

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

ORIGINAL

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 14988

APPLICATION OF AMTEX ENERGY, INC.,
FOR APPROVAL OF A UNIT AGREEMENT,
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

DOCKET NO. 18-13

BEFORE: PHILLIP GOETZE, Hearing Officer
DAVID K. BROOKS, Legal Examiner

MAY 30, 2013

8:20 AM

Santa Fe, New Mexico

This matter came on for hearing before the
New Mexico Oil Conservation Division, PHILLIP
GOETZE, Hearing Examiner, and DAVID K. BROOKS, Legal
Examiner, on THURSDAY, MAY 30, 2013, at the
New Mexico Energy, Minerals and Natural Resources
Department, 1220 South Street Francis Drive,
Room 102, Santa Fe, New Mexico.

REPORTED BY: PAUL BACA PROFESSIONAL COURT
REPORTERS
500 Fourth Street, NW, Suite 105
Albuquerque, NM 87102

A P P E A R A N C E S

For Amtex Energy, Inc.:

HOLLAND & HART
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501
(505) 988-4421
By: Adam Rankin, Esquire

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1 MR. EXAMINER: In that case we'll go the
2 first case. Case 14988, application of Amtex
3 Energy, Inc. for approval of a unit agreement, Lea
4 County, New Mexico.

5 Call for appearances.

6 MR. RANKIN: Good morning, Mr. Examiner.
7 My name is Allen Rankin with Holland & Hart in
8 Santa Fe on behalf of Amtex Energy, Inc. I've got
9 one witness today.

10 MR. EXAMINER: Very good. Will your
11 witness please stand and state your name.

12 THE WITNESS: William J. Savage with Amtex
13 Energy.

14 MR. EXAMINER: And will the reporter swear
15 this witness in.

16 [Whereupon the witness was duly sworn.]

17 MR. EXAMINER: Proceed.

18 MR. RANKIN: Thank you, Mr. Examiner.
19 Mr. Savage, please have a seat.

20 WILLIAM J. SAVAGE
21 after having been first duly sworn under oath,
22 was questioned and testified as follows:

23 DIRECT EXAMINATION

24 BY MR. RANKIN:

25 Q. Good morning, Mr. Savage.

1 A. Good morning.

2 Q. Mr. Savage, could you please state your
3 name and identify the place where you live?

4 A. My name is William Savage, William J.
5 Savage. I live in South Lake, Texas.

6 Q. And can you please identify by whom you're
7 employed and in what capacity?

8 A. I'm employed by Amtex Energy, Inc., and I'm
9 the president of the company.

10 Q. And have you previously testified before
11 the Division?

12 A. No, I have not.

13 Q. Can you please briefly review for the
14 Examiners your educational and work experience?

15 A. Well, I've grown up working on oil rigs and
16 pulling units and attended college at Texas A&M
17 University. Graduated with an engineering degree
18 from Texas A&M. Went to work for Amico Production
19 Company in 1980 right after graduation from Texas
20 A&M and worked there for seven and a half years as a
21 petroleum engineer in charge of the production
22 operations of all types. And quit Amico in 1987 and
23 formed Amtex Energy, which is my company. And we're
24 in business still today.

25 Q. And are you familiar with the application

1 that was filed in this case?

2 A. Yes.

3 Q. And are you familiar with the lands in the
4 proposed unit area?

5 A. Yes.

6 MR. RANKIN: Mr. Examiner, I would tender
7 Mr. Savage as an expert in petroleum engineering.

8 MR. EXAMINER: So qualified.

9 MR. RANKIN: Thank you very much.

10 EXAMINER BROOKS: I have some reservations
11 about accepting an Aggie though. I guess I have to.

12 MR. RANKIN: That's the first I've heard of
13 that. Thank you, Mr. Brooks.

14 Q. (By Mr. Rankin) Mr. Savage, can you please
15 briefly state what it is that you're seeking with
16 this application?

17 A. Yes. We're asking to be approved to form
18 an exploratory unit. We're asking that unit to be
19 named the Merchant's State Unit, and it will be in
20 Lea County, New Mexico approximately 21 miles west
21 of Eunice, New Mexico.

22 Q. And does Amtex intend to be the unit
23 operator of the unit?

24 A. Yes. Amtex will be the unit operator.

25 MR. RANKIN: Mr. Examiner, I'm going to

1 pass out what's been marked as Exhibit Number 1.

2 Q. (By Mr. Rankin) Is this a copy of the
3 proposed unit agreement?

4 A. Yes.

5 Q. And this was submitted to the State Land
6 Office for approval; is that correct?

7 A. Yes, it was.

8 Q. Does this unit agreement conform with the
9 state format for unit agreements?

10 A. Yes, it does. It is on their standard
11 form.

12 Q. Flipping to the back exhibit, what's been
13 marked as Exhibit A --

14 A. Uh-huh.

15 Q. -- to the unit agreement, is this a copy of
16 the unit plat area which identifies the leases; is
17 that correct?

18 A. Yes. This is the map of the Merchant State
19 Unit area which is a two-section unit, section 35,
20 township 21 south, range 33 east and section 2,
21 township 22 south, range 33 east, Lea County,
22 New Mexico. And the two sections together are made
23 up of a total acreage of 1,280.12 acres.

24 Q. And these four tracts that comprise the
25 proposed unit area they're all state leases; is that

1 right?

