

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

25 May 1983

EXAMINER HEARING

IN THE MATTER OF:

Application of Marshall R. Young Oil
Company for a unit agreement, Luna
County, New Mexico.

CASE
7890

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

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

For the Applicant:

W. Thomas Kellahin, Esq.
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501

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I N D E X

BONNIE LIMPUS

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TOM BRACE

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E X H I B I T S

Applicant Exhibit One, Map 4

Applicant Exhibit Two, Unit Agreement 6

Applicant Exhibit Three, Exhibit B, Unit Agreement 6

Applicant Exhibit Four, Map 9

Applicant Exhibit Five, Geologic Report 9

MR. STAMETS: Call next Case Number
7890.

MR. PEARCE: That case is on the application of Marshall R. Young Oil Company for a unit agreement, Luna County, New Mexico.

MR. KELLAHIN: If the Examiner please, I'm Tom Kellahin of Santa Fe, New Mexico, appearing on behalf of the applicant and I have two witnesses to be sworn.

(Witnesses sworn.)

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Miss Limpus, would you please state your name and occupation?

A I am Bonnie Limpus and I'm a landman.

Q How do you spell your last name?

A L-I-M-P-U-S.

Q Miss Limpus, by whom are you employed as a landman?

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A. Edmundson, Incorporated.

Q. Would you explain to the Examiner what your background is as a landman for Roy Edmundson, Inc.?

A. I've worked for Roy Edmundson for two and a half years, solely employed as putting units together.

Q. The application for Marshall R. Young Oil Company is for a unit agreement, is it not?

A. That's correct.

Q. And is this a unit agreement that's similar to those that you have worked on in the last two years?

A. Yes.

Q. And did you, in fact, do the land work with regards to this unit agreement?

A. Yes.

MR. KELLAHIN: If the Examiner please, we would tender Miss Limpus as a practical landman.

MR. STAMETS: She is considered so qualified.

Q. Miss Limpus, let me have you turn to the unit map, which we have identified as Exhibit Number One. Would you identify for the Examiner where, in what county of New Mexico, this unit is located?

A. This is in Luna County, New Mexico.

Q. And who is the proposed operator for the

unit?

A. Marshall R. Young Oil Company.

Q. And is Roy Edmundson, Inc., the -- retained by Marshall R. Young Oil Company to put together the unit agreement and all the documentation?

A. Yes, it is.

Q. Would you identify for the Examiner the kinds of acreage that are included in the unit?

A. We have 17,298 acres of Federal lands, which is 70 percent of the unit area.

We have 5,417 of State lands, which comprises 21.92 percent, and we have 1,997 acres of patented lands, and that comprises 8.08 percent.

Q. What formations are to be unitized for this project?

A. All formations will be unitized.

Q. You've indicated to us that there is State of New Mexico lands to be committed to the unit. Have you made a request of the Commissioner of Public Lands of New Mexico for preliminary approval of your unit as to content and form?

A. Yes, we have.

Q. All right, and what is the status of that approval?

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A. We have had a verbal approval.

Q. And with regards to the Federal lands to be committed to the unit, what, if any, consent do you have from the Mineral Management Group for that participation by the Federal interest?

A. Again we have had a verbal approval as to content and form.

Q. Let's turn to Exhibit Number Two, which is the unit agreement itself, Miss Limpus. Would you identify for us the source of the form used for the unit agreement?

A. This is a standard form.

Q. Is this a standard form that's been approved for prior unit agreements by both the Commissioner of Public Lands and the Mineral Management Group?

A. Yes, it has.

Q. What -- let me ask you to turn to Exhibit B of the unit agreement, which is identified as Exhibit Three, and have you identify for us the status with regards to the voluntary joinder of the working interest to the unit.

A. The majority of interests within the unit are held by partners of Marshall R. Young Oil Company. They have all agreed to join the unit.

Q. All right. What percentage interest, then, will Marshall R. Young and his partners have in the unit?

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2 A It will be 80 to 85 percent.

3 Q All right. Who holds the balance of the
4 interest, then, in the unit?

5 A We have Anschutz Corporation and Texoma.

6 Q Have those companies agreed to join the
7 unit?

8 A Not as yet.

9 Q All right, you're in the process of con-
10 tacting them --

11 A Right.

12 Q -- to see if they will join.

13 At this point, with the Marshall R. Young
14 Oil Company and its partners committed to the unit, in your
15 opinion will the operator have effective and efficient con-
16 trol over the unit operations?

