

1 STATE OF NEW MEXICO
2 ENERGY AND MINERALS DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BLDG.
5 SANTA FE, NEW MEXICO

6 3 October 1984

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Yates Petroleum Corporation for a unit agreement, Chaves and Otero Counties, New Mexico. CASE 8355

10
11 BEFORE: Gilbert P. Quintana, Examiner

12
13 TRANSCRIPT OF HEARING

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16 A P P E A R A N C E S

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18
19 For the Oil Conservation Division: Jeff Taylor
20 Attorney at Law
21 Legal Counsel to the Division
22 State Land Office Bldg.
23 Santa Fe, New Mexico 87501

24 For the Applicant:
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MR. QUINTANA: We'll call next
Case 8355.

MR. TAYLOR: That's the
application of Yates Petroleum Corporation for unit
agreement, Chaves and Otero Counties, and the applicant has
asked that that be continued till October 17th.

MR. QUINTANA: Case 8355 will
so be continued to October 17th, 1984.

(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. 8355, heard by me on OCT. 3 1984,
Silbert P. Quintana, Examiner
Oil Conservation Division

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date NOVEMBER 14, 1984 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
E. H. Keednick	El Paso Natural Gas Co	El Paso, TX
Kathy H. Colvert	Yates Petroleum Corp	Artesia, NM
Jim Bruce	Hinkle Law Firm	Santa Fe
Shad Dickerson	Low Carbond Denton	Artesia NM
Bob Huber	Byram	Santa Fe
Arthur S. Bowsher	Yates Petroleum Corp	Artesia,
John E. Beaman	J. Cleo Thompson & James Cleo Thompson Jr.	DALLAS TX.
James D. Jennings	Jennings & Priestly	Toswell NM
Bill Lawrence	J M Huber Corp	Midland, TX
BILL HORNE	J.M. Huber Corp.	Midland, TX
Ray Westall	Ray Westall	Loco Hills, NM
Bill Seltzer	Amerind	Midland 24
Robert C. Leibrock	Amerind Oil Co.	Midland
William L. Jan	Janpkel and Beck	Santa Fe
R M Williams	Antwell	H1665
Earl N. Watch	Watch Engineering Firm; Charles E. Little	Farmington NM

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11 BEFORE: Gilbert P. Quintana, Examiner

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15 A P P E A R A N C E S

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17 For the Oil Conservation
18 Division:

Jeff Taylor
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

19
20 For the Applicant:

Chad Dickerson
Attorney at Law
LOSEE, CARSON, & DICKERSON
P. O. Drawer 239
Artesia, New Mexico 88210

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I N D E X

KATHY COLBERT

Direct Examination by Mr. Dickerson 3

ARTHUR L. BOWZER

Direct Examination by Mr. Dickerson 9

Cross Examination by Mr. Quintana 11

E X H I B I T S

Yates Exhibit One, Map 4

Yates Exhibit Two, Letter 5

Yates Exhibit Three, Letter 6

Yates Exhibit Four, Unit Agreement 6

Yates Exhibit Five, Operating Agreement 8

Yates Exhibit Six, Geologic Report 10

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2 MR. QUINTANA: We'll call case
3 8355.

4 MR. TAYLOR: The application of
5 Yates Petroleum Corporation for a unit agreement, Chaves and
6 Otero Counties, New Mexico.

7 MR. DICKERSON: Mr. Examiner,
8 I'm Chad Dickerson of Artesia, New Mexico, on behalf of the
9 applicant, and we have two witnesses.

10 MR. QUINTANA: Are there other
11 appearances in this case?

12 If not, Mr. Dickerson, will you
13 have your witnesses please stand and be sworn in?

14 (Witnesses sworn.)

