partici-
18 pate in the unit?

19 A Okay. I've broken this down. We re-
20 ceived a letter from the Bureau of Land Management where
21 they have more or less deferred to the State for final ap-
22 proval, but they have given us preliminary approval.

23 Q All right, sir, just a minute. We'll
24 come back to those letters in just a second.

25 What I want to ask you, and what I'd like
you to tell me is in a percentage basis, in terms of 100
percent of the working interest owners.

A Oh, the working interest --

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Q The working interest owners over the unit area, what percentage of that working interest ownership has agreed in some fashion to join in that unit?

A Okay, all of the working interest owners gave preliminary approval before we sent out the unit agreements to the royalty owners, and then at the present time I have based on what Exhibit C shows as the ownership per tract, 98 percent.

Q Okay. When we talk about the working interest owners, what percentage of the working interest owners have not yet committed?

A There are around a percent or a percent and a half that are currently unleased or there's a problem with the ownerships because this is a developmental type unit and some of the acreage hasn't been cleared up. So there's a percent or a percent and a half that may be unleased. We're determining right now about those instances and then there is SEC Amerigas, Inc., which has not signed, and they own a .36136 percent, so they --

Q Would you go to any of the exhibits you like, how about the big Exhibit A, which is attached to the unit agreement, and have you locate and identify for us the Amerigas acreage?

A It is Tract 72, which is attributed to the Mitchells and it is in this Section 7, Township 19 North, Range 29 East in the northeast quarter of this 120 acres.

1
2 And then another part of the lease is al-
3 so Tract 70, I mean 72, I'm sorry, 72, and it's this little
4 quarter quarter section down here in Section 33, in Township
5 18, Range 29.

6 Q Do you have a commitment from Amerigas
7 that would allow you to dedicate that acreage to the unit?

8 A I received a copy of a letter from Mr.
9 Gene Motter, that is addressed to him.

10 Q Mr. Creekmore, I ask you to identify Ex-
11 hibit Number Nine for us.

12 A This is the letter that I was referring
13 to that I received the information concerning that tract.

14 Q And as a petroleum landman, what's your
15 understanding in construction of this letter?

16 A Well, relying on the second paragraph in
17 the letter, I determined that there was to be included 160
18 acres and at the instruction of Mr. Motter as our engineer
19 in Midland, I placed that acreage on the plat and described
20 it in Exhibit B.

21 Q Have you subsequently confirmed with the
22 royalty owner, Mr. Mitchell, his consent to dedicate that
23 acreage to the unit?

24 A We went by Mr. Mitchell's ranch and dis-
25 cussed the matter with him and he stated that, at the time
we talked with him, that he was intending to execute the
unit agreement but he was waiting on a segregation agreement
from Amerigas to him, which would segregate this -- the ac-

1 reage in this tract from the overall lease that he has.

2 Q At this point, then, Mr. Creekmore, do
3 you anticipate having 100 percent of the working interest
4 committed to the voluntary unit?

5 A I would hope we would.

6 Q Let's turn your attention now to the roy-
7 alty ownership and ask you what percentage of the royalty
8 ownership has been committed to the unit.

9 A Okay. As I stated before, we -- we have
10 a letter from the BLM stating that -- giving us preliminary
11 approval and they stated that they would rely on the State,
12 as I mentioned.

13 Q All right, sir, let me show you Exhibit
14 Number Eleven and ask you if this is the letter that you've
15 referred to as an indication of the BLM's approval of the
16 unit?

17 A Yes, it is.

18 Q All right, sir, for purposes of my ques-
19 tion, then, what percentage of the royalty ownership has
20 been committed to the unit?

21 A Okay, based on this letter and what over-
22 riding royalty ownership we have in the Federal acreage, we
23 have out of their 8.98 percent, we have 6.94 percent signed
24 up.

25 Q You have the Federal, the State, and all
the fee royalties and overrides. What percentage do you now
have?

1
2 A Actually signed up we have more than 67
3 percent.

4 Q All right. What is the proposed effec-
5 tive date of the unit, Mr. Creekmore?

6 A That is --

7 Q Just a second. Mr. Creekmore, would you
8 tell us what your proposed effective date is for the unit?

9 A Well, that depends on when we receive
10 what we hope to be all of the sign-up, and we right now are
anticipating around December 1st, 1984.

11 MR. KELLAHIN: Mr. Chairman,
12 that concludes my examination of Mr. Creekmore.

13 We move the introduction of
14 Cities Service Exhibits Eight through Eleven.

15 MR. STAMETS: The exhibits will
16 be admitted.

17 Are there any questions of the
18 witness?

19 MR. KELLAHIN: Excuse me, the
reporter tells me I had not moved the earlier exhibits.

20 We move the introduction of Ex-
21 hibits One through Eleven.

22 MR. STAMETS: We will admit all
23 of the exhibits.

24 Are there any more questions of
the witness? He may be excused.

25 I have another question of Mr.

1
2 Motter. He may remain where he is.

3 MR. MOTTER: Okay.

4 MR. STAMETS: Mr. Motter, in
5 the case of the Bravo Dome CO2 Unit for Navajo -- for Amoco,
6 the Commission retained continuing jurisdiction to amend the
7 boundaries of that unit based on development plans which
8 looked like it might take place over 15-20 years.

9 If I understood your testimony
10 correctly, you would intend to have full unit development on
11 640 acres, at least, by the end of 1986, is that correct?

12 MR. MOTTER: Yes, that's cor-
13 rect, the unit as it now stands, and as I said, we have en-
14 largement proceedings in our agreement and if we enlarge the
15 unit, then there'd be more development.

16 Right now we are planning to
17 develop it in two years.

18 MR. STAMETS: What Exhibit
19 would show that development?

20 MR. KELLAHIN: I think it was
21 Attachment 16, wasn't it?

22 I'm sorry, it's --

23 MR. MOTTER: No, it's on back,
24 Tom. There it is.

25 MR. KELLAHIN: 13.

MR. MOTTER: Oh, I'm sorry,
you're looking at the gathering system, okay.

MR. STAMETS: That also shows

1 the wells.

2
3 MR. MOTTER: Yes, that's cor-
4 rect.

5 MR. STAMETS: And those wells
6 are pretty well scattered throughout the unit area.

7 MR. MOTTER: That's right.

8 MR. STAMETS: Of course it
9 would be pretty well developed but they're also scattered
10 throughout this West Bravo Dome Area, so by that point of
11 development you ought to be pretty well able to see whether
12 that's appropriate or not.

13 MR. MOTTER: Well, you might
14 note on there that there are areas, and I can point out
15 several, although we have maybe like 200 acres that we have
16 not put a well, and we're just going to have to wait on de-
17 velopment and see how this works as far as the spacing is
18 concerned.

19 MR. STAMETS: Are there any
20 other questions of any of the witnesses?

21 They are both excused.

22 Anybody have anything further
23 they wish to add in this case?

24 The case will be taken under
25 advisement.

(Hearing concluded.)

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 Con-
servation Division was reported by me; that the said tran-
script is a full, true, and correct record of the hearing,
prepared by me to the best of my ability.

Sally W. Boyd CSR