

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:) CASE NO. 13,058
)
APPLICATION OF J. CLEO THOMPSON AND)
JAMES CLEO THOMPSON, JR., L.P., FOR)
APPROVAL OF A UNIT AGREEMENT, ROOSEVELT)
COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

RECEIVED

MAY 8 2003

April 24th, 2003

Oil Conservation Division

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, April 24th, 2003, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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I N D E X

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 Examiner Hearing
 CASE NO. 13,058

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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* * *

1 WHEREUPON, the following proceedings were had at
2 8:19 a.m.:

3 EXAMINER STOGNER: Okay, there's been a request
4 to go out of order. Go over to page 3, and at this time
5 I'm going to call Case 13,058, which is the Application of
6 J. Cleo Thompson and James Cleo Thompson, Jr., L.P., for
7 approval of a unit agreement, Roosevelt County, New Mexico.

8 At this time call for appearances.

9 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
10 representing the Applicant. I have one witness.

11 EXAMINER STOGNER: Will the witness please stand
12 to be sworn at this time?

13 Are there any other appearances?

14 (Thereupon, the witness was sworn.)

15 MIKE FOWLER,
16 the witness herein, after having been first duly sworn upon
17 his oath, was examined and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. BRUCE:

20 Q. Would you please state your name for the record?

21 A. Mike Fowler.

22 Q. Where do you reside?

23 A. Odessa, Texas.

24 Q. Who do you work for, and in what capacity?

25 A. I'm a geologist for J. Cleo Thompson.

1 Q. Have you previously testified before the
2 Division?

3 A. No, I have not.

4 Q. Would you please summarize your educational and
5 employment background?

6 A. I have a BS degree in geology from Texas Tech
7 University. I have worked 17 years in the industry as a
8 geologist. The past six years I have worked for J. Cleo
9 Thompson.

10 Q. Does your area of responsibility at Thompson
11 include southeast New Mexico?

12 A. Yes, it does.

13 Q. And are you familiar with the geology involved in
14 this Application?

15 A. Yes.

16 MR. BRUCE: Mr. Examiner, I'd tender Mr. Fowler
17 as an expert petroleum geologist.

18 EXAMINER STOGNER: Is that Ballard or Fowler?

19 MR. BRUCE: Fowler.

20 EXAMINER STOGNER: How do you spell that?

21 MR. BRUCE: F-o-w-l-e-r.

22 EXAMINER STOGNER: Mr. Fowler is so qualified.

23 THE WITNESS: Thank you.

24 Q. (By Mr. Bruce) Mr. Fowler, what does Thompson
25 seek in this case?

1 A. We seek an order approving the exploratory unit
2 of the northwest Jenkins.

3 Q. Would you identify Exhibit 1 and describe what
4 the unit area encompasses?

5 A. Exhibit 1 is the land plat covering the south
6 half of Section 32 in Township 8, 34 East.

7 Q. And the unit area is simply the south half; is
8 that correct?

9 A. Yes, that is correct.

10 Q. What types of lands are in the unit?

11 A. State lands.

12 Q. What is Exhibit 2?

13 A. It's just a unit agreement, common unit agreement
14 form, used by the Land Commissioner.

15 Q. Okay, so this is the proposed form that the Land
16 Office has, which just has been modified to fit your unit
17 area; is that correct?

18 A. Yes, it is.

19 Q. Does Exhibit B of the agreement reflect all of
20 the interest owners in the proposed unit area?

21 A. Yes, it does.

22 Q. If I'm correct, there are no overriding
23 royalties; is that correct?

24 A. That is correct.

25 Q. So it's simply the royalty interest and the

1 working interests?

2 A. Yes.

3 Q. And have all of the working interests ratified or
4 signed the unit agreement?

5 A. Yes, they have.

6 MR. BRUCE: Mr. Examiner, Page 6 does contain the
7 signature pages of all the working interest owners in the
8 unit. They have all ratified the unit.

9 One other thing, Mr. Examiner, Exhibit 3 was
10 meant to be the letter of preliminary approval from the
11 State Land Office. I have spoken with them as of
12 yesterday. They have told me that they would give
13 preliminary approval to the unit, but I haven't received
14 the letter from them. I would ask permission to hold the
15 record open for a few days so I can submit that to you.

16 EXAMINER STOGNER: And how will that be marked?
17 Will that be designated --

18 MR. BRUCE: -- Exhibit 3.

19 EXAMINER STOGNER: -- Exhibit 3. I'll hold the
20 record open until Exhibit 3 shows up.

21 Q. (By Mr. Bruce) Mr. Fowler, what are your plans
22 for the initial unit well?

23 A. To test the Devonian formation.

24 Q. And where will that well be located?

25 A. That well will be located -- just a second here,

1 make sure of the -- in the southeast quarter of the
2 southwest quarter of Section 32.

