

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 22, 1978

EXAMINER HEARING

IN THE MATTER OF:

Application of Mesa Petroleum Company) CASE
for a unit agreement, Lea County,) 6183
New Mexico.)

BEFORE: Richard L. Stamets, Examiner.

TRANSCRIPT OF HEARING

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: Paul W. Eaton, Jr., Esq.
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1 MR. STAMETS: Call the next case, Case 6183.

2 MS. TESCHENDORF: Case 6183, application of Mesa
3 Petroleum Company for a unit agreement, Lea County, New
4 Mexico.

5 MR. EATON: I am Paul Eaton with the firm of Hinkle,
6 Cox, Eaton, Coffield and Hensley, Roswell, New Mexico,
7 representing the applicant and we have two witnesses.

8 MR. STAMETS: Any other appearances in this case?
9 Would all of the witnesses please stand and be sworn?

10 (THEREUPON, the witnesses were sworn.)
11

12 ROBIN DONNELLY

13 was called as a witness by the applicant, and having been
14 first duly sworn, testified upon his oath as follows, to-wit:
15

16 DIRECT EXAMINATION

17 BY MR. EATON:

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

20 A My name is Robin Donnelly and I work for Mesa
21 Petroleum Company in Midland, Texas. I am employed as a
22 Landman.

23 Q Mr. Donnelly, have you previously testified before
24 this Commission as a Landman witness and were you qualifications
25 accepted?

1 A Yes, they were.

2 Q What does Mesa seek by its application in this case?

3 A By this application Mesa seeks approval of the
4 North Scharb Unit Agreement.

5 Q Mr. Donnelly, please refer to what has been marked
6 for identification as Exhibit Number One and state what that
7 is?

8 A This is a unit agreement which has been prepared
9 for the North Scharb Unit.

10 Q Now, attached to the unit agreement is Exhibit A
11 and what does that exhibit reflect?

12 A This is a map showing the outline of the exhibit --
13 I mean, the outline of the North Scharb Unit, being the
14 south half of 29, south half of 30, and all of Sections 31
15 and 32, Township 18 South, Range 35 East.

16 Q What is the breakdown of the land ownership in the
17 proposed unit?

18 A The unit is comprised of nineteen hundred and eleven
19 point two four acres. The state lands comprise one thousand
20 four hundred seventy-one point two four acres, or seventy-
21 six point nine eight percent.

22 Fee lands comprise four hundred and forty acres or
23 twenty-three point two percent.

24 Q There are, then, no federal lands in the proposed
25 unit?

1 A. That's correct.

2 Q. Has this proposed unit been preliminarily approved
3 by the Commissioner of Public Lands?

4 A. Yes, it has. We have a letter dated February 20,
5 1978, approving the unit preliminarily.

6 Q. Was that letter signed by Ray Graham?

7 A. Yes, sir.

8 Q. For the Commissioner?

9 A. Yes.

10 Q. Has this form of unit agreement been previously
11 used and approved by the Commissioner of Public Lands?

12 A. Yes, it has.

13 Q. Who is designated as the operator?

14 A. Mesa Petroleum Company as the operator.

15 Q. Are all formation intended to be unitized by the
16 agreement?

17 A. Yes, with the exception of an eighty-acre tract marked
18 Tract No. 11, which has reserved everything down to the third
19 zone, down to the Spring sands.

20 Q. What are the provisions for the initial test well?

21 A. The initial test well is provided for in paragraph
22 eight, page five. It is a test well to be spudded no later
23 than May 15th, 1978.

24 Q. What is the objective depth for the formation?

25 A. The objective formation is the Morrow formation.

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1 Q Does the unit agreement contain a plan for the
 2 further development after the test well is drilled?

3 A Yes, it does. Paragraph nine, page six, provides
 4 that the operator will submit plans of development six
 5 months after completion of a well capable of producing
 6 unitized substances in paying quantities.

7 Q What is the present status of the commitment of
 8 interests to this unit agreement?

9 A All working interest owners have been committed to
 10 this unit and all royalty owners either by form of lease or
 11 by assignment have committed to this unit.

12 Q Was Exhibit Number One prepared by you or under
 13 your supervision?

14 A Yes, it was.

15 Q Mr. Donnelly, in your opinion will the proposed
 16 unit agreement be in the interest of conservation and the
 17 protection of correlative rights?

18 A Yes, it will.

19 MR. EATON: Mr. Examiner, we offer Applicant's
 20 Exhibit Number One into evidence.

21 MR. STAMETS: The exhibit will be admitted. Any
 22 questions of this witness?

23 MS. TESCHENDORF: I have a couple.

24 MR. STAMETS: Ms. Teschendorf.

25

CROSS EXAMINATION

BY MS. TESCHENDORF:

Q Are there no provisions in her for participating areas?

MR. EATON: There are no provisions and it is my understanding that the royalty owners in the entire unit area will participate in any production, that in effect, the entire unit was one participating area.

Q So, you don't need it?

MR. EATON: Correct.

MR. STAMETS: What section is that covered under?

A It's page eight, paragraph ten, for the purposes of determining benefits accruing under this agreement and the distribution of royalties payable to the State of New Mexico and other lessors each separate tract shall have allocated to it such percentage of said production as its acres bears to the total.

MR. EATON: Acres committed to the unit.

MR. STAMETS: So, from the very first day all of the -- what have you got, three sections -- will be participating areas?

A Yes.

Q (Ms. Teschendorf continuing.) I assume that on page two, paragraph one, that when you say that Exhibit A and B, in other words, the unit boundary itself shown shall be

1 revised by the unit operator whenever changes in ownership
2 renders it necessary so that as far as contractions and
3 expansion of the unit that would be solely up to you?