15 KATHY COLBERT,
16 being called as a witness and being duly sworn upon her oath
17 testified as follows, to-wit:

18 DIRECT EXAMINATION

19 BY MR. DICKERSON:

20 Q Will you state your name, your occupa-
21 tion, and by whom you are employed?

22 A My name is Kathy Colbert. I am employed
23 by Yates Petroleum Corporation as a landman.

24 Q And, Ms. Colbert, have you previously
25

1 testified before this Division as a petroleum landman and
2 have your credentials been made a matter of record?
3

4 A That's correct.

5 MR. DICKERSON: Mr. Examiner,
6 is this witness qualified?

7 MR. QUINTANA: The witness is
8 qualified.

9 Q Ms. Colbert, will you briefly summarize
10 the purpose of Yates' application in this case?

11 A We wish to obtain approval of the One
12 Tree Unit that encompasses 176,824.89 acres in Chaves and
13 Otero Counties in order to effectively explore and develop
14 this area.

15 Q Will you please identify Exhibit Number
16 One and tell the Examiner what it shows?

17 A Exhibit One is a map of the proposed
18 unit. It shows the unit boundaries, separate tract numbers,
19 also percentages of Federal, State and fee lands included
20 within this unit.

21 Q And what is the relative proportion of
22 State, Federal, and fee acreage within the unit boundaries?

23 A There's approximately 76% Federal lands,
24 11% State, and 13% fee lands included in the outline.

25 Q What is the current status of the re-
quired approval by the Bureau of Land Management and The New
Mexico Commissioner of Public Lands?

A Preliminary meetings with the BLM started

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this last June. We have had several meetings and many telephone conversations with the BLM and the Commissioner of Public Land offices. We did make some slight revisions to our original proposal at the request of the BLM, and we have since furnished both agencies with all copies of the agreements, maps, and geological information and we have requested that they give preliminary approval.

Q Do you anticipate any problems with such approval?

A No. We do not.

Q What is the status of ratifications of the unit by the fee royalty owners within the unit boundaries?

A As soon as we can obtain the preliminary approval on this unit we will contact all the fee royalty owners in the outline and invite them to ratify the unit.

Q What percentage of joinder of this unit, including State, Federal, and fee lands do you anticipate obtaining by voluntary joinder?

A In excess of 90 percent.

Q Will you please identify Exhibit Number Two and tell the Examiner what that is?

A Exhibit Number Two is the letter to the Bureau of Land Management, where we requested designation of this proposed area as being logically subject to continuous development.

Q Has that designation been made as yet?

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A Not as yet, no.

Q Do you know when we might expect the BLM to act on that?

A I spoke with them again yesterday. They did not see any major problems. They weren't able to tell me when they could write a letter, though, giving preliminary approval.

Q Please refer to Exhibit Number Three and tell us what that shows.

A Exhibit Three is the letter to the Commissioner of Public Lands requesting preliminary approval on the One Tree Unit.

Q And has the Commissioner of Public Lands been requested to approve this unit and do you anticipate any problems in obtaining that --

A No.

Q -- approval?

A No, we don't. I spoke with them recently and they don't see any problems.

Q Identify Exhibit Number Four and state what that is.

A Exhibit Four is the proposed unit operating agreement. It's on the standard from covering Federal, State, and fee lands.

Section 4 does designate Yates Petroleum Corporation as operator.

Summarized on the second page is a list

1
2 of subjects governed by this agreement, including definition
3 of unitized substances, resignation or removal of unit oper-
4 ator, accounting matters, obligations and rights of the unit
operator and of the nonoperator.

5 Q What provision in this proposed unit
6 agreement covers allocation of production in the unit area?

7 A Section 12 covers allocation of produc-
8 tion.

9 Q What provisions cover the initial
10 drilling operations and what are your plans for further de-
11 velopment?

12 A Section 9 provides for the initial test
13 well to be diligently drilled to test the Yeso formation.
14 It also provides for drilling of wells until such time as
15 the discovery of unitized substances has been made in the
unit.