2 A. All state, yes.

3 Q. And the next page is Exhibit B of the unit
4 agreement; is that correct?

5 A. Yes, sir.

6 Q. And this provides a breakdown of the
7 ownership across the unit; is that right?

8 A. Yes, sir.

9 Q. And it indicates that Amtex Energy has a
10 100 percent working interest in all the leases; is
11 that correct?

12 A. Yes, sir.

13 Q. And the next exhibit, Exhibit C, is a
14 schedule of the track participation; is that
15 correct?

16 A. Yes, sir.

17 Q. And that indicates that 100 percent of the
18 working interest has been committed to the unit?

19 A. Yes, sir, that's correct.

20 Q. And I take it that's sufficient to have
21 effective control of the unit operations
22 100 percent?

23 A. Yes, sir.

24 Q. Mr. Savage, has the State Land Office
25 provided its preliminary approval of this proposed

1 unit?

2 A. Yes, it has.

3 Q. I'm going to pass out what's been marked as
4 Exhibit 2, and this is a letter from the State Land
5 Office; is that correct, granting preliminary
6 approval?

7 A. Yes, sir, it is.

8 Q. Mr. Savage, what formations or horizons are
9 you seeking to unitize with this agreement?

10 A. We're asking to unitize from the top of the
11 Bone Spring formation to the top of the Strawn
12 formation.

13 Q. And that's approximately from 8,870 feet to
14 13,500?

15 A. Right, 13,500. Approximately 8870 to
16 13,500 feet.

17 Q. Now, does Amtex have already in place a
18 plan of development to develop the unit area?

19 A. Yes. Our plan for development of the unit
20 area is we will reenter the -- the only well drilled
21 deep in these two sections is the old Enron Grandma
22 Ridge 35 State Number 1 well. It was drilled in
23 1987. And we will reenter that well. And the
24 seven-inch casing was pulled out of it. So we will
25 utilize the good surface casing. They said good

1 deep surface circulated the cement all the way to
2 surface. And then they set intermediate at
3 approximately 5,300 feet and circulated that to
4 surface as well.

5 We will -- the intermediate casing is 10
6 and three quarter-inch diameter casing, which is
7 even larger than necessary for reentry. But we will
8 go in that and blow the intermediate. We will
9 sidetrack out of the original wellbore and begin
10 drilling a new wellbore so as to take modern mud log
11 samples. And once we are down to the proposed
12 depth, 13,500 feet, we will also take sidewall core
13 sample analysis of each perspective pay zones that
14 gives up shows on the mud log.

15 And then as well as we will run a much more
16 in-depth log analysis with modern logs, including
17 the dye pulsonic log so as to clearly identify our
18 pay zones and also identify the maximum stress
19 orientation in each perspective pay zone so that we
20 will be able to choose the proper direction to place
21 our horizontal, whether that be north, south, east,
22 or west. And that's the tool we need to be able to
23 make sure that we're drilling perpendicular to the
24 frac plane that we'll be implementing when we
25 complete the well and fracture stimulated.

1 Q. Mr. Savage, when does Amtex intend to spud
2 this first well?

3 A. Within 60 days of final approval.

4 Q. Now, Mr. Savage, I'm going to pass out
5 what's been marked as Exhibit Number 3. I've only
6 got three copies of this so I will give one to you,
7 one to the court reporter, and one to the Examiner.

8 Mr. Savage, this is a copy of the affidavit
9 from Ms. Sally Meader-Roberts; is that correct?

10 A. Yes, that is.

11 Q. And she's a petroleum geologist who works
12 for you; is that right?

13 A. She is.

14 Q. And does this affidavit discuss the
15 potential target zones for the exploratory unit?

16 A. Yes, it does.

17 Q. And does it also include and discuss
18 structure maps for the target formations?

19 A. Yes.

20 Q. And does it also include a type log that's
21 representative of the geology in the unit area?

22 A. It does, yes.

23 Q. And that type log is based on the Grandma
24 Ridge 35 well that you mentioned; is that correct?

25 A. Right. That is the type log of the Grandma

1 Ridge 35 State Well Number 1.

2 Q. And it's representative of the geology
3 across the unit area?

4 A. Yes, it is.

5 Q. Does Ms. Meader-Roberts conclude that this
6 proposed exploratory unit covers an area that can be
7 reasonably developed under a unit plan?

8 A. Yes, sir.

9 Q. And does she also conclude that the
10 formation of the unit will result in protection of
11 the correlative rights and prevention of waste and
12 the efficient recovery of hydrocarbons?

13 A. Yes, sir.

14 Q. Were Amtex Exhibits 1 through 3 either
15 prepared by you or prepared under your supervision?

16 A. Yes, they were.

17 MR. RANKIN: Mr. Examiner, I would move to
18 admit Exhibits 1 through 3.

19 MR. EXAMINER: Exhibits 1 through 3 are
20 accepted.

21 [Exhibits 1 through 3 admitted into evidence.]

22 MR. RANKIN: Mr. Examiner, I have no
23 further questions and pass the witness.

24 MR. EXAMINER: Do you have any questions?

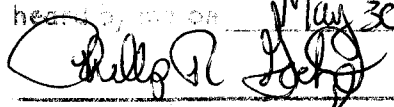
25 EXAMINER BROOKS: I have no questions.

1 MR. EXAMINER: Your explanation has been
2 thorough. I don't have any questions for this
3 witness.

4 MR. RANKIN: Thank you, Mr. Examiner. I
5 have nothing further.

6 MR. EXAMINER: We will take this case under
7 advisement.

8 [Case 14988 was taken under advisement.]

I do hereby certify that the foregoing is
a complete record of the proceedings in
the case of the above-captioned Case No. 14988
heard by me on May 30 2013.
 , Examiner
Oil Conservation Division

REPORTER'S CERTIFICATE

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Working under the direction and direct supervision of Paul Baca, New Mexico CCR License #112, Official Court Reporter for the US District Court, District of New Mexico, I do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this case and that I have no interest whatsoever in the final disposition of this case in any court.



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