

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date SEPTEMBER 9, 1987 Time: 8:15 A.M.

| NAME | REPRESENTING | LOCATION |
|-------------------|-----------------------------|------------------------|
| Les Clements | N.M.O.C.D. | ARTESIA |
| Burl Huter | Byrum | Santa Fe |
| V. Galdon | NM O C D | SF |
| W. J. Kellon | Kellon Kellon Oursley | Santa Fe |
| Mike Miller | NM O C D | Artesia |
| Chad Dickerson | Dickerson, Frick + Vandiver | " " |
| Randall Harris | Ray Westall | " " |
| William L. Jan | Langhelt + Jack | Santa Fe |
| H.R. Bob Kendrick | El Paso Natural Gas | El Paso, Tx |
| James Bruce | Hinkle Law Firm | SF |
| Brie Seltzer | Amerind | Midland |
| Greg H. | Amerind | Midland |
| Lee Mack | NM O C D | S.F. |
| Ray Graham | Jepperson J.C. well | Santa Fe Farmington |

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date SEPTEMBER 9, 1987 Time: 8:15 A.M.

| NAME | REPRESENTING | LOCATION |
|----------------------|------------------|-------------|
| Ernest L. Pacilla | Pacilla + Snyder | SF |
| Ray West | Ray West | Loa Hills |
| Robert L. Spottswood | DELTO OIL CO | Houston, TX |

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

RAY GRAHAM

| | |
|------------------------------------|---|
| Direct Examination by Mr. Kellahin | 4 |
| Cross Examination by Mr. Stogner | 7 |

ERNEST McDONALD

| | |
|------------------------------------|----|
| Direct Examination by Mr. Kellahin | 9 |
| Cross Examination by Mr. Stogner | 13 |

E X H I B I T S

| | |
|---------------------------------------|---|
| Tipperary Exhibit One, Unit Agreement | 5 |
| Tipperary Exhibit Two, Letter | 6 |
| Tipperary Exhibit Three, Map | 9 |

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MR. STOGNER: Call next Case
9206.

MR. TAYLOR: Application of
Tipperary Corporation for a unit agreement, Lea County, New
Mexico.

MR. STOGNER: Call for appear-
ances.

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

MR. STOGNER: Are there any
other appearances in this matter?

Will the witnesses please stand
and be sworn at this time?

(Witnesses sworn.)

RAY GRAHAM,
being called as a witness and being duly sworn upon his
oath, testified as follows, to-wit:

DIRECT EXAMINATION

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BY MR. KELLAHIN:

Q Mr. Graham, for the record would you please state your name, sir?

A Ray Graham.

Q And would you describe for us what your relationship is with the applicant, Tipperary Corporation?

A I am a consultant for Tipperary to insure that they abide by the rules and regulations of the State Land Office and their requirements for a voluntary unit.

Q Mr. Graham, have you testified before the Oil Conservation Division before in the capacity as an expert petroleum landman?

A Yes, I have.

MR. KELLAHIN: We tender Mr. Graham as an expert petroleum landman.

MR. STOGNER: Mr. Graham is so qualified.

Q Mr. Graham, are you familiar with what Tipperary is seeking to accomplish with this application?

A Yes, I am.

Q Would you describe for the Examiner what it is that they're seeking?

A They're seeking 160-acre exploratory unit to drill to approximately 11,400 feet to test the Strawn

1 formation.

2 Q What types of leases are involved in the
3 unit agreement that we have marked as Applicant Exhibit Num-
4 ber One?

5 A I refer to Exhibit A and Exhibit B of the
6 unit agreement.

7 There are two state leases involved, one
8 covering the north half of the southwest quarter and one
9 covering the south half of the southwest quarter of Section
10 29, Township 16 South, Range 37 East, in Lea County.

11 Q Who are the working interest owners for
12 the two State of New Mexico oil and gas leases?

13 A I'll refer to Exhibit B for that. Tip-
14 perary Oil and Gas Corporation, W. A. Moncrief, Jr., and BHP
15 Petroleum, Incorporated.

16 Q Let me refer you to the Exhibit One it-
17 self. Is this proposed form of unit agreement one that has
18 been approved by the Oil Conservation Division and the Com-
19 missioner of Public Lands for use for this type of unit?

