

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
14 December, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Gulf Oil Cor-
poration for a unit agreement,
Eddy County, New Mexico.

No. 6101

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

Lynn Teschendorf, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant:

Jeffrey G. Shrader, Esq.
Attorney at Law
The Gulf Companies
P. O. Box 1150
Midland, Texas 79702

1 MR. STAMETS: Call Case Number 6101.

2 MS. TESCHENDORF: Case 6101. Application of
3 Gulf Oil Corporation for a unit agreement, Eddy County, New
4 Mexico.

5 MR. SHRADER: Mr. Examiner, my name is Jeff
6 Shrader. I'm an attorney with Gulf Oil in Midland, Texas,
7 and I have two witnesses.

8 MR. STAMETS: Will the witnesses stand and be
9 sworn, please?

10 (Witnesses sworn.)

11 MR. SHRADER: Mr. Examiner, Mr. Sperling of
12 Albuquerque has entered a letter of appearance in this
13 case and I'd ask that the record so indicate.

14 MR. STAMETS: The record will so show.

15
16 ALLEN BRINSON

17
18 being called as a witness on behalf of the Applicant, and
19 having been duly sworn upon his oath, testified as follows,
20 to-wit:

21
22 DIRECT EXAMINATION

23 BY MR. SHRADER:

24 Q Would you please state your name, by whom you
25 are employed, and in what capacity?

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1 A. Allen Brinson. I'm employed by Gulf Oil Cor-
 2 poration as a land agent.

3 Q While you have been with Gulf have part of
 4 your duties as a land agent consisted of formulating Nopal
 5 Draw?

6 A. Yes, they have.

7 Q So you are familiar with the negotiations that
 8 have gone on in putting this unit together and have personal
 9 knowledge as to the numbers on interest owners who have
 10 agreed to the formation of this unit, and you are familiar
 11 with the unit agreement?

12 A. Yes.

13 MR. SHRADER: Mr. Examiner, is the witness
 14 qualified to speak regarding this unit?

15 MR. STAMETS: Yes.

16 Q (Mr. Shrader continuing.) What is Gulf seeking
 17 in this application?

18 A. Gulf is seeking approval for its Nopal Draw
 19 Unit Area and unit agreement.

20 Q What type of unit is the Nopal Draw Unit?

21 A. It's a Federal exploratory unit covering 1,920
 22 acres of Federal land and fee land.

23 I have an exhibit marked as Gulf Oil Corpor-
 24 ation's Exhibit Number One. This shows the breakdown as to
 25 acreage.

1 As shown, Federal lands constitute 1,880
2 acres, or 97.92 percent of the unit.

3 Fee lands constitute 40 acres, or 2.08 percent
4 of the unit.

5 Q. What else does Gulf's Exhibit Number One show?

6 A. The various columns on pages two through four
7 of Gulf's Exhibit Number One are as follows: Column Number
8 One shows the tract number as it appears on Exhibit B of
9 the Unit Agreement.

10 Column Number Two gives the legal description
11 of each tract within the unit area.

12 Column Number Three gives the percentage of
13 unit area which that tract covers and the exact acreage
14 which that tract covers.

15 Column Number Four gives the serial number of
16 the lease itself and its expiration date.

17 Column Number Five shows the basic royalty
18 under the particular lease and the royalty owner.

19 Column Number Six shows the lessee of record
20 and whether or not the lessee of record is committed to the
21 unit.

22 Column Number Seven shows the name of the over-
23 riding royalty owner, if there is one. It also shows the
24 percentage of overriding royalty retained and whether or
25 not that interest has been committed.

1 Column Number Eight shows the working interest
2 owner and the percentage of the working interest that has
3 been committed to the unit.

4 Q. Do you have a copy of the proposed Nopal
5 Draw Unit Agreement?

6 A. Yes. Gulf Oil Corporation's Exhibit Number
7 Two is a copy of the proposed Nopal Draw Unit Agreement.

8 Q. Is this Unit Agreement on a form previously
9 approved by the United States Geological Survey?

10 A. Yes, it is.

11 Q. In the Unit Agreement is the participation for
12 royalty and overriding royalty interests based upon acreage
13 within the participating area?

