

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 28, 1971

EXAMINER HEARING

IN THE MATTER OF:

Application of American Quasar
Petroleum Company of New Mexico
for a unit agreement and
unorthodox gas well location,
Lea County, New Mexico.

Case No. 4518
(Readvertised)

BEFORE: Elvin A. Utz, Examiner

TRANSCRIPT OF PROCEEDINGS

1 MR. UTZ: Might as well call Case 4518.

2 MR. HATCH: Case 4518, re-advertised.

3 Mr. Examiner, this was a case on the application
4 of American Quasar Petroleum Company of New Mexico for
5 a unit agreement and unorthodox gas well location, Lea
6 County, New Mexico, and through mistake of the Commission,
7 it was previously advertised only for unit agreement and
8 the part about the unorthodox location was left out.

9 The Commission has heard all the testimony
10 and an order has already been issued approving the unit
11 agreement part, and it was re-advertised to cover the
12 unorthodox gas well location.

13 If there's anyone here that would like to object
14 to it, why we would be glad to hear their testimony this
15 morning. If not, I'd suggest that an order be issued
16 on the testimony already received.

17 MR. UTZ: We have received testimony at the
18 last hearing on this case regarding the unorthodox location.
19 Is there anyone here that would like to make an appearance
20 in Case 4518?

21 Well, they have had their day. Case 4518 will be
22 taken under advisement, and this is really not necessary, but
23 we'll re-write an order approving the unstandard location.
24
25

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1 STATE OF NEW MEXICO)
 : ss
 2 COUNTY OF McKINLEY)

3 I, Jerry Martinez, Court Reporter in and for the
 4 County of McKinley, State of New Mexico, do hereby certify
 5 that the foregoing and attached Transcript of Hearing before
 6 the New Mexico Oil Conservation Commission was reported by
 7 me and that the same is a true and correct record of the said
 8 proceedings, to the best of my knowledge, skill and ability.

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 10 
 11 Court Reporter

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 22 I do hereby certify that the foregoing is
 23 a complete record of the proceedings in
 24 the Executive Hearing of Case No. 4568
 25 heard by me on April 28, 1971


 New Mexico Oil Conservation Commission

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

March 31, 1971

EXAMINER HEARING

IN THE MATTER OF:

Application of American Quesar
Petroleum Company of New Mexico
for Unit Agreement, Lea County,
New Mexico.

Case No. 4518

TRANSCRIPT OF HEARING

1 MR. UTZ: Case 4518.

2 MR. HATCH: Case 4518. Application of American
3 Quasar Petroleum Company of New Mexico for Unit Agreement,
4 Lea County, New Mexico.

5 I would like to call to your attention -- rather,
6 I am kind of embarrassed to call the attention of the Examiner
7 to the fact that the application was not only for unit
8 agreement, but it was for a nonstandard location for the well,
9 and it was very plainly stated in several places in the
10 petition, but I did not get it advertised for that, so I think
11 it would be advisable to let them go ahead and put on their
12 testimony concerning the nonstandard location, and the case
13 can be readvertised.

14 MR. BUELL: Mr. Examiner, I'm Sumner G. Buell of
15 Montgomery, Federici, Andrews, Hannahs and Morris, appearing
16 on behalf of American Quasar. We have two witnesses, Mr.
17 White, and Mr. Henry.

18 MR. UTZ: Are there other appearances in this case?

19 MR. HENRY: W. J. Henry.

20 MR. UTZ: W. J. Henry? You're representing yourself?

21 MR. HENRY: No. American Quasar.

22 MR. BUELL: He's one of our witnesses.

23 MR. HENRY: Yes, sir.

24 MR. UTZ: Okay. Will you come up and be sworn?

25 (Witness is sworn.)

E. B. WHITE, JR.

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. BUELL:

Q Would you state your name, please.

A E. B. White, Jr.

Q And by whom are you employed and in what capacity?

A I'm an independent landman.

Q And you are here appearing on behalf of American Quasar Petroleum of New Mexico?

A That's correct.

Q And where do you reside, Mr. White?

A Midland, Texas.

Q Mr. White, referring you to what has been marked as Exhibit 1, would you explain what this is?

A Exhibit 1 is the unit agreement for the development operation of the Baca draw unit area, and it is a standard form of unit agreement prescribed by the USGS, and the State Land Office of New Mexico.

Q And referring you to an attachment to that exhibit, that is marked as Exhibit A, would you describe what Exhibit A shows?

A Exhibit A shows the land and leases included within the unit area.

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1 Q And essentially what land is included within that area?

2 A By legal description?

3 Q More or less outline it. It's in there.

4 A Well, it is twelve sections and 25 South, 33 East, Lea
5 County, New Mexico.

6 Q Have the various owners as shown on that exhibit con-
7 sented to this unit?

8 A We have consented by eighty-three percent of the working
9 interest owners in the unit area. The other sixteen and
10 two-thirds is represented by Texaco, Incorporated, who
11 is currently recommending their joining this unit.

12 Q I see. And have you obtained the consent of the state
13 to this unit?

14 A The state has indicated their preliminary approval to
15 approving the unit.

16 Q Is this unit going to be under the terms of the agreement
17 expandable and contractable?

18 A That's correct.

19 MR. BUELL: I have nothing else of this witness.

20 CROSS EXAMINATION

21 BY MR. UTZ:

22 Q Now, these twelve sections are all even sections; is
23 that correct?

24 A Yes, sir.

25 Q And they are all in 15 South, 33 East?

1 A Yes, sir.

2 Q And in Section 8, 9, and 10, 15, 16, and 17, 20, 21,

3 22, 27, 28 and 29; is that correct?

