

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date JUNE 27, 1979 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
<i>Charles D. ...</i>	<i>Humble Oil Corp.</i>	<i>San Diego</i>
<i>William G. ...</i>	<i>Compass Petroleum Corp.</i>	<i>San Diego</i>
<i>Lee G. Nering</i>	<i>Belco Petroleum Corp.</i>	<i>Houston</i>
<i>GEORGE H. WEEMS</i>	<i>BASS ENTERPRISES PROD CO</i>	<i>FT. WORTH, TX</i>
<i>Jens Hansen</i>	<i>Bass Enterprises Prod. Co.</i>	<i>FT. Worth, TX</i>
<i>E. S. ...</i>	<i>Oil Processing</i>	<i>Monument N.H.</i>
<i>I. F. ...</i>	<i>Oil Processing</i>	<i>Monument, N. M.</i>

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico
27 June 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Bass Enterprises Production) CASE
Company for a unit agreement, Lea County,) 6576
New Mexico.)
)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87503

For the Applicant:

Conrad Coffield, Esq.
HINKLE, COX, EATON, COFFIELD &
HENSLEY
Midland, Texas

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (606) 471-2462
Santa Fe, New Mexico 87501

I N D E X

GEORGE H. WEEMS

Direct Examination by Mr. Coffield 3

Cross Examination by Mr. Nutter 9

JEM HOUSEN

Direct Examination by Mr. Coffield 10

Cross Examination by Mr. Nutter 15

E X H I B I T S

Applicant Exhibit One, Plat 5

Applicant Exhibit Two, Contour Map 6

Applicant Exhibit Three, Cross Section 6

Applicant Exhibit Four, Plat 12

Applicant Exhibit Five, Unit Agreement 12

Applicant Exhibit Six, Operating Agreement 13

Applicant Exhibit Seven, Letter 14

1 MR. NUTTER: We'll call next Case Number
2 6576.

3 MR. PADILLA: Application of Bass Enter-
4 prises Production Company for a unit agreement, Lea County,
5 New Mexico.

6 MR. COFFIELD: Conrad Coffield, with the
7 Hinkle Law Firm, Midland, Texas, appearing on behalf of
8 the applicant, and I have two witnesses.

9
10 (Witnesses sworn.)

11
12 GEORGE H. WEEMS
13 being called as a witness and having been duly sworn upon
14 his oath, testified as follows, to-wit:

15
16 DIRECT EXAMINATION

17 BY MR. COFFIELD:

18 Q Mr. Weems, would you state your name,
19 address, occupation, and employer?

20 A My name is George H. Weems. I live in
21 Ft. Worth, Texas. I'm Exploration Manager for Bass Enter-
22 prises Production Company.

23 Q Have you previously testified before the
24 Oil Conservation Division as a geologist?

25 A No, I have not.

1 Q Mr. Weems, would you please give a brief
2 resume, first of your educational background?

3 A I received a Bachelor of Science degree
4 in geology from Oklahoma City University in 1957.

5 Q And what about your work history? By
6 whom were you --

7 A At that time I was employed by PanAmerican
8 Petroleum Corporation in the Oklahoma City Division Office,
9 and stayed with PanAmerican until 1973, for sixteen years,
10 and during that period of time had many exploration --
11 totally exploration oriented jobs.

12 At one time I was operations geologist
13 for the Permian Basin Division of West Texas for PanAmeri-
14 can.

15 I left Amoco in the spring of '73 and
16 joined Bass Enterprises Production Company in the capacity
17 of Chief Geologist, working primarily the Rocky Mountain
18 Region and the West Texas Region.

19 I am now currently Exploration Manager for
20 the Mid-Continent and the West Texas Division, working in
21 total exploration geology.

22 Q Mr. Weems, are you familiar with the Bass
23 application in this case?

24 A Yes, I am.

25 Q And are you familiar with the property in

1 the proposed unit area involved?

2 A. Yes, I am.

3 MR. COFFIELD: Mr. Examiner, is the wit-
4 ness considered qualified?

5 MR. NUTTER: Yes, he is.

6 Q. (Mr. Coffield continuing.) Mr. Weems,
7 would you please state briefly what Bass seeks to accom-
8 plish by this application?