14 A. Yes, it is.

15 Q. Does the Unit Agreement contain a segregation
16 clause for nonproductive acreage?

17 A. Yes, it does.

18 Q. Does the Unit Agreement provide for subsequent
19 joinder?

20 A. Yes.

21 Q. And has the proposed Unit Agreement received
22 preliminary approval from the USGS?

23 A. Yes, it has.

24 Q. What is the status of sign-up for the various
25 classes of owners regarding this unit?

1 A. I've prepared an exhibit marked Gulf Oil Cor-
2 poration Exhibit Number Three. It summarizes the various
3 classes of owners, both committed and noncommitted.

4 Under the Federal acreage five out of six of
5 the lessees of record are committed. The only uncommitted
6 interest is that of Texas Oil and Gas.

7 Seven out of nine of the working interest
8 owners have committed. Again, Texas Oil and Gas has not
9 committed.

10 Yates Petroleum Corporation, which is also not
11 committed, is being carried by the rest of the committed
12 working interest owners.

13 Five out of seven overriding royalty owners
14 are committed.

15 Under the fee acreage Yates Petroleum is not
16 committed but is being carried by the committed working
17 interest owners.

18 Q. Were these exhibits prepared by you or under
19 your supervision?

20 A. Yes, they were.

21 MR. SHRADER: Mr. Examiner, I have no further
22 questions of this witness at this time.

23 MR. STAMETS: I have one question.

CROSS EXAMINATION

BY MR. STAMETS:

Q. Mr. Brinson, on page two of Exhibit Number One, Column Six, about the one, two, three, four, fifth one down, or I guess Tract Number Four, says RRDC. What is RRDC?

A. Yes, that's Robertson Resources Development Corporation. I'm sorry, I should have --

MR. STAMETS: Any other questions of the witness?

He may be excused.

JERRY SAVAGE

being called as a witness on behalf of Gulf Oil Corporation, and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. SHRADER:

Q. Would you please state your name, by whom you are employed, and in what capacity?

A. I'm Gerald Savage, employed by Gulf Oil Corporation in Midland, Texas, as a geologist.

Q. Have you previously testified before this New Mexico Oil Conservation Commission and stated your

1 qualifications as a geologist?

2 A. Yes, I have.

3 MR. SHRADER: Mr. Examiner, is the witness
4 qualified?

5 MR. STAMETS: Yes, he is considered so.

6 Q. (Mr. Shrader continuing.) What is the purpose
7 of the Nopal Draw Unit?

8 A. The purpose of the Nopal Draw Unit is to eval-
9 uate the potential for oil and gas under the unit area.
10 This prospect is based on subsurface well data, which indi-
11 cates the presence of porous Morrow sandstones in the area.
12 Specifically, the Robinson Resources Number One Kuykendall-
13 Communitized, located in Section 18, Township 21 South,
14 Range 25 East, gave up measurable but uneconomical amounts
15 of gas from the Morrow.

16 In addition, seismic data indicates the pos-
17 sible presence of a Cisco reef, upper Pennsylvanian in
18 age, trending southwest into the proposed unit area from
19 the Springs gas field, which produces from a similar zone.

20 Q. What is the location of the initial test well
21 for this unit?

22 A. The initial test well is to be located 1980
23 feet from the south and from the east lines of Section 5,
24 Township 21 South, Range 25 East, Eddy County, New Mexico.

25 Q. What are the formations to be tested?

1 A. We intend to test all formations of Pennsyl-
2 vanian age.

3 Q. Do you have an exhibit which shows the boundaries
4 of the proposed unit?

5 A. Yes, I do. It is Gulf's Exhibit Number Four.
6 This exhibit shows the boundaries of the proposed unit with
7 a hachured line. The unit includes the west half of Sec-
8 tion Four, all of Sections Five and Eight, and the east
9 half of Section 7, Township 21 South, Range 25 East, Eddy
10 County, New Mexico.

11 The proposed location for the initial test
12 well for the Nopal Draw Unit is shown by a yellow circle
13 on the exhibit.

14 In the event Texas Oil and Gas elects not to
15 join or farm out their interest, we intend to move the
16 location for the initial test well to Section 8, 660 feet
17 from the north line and 1980 feet from the west line.

18 Q. What else is shown by this exhibit?

19 A. This exhibit also shows a structure contoured
20 on top of the Cisco formation with a contour interval of
21 one hundred feet. The red dashed contour line at a minus
22 4850 feet indicates a possible oil-water contact. In the
23 unit area this line cuts all 320 acre proration units.