4 MR. STAMETS: Does that provide for any approval
5 of the Commissioner of Public Lands?

6 A. We provide that we will submit a copy of it to the
7 Commission. We don't provide for actual requests.

8 MR. EATON: It does, of course, have a non-joinder
9 and subsequent joinder provision in paragraph twenty-five,
10 which requires submission to the Commissioner of notice.

11 MR. STAMETS: Would the applicant in this case have
12 any adversion to putting the Oil Commission in there at
13 that point as well, in section one, concerning the expansions
14 or contractions?

15 A. No.

16 Q. (Ms. Teschendorf continuing.) The other question
17 that I have concerns the plans of development, again. The
18 Commission would like those submitted to it for approval as
19 well as to the Commissioner of Public Lands -- page six,
20 paragraph nine, would that be acceptable?

21 A. Yes, it would.

22 MS. TESCHENDORF: That's all.

23 MR. STAMETS: Any other questions of this witness?
24 He may be excused.

25 (THEREUPON, the witness was excused.)

CHARLES PRESTON

was called as a witness by the applicant, and having been first duly sworn, testified upon his oath as follows, to-wit:

DIRECT EXAMINATION

BY MR. EATON:

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

A My name is Charles Preston; I am employed by Mesa Petroleum as a geologist.

Q Mr. Preston, have you previously testified before this Commission?

A No.

Q Would you please give us your educational background and history and your work history since leaving school?

A I got my B.S. Degree from Clemson University in '63, and a Master's Degree at Emory University in '65, and did my PhD residency at Florida State.

I have had ten year's experience, three years of that with Amoco and the rest with PubCo and Mesa.

Q In what locality have you had your experience?

A Most parts of the Permian Basin including the southeast New Mexico.

Q Are you familiar with the geology of the area in which the North Scharb Unit is located?

1 A. Yes, sir.

2 MR. EATON: Are the witness' qualifications
3 acceptable?

4 Mr. STAMETS: They are.

5 Q. (Mr. Eaton continuing.) Mr. Preston, would you
6 refer to what has been marked as Exhibit Number Two and state
7 what this exhibit shows?

8 A. This is a geologic structure map contoured on the
9 top of the Devonian with a superimposed isopach map of a
10 Morrow sandstone interval which we refer to as B-3.

11 The scale of the map is one inch is five thousand
12 feet. The map covers a portion of the southeast New Mexico
13 in Lea County, primarily Township 18 South, Range 34 and 35
14 East.

15 The North Scharb unit is outlined in red and Mesa
16 leased position is shown in orange. The producing wells are
17 color coded according to the production code.

18 Well control datums are underlined in red and the
19 isopach datum is underlined in orange. The structural
20 configuration is shown on Exhibit Two is contoured on the top
21 of the Devonian and reflects well tops and seismic data
22 and the geological interpretations. This map is a part of a
23 series which covers most of the Permian Basin.

24 The isopach of the Morrow, B-3, or C sandstones are
25 shown in orange on Exhibit Number Two. The isopach is derived

1 from well control. and geological interpretation over all
2 southeast New Mexico where Morrow sandstones are present.

3 Q Mr. Preston, what conclusions do you draw from
4 this exhibit?

5 A Our primary objective is the Morrow sandstones which
6 are productive in the Larica Field in the southeast of the
7 unit. We expect these sands to be present under the unit
8 and flanking the vacuum structure.

9 Q What are other secondary objectives, Mr. Preston?

10 A Well, the secondary objectives would be the Atoka
11 sandstones and the Strawn carbonates and the Wolfcamp
12 carbonates and the Bone Springs sandstones carbonates and
13 the Queen sandstones.

14 Q Do you have any opinion with respect to the
15 recoverable oil and gas reserves underlying the unit?

16 A The objectives would be stratigraphic in nature
17 and as such would be the reserves in them -- would be highly
18 objective without actual wells being drilled.

19 Q Do you feel that the proposed unit area does contain
20 recoverable oil and gas reserves?

21 A Yes, I do.

22 Q What is the location of the test well, Mr. Preston?

23 A It would be in location E, Section 32, Township 18
24 South, Range 35 East.

25 Q Do you know what the anticipated cost of drilling the

1 well is?

2 A. We anticipate the cost to be nine hundred fifteen
3 thousand one hundred dollars and a completed would cost
4 one million fifty-six thousand six hundred dollars.

5 Q. Was this Exhibit Number Two prepared by you or under
6 your supervision?

7 A. It was prepared by me.

8 Q. Mr. Preston, do you feel that the proposed unit
9 area is, and the unit agreement, are in the interest of
10 conservation, prevention of waste and the protection of
11 correlative rights?

12 A. Yes, sir, I do.

13 MR. EATON: We offer Applicant's Exhibit Number
14 Two into evidence.

15 MR. STAMETS: The exhibit will be admitted.

16 MR. EATON: We have no further questions of the
17 witness? He may be excused? Anything furtherin this
18 case?


19 MR. EATON: No, sir.

20 MR. STAMETS: The case will be taken under
21 advisement.

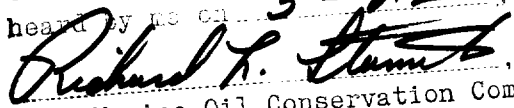
22 (THEREUPON, the case was concluded.)
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REPORTER'S CERTIFICATE

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.

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I do hereby certify that the foregoing is
a complete and correct transcript of the
the transcript of the hearing on 6183
heard by me on 3-22-78.

Richard L. Stamm, Examiner
New Mexico Oil Conservation Commission