16 Section 10 then provides for the plan of
17 development and operations to be followed after the dis-
18 covery of unitized substances in paying quantities.

19 Q So how many, how many wells are to be
20 drilled under the initial plan of development?

21 A Initially six.

22 Q And has the Bureau of Land Management
tentatively approved that number --

23 A That's --

24 Q -- of wells?

25 A That's correct. That's how we arrived at

1
2 the figure.

3 Q And the locations of those wells?

4 A That's correct.

5 Q Refer the Examiner to what we have marked
6 as Exhibit Number Five and tell us what that is.

7 A Exhibit Five is the proposed unit oper-
8 ating agreement and it is on the AAPL Form 610, 1977. It
9 covers, among other things, acquisition and maintenance of
10 leases, expenditures, and liabilities of parties, as well as
11 operationg by less than all parties.

12 It does have an accounting procedure at-
13 tached to the joint operations.

14 Q Where in this joint operating agreement
15 are the interests of the parties set forth?

16 A That's on Exhibit A to this operating
17 agreement. It outlines the parties and their percentages
18 under the initial test well and subsequent wells.

19 The initial test well will be paid for by
20 these parties.

21 Q Are the separate tracts within the unit
22 boundaries set forth in the unit operating agreement?

23 A Yes, as Exhibit B.

24 Q And what, briefly summarized, information
25 does Exhibit B contain?

A Each tract is separated containing a
lease number or name and the description, the expiration
date, any burdens on the lease.

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2 It also sets out the lessee of record and
3 working interest owners under each lease.

4 MR. DICKERSON: Mr. Examiner,
5 at this time we move admission of Applicant's Exhibits One
6 through Five.

7 MR. QUINTANA: Exhibits One
8 through Five will be admitted.

9 MR. DICKERSON: And I have no
10 further questions of this witness.

11 MR. QUINTANA: Are there other
12 questions of the witness? If not, the witness may be ex-
13 cused.

14 MR. DICKERSON: Mr. Bowzer.

15 ARTHUR L. BOWZER,
16 being called as a witness and being duly sworn upon his
17 oath, testified as follows, to-wit:

18 DIRECT EXAMINATION

19 BY MR. DICKERSON:

20 Q Mr. Bowzer, will you state your name,
21 your occupation, and by whom you are employed?

22 A I'm Arthur L. Bowzer and I'm a geologist
23 with Yates Petroleum in Artesia.

24 Q Mr. Bowzer, you have previously qualified
25 as a petroleum geologist and had your credentials made a
matter of record before this Division, have you not?

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A That I have.

MR. DICKERSON: We tender this witness as an expert geologist, Mr. Examiner.

MR. QUINTANA: Mr. Dickerson, your witness is considered qualified.

Q Mr. Bowzer, will you identify Exhibit Number Six and state what it is?

A Exhibit Number Six is a geologic report on the area of the unit and is a discussion of the geology and a summary of the geology on which the unit is to be based.

Q Where is your proposed unit located?

A The unit is located about ninety miles west of Artesia and it's -- the area of the unit is encompassed by the towns of Elk, Mayhill, Duncan, and Pinon.

Q And the boundaries of the unit are shown in your --

A Yes.

Q -- Figure Number One on Page Two of your report, is it not?

A Sorry. Yes, the boundaries are shown on Figure One; also a part of the area immediately adjacent to the eastern edge of the Sacramento Mountains.

Q What is your general geological theory behind the formation of this proposed exploratory unit?

A Beneath the area of the unit is a buried ridge of the ancestral Rockies. The uplift of that ridge

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2 caused the truncation of over-rocks. There's a series of
3 faults and truncations and stratigraphic pinchouts as the
4 younger rocks were deposited across the area, with subse-
5 quent tertiary folding, so this area is a rather large area
6 but it's extremely complex because it involves truncation,
7 later folding, and some of these things are not -- the deep-
er structure is not immediately obvious from the surface.

