

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
28 March 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Union Oil Company of) CASE
California for a unit agreement, Lea) 6516
County, New Mexico.)

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Lynn Teschendorf, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87503

For the Applicant: James T. Jennings, Esq.
JENNINGS & CHRISTY
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MR. STAMETS: Call next Case 6516.

MS. TESCHENDORF: Case 6516. Application of Union Oil Company of California for a unit agreement, Lea County, New Mexico.

MR. JENNINGS: I'm James T. Jennings of Jennings and Christy, finally appearing on behalf of Union Oil Company.

I have two witnesses, Mr. Lockhart and Mr. Cary.

(Witnesses sworn.)

ROBERT V. LOCKHART

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

DIRECT EXAMINATION

BY MR. JENNINGS:

Q. Would you please state your name, place of residence, and occupation?

A. My name is Robert V. Lockhart. I live in Midland, Texas. I'm employed as the District Land Manager for Union Oil Company of California.

Q. Mr. Lockhart, are you familiar with the application filed on behalf of Union Oil Company in this

1 matter?

2 A. Yes.

3 Q. Just basically tell us what it is and what
4 are you seeking?

5 A. Union Oil Company of California is proposing
6 the formation of a 2560 total acre Federal and State approved
7 exploratory unit, covering certain lands located in Town-
8 ship 19 South, Range 33 East, Lea County, New Mexico.

9 A unit application letter was filed with the
10 USGS Roswell office on March 8th, 1979.

11 A copy of this application letter was also
12 submitted on March 9th, 1979, to the Commissioner and I
13 believe a copy was also sent to the Commission.

14 Q. What percentage of this land that's dedi-
15 cated to the unit is Federal and what is State?

16 A. Approximately 2160 acres of the total unit
17 area are Federal lands. This represents 84.375 percent
18 of the total area.

19 The State of New Mexico lands comprise 400
20 acres, or 15.625 percent of the total proposed unit area.

21 There are no fee lands involved.

22 Q. Mr. Lockhart, where do you propose to drill
23 a well?

24 A. Our well is being proposed as a 13,700 foot
25 Morrow test, to be located 1980 feet from the south and

1 east lines of Section 29, Township 19 South, Range 33 East.
2 This is identified in our unit agreement, Exhibit A, as
3 Tract 5. It is a Gulf Oil Corporation lease, Federal Lease
4 NM-14794.

5 Q Have you obtained approval of any of the --
6 have you heard from the USGS concerning its approval yet?

7 A The letter from the USGS Survey has not
8 arrived yet. We were in contact with the office yesterday
9 and the Denver office has not returned it. I was told to
10 state that the Albuquerque office of the Survey has recom-
11 mended the unit to Denver and we do expect their clearance
12 in the near future.

13 We have received preliminary clearance from
14 the State Land Office. We have a letter dated March 14th,
15 1979, from Mr. Ray Graham, giving us preliminary clearance
16 to proceed with the formation of our unit.

17 Q Are you, in your testimony, are you refer-
18 ring to a letter which has been marked as Exhibit Two?

19 A Yes, sir.

20 Q And the State has tentatively approved it?

21 A Yes.

22 Q What is the -- and what formations are you
23 proposing to unitize?

24 A All depths will be unitized in our unit
25 agreement.

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1 Q I hand you what's been marked as Exhibit
2 One. Would you please identify that?

3 A This is our standard form of a unit agree-
4 ment we propose to submit.

5 Q What, is this the standard Federal, State
6 form?

7 A Yes, sir.

8 Q Are there any unusual provisions in the
9 unit agreement?

10 A No, sir, not to my knowledge.

11 Q When do you plan to commence drilling oper-
12 ations?

13 A Our target date right now is approximately
14 the first or middle of May, at the latest. We have leases
15 expiring, approximately 800 acres will be expiring May 31st,
16 1979, and we would like to have our unit approved and be
17 drilling, of course, on or before that date, so our target
18 date is either the first or middle part of May, if possible.

19 Q Who will be the operator?

20 A Union Oil Company of California.

21 Q Have you had any indication as to the
22 joinder or non-joinder of the other working interest owners
23 in the area?

24 A Yes, sir, we've canvassed the owners and
25 we have affirmative responses from 96.875 percent of the

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1 total unit ownership.

2 We have one owner, J. M. Huber Corporation, who
3 controls 3.125 percent of the unit area, and they've ad-
4 vised us verbally they do not wish to join and pay their
5 way in the unit, and we have been unsuccessful as of this
6 date in negotiating a satisfactory farmout from them.

7 Their tract, I might add, is identified in
8 the unit agreement, Exhibit A, as Tract 4, described as the
9 north half northwest quarter of Section 33, 19 South, 33
10 East. This is Federal lease NM-10780, which is due to ex-
11 pire April 30th, 1980.

12 Q Do you feel that your ownership will give
13 you effective control of the unit?

14 A Yes, we do.

15 Q Mr. Lockhart, in your opinion will the unit
16 promote the prevention of waste and the protection of cor-
17 relative rights of all parties?

18 A Yes, sir.

19 Q Referring again to Exhibit Two, is this
20 what you've identified as a letter from the Oil Conservation --
21 or from the Commissioner of Public Lands? Is this the
22 letter received -- a copy of the letter received by you in
23 the ordinary course of business?