17 A Yes.

18 MR. KELLAHIN: That concludes my exam-
19 ination of Miss Limpus. The second witness is a geologic
20 expert.

21 MR. STAMETS: Are there any questions
22 of the witness? She may be excused.

23 MR. KELLAHIN: We'll call Mr. Tom
24 Brace.
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3 TOM BRACE,

4 being called as a witness and being duly sworn upon his oath,
5 testified as follows, to-wit:
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7 DIRECT EXAMINATION

8 BY MR. KELLAHIN:

9 Q All right, sir, would you please state your
10 name and occupation?

11 A My name is Tom Brace. I'm a geologist for
12 Marshall R. Young Oil Company.

13 Q Mr. Brace, would you spell your last name
14 for us?

15 A B-R-A-C-E.

16 Q Mr. Brace, have you previously testified as
17 a geologist before the Oil Conservation Division?

18 A No, I haven't.

19 Q Would you identify for the Examiner when
20 and where you obtained your degree in geology?

21 A BS in geology from the University of Houston,
22 1974.

23 Q Subsequent to graduation, Mr. Brace, where
24 have you been employed as a geologist?

25 A With the Diamond Shamrock Corporation,

1
2 in Amarillo, and Marshall R. Young.

3 Q Pursuant to your employment by Marshall R.
4 Young Oil Company, have you conducted or caused to be con-
5 ducted certain geologic studies of the unit area contained in
6 Luna County, New Mexico?

7 A Yes.

8 Q Let's turn, if you will, sir, to what is
9 marked as Exhibit Four. Did you prepare Exhibit Four?

10 A Yes, I did.

11 Q All right, sir.

12 MR. KELLAHIN: We tender Mr. Brace at
13 this point as an expert geologic witness.

14 MR. STAMETS: He is considered quali-
15 fied.

16 Q All right, sir, if you'll look at Exhibit
17 Four for us and at the same time it might be helpful if we
18 looked at your geologic report, Exhibit Five, and have you
19 explain generally for me how you caused to decide to develop
20 this prospect in Luna County, New Mexico.

21 A When we started with the project I did
22 quite a bit -- when I started on the project I did geology
23 field work in the field and we started a seismic program con-
24 sisting of several hundred miles of seismic in this area.

25 On a regional line we delineated -- we saw

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2 this structure and detailed it with subsequent seismic lines
3 and this map is a simplified version of the geophysicist's
4 structure map on a time marker, or on a seismic reflection,
5 which we feel is the top of the Fusselman formation, which is
6 Silurian in age rocks.

7 Q The proposed first unit well is to be
8 located where?

9 A In Section 11, Township 26 South, Range 11
10 West.

11 Q And that's identified by the arrow on the
12 map?

13 A That's correct.

14 Q What is to be the depth of the well at that
15 location?

16 A 10,000 feet.

17 Q And your primary objective, then, will be
18 to test the Fusselman structure that you've depicted on the
19 exhibit.

20 A That's right.

21 Q Okay. Where is the closest Fusselman pro-
22 duction to this project?

23 A It would be in west Texas in the Midland
24 area; probably 2 - 250 miles to the east.

25 Q Are you aware of any Fusselman production in

1
2 Luna County at this time?

3 A. No, there is none.

4 Q In your opinion, Mr. Brace, does the pro-
5 posed unit area conform to and generally overlie the antici-
6 pated Fusselman formation?

7 A. Yes, it does.

8 Q Were Exhibits Four and Five prepared by you
9 or compiled under your direction and supervision?

10 A. They were prepared by me.

11 Q In your opinion, Mr. Brace, will approval
12 of this application be in the best interests of conservation,
13 the prevention of waste, and the protection of correlative
14 rights?

15 A. Yes.

16 MR. KELLAHIN: That concludes my exam-
17 ination of Mr. Brace.

18 We move the introduction of Applicant's
19 Exhibits One through Five.

20 MR. STAMETS: The exhibits will be ad-
21 mitted.

22 Are there any questions of the witness?
23 He may be excused.

24 Anything further in this case?

25 MR. GORTHEY: I would like to just enter

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2 an appearance for Seville-Trident Corporation.

3 My name is Kemp Gorthey with Campbell, Byrd,
4 and Black law firm, and they are an adjacent land owner and
5 we'd just like to get copies of exhibits at this point,
6 which I just did.

7 MR. STAMETS: Is there anything further
8 in this case?

9 The case will be taken under advisement.

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11 (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

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. _____ heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division