

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date _____ FEBRUARY 3, 1988 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
Greg Davis	Pennzoil Company	Houston, Tx.
Jim Ban	Pennzoil Company	" "
Harold Owen	OCD	SF
Chad Dickerson	Dickerson, Fred Vanderer	Artesia
Nobert F. Rumpel	Yates Pet.	Artesia
Ken Beasley	YPC	Artesia
JOE FORANI	FORAN OIL COMPANY	Dallas
R D Campbell	ARCO	Midland
Tommy Roberts	Hixon Development	Farmington
William S. Jan	Campbell and Jack	Santa Fe
James Bruce	Hinkle Law Firm	S.F.
E.R. Manning	El Paso Natural Gas	El Paso, TX
Karen Aubrey	Keller Keller & Associates	Santa Fe
Charles Erik Foster	Hixon Development Company	Farmington
JOHN C. CORSETT	HIXON DEVELOPMENT CO.	FARMINGTON

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NAME	REPRESENTING	LOCATION
AR Kendrick M.G. Merchant	Curtis J. Little Permco Oil	Aytes. Hobbs
Bob Hahn V. Wabal dor Hanna Tunn	Byram 70 CD	Savilla 20 SF
SOU Hall	Campbell & Black	SF
Thom R. Jones	Bertis, Byke, Stovall	Graham, TX
W T Kellorhim	Kellorhim Kellorhim	Santa Fe
Lupina Pille LES M. CARNES	Curtis J. Little Forum Oil Company	Familton Amarillo, TX

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KEN BEARDEMPHL

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MR. STOGNER: We will call next Case Number 9301, which is the application of Yates Petroleum Corporation for a unit agreement, Lea County, New Mexico.

Call for appearances.

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

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

Being none will the witnesses please stand to be sworn?

(Witnesses sworn.)

Mr. Dickerson?

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

DIRECT EXAMINATION

BY MR. DICKERSON:

Q Mr. Beardemphl, will you please state

1 your name, your occupation and by whom you're employed?

2 A Ken Beardemphl, landman with Yates Petro-
3 leum Corporation.

4 Q And you have previously testified before
5 this Division as a landman and your credentials are a matter
6 of record, are they not?

7 A Yes, sir.

8 MR. DICKERSON: Is this witness
9 qualified, Mr. Examiner?

10 MR. STOGNER: Yes, he is.

11 Q Mr. Beardemphl, are you familiar with the
12 purpose of Yates' application in Case 9301?

13 A Yes, sir, I am.

14 Q And what is that?

15 A It is -- Yates Petroleum Corporation
16 seeks approval of the Echols State Unit Area, comprising ap-
17 proximately 1,440 acres, more or less, of state lands in
18 Township 11 South, Range 38 East, Lea County, New Mexico.

19 Q And are you familiar with the land situa-
20 tion within the boundaries of the proposed Echols State
21 Unit?

22 A Yes, sir.

23 Q Will you identify what we've submitted as
24 Yates Exhibit Number One and tell the examiner what that in-
25 strument is?

1 A Exhibit One is the unit agreement for the
2 development and operation of the Echols State Unit Area, and
3 in the agreement it has a map showing the boundaries and the
4 -- and it has the tract numbers and then it has Exhibit B,
5 which has the tract numbers, has a description of the lease,
6 the number of acres of the lease, serial numbers and expira-
7 tion dates of the lease, basic royalty owner and percent-
8 ages, and the lessee of record, the overriding royalty owner
9 percentages, and the working interest owners and percent-
10 ages.

11 Q This instrument is on the standard, ap-
12 proved form by the Commissioner of Public Lands for an oil
13 state unit, Mr. Beardemphl?

14 A That is true.

15 Q And in what manner does this instrument
16 allocate unitized substances among the various tracts com-
17 mitted to the unit? It allocates those substances on a sur-
18 face acreage basis, does it not?

19 A Yes, sir, it does by surface acreage.

20 Q And paragraph two of this agreement unit-
21 izes all hydrocarbon substances in all formations, there are
22 no depth limitations within this unit.

23 A That is correct.

24 Q Will you in a little more detail refer
25 the examiner to Exhibit A, the map attached to the unit

1 agreement, and describe for him the unit boundaries?

2 A Okay. The unit boundaries are in Section
3 9. It has all, it has two tracts, two state tracts in it.
4 And in Section 10 it is the southwest quarter. It has one
5 state tract in it.

6 And then it involves Section 15. It has
7 the north half that has two state tracts in it, and they are
8 each marked with the tract number and the unit outline is on
9 the map.

10 Q And I notice that four of those five
11 state leases have an expiration date of March 1st, 1988. Is
12 it Yates' intention to commence the drilling of the initial
13 unit well prior to that lease expiration date?

14 A That is correct.

15 Q All the working interest within this
16 unit, Mr. Beardemphl, is owned by Yates Petroleum Corpora-
17 tion or one of it's in-house corporations, is it not?