24 Q. Does this exhibit show all wells in the vici-
25 nity which have penetrated the Pennsylvanian?

1 A. Yes, these are shown by colored circles. Pink
2 designates those which produce or have produced from the
3 Cisco and brown designates the dry holes.

4 As you can observe, all of the producers in the
5 Springs gas field lie above the minus 4850 foot contour
6 line. All of the dry holes designated lie below the minus
7 4850 foot contour line.

8 Q. What do the small green circles on this ex-
9 hibit indicate?

10 A. The small green circles indicate seismic lines
11 that traverse the prospect area and have favorably influenced
12 the prospect.

13 Q. What chance do you feel that this unit has
14 for the successful recovery of hydrocarbons?

15 A. I believe this is a moderate to good prospect;
16 because porosities and permabilities of rocks vary, it is
17 impossible to be assured of positive results, but favorable
18 conditions do exist for this prospect to be successful.

19 Q. From a geological viewpoint do you believe
20 the formation of this unit will protect correlative rights
21 and prevent waste?

22 A. Yes, I believe it will.

23 Q. Was this Exhibit Number Four prepared by you
24 or under your supervision?

25 A. Yes, it was.

1 MR. SHRADER: Mr. Examiner, I have no further
2 questions of this witness.

3 At this time I would move Gulf's Exhibits
4 Number One through Four be admitted into evidence.

5 MR. STAMETS: These exhibits will be admitted.
6

7 CROSS EXAMINATION

8 BY MR. STAMETS:

9 Q Mr. Savage, when you were testifying, I believe
10 you indicated that the west half of Section 4 and all of
11 Section 5 would be in the unit and I am sure what you
12 meant is --

13 A Yes, sir, you -- you caught me.

14 Q Yes, that's not correct because these are
15 long sections and you're only including what would be the
16 west half and the whole section if these were standard
17 sections.

18 A All right, I'll re-describe that acreage in
19 Section 4 and 5. It will include the south two-thirds of
20 the west half of Section 4 and the south two-thirds of
21 Section 5, the east half of Section 7, and all of Section
22 8.

23 MR. STAMETS: Any other questions of this
24 witness?

25 He may be excused.

1 I do have an additional question of Mr. Brinson,
2 which he can answer from his seat. Ms. Teschendorf.

3 MS. TESCHENDORF: Mr. Brinson, this unit con-
4 sists of both Federal and fee acreage.

5 MR. BRINSON: Yes.

6 MS. TESCHENDORF: And, of course, it's only
7 40 acres of fee land, but nevertheless, the Oil Conservation
8 Commission does like to monitor or be able to assert juris-
9 diction over -- over the fee acreage. It's our responsi-
10 bility to look after that, and I don't see anywhere in the
11 Unit Agreement where the Oil Conservation Commission is
12 given that.

13 Under the plan of further development operations
14 in Section Ten of the Unit Agreement I see only the super-
15 visor of the USGS, and I was wondering if you were aware
16 of that or what the reason for that was.

17 MR. BRINSON: We were not really aware of, I
18 don't think. We can revise it and make reference in the
19 agreement, if you like.

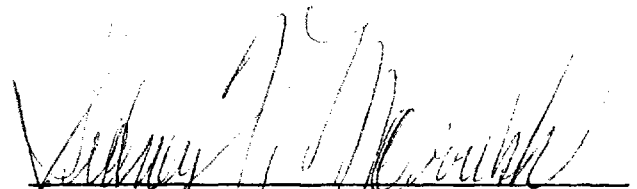
20 MS. TESCHENDORF: I'd like the Oil Conservation
21 Commission to have also plans of development submitted to
22 the OCC, since fee acreage is involved in the unit.

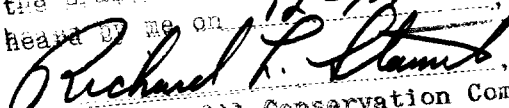
23 MR. STAMETS: Anything further? Both the
24 witnesses are excused. If there is nothing further, the
25 case will be taken under advisement.

(Hearing concluded.)

REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
do hereby certify that the foregoing and attached Transcript
of Hearing before the New Mexico Oil Conservation Commission
was reported by me, and the same is a true and correct record
of the said proceedings to the best of my knowledge, skill and
ability.


Sidney F. Morrish, C.S.R.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6101.
heard by me on 12-17, 1977.

Richard P. Stamm, Examiner
New Mexico Oil Conservation Commission

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