4 A Correct.

5 MR. UTZ: Are there other questions of the witness?

6 You may be excused.

7 MR. BUELL: Next witness is Mr. Henry.

8 W. J. HENRY

9 called as a witness, having been first duly sworn, was

10 examined and testified as follows:

11 DIRECT EXAMINATION

12 BY MR. BUELL:

13 Q Would you state your name, please.

14 A W. J. Henry.

15 Q Mr. Henry, by whom are you employed, and in what capacity?

16 A I am a consultant geologist.

17 Q And where do you reside, Mr. Henry?

18 A Midland, Texas.

19 Q Have you previously testified before the Commission, and

20 are your qualifications a matter of record?

21 A Yes, they are.

22 Q Are you familiar with what is sought in application in

23 this case 4518?

24 A Yes, I am.

25 Q And one of the things that is sought is an unorthodox

1 location; is that correct?

2 A That's right.

3 Q Mr. Henry, referring you to what has been marked as
4 Exhibit 2, would you indicate to the Commissioner what
5 is shown on that exhibit? To the Examiner, excuse me.

6 A This map is a map contoured at near the top of the pay,
7 which is a very poor reflector. And on this map, we
8 show the Baca draw unit, Hashard, and the Red Hills unit,
9 which is located on the south of this proposed unit,
10 and heavy dashed lines -- which has been contracted, it
11 shows our proposed unorthodox location in the Northeast
12 Northeast of Section 28, Township 25 South, Range 33 East,
13 which is in an optimum location on a deeper map.

14 Q Now, referring you to what has been marked as Exhibit 3,
15 would you please explain that?

16 A Exhibit 3 is a structural map contoured on top of this
17 Siluro-Devonian, which also has the Baca J proposed unit,
18 Hashard, and the Red Hills contracted unit in heavy
19 dashed lines on the south end.

20 Q Would you briefly describe what you expect to encounter
21 in the Siluro-Devonian area?

22 A Yes. The number one Red Hills, commercial hydrocarbons,
23 but in the Siluro-Devonian -- but it was sour gas, and
24 it was not tested. I mean completed, from the zone at
25 that time. Our proposed location in the Northeast

- 1 Northeast of 28, we believe that will be approximately
2 250 feet structurally high to the number one Red Hills,
3 which is the only well that penetrated to the Siluro-
4 Devonian.
- 5 Q Is the proposed location the optimum locations for this
6 well, geologically speaking?
- 7 A Yes, this is the highest point on the structure.
- 8 Q And this is a test well, exploratory well?
- 9 A Yes. This is an exploratory well, yes.
- 10 Q Do you have any estimate as to the cost of a well in this
11 area?
- 12 A Yes. We estimate from \$800,000 to one million dollars
13 to drill a Siluro-Devonian test.
- 14 Q All right. Mr. Henry, referring you to Exhibit 4 and 5,
15 will you, for the record, state what those exhibits are?
- 16 A Yes. That is the original consent to the unorthodox
17 well locations by the participants and all the offset
18 operators which are in the unit.
- 19 Q This is all offset interest owners or operators to your
20 proposed well location?
- 21 A To the proposed well location, yes.
- 22 Q Mr. Henry, in your opinion, would the granting of this
23 application as to the unit, and as to the unorthodox
24 location, prevent waste and protect correlative rights?
- 25 A Yes, it will.

1 Q And were Exhibits 2 and 3 prepared by you or under your
2 supervision?

3 A Yes, they were.

4 MR. BUELL: At this time, Mr. Examiner, I would
5 move the introduction of Exhibits 1, 2, 3, 4 and 5 into
6 evidence in this case.

7 MR. UTZ: Without objection, Exhibits 1 through 5
8 will be entered into the record of this case.

9 (Whereupon, Applicant's Exhibits
10 1 through 5 were duly admitted
into evidence.)

11 MR. BUELL: I have no other questions.

12 CROSS EXAMINATION

13 BY MR. UTZ:

14 Q Mr. Henry, what is the location of your well?

15 A It will be 760 from the east line, 660 from the north
16 line. There is a shallow Delaware dry hole there in the
17 Northeast Northeast of 28.

18 Q 660 from the north?

19 A And 760 from the east.

20 Q 760 from the east?

21 A From the east, yes.

22 Q Now, the reason you want this nonstandard location is
23 for structural reasons?

24 A Yes, sir. Our plan is to check our structural
25 position when we drill to the Pennsylvanian, and if our

1 structural position is satisfactory at that depth,
2 we are going to the Siluro-Devonian.

3 MR. HATCH: This would actually be, then, an
4 application for nonstandard location in either the Wolf Camp
5 or the Devonian?

6 THE WITNESS: Pennsylvanian or Devonian.

7 MR. UTZ: Are there other questions of the witness?
8 Witness may be excused. Statements in the case?

9 MR. BUELL: I have nothing further.

10 MR. UTZ: Case will be taken under advisement.
11 We will take a ten-minute recess.

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I N D E X

WITNESS:

PAGE

E. B. WHITE, JR.

Direct Examination by Mr. Buell

3

Cross Examination by Mr. Utz

4

W. J. HENRY

Direct Examination by Mr. Buell

5

Cross Examination by Mr. Utz

8

EXHIBIT

MARKED

OFFERED AND
ADMITTED

Applicant's Exhibits 1 - 5

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Court Reporter

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[Signature]