3 Q. Okay. Would you identify your Exhibit 4, the
4 cross-section, and describe for the Examiner what you are
5 hoping to test in the initial unit well?

6 A. Exhibit 4 is a structural cross-section using the
7 local control points. It runs west to east from the
8 Magnolia well through the Bright Apache to a Kerr-McGee
9 well. What it is showing is, is a Devonian feature that
10 was tested in 1991 by the Bright Apache.

11 Q. Did the Bright Apache well produce from the
12 Devonian?

13 A. Yes, it did, it cum'd approximately 46,000
14 barrels.

15 Q. Did it water out?

16 A. Yes, it did.

17 Q. Okay, go ahead.

18 A. Thompson is planning to test the same feature in
19 our proposed location in Section 32.

20 Q. There isn't a lot of well control in the Devonian
21 out here, is there?

22 A. No, there's not.

23 Q. Okay. What are Exhibits 5 and 6?

24 A. Exhibits 5 and 6, Exhibit 5 is a structure map on
25 the Devonian. That map shows an advantageous location to

1 the Bright well.

2 Q. It would be structurally higher than the Bright
3 well?

4 A. Yes, it would be.

5 Q. Okay. And the Devonian feature does cover a good
6 chunk of the south half of Section 32, does it not?

7 A. Yes, it does.

8 Q. And it dips down into Section 5 to the south?

9 A. Yes.

10 Q. What does Exhibit 6 reflect?

11 A. Exhibit 6 is just a subsurface map created using
12 the Wolfcamp XX marker. There is basically no deep control
13 out here, as I've stated. It does show closure on this
14 marker and in my opinion reflects a deep-seated Devonian
15 feature.

16 Q. Okay. Now, the location, the proposed location
17 of the initial well is, I believe, 1129 feet from the south
18 line and 2150 feet from the west line?

19 A. Yes.

20 Q. So it's too close to that northern quarter-
21 quarter section line under state rules; is that correct?

22 A. Yes, it is.

23 Q. Why is the unorthodox location necessary in this
24 case?

25 A. To gain the most structural advantage that we

1 can, and that way to most effectively drain the Devonian
2 feature.

3 Q. Now, Mr. Fowler, when you look at your Exhibit 5
4 it looks like the well could be placed further to the
5 south. Is there additional data you have which would
6 indicate that this is the best proposed location?

7 A. Yes, there is. We have shot a proprietary 3-D
8 shoot across this acreage.

9 Q. And that data shows that this location is the
10 best location?

11 A. Yes, it does.

12 MR. BRUCE: Mr. Examiner, that data, if you'll
13 recall, has been separately submitted to you in connection
14 with the unorthodox location request.

15 EXAMINER STOGNER: I'll take administrative
16 notice, and I don't have that -- the order has not been
17 issued at this point.

18 MR. BRUCE: Correct.

19 EXAMINER STOGNER: I am familiar with the
20 administrative application that was filed for this well for
21 an unorthodox location. If I remember right too, there was
22 a question on that, and you're referring to the additional
23 information --

24 MR. BRUCE: Yes, sir.

25 EXAMINER STOGNER: -- to the insufficient data

1 filed with that unorthodox location that was filed
2 administratively?

3 MR. BRUCE: That's correct, sir.

4 EXAMINER STOGNER: I'll take administrative
5 notice of the administrative application and also will --
6 whatever record is made, I will make mention in the
7 administrative application this case number today, which it
8 can be referenced by at any time.

9 Q. (By Mr. Bruce) Mr. Fowler, are there other
10 objectives in this well, other than the Devonian?

11 A. Yes, there is. There's the Atoka, Bough C, Abo
12 and San Andres.

13 Q. Is there much well control out here in those
14 formations?

15 A. In the Atoka, no. The Bright well did produce
16 out of the Atoka, approximately a half a BCF. The Bough C
17 has been heavily tested and produced in this area, and so
18 has the San Andres.

19 Q. Okay. Would you identify Exhibit 7 and discuss
20 the cost of the initial unit well?

21 A. Exhibit 7 is our AFE. It is for a 12,200-foot
22 test well. The casing point or dryhole cost is
23 approximately going to be \$796,000, with a completed well
24 costing \$1.1 million.

25 Q. Does Thompson request that it be designated

1 operator of the unit?

2 A. Yes.

3 Q. And Thompson is the largest working interest
4 owner in the unit, is it not?

5 A. Yes.

6 Q. Were Exhibits 1 through 7 prepared by you or
7 under your supervision or compiled from company business
8 records?

9 A. Yes, they were.

10 Q. And in your opinion is the granting of this
11 Application in the interests of conservation and the
12 prevention of waste?