9 A. Yes. We're applying for a 320-acre State
10 unit in the Townsend Unit area. This will comprise approx-
11 imately 320 acres, more or less, in the Township 15 South,
12 34 East.

13 Q. All right. Would you go to what we've
14 marked as Exhibit One, please, and explain that to the
15 Examiner?

16 A. Yes. Exhibit One is a land plat of the
17 general area and surrounding areas, specifically showing
18 the 320-acre tract located in the west half of Section 36,
19 15 South, 34 East.

20 This plat shows all well control in the
21 area, the operators of those wells, the total depth of
22 those wells, the date the wells were drilled.

23 It also shows the ownership of all the
24 surrounding lease owners.

25 The yellow outline is the outline of our

1 acreage which we own with Samidan, as you can see, it's
2 evidenced there on the exhibit, and it also shows the pro-
3 posed location of the well we plan to drill, located in the
4 southwest of the northwest of Section 36, 15 South, 34 East.

5 Q All right, Mr. Weems, let's go now to
6 both Exhibits Two and Three.

7 A Yes.

8 Q As I understand they can be explained
9 together probably better than singly.

10 A With the Examiner's permission, I would
11 like to hang Exhibit Three on the wall. It's a cross
12 section.

13 The map in front of you is the structure
14 contour map on top of the Wolfcamp marker horizon. The
15 Wolfcamp is productive in the Townsend Field to the south,
16 as well as Morton Field to the north.

17 The Examiner will notice that we have no
18 well control immediately north of the 320-acre unit area
19 we are applying for, and I will state that we have ample
20 seismic in this area that did influence our subsurface
21 contouring in this area.

22 If you will note, the cross section N/S,
23 north being the northernmost section as shown on Exhibit
24 Two. It's turning in a southerly direction to Well No. 5
25 on the south. I'll now refer to that cross section.

1 The wells on each end, Well No. 5 is a
2 Morrow producing well here. The cross section then ex-
3 tends north through our proposed location, which is shown
4 on Exhibit Two as Well No. 2, and then on to the north,
5 where again we have another Morrow producer.

6 Our feeling here is that where we get
7 down into this Morrow Atoka wedge on this high, thin point
8 as we move in a westerly direction, we will see this Morrow
9 section thicken, as evidenced on Exhibit Three, where we
10 think, or feel very strongly, that we will have an oppor-
11 tunity to encounter the Morrow gas production at this pro-
12 posed location.

13 That is the primary reason we're asking
14 for the 320-acre unit.

15 I will also point out that we will have
16 oil possibilities as evidenced by the Wolfcamp structural
17 map you see in front of you, and also evidenced by two
18 wells located in Section 36, one of which, Well No. 3 has
19 made 63,000 barrels of oil. It is now an abandoned well
20 from this horizon, and this horizon here, Strawn and Canyon.

21 MR. NUTTER: Well, it made its 63,000
22 barrels from what formation?

23 A. From the Strawn and the Canyon.

24 MR. NUTTER: No Wolfcamp, though.

25 A. No, sir.

1 We feel, Mr. Examiner, that we will be
2 structurally high to that well.

3 Q Mr. Weems, then is it your opinion that
4 this 320 acres, then, does comprise substantially all of
5 the structure with which you're concerned due to the
6 anomaly?

7 A Yes. We do feel, from additional Iso-
8 paching of this Morrow section which, again, this interval,
9 we can see decided thickening of this Morrow on the west
10 side, and we feel that we will have a good Morrow opportunity
11 there.

12 And that is the primary basis for our
13 application, with the possibility of oil being encountered
14 in the Wolfcamp-Canyon-Strawn, probably Canyon and Strawn.

15 That really pretty well covers this case.

16 Q Mr. Weems, were these Exhibits One, Two,
17 and Three prepared by you or under your supervision?

18 A No, they were not. They were prepared by
19 Frank Keefer, who recently testified before the Commission,
20 but they were prepared under my supervision and I did
21 review all of the exhibits after their completion, and I
22 am in total agreement with the exhibits.

