

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

3 October 1984

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum
Corporation for a unit agreement,
Santa Fe and Sandoval Counties, New
Mexico.

CASE
8356

BEFORE: Gilbert P. Quintana, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

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

For the Applicant:

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. QUINTANA: We'll call next
Case 8356.

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

MR. QUINTANA: Case 8356 will
so be continued to October 17th, 1984.

(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 Con-
servation Division was reported by me; that the said tran-
script 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. 8356,
heard by me on Oct. 3 1984.

Gilbert P. Quintana, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

17th October 1984

EXAMINER HEARING

IN THE MATTER OF:

| | |
|-----------------------------------|------|
| Application of Yates Petroleum | CASE |
| Corporation for a unit agreement, | 8356 |
| Santa Fe and Sandoval Counties, | |
| New Mexico. | |

BEFORE: Gilbert P. Quintana, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

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

For the Applicant:

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

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

JANET RICHARDSON

| | |
|-------------------------------------|---|
| Direct Examination by Mr. Dickerson | 4 |
| Cross Examination by Mr. Quintana | 7 |
| Cross Examination by Mr. Taylor | 7 |

BRUCE BLACK

| | |
|-------------------------------------|---|
| Direct Examination by Mr. Dickerson | 8 |
|-------------------------------------|---|

E X H I B I T S

| | |
|--|---|
| Yates Exhibit One, Map | 5 |
| Yates Exhibit Two, Unit Agreement | 5 |
| Yates Exhibit Three, Operating Agreement | 6 |
| Yates Exhibit Four, Letter | 6 |
| Yates Exhibit Five, Geologic Report | 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. QUINTANA: We'll call next Case 8356.

MR. TAYLOR: The application of Yates Petroleum Corporation for a unit agreement, Santa Fe and Sandoval Counties, New Mexico.

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

We have two witnesses.

I might point out, Mr. Examiner, that this case was advertised in the name of Yates Petroleum Corporation but Yates Petroleum Corporation intends to designate Peyton Yates as actual unit operator.

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

If not, will the witness please stand and be sworn in.

MR. DICKERSON: Two witnesses.

MR. TAYLOR: Is your other witness here, too?

MR. DICKERSON: Uh-huh, yeah.

MR. TAYLOR: Would they both stand and we'll swear them both at the same time.

(Witnesses sworn.)

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

JANET RICHARDSON,

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

DIRECT EXAMINATION

BY MR. DICKERSON:

Q Will you state your name, your occupation, and where you reside, please?

A Yes. My name is Janet Richardson. I work for Yates Petroleum Corporation as a landman from Artesia, New Mexico.

Q Ms. Richardson, you're appearing here on behalf of Peyton Yates, the proposed unit operator?

A Yes, I am.

Q And you have testified before this Division as a landman before, have --

A Yes, I have.

Q -- you not?

MR. DICKERSON: Mr. Examiner, is this witness satisfactory?

MR. QUINTANA: The witness is qualified as an expert petroleum landman.

Q Ms. Richardson, would you please briefly state the purpose of Peyton Yates' application in Case 8356?

A Yes. Mr. Yates would like to have the Caja del Rio Grande Unit designated as a unit for production in Santa Fe and Sandoval Counties.

1
2 Q Would you refer to what we have marked as
3 Exhibit Number One and tell the Examiner what that exhibit
4 consists of?

5 A Exhibit Number One is a map of the Cofa
6 del Rio Grande Unit and it splits up the number of Federal
7 lands, which is 94 percent of the unit; the number of State
8 lands, which is 3.8 percent of the unit; and the number of
fee lands, which is 1.6 percent of the unit.

9 Q And what is the total number of acres
10 contained in this proposed unit?

11 A 122,857.15 acres.

12 Q Okay. Refer to what is marked Exhibit
13 Number Two and tell the Examiner what that document is.

14 A Exhibit Number Two is a -- our proposed
15 unit agreement. It's on the form which has been previously
approved for State, Federal, and fee unitization.

16 Q What is the status of approval of this
17 proposed unit agreement by the Bureau of Land Management and
18 the Land Commissioner of the State of New Mexico?

19 A We have submitted this unit agreement to
20 both parties and we have had meetings with the Bureau of
21 Land Management and have obtained a tentative approval of
our unit outline.

22 Q The Bureau of Land Management has
23 tentatively approved the boundaries of the unit.

24 A Yes, it has.

25 Q Okay, would you refer to Exhibit A to

1
2 your proposed unit agreement and briefly tell the Examiner
3 what that document summarizes?

4 A Exhibit --

5 Q B, I'm sorry.

6 A Exhibit B to the unit agreement shows the
7 -- each of the leases and how they are owned.

8 Q And the interest of the parties is set
9 forth separately for each lease, is it not?

10 A Yes, it is.

11 Q Okay, refer to what we've marked as Exhi-
12 bit Number Three and tell us what that instrument is.

13 A Exhibit Number Three is the standard form
14 model operating agreement which we are proposing to use for
15 the Caja del Rio Grande Unit.