8 Q What geological objectives does Yates
9 seek in its planned drilling program?

10 A One of the first and primary objectives
11 is the Yeso formation because at about 1500 feet in the Lit-
12 tle Cuevo Unit farther east and in the wells that have been
13 drilled within the unit, which is the Dog Canyon and the
14 Marathon Well, there were shows in the Yeso, and we believe
15 there are closed structures within the unit that will be
productive.

16 Below that are possibilities of sand re-
17 servoirs in the Abo. There's also a possibility of sand re-
18 servoirs and pinchouts in the Pennsylvanian, and then the
19 pre-Pennsylvanian truncated stratigraphic units.

20 Q Can you briefly summarize the conclusions
21 you have reached regarding this proposed One Tree Unit Area?

22 A It's an extremely complex area because
23 the younger geology obscures the earlier geology and it's a
24 rather difficult area to move in physically on the surface
and there will be high costs to put roads in. There will be

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2 high costs to put locations in. A number of wells will have
3 to be drilled to determine what are the prominent or prob-
4 ably principal reservoirs in the area, and it's remote from
5 the service areas. It's at least ninety miles from Artesia
6 where the logging companies, et cetera, are to be -- are lo-
7 cated.

8 The costs for the area are extremely
9 high. The geology is very complex, and in order for one to
10 make the high cost expenditures and to drill a number of
11 wells, he'll require a fairly large area to do -- to do the
12 exploration in.

13 Q Mr. Bowzer, in your opinion will approval
14 of this unit result in the prevention of waste, be in the
15 interest on conservation, and protect correlative rights?

16 A Yes, it will.

17 MR. DICKERSON: Mr. Examiner,
18 at this time move admission of Applicant's Exhibit Number
19 Six.

20 MR. QUINTANA: Exhibit Number
21 Six will be admitted into evidence.

22 MR. DICKERSON: And I have no
23 further questions of Mr. Bowzer.

24 CROSS EXAMINATION

25 BY MR. QUINTANA:

Q How do you pronounce your name?

A Bowzer.

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Q Mr. Bowzer --

A Uh-huh.

Q -- in your own words the geology of the area is very complex. How did you determine the size of the unit, or was --

A The size of the unit, the northwestern margin of the unit is based upon gravity and magnetics.

If you'll look at Exhibit 3, the areal magnetics shows the border hills fault zone which borders the unit on the north.

The ridge that comes right down the other county line, which is marked as the Blackwater -- the Bluewater Anticlinorium, this is a reflection of the buried ancestral ridge and it's on the flanks of this ridge where we anticipate truncation traps. There are also expected sand reservoirs on both flanks of the ridge, and then in the far west of the so-called MacDonald's Flat Basin one can expect a showing of the edge of the basin against the fault.

So a fault on the northwest side, a fault on the southwest side, the YO Flexure, the Bluewater Anticline on the east. So the MacDonald's Flat and the Bluewater Anticline together make a unit. There are potentials on both flanks of the Bluewater Anticlinorium. There are potentials on both flanks of the MacDonald Basin and it's -- it's a coupled geological relationship.

The Basin is formed by the uplifted area of the Pederal on one side, the Bluewater on the other side,

1
2 and there are potentials for a number of traps.

3 We only have two wells in the area and
4 it's going to take a lot of exploration, it's going to take
5 a lot of money to find it.

6 Q Thank you.

7 A Uh-huh.

8 Q That answers my question.

9 MR. QUINTANA: Are there any
10 further questions of Mr. Bowzer? If not, Mr. Bowzer, you
11 may be excused.

12 A Thank you.

13 MR. QUINTANA: Is there any-
14 thing further in Case 8355?

15 If not, Case 8355 will be taken
16 under advisement.

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(Hearing concluded.)

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. 8355 heard by me on Nov. 14 1984.

Gilbert P. Quintana Examiner
Oil Conservation Division