23 Q Mr. Weems, in your opinion will the ap-
24 proval of this application be in the interest of conserva-
25 tion and prevent the drilling of unnecessary wells, and

1 otherwise prevent waste and protect correlative rights?

2 A. Very definitely, yes, sir.

3 MR. COFFIELD: Mr. Examiner, I move the
4 admission of Exhibits One, Two, and Three.

5 MR. NUTTER: Applicant's Exhibits One,
6 Two, Three will be admitted in evidence.

7 MR. COFFIELD: And I have no other questions
8 of this witness on direct examination.

9

10 CROSS EXAMINATION

11 BY MR. NUTTER:

12 Q. Mr. Weems, Well No. 4 there on your cross
13 section looks like it has considerable Morrow pay, but
14 it's not shown as a Morrow producer on Exhibit Number Two.
15 It didn't make a well in the Morrow?

16 A. No, it didn't. They tested it here and
17 this was the only interval that had any porosity on the
18 porosity log, and it swabbed it dry. This is an inverse
19 SP here, and I -- it looks like it's got plenty of resist-
20 ivity but it was not tested during drilling.

21 And I will point out, many of these are
22 quite old wells.

23 MR. NUTTER: Before the Morrow was really
24 recognized.

25 A. Before it was recognized as a real potential.

1 I think -- I think a lot of people, sir, were not going on
2 down to the Mississippian, which we feel is imperative
3 these days, you know.

4 MR. NUTTER: And utilizing normal drilling
5 methods sometimes they may have mudded out of the Morrow
6 formation.

7 A. I would even go so far as to suggest,
8 without having a well -- specific well record, that perhaps
9 there was not a gas detector on it. I would even question
10 possibly once they got through the real pays in the Wolf-
11 camp, perhaps they may not have even had a geologist on
12 the wells.

13 MR. NUTTER: Are there any further ques-
14 tions of the witness? He may be excused.

15
16 JENS HANSEN
17 being called as a witness and having been duly sworn upon
18 his oath, testified as follows, to-wit:

19 DIRECT EXAMINATION

20 BY MR. COFFIELD:

21 Q. Mr. Hansen, would you please state your
22 name, address, occupation, and employer?

23 A. My name is Jens Hansen. I live in Arling-
24 ton, Texas. I am a Division Petroleum Landman. I work
25 for Bass Enterprises Production.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (505) 471-2482
Santa Fe, New Mexico 87501

1 Q Mr. Nansen, have you previously testified
2 before the Division as a landman?

3 A No, I have not.

4 Q Would you state for the Examiner your
5 educational background first?

6 A I received my BA in constitutional law
7 at Texas Tech University in 1971.

8 Q And what has been your work experience
9 since your graduation?

10 A I have been a landman for eight years.

11 Q With various major companies?

12 A That's correct. For the first year I was
13 out of school I was an independent. I mainly directed my
14 efforts in title examination and lease acquisition. I
15 then became associated with Coastal States Gas Producing
16 Corporation in Corpus Christi, Texas from 1972 to 1975.

17 In 1975 I worked for Walter Duncan in
18 Oklahoma City, and in '78 I came with Bass Enterprises.

19 Q Mr. Hansen, are you familiar with Bass'
20 application in this case?

21 A I am.

22 Q Are you familiar with the property owner-
23 ship and also the proposed well location and so forth --

24 A Yes, I am.

25 Q -- in this case?

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (606) 471-2462
Santa Fe, New Mexico 87501

1 MR. COFFIELD: Mr. Examiner, is the wit-
2 ness considered qualified?

3 MR. NUTTER: Yes, he is.

4 Q (Mr. Coffield continuing.) Mr. Hansen,
5 please refer to what we have marked as Exhibit Four and
6 explain that very briefly to the Examiner.

7 A Exhibit Four is a plat reflecting our
8 prospect area, which is outlined in green, and the proposed
9 unit area, which is outlined in red.