16 Q And what portion of that instrument gov-
17 erns or sets forth the manner in which unit costs will be
18 borne?

19 A Exhibit A to this agreement.

20 Q And Peyton Yates will initially bear 100
21 percent of the unit costs, is that correct?

22 A Yes, he will.

23 Q Okay. Turn to Exhibit Number Four, Ms.
24 Richardson, and tell us what that is.

25 A Exhibit Number Four is a letter from the
Bureau of Land Management after our unit designation meet-
ing.

MR. DICKERSON: Mr. Examiner,

1
2 we would move admission of Exhibits One through Four at this
3 time.

4 MR. QUINTANA: Exhibits One
5 through Four will be admitted into evidence.

6 MR. DICKERSON: And, Mr. Exami-
7 ner, our next witness will testify to some geology and the
8 proposed drilling program, which I know you'll be interested
9 in.

10 MR. QUINTANA: I have one quick
11 question of the witness in clarification.

12 CROSS EXAMINATION

13 BY MR. QUINTANA:

14 Q How many total acreage did you say would
15 encompass this unit?

16 A 122,857.15.

17 Q Thank you.

18 MR. TAYLOR: I have a question.

19 CROSS EXAMINATION

20 BY MR. TAYLOR:

21 Q You said that you talked to the Commis-
22 sioner of Public Lands. Have you got tentative approval
23 from them or --

24 A No, we haven't gotten approval from them
25 yet.

Q Have they -- you have talked to them,

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

haven't you?

A Yes, we have.

Q They just haven't sent you a letter or something?

A Yes.

MR. DICKERSON: The -- because of the time, the paperwork, getting the paperwork done has just recently been accomplished and so that submittal will be made immediately, the formal application for preliminary approval.

MR. QUINTANA: Any other questions of the witness?

The witness may be excused.

MR. DICKERSON: Call Mr. Bruce Black, Mr. Examiner.

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

DIRECT EXAMINATION

BY MR. DICKERSON:

Q Mr. Black, will you state your name, your occupation, and where you reside?

A Yes, Bruce L. Black, Farmington, New Mexico. My occupation is a consulting geologist with Black Oil, Incorporated.

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

Q And you're consulting at the request of Mr. Peyton Yates in this case?

A Yes, that's right.

Q Okay. You have previously testified before this Division as a geologist, have you not, Mr. Black?

A Yes.

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

MR. QUINTANA: You say you have testified before?

A Yes, sir, I have.

MR. QUINTANA: Could you tell me approximately when?

A Several years ago on two occasions. I can't tell you what the exact date is.

MR. QUINTANA: It's in the record, anyway.

A Yes, sir.

MR. QUINTANA: And you're considered as an expert geologist.

A Yes.

Q Mr. Black, refer to what we have marked as Exhibit Number Five and identify that for the Examiner, please.

Just the complete report. What is that that you have in front of you?

A Okay, this is the geologic report on the

1
2 Caja del Rio Grande Unit, dated June 15th, 1984.

3 Q Okay. Would you briefly summarize the
4 geological basis for the unit boundaries proposed in this
5 unit?

6 A Okay. To do that I'd like to draw your
7 attention to some diagrams here that will show the San Juan
8 Basin. Actually, this shows the northwest part of New Mexi-
9 co from the Four Corners area to the vicinity of Santa Fe,
New Mexico.

10 Q You are referring to Figure 1 in your map
11 so the Examiner can follow you?

12 A No, I'm not. I'm just giving him the --

13 Q Oh.

14 A -- general background right now. I will
15 refer to the figures in here. I'll try to give you a gener-
16 al background to -- what I was trying to do is just show the
17 relationship of the San Juan Basin, these oil and gas
18 fields, to the Espanola Basin and the area that we'll be
talking about this morning.

19 In Cretaceous time there was a -- the
20 Cretaceous rocks, of course, are the big producers in the
21 San Juan Basin. They produce out of the whole Cretaceous
22 package from fractured shales and bar sands in the Dakota
and Mesaverde fluvial non-marine section.

23 That stratigraphy at Cretaceous time,
24 160-million years ago, actually went clear across the State
25 of New Mexico, and it did that through a series of trans-

gressions and regressions which encompass the area we're going to talk about this morning.

So I put those stratigraphy strand lines simply on here to show you that, indeed, that stratigraphy is in this area and we can document that in the field in some detail.

This shows, then, our area, shown as this general area right in here around Santa Fe that we're going to talk to, and now I'd like to go to a specific exhibit to show you what we're attempting to do.

And now I'll refer you to Figure Number 1, which is a regional index map in the report.

This shows the Caja del Rio Grande Unit outline and the three proposed locations that we have on it, the one at the north, one at the central portion, and one at the southern part of the area.

The next figure is Figure Number 2 -- pardon me, it's Figure Number 3 in this case. The land map is Figure Number 2. But Figure Number 3 shows a blowup of that and shows the actual geology. I think you all have that in your report right there.

This shows a -- our best estimate on the contours on the top of the Cretaceous subcrop and a pre-Tertiary Cretaceous subcrop map and structure contours.

What you're looking at here is the depth to Cretaceous Dakota -- well, let me -- let me kind of back up.