20 A Yes, it is.

21 Q Do you know what the anticipated com-
22 mencement date is for the unit well?

23 A Sometime before October 1, 1987.

24 Q And do you know whether or not there is
25 an agreed upon location for the unit well?

1 A Yes. It's in the northwest quarter of
2 the southwest quarter of Section 29.

3 Q And who is the proposed operator for the
4 unit?

5 A Tipperary Oil and Gas Corporation.

6 Q Do you know whether or not all the work-
7 ing interest owners, royalty, and overriding royalty owners
8 have voluntarily committed themselves to the unit?

9 A Yes, they have. 100 percent commitment.

10 Q And what is the basis of participation?

11 A On a straight acreage basis.

12 Q And what will be the unitized formations?

13 A All formations down to 11,400 feet. I
14 believe that's probably the base of the Strawn formation.

15 Q Let me direct your attention, Mr. Graham,
16 to Exhibit Number Two and have you identify and describe
17 that exhibit.

18 A That's a letter from the Commissioner of
19 Public Lands, dated September the 8th, 1987, approving the
20 unit agreement.

21 Q To the best of your knowledge has the ap-
22 plicant in this case complied with all the requirements of
23 the Commissioner of Public Lands for the approval of the ex-
24 ploratory unit?

25 A Yes, they have.

1 Q What is the basis upon which the appli-
2 cant seeks to form a voluntary unit of this 160-acre tract?
3 What is the advantage or necessity to the applicant to have
4 unit operations as opposed to letting these leases be indi-
5 vidually operated?

6 A Well, they have better control and then
7 they have possible other formations to develop above their
8 total depth and it will be more economical to develop with
9 the unit plan than on individual lease basis.

10 Q Based upon your knowledge as a petroleum
11 landman, do you believe that the proposed unit is one that
12 allows the operator to effectively and efficiently develop
13 this acreage?

14 A Yes, I do.

15 MR. KELLAHIN: That concludes
16 my examination of Mr. Graham, Mr. Stogner.

17 We would move the introduction
18 of Exhibits One and Two.

19 MR. STOGNER: Exhibits One and
20 Two will be admitted into evidence.

21

22

CROSS EXAMINATION

23 BY MR. STOGNER:

24 Q Mr. Graham, if the Strawn tests to be
25 productive, wouldn't that be spaced on 320 acres in this

1 area?

2 A I believe it's within the pool rules or
3 within the limits of the pool rules of a well just to the
4 north that's on 80-acre spacing.

5 Q So this is a Strawn oil area.

6 A Yes, that's their objective there (inaud-
7 ible).

8 Q So you're wishing to unitize all forma-
9 tions and pools underneath this tract, is that correct?

10 A That is correct.

11 MR. STOGNER: I have no further
12 questions of Mr. Graham.

13 Are there any other questions
14 of this witness?

15 He may be excused.

16 Mr. Kellahin?

17 MR. KELLAHIN: I have one more
18 witness, Mr. Examiner.

19

20 ERNEST McDONALD,

21 being called as a witness and being duly sworn upon his
22 oath, testified as follows, to-wit:

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. McDonald, for the record would you please state your name and occupation?

A Ernest McDonald, geologist.

Q By whom are you employed and in what capacity?

A Tipperary; title is District Geologist; the only geologist.

Q Mr. McDonald, have you testified previously before the Oil Conservation Commission of New Mexico as a petroleum geologist?

A Yes, I have.

Q And have you made study of the Strawn geology that is involved in the proposed unit?

A Yes, I have.

MR. KELLAHIN: We tender Mr. McDonald as an expert petroleum geologist.

MR. STOGNER: Mr. McDonald is so qualified.

Q Mr. McDonald, would you take a moment and identify for us what is marked as Tipperary Exhibit Number Three?

A This is a geological map, the net poro-

1 sity of the Strawn Montieth mound material, which is produc-
2 tive all along the northeast flank of the Lovington High.

3 This map shows a potential porosity pod
4 or mound presence in which the proposed location is
5 centered.

6 Q Is this an exhibit and an evaluation of
7 the Strawn that you have made yourself?

8 A Yes, it is.

9 Q Would you orient the examiner as to where
10 we are in relation to Strawn pools?

11 A This -- this prospect and the proposed
12 location are just southwest, about a mile or less, from
13 Northeast Lovington Field, production from the same Monteith
14 porous mound material. These are prolific wells producing
15 anywhere -- with cumulatives anywhere from 300,000 up to
16 over -- over 1,300,000 barrels, and that's just in the area
17 just northeast of our proposed location.

18 Q Where is the Casey Strawn Pool?

19 A The Casey Strawn Pool is about two, about
20 two miles south, due southeast of this prospect along the
21 same -- within the same fairway of Strawn mound development.

22 Q How have you identified the proposed
23 voluntary unit?

24 A It is identified to enclose the 160 acres
25 over which the -- Tipperary has been able to accomplish

1 agreement with all working interest owners to drill -- to
2 drill the location.

3 Q Do you have an opinion, Mr. McDonald, as
4 to which of the Division's Strawn Pool rules this proposed
5 acreage will be subject?

6 A Northeast Lovington Field Rules.

7 Q And this will be a Strawn Oil test.

8 A This is a Strawn -- main objective Strawn
9 Oil test.

10 Q What is your geologic opinion about the
11 size and the shape of this proposed unit?

12 A This size and shape is similar to the
13 other mounds which are present along this trend. The area,
14 maximum area of this interpretive mound is about 290 acres.
15 It compares favorably, or about the same, with the mound
16 which is adjoining on the north/northeast, and to other
17 mounds, as, for example, the Casey Field and Shipp, differ-
18 ent pods in the Shipp Field are about this same size, some
19 smaller.

20 Q Has Tipperary attempted to obtain volun-
21 tary cooperation of other working interest and royalty own-
22 ers to include the entire area defined as the proposed
23 mound?

24 A They've tried, tried diligently to obtain
25 cooperation. We have some indication -- we have indications

1 that we will receive some support and help of one kind or
2 another. We have optional farmout agreements and tentative
3 verbal well support agreement with the other operators.

4 Q Current size of the unit represents your
5 best effort to obtain a maximum size of a voluntary unit?

6 A On this prospect it does.

7 Q What is the advantage to you as a geolo-
8 gist in terms of unit operation over operating these proper-
9 ties under other arrangements?

10 A It gives us ability to plan for -- in the
11 event that we drill the well we can make decisions as to how
12 do we want to organize the drilling -- the producing unit
13 and/or if by some unforeseen chance we get a dry hole we
14 have time in which to evaluate the results of this dry hole
15 and see where we might move to drill another well.

16 In other words, we achieve flexibility in
17 planning. It gives us more planning flexibility.

18 Q Do you have an opinion as to whether it
19 more thoroughly apports the risk involved in drilling a
20 Strawn well when you have an unit operation?

21 A Especially in this case, there is risk.
22 This is a -- this is really a wildcat and we need all the
23 flexibility and planning that we can obtain.

24 MR. KELLAHIN: That concludes
25 my examination of Mr. McDonald, Mr. Stogner, and we move the

1 introduction of his Exhibit Number Three.

2 MR. STOGNER: Exhibit Number
3 Three will be admitted into evidence at this time.

4

5 CROSS EXAMINATION

6 BY MR. STOGNER:

7 Q Mr. McDonald, this location of the pro-
8 posed well shown on Exhibit Number Three here, is that truly
9 your proposed location?

10 A Yes, it is.

11 Q Okay, and that is at a standard
12 location?

13 A Yes, that's the center of that 40-acre
14 northwst of the southwest of Section 29.

15 Q Okay, now to the south of there there's
16 an old Conoco well that TD'ed at 5302 in the San Andres, it
17 appears. Could you give me a background on that well?

18 A It's -- it's just a well that bottomed
19 in the San Andres and there was no production. It was -- it
20 was just plugged.

21 I don't know why they didn't drill deeper
22 but it was probably drilled in the fifties and they were
23 drilling as a wildcat test of the San Andres trying to
24 extend the Lovington Field, which is just south, probably
25 trying to extend it northward, and as a matter of fact they

1 should have drilled a little deeper into Glorieta Paddock
2 Zone, so that's just a wildcat that was plugged years ago.

3 MR. STOGNER: I have no further
4 questions of Mr. McDonald.

5 Are there any other questions
6 of this witness?

7 MR. KELLAHIN: No, sir.

8 MR. STOGNER: He may be ex-
9 cused.

10 Mr. Kellahin, do you have
11 anything further in Case Number 9206?

12 MR. KELLAHIN: No, sir.

13 MR. STOGNER: Does anybody else
14 have anything further in this case?

15 Case Number 9206 will be taken
16 under advisement.

17

18 (Hearing concluded.)

19

20

21

22

23

24

25

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO
HEREBY CERTIFY the foregoing Transcript of Hearing before
the Oil Conservation Division (Commission) 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. 92060
heard by me on 9 September 1987
Michael C. Stoyne Examiner
Oil Conservation Division