24 A Yes.

25 MR. JENNINGS: I believe that's all.

1 MR. STAMETS: Any questions of the witness?
2 He may be excused.

3 MR. LOCKHART: Thank you.

4
5 CHARLES W. CARY
6 being called as a witness and having been duly sworn upon
7 his oath, testified as follows, to-wit:

8
9 DIRECT EXAMINATION

10 BY MR. JENNINGS:

11 Q Would you state your name and occupation
12 and place of residence, please, sir?

13 A Yes. My name is Charles W. Cary. I work
14 for the Union Oil Company of California in MIDland, Texas,
15 and I'm their New Mexico District Exploration Manager.

16 Q How long have you been Exploration Manager
17 for Union Oil?

18 A In the present setup, about twelve years.

19 Q Mr. Cary, have you appeared before this Com-
20 mission on many occasions in the past and have your quali-
21 fications as an expert witness been accepted?

22 A Yes, they have.

23 MR. JENNINGS: Is the witness?

24 MR. STAMETS: He is considered qualified.

25 Q (Mr. Jennings continuing.) Mr. Cary, I hand

1 you what has been marked as Exhibit Three. Would you please
2 identify that and tell just what it shows?

3 A. Exhibit Three is a structural contour map
4 on the top of the lower Morrow. It shows the location of
5 a cross section which will be named Exhibit Four. It shows
6 the middle and lower Morrow sand fairways that are colored
7 in orange. It shows the type log on the lefthand side.
8 The wells, the deeper wells that are present in the area
9 are production color-coded in the legend, and the recom-
10 mended Maduro Area is indicated in red on this exhibit.

11 The unit is in -- proposed unit is in west
12 central Lea County, New Mexico, about 30 miles west of the
13 City of Hobbs.

14 The prospect is named from the Spanish,
15 meaning mature or ripe, as there were no distinguishing
16 topographic features nearby.

17 The unit will include all formations from
18 the surface. There are no producing wells within the pro-
19 posed unit outline.

20 Union Oil Company of California proposes
21 to drill 13,700 Morrow well, located in the southeast
22 quarter of Section 29, 19 South, 33 East, to penetrate the
23 Morrow.

24 The Maduro prospect is expected to produce
25 gas from middle and lower Morrow sands, and possibly Wolf-

1 camp.

2 The expected productive limit of the Morrow
3 is shown on the structure map and this -- the proposed unit
4 outline is dictated by the configuration of the productive
5 area. The prospect is situated on middle and lower Morrow
6 sand fairways. These sands are believed to be draped over a
7 structural feature, and consequently, could be wet at lower
8 structural position. This explains the estimated gas/water
9 contact shown by a dashed red lines on the map.

10 Sands of the Morrow formation are present
11 in the Maduro Area as discrete, elongate bodies. The sands
12 are generally gas-productive where they are porous across
13 structural highs.

14 Orange lines on the map indicate the middle
15 and lower Morrow sand fairways, and they were determined
16 from individual sand Isopachs.

17 Are there any questions about the map it-
18 self before we go on to the next exhibit?

19 Q. I have no further question about that.

20 Would you please refer to what has been
21 marked as Exhibit Four and identify that and explain it?

22 A. This is a northwest-southeast stratigraphic
23 cross section, approximately parallel with the axis of the
24 Morrow sand fairways.

25 It shows the continuity of the Morrow sands

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1 and the potential productive zones anticipated within the
 2 Morrow.

3 Q Is there any production in the area, Mr.
 4 Cary?

5 A There is no production within the proposed
 6 unit outline. There is an old well that was completed in
 7 1954. It produced a little over 12,000 barrels of oil and
 8 was plugged in 1959. This is the Kinney No. 1 Magnolia
 9 State, and it was a shallow Yates well.

10 Q Are there other potential producing areas
 11 other than the Morrow?

12 A The Wolfcamp is considered a possibility.
 13 It was productive in two wells to the northeast, the King
 14 Resources Kimo Sabe in Section 16, and the PanAm No. 1
 15 Laguna Plata in Section 22. Both wells have been plugged.

16 So the primary objectives -- oh, there's a
 17 remote possibility in the Yates, because it is, you know,
 18 productive in the South Tonto Field just to the west, and
 19 of course, we do have within the unit the old Kinney Magnolia
 20 Well that I talked about earlier.

21 But the primary objectives are certainly
 22 the middle and lower Morrow sands.

23 Q Mr. Cary, would you refer to Exhibit Number
 24 Five and identify that and tell us what is?

25 A Yes. Exhibit Five is a geologic report of

1 the Maduro Unit area that was prepared for the United States
2 Geological Survey, submitted to them, and also included
3 with this recommendation to the State of New Mexico.

4 Q. Was this report prepared by you?

5 A. This report was written by myself, correct.

6 Q. And would you like to have that incorporated
7 as part of the record in this case?

8 A. Fine.

9 Q. Were Exhibits, in addition to that, were
10 Exhibits Three and Four prepared by you or under your
11 supervision?

12 A. They were.

13 MR. JENNINGS: I have no further questions.
14 Oh, wait.

15 Q. Mr. Cary, in your professional opinion will
16 the approval of this unit promote the prevention of waste
17 and the protection of correlative rights?

18 A. It will.

19 MR. JENNINGS: We have nothing further. We
20 do offer Exhibits One through Five.

21 MR. STAMETS: These exhibits will be ad-
22 mitted.

23 Are there any questions of this witness?
24 He may be excused.

25 Anything further in this case? The case
will be taken under advisement. (Hearing concluded.)

REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill, from my notes taken at the time of the hearing.

Sally W. Boyd
Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6516
heard by me on 3-28 1977
Richard L. Stamm, Examiner
Oil Conservation Division

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