

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.

\* \* \*

## I N D E X

April 24th, 2003  
 Examiner Hearing  
 CASE NO. 13,058

	PAGE
APPEARANCES	3
APPLICANT'S WITNESS:	
<u>MIKE FOWLER</u> (Geologist)	
Direct Examination by Mr. Bruce	4
Examination by Examiner Stogner	13
REPORTER'S CERTIFICATE	17

\* \* \*

## E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6	12
Exhibit 2	6	12
Exhibit 3	7	-
Exhibit 4	8	12
Exhibit 5	8	12
Exhibit 6	9	12
Exhibit 7	11	12

\* \* \*

## A P P E A R A N C E S

## FOR THE DIVISION:

DAVID K. BROOKS, JR.  
Attorney at Law  
Energy, Minerals and Natural Resources Department  
Assistant General Counsel  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

JAMES G. BRUCE  
Attorney at Law  
P.O. Box 1056  
Santa Fe, New Mexico 87504

\* \* \*

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

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.

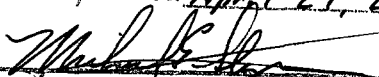
14 EXAMINER STOGNER: Any other questions of this  
15 witness?

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 I do hereby certify that the foregoing is  
24 a complete record of the proceedings in  
25 the Examiner hearing of Case No. 13058  
heard by me on April 24, 2003

 , Examiner  
Oil Conservation Division



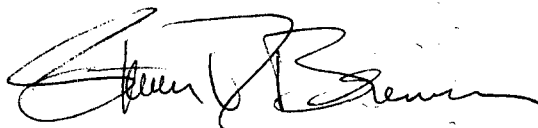
## CERTIFICATE OF REPORTER

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