18 A That is correct.

19 Q So you have 100 percent commitment of the
20 working interest to this unit?

21 A 100 percent committed.

22 Q Mr. Beardemphl, identify what we submit-
23 ted as Exhibit Number Two and tell the examiner what that
24 is.

25 A Exhibit Number Two is the model form

1 operating agreement, 1977, for the Echols State Unit, and it
2 includes the descriptions and it has the -- on page, let's
3 see, page 4 it has the initial well location and the date.

4 Q The date that well must be commenced is
5 when?

6 A Must be commenced, yes, sir, March 1st of
7 1988.

8 Q Okay, and Exhibit A to that joint oper-
9 ating agreement sets forth the working interest of all the
10 parties throughout the unit area?

11 A Yes, sir, Exhibit A has the lands subject
12 to the agreement and the depth restrictions, which are none,
13 and it has the percentage interest of the parties under the
14 agreement for the initial well and after payout and the sub-
15 sequent wells.

16 Q Mr. Beardemphl, turn to Exhibit Number
17 Three and tell the examiner what that instrument is.

18 A Exhibit Number Threere is a letter from
19 the Commissioner of Public Lands on the proposed Echols
20 State Unit, with their preliminary approval.

21 Q There were no substantial changes reques-
22 ted by the State Land Office, were there?

23 A No, sir. There's one change and it has
24 been done, that number six, it has been revised.

25 Q Okay, Mr. Beardemphl, were Exhibits One,

1 Two, and Three compiled by you or under your direction and
2 supervision?

3 A Yes, sir.

4 MR. DICKERSON: Move admission
5 of Yates' Exhibits One, Two, and Three, Mr. Examiner.

6 MR. STOGNER: Exhibits One, Two
7 and Three will be admitted into evidence.

8

9 CROSS EXAMINATION

10 BY MR. STOGNER:

11 Q Mr. Beardemphl, whenever I look at Exhi-
12 bit A, or the map, on your first exhibit, I should say, that
13 Tract 5, that takes in the northwest quarter and the south-
14 east quarter, is that correct? They're not contiguous with
15 each other?

16 A Northwest, excuse me?

17 Q I guess Tract 4 and 5 would (unclear) it,
18 wouldn't they?

19 A Oh, oh, I see what you mean, yes, sir.
20 Uh-huh. That is, let's see, Tract 5 is 320 acres and Tract
21 4 is 320 acres, being the -- Tract 5 is also, yes, sir, it's
22 the northwest and the southeast quarters.

23 Q Okay.

24 A As in Exhibit B has the description.

25 Q And the proposed well will be in Section

1 9, what quarter section?

2 A Southwest and that will be in Tract No.
3 2.

4 Q In the southwest quarter. Now is the
5 correct name the Echols State Unit or the Echols -- the
6 Echols Unit?

7 A It's Echols State Unit.

8 MR. STOGNER: Okay, I have no
9 further questions of this witness.

10 Are there any other questions
11 of Mr. Beardemphl?

12 You may be excused.

13 Mr. Dickerson?

14

15 NORBERT REMPE,

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

18

19 DIRECT EXAMINATION

20 BY MR. DICKERSON:

21 Q Mr. Rempe, will you state your name, your
22 occupation, and by whom you're employed and in what
23 capacity?

24 A Yes, I am Norbert Rempe, geologist for
25 Yates Petroleum in Artesia.

1 Q And you have testified on numerous
2 occasions before this Division as a geologist previously,
3 have you not, Mr. Rempe?

4 A Yes, I have.

5 Q And have you made a study of the
6 available geological data surrounding the Echols State Unit
7 proposed by Yates in this case?

8 A Yes, sir, I have.

9 MR. DICKERSON: Tender Mr.
10 Rempe as an expert petroleum geologist, Mr. Examiner.

11 MR. STOGNER: Mr. Rempe is so
12 qualified.

13 Q Mr. Rempe, can you briefly summarize for
14 us the geological study that you have undertaken surrounding
15 the formation of this proposed state unit agreement?

16 A Yes. The geological exhibit consists of
17 a narrative on the geological information pertaining to this
18 unit and are three maps and one schematic cross section, and
19 if you will, please, turn your attention to the first map in
20 the exhibit, this is a structure map on the base of the
21 Wolfcamp pay, and what you see on this map in Section 16 is
22 the existing East Echols Devonian Field, which also has in
23 it two Wolfcamp producers outlined by the circle around --
24 well, one Wolfcamp producer and one well that had a Wolfcamp
25 show on a drill stem test in the wells that are circled.

1 You also see an inferred Devonian fault
2 that cuts through the unit in a northwest/southeastly direc-
3 tion. This fault does not cut the Wolfcamp but it cuts the
4 Devonian.

5 The second map is an Isopach map on the
6 Wolfcamp pay, so it shows the thickness of the Wolfcamp pay
7 in the various wells that were used to construct this map
8 and it does show that we have a thick Wolfcamp pay to the
9 east of the fault and then again to the west of the fault.