10 It also shows the proximity of the prospect
11 which is several miles west of Lovington, the City of
12 Lovington.

13 Q Okay, go on to what we've marked as Ex-
14 hibit Five, please, and explain that.

15 A Exhibit Five is the proposed unit agree-
16 ment for the State unit, 320 acres, consisting of the west
17 half of Section 36.

18 The unit form is the form prescribed by
19 the Commissioner of Public Lands. This particular unit
20 is identical to the form sent to us by the Commissioner,
21 and he has issued us a letter of approval as to the form
22 of this unit agreement.

23 Q Are all the lands involved in this parti-
24 cular unit State of New Mexico oil and gas lease involved?

25 A Yes.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (606) 471-2462
Santa Fe, New Mexico 87501

1 Q And in your exhibit here, you reflect the
2 ownership of the leases, and so forth.

3 A That's correct.

4 Q And have the interest owners, working
5 interest owners, joined in the execution, all interest
6 owners?

7 A Yes, they have. That is correct.

8 Q Okay. Go on to exhibit -- what's been
9 marked as Exhibit Six and explain that to the Examiner,
10 please.

11 A Exhibit Six is the standard AAPL operating
12 agreement, 1977. It's in the standard form. It sets out
13 the date, the location of the test well. It provides for
14 a 100 - 300 percent penalty for nonconsenting parties at
15 casing pulling election time. It sets out the interests
16 on Exhibit A. Exhibit B is a plat showing the interests
17 within the prospect area, and Exhibit C is the copus
18 setting forth the current charge, overhead charges for
19 drilling and operating costs.

20 Q And again, have all of the leasehold
21 owners, working interest owners, as reflected on Exhibit
22 B to the unit agreement, joined in the execution of this
23 unit operating agreement?

24 A Yes, they have.

25 Q Okay. Please go to what we've marked as

1 Exhibit Seven and identify that exhibit.

2 A. Exhibit Seven is a letter dated June 20th,
3 1979, from the Commissioner of Public Lands to Bass Enter-
4 prises Production Company approving our proposed unit
5 agreement as to form and setting out several requirements
6 which we will meet within the next week.

7 Q. All right. Mr. Hansen, do you have any
8 particular well obligations or problems in that regard
9 which you wish to bring to the attention of the Examiner?

10 A. Yes, I do.

11 Q. All right.

12 A. The rig that will be used for this well
13 is currently being used on another well we are now com-
14 pleting, or preparing to complete, and we will be moving
15 that rig within the next week or ten days to this location
16 for the drilling of this well.

17 Q. And do you have a commencement -- com-
18 mencement date problem as far as -- in other words, are
19 you requesting the Examiner to give early consideration to
20 the issuance of the order?

21 A. I am.

22 Q. All right, Mr. Hansen, were these Exhibits
23 Four, Five, Six, and Seven prepared by you?

24 A. Yes, they were. They were prepared by me.

25 Q. And, in your opinion, will the approval

1 of this application be in the interest of conservation,
2 the prevention of waste, and the protection of correlative
3 rights?

4 A. Yes, it will.

5 MR. COFFIELD: Mr. Examiner, I move the
6 admission of these Exhibits Four through Seven.

7 MR. NUTTER: Applicant's Exhibit Four
8 through Seven will be admitted in evidence.

9 MR. COFFIELD: And I have no other ques-
10 tions of Mr. Hansen on direct examination.

11

12

CROSS EXAMINATION

13

BY MR. NUTTER:

14

15

Q Mr. Hansen, why have you unitized 320
acres here rather than communitized?

16

A. For two basic reasons.

17

18

19

20

Number one, under this unit agreement in
the event we drill a -- have a dry -- get a dry hole, we
will have a certain time period, six months, in which to
commence another well within the unit area.

21

22

23

24

25

Under a communitization agreement, if our
well were dry, and we drill in the northwest quarter, which
it is our plan to do, the well in the -- the lease in the
southwest quarter would expire, because we would not have
the provision to drill additional wells.

1 In addition to that, if we were to com-
2 plete the well in an oil producing zone with spacing less
3 than 320 acres, the lease itself, its quota would expire,
4 and we would have an offsetting open acreage.

5 Q So in the event you get a Wolfcamp oil
6 producer