1
2 On the east side the area is bounded by
3 the -- where we believe the Cretaceous is subcropping under
4 the Tertiary unit, that's on the east side. You can see
5 where we have that little stippled line that says "Cretaceous", we know that that is there from our seismic and you
6 can see that on seismic, so it comes down and bounds the
7 east side of the unit.

8 On the north side, if we project the favorable
9 facies in the Niobrara formation out of the San Juan
10 Basin in on these, go back to this other map right here, if
11 we look where the fractured shale production is in the Niobrara
12 formation in the San Juan Basin and project that into
13 the Espanola Basin, that favorable facies for both Dakota
14 production and for Niobrara fractured shale production is
15 that projection line on the northern side. That's our northern limit.

16 The western limit is the -2000 foot contours
17 on the top of the Niobrara -- pardon me, on the top of
18 the Niobrara.

19 What that represents is approximately
20 9000 -- or approximately 7000 feet drilling depth to the top
21 of the Niobrara. We don't want to get any deeper than that
22 because open fractures normally don't exist in the shales
23 below that. So we want to be sure that we keep ourselves
24 shallow enough to find open fractures in our objective Niobrara
25 and yet not so deep that we're out of our objective.

On the south end, the south is defined

1
2 absolutely no well control in this area and it's obviously
3 an area that is -- is a real wildcat area, and so we're
4 going off of the seismic work that we have, the surface geo-
5 logy that we have, and projecting in the stratigraphy and
6 structure from outside areas.

7 MR. DICKERSON: Mr. Examiner, I
8 move admission of the Applicant's Exhibit Number Five at
9 this time.

10 MR. QUINTANA: The Applicant's
11 Exhibit Number Five will be admitted into evidence.

12 MR. DICKERSON: And I have no
13 further questions of Mr. Black.

14 MR. TAYLOR: Would you explain
15 the land ownership situation here? I know there's --

16 MR. DICKERSON: Refer to Exhi-
17 bit Number One, Mr. Taylor, and it sets forth the percentage
18 of Federal lands, State lands, and patented lands, as the
19 total percent of the unit acreage.

20 MR. TAYLOR: Are any of these
21 Federal lands Indian lands?

22 MR. DICKERSON: No.

23 MR. TAYLOR: This does not --
24 this does not -- this doesn't include a portion of one of
25 those grants that was going to be turned over to Cochiti?

MR. DICKERSON: No.

MR. TAYLOR: As far as you
know?

1
2 MR. DICKERSON: No.

3 MS. RICHARDSON: No.

4 MR. TAYLOR: I know there was a
5 bill in Congress to turn some land over here over to Cochiti
6 but I don't know where it is.

7 MR. DICKERSON: No, as far as --

8 MR. BLACK: I tentatively
9 looked at that and that's south of this particular proposed
(not understood.)

10 MR. TAYLOR: Okay. Have you
11 got any follow-up correspondence from the government? I no-
12 tice in the -- in the one letter they've said they will not
13 accept a two-well commitment for this. Is that why you've
14 moved to three wells, and have you since reached agreement
15 with them?

16 MR. DICKERSON: Yes. Ms. Rich-
17 ardson can elaborate, let's say, if you'd like, but the Bu-
18 reau of Land Management has tentatively approved the drill-
19 ling program and the unit boundaries, and so we're at the
20 point that except for the fact of our time problems which
21 necessitated us proceeding with this hearing now, we would
22 have already made application for formal approval to the
23 BLM, but that will be done very shortly, and this has all
24 been tentatively approved by the BLM.

25 MR. TAYLOR: How much of the --
what percentage of the fee lands that are included in this,
which are 1900 acres, are signed up for?

1
2 MR. DICKERSON: Would you like
3 for Ms. Richardson to take the stand again?

4 MR. TAYLOR: She can just an-
5 swer from there.

6 MS. RICHARDSON: At this moment
7 none.

8 MR. TAYLOR: None?

9 MR. DICKERSON: Well, what per-
centage do you anticipate? It has not been formally exe-
10 cuted by any party yet, but what percentage of the fee ac-
11 reage do you anticipate joining this unit?

12 MS. RICHARDSON: Well, I -- a
13 wild guess, about fifty percent of it.

14 MR. DICKERSON: By taking into
15 account the Federal acreage, the State acreage which you an-
16 ticipate approval on, and the anticipated portion of the
17 fee, what total percentage of the unit do you anticipate
voluntarily joining?

18 MS. RICHARDSON: We anticipate
19 about 98 percent.

20 MR. TAYLOR: Have any of your
21 exhibits included a listing of the fee owners or could you
22 provide us that?

23 MR. DICKERSON: Yes, sir, Exhi-
bit B to the unit agreement breaks down --

24 MR. TAYLOR: I see.

25 MR. DICKERSON: -- lease by

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

lease, which names the lessor, lessee, and the present ownership of each lease.

MR. TAYLOR: Okay.

MR. QUINTANA: Anybody have any further questions of Mr. Black?

Is there anything further in this case?

In that case, Mr. Black, you may be excused.

Case 8356 will be taken under advisement.

(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. 8356, heard by me on OCT. 17 1984.

Gilbert P. Quintana, Examiner
Oil Conservation Division