13 A. Yes.

14 MR. BRUCE: Mr. Examiner, I'd move the admission
15 of Exhibits 1 through 7.

16 EXAMINER STOGNER: Exhibits 1 through 7 will be
17 admitted into evidence -- I take that back, Exhibits 1 and
18 2 --

19 MR. BRUCE: Oh, excuse me.

20 EXAMINER STOGNER: -- 4 through 7 will be
21 admitted into evidence at this time, and the record will be
22 kept open pending Exhibit Number 3, which is to be the
23 preliminary approval from the State Land Office.

24 Do you have any other questions?

25 MR. BRUCE: No, sir.

EXAMINATION

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BY EXAMINER STOGNER:

Q. Okay, let's see. Exhibit Number 4 -- this is the cross-section -- I look down at the map, and there seems to be an outline that takes in the south half of Section 32, a lot of Section 5 to the south and part of Section 6. What does that denote? Is that an old existing -- an old unit, or do you have any idea?

A. I do not know. It was just a land map that I had copied, and I really didn't pay any attention to that outline.

Q. Okay. Now, what is the present status of that well in Section 5 that you -- is the main feature of this exhibit?

A. It's P-and-A'd.

Q. It's P-and-A'd. And that was P-and-A'd by Bright and Company, which also drilled it, or did it ever change hands?

A. That was P-and-A'd by Bright and Company.

Q. Now, also in looking at the various maps, there is a well in the southeast quarter, southeast quarter, Section 32, that shows that that was drilled to a depth of 9642. Could you elaborate on that? What did you find? Do you know anything about that well?

A. That was a Bough C test.

1 Q. Bough C test. And do you know when it was
2 drilled?

3 A. In the Sixties. I'm not sure of the exact date.

4 Q. Dry and abandoned?

5 A. Yes, sir.

6 Q. Are there any other -- what other producing wells
7 does J. Cleo Thompson have in Roosevelt County at this
8 time?

9 A. We actually operate the Milnesand Unit, which is
10 located approximately six mile northeast of here.

11 Q. Northeast. And what's the primary formation or
12 pool that that's producing from?

13 A. San Andres.

14 Q. San Andres. The information that Mr. Bruce
15 alluded to -- and that was the 3-D seismic, or the seismic
16 work that was done in which there's some information in the
17 pending NSL application, nonstandard location application
18 -- when was that seismic data run or...

19 A. That seismic data was shot in January of '03.

20 Q. Okay, so just very recently?

21 A. Yes, sir. Yes, sir.

22 Q. Now, the Devonian is your main prospect out
23 there; is that correct?

24 A. Yes, sir.

25 Q. And is the Pennsylvanian a -- any of the

1 Pennsylvanian, is that going to be a major secondary --

2 A. Yes, sir, it will be.

3 Q. What is the nature of the Pennsylvanian up in
4 Roosevelt County? Is there -- There's obviously some
5 Atoka, but what is the Morrow like in this area?

6 A. In my opinion, the Morrow in this area is not
7 prospective. It's very limey.

8 Q. It's not indicative to the channel structures
9 that we see further south?

10 A. It is, you're still in channel structures, but
11 this is more structurally related than it is further to the
12 south.

13 Q. Did you meet -- Were you in the meeting with the
14 Land Office whenever you presented this to their
15 representatives?

16 A. I was not.

17 Q. Do you know when that was done or when the Land
18 Office was contacted?

19 MR. BRUCE: Mr. Examiner, it was about two weeks
20 ago.

21 EXAMINER STOGNER: Two weeks ago.

22 MR. BRUCE: And I spoke with Mr. Martinez at the
23 Land Office yesterday and he said they had about five of
24 them pending, so he said they would hopefully have the
25 preliminary approval for me today.

1 EXAMINER STOGNER: Okay, I believe there's a
2 voice mail message on my machine from Mr. Martinez, but I
3 don't believe this was the topic.

4 Now, you spoke to Mr. Martinez, and he has --

5 MR. BRUCE: He was -- He had said it looked fine
6 to him, and he was waiting for a concurrence from Mr. Mraz,
7 their geologist.

8 EXAMINER STOGNER: Okay.

9 MR. BRUCE: And Mr. Mraz was in an all-day
10 meeting yesterday and so was not available.

11 EXAMINER STOGNER: And you will get that to me
12 just as soon as you can?

13 MR. BRUCE: Yes, sir.

14 EXAMINER STOGNER: Any other questions of this
15 witness?

16 If not, you may be excused. And if there's
17 nothing further in Case 13,058, I'm going to leave the
18 record open pending Exhibit Number 3.

19 MR. BRUCE: Thank you, sir.

20 (Thereupon, these proceedings were concluded at
21 8:46 a.m.)

22 * * *

23

24

25

April 24, 2003 13058

Michael R. Stogner

CC Conservation District

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL April 25th, 2003.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006