10 Q Mr. Rempe, what is the primary objective
11 that Yates seeks in this unit?

12 A The primary objective is actually the
13 Wolfcamp but we do believe that we also have a chance for
14 the Devonian and in order to enhance our chances to hit
15 either one or both of the pays, we selected the first loca-
16 tion, or the location for the initial test well in the
17 southwest quarter of Section 9 of 11, 38; to be exact, at
18 1980 from the west and 330 feet from the south line.

19 Q And do you -- you have submitted a map
20 illustrating some of the Devonian structure which forms a
21 part of this objective, as well?

22 A Yes, that is correct, and as I have men-
23 tioned, all the plugged producers are Devonian producers,
24 with only one of them in addition to the Devonian also hav-
25 ing produced from the Wolfcamp.

1 So we do believe that we have a good
2 chance for the Devonian at the indicated location.

3 Q Mr. Rempe, what is the reason for the
4 omission from your proposed unit boundaries of the northeast
5 quarter of Section 16, which would be adjoining the balance
6 of the unit acreage?

7 A Well, part of that reason is that Yates
8 Petroleum has tried one re-entry in that northeast quarter
9 of 16 and was unsuccessful in that, so we do believe that we
10 have sufficiently evaluated that -- that lease.

11 Q Exhibit 4-D to your submittal, Mr. Rempe,
12 is a cross section. Will you identify that for us and tell
13 us what you show by that cross section?

14 A Yes. The third -- well, the -- that part
15 of the geological exhibit is a diagrammatic east/west cross
16 section through the Echols State Unit, and it shows under
17 that on the -- on the west the two wells that actually had
18 shows in the Wolfcamp.

19 The well, the most west -- the western-
20 most well actually produced from the Wolfcamp, and as indi-
21 cated on this cross section the cumulative production of
22 11,026 barrels of oil.

23 If you will direct your attention to the
24 drill stem test results, which are for the Wolfamp interval,
25 and it indicated that on the drill stem test this well

1 flowed 8 barrels of oil in 95 minutes. Compare that then to
2 the second well, the Cities Service No. 1 State BE, which
3 tested the same Wolfcamp interval and received 23 feet of
4 oil and had a slightly lower final shut-in pressure.

5 These two wells are actually the key in-
6 dicators why we believe that we have a good chance at our
7 indicated initial test location.

8 Q Mr. Rempe, in your opinion will the gran-
9 ting of this application, the approval of this Echols State
10 Unit, be in the interest of conservation, the prevention of
11 waste, and the protection of correlative rights?

12 A Yes, it will.

13 Q And was your Exhibit Four prepared by you?

14 A Yes, it was.

15 MR. DICKERSON: Mr. Examiner, I
16 move admission of Yates' Exhibit Four, and I have no further
17 questions.

18 MR. STOGNER: Exhibit Four will
19 be admitted into evidence at this time.

20

21 CROSS EXAMINATION

22 BY MR. STOGNER:

23 Q Now, Mr. Rempe, whenever I look at Exhi-
24 bit 4-A, that was your first map --

25 A Yes, sir.

1 Q -- and subsequently throughout all the
2 other maps, there is a well that you show in Section 9,
3 that's in the southeast quarter of Section 9, it's plugged
4 and abandoned but it shows to be TD'ed at 85 -- I'm sorry,
5 well, I don't know what the TD of it is, but could you ex-
6 pound on that well a little bit?

7 A Yes. It was TD'ed in the Devonian and it
8 -- it was not commercial; that's why it was plugged.

9 It also was not commercial in the Wolf-
10 camp, or was not considered to be commercial in the Wolf-
11 camp, and you notice actually on the second well, where I
12 have the Isopach map, that the Wolfcamp pay in that well was
13 only 10 feet, which is considerably less than we have in the
14 two wells to the west.

15 Q Of course, I show that to be on that
16 fault line. Do you know if the Wolfcamp or the Devonian --

17 A Yes.

18 Q -- on which side of the fault that has
19 penetrated those two formations?

20 A Yes, sir. If you go to the third map,
21 that is the Devonian structure map, it shows the Devonian
22 subsea elevation at -8388, which is about 285 feet low to
23 the next well over to the west. That's why we put a fault
24 between these two wells.

25 Q So that fault did not --

1 A Not --

2 Q -- do anything to the Wolfcamp formation.

3 A No, it does not cut the Wolfcamp. The
4 Wolfcamp drapes over the fault.

5 Q Okay.

6 MR. STOGNER: I have no further
7 questions of Mr. Rempe.

8 Are there any other questions
9 of this witness?

10 MR. DICKERSON: No.

11 MR. STOGNER: If not, he may be
12 excused.

13 Mr. Dickerson, do you have
14 anything further in this case?

15 MR. DICKERSON: No, sir.

16 MR. STOGNER: Does anybody else
17 have anything further in Case Number 9301?

18 Case Number 9301 will be taken
19 under advisement.

20

21 (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 (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 correct copy of the proceedings in the hearing held on case No. 9301. heard by me on 13 February 1958.
Michael P. Stearns, Examiner
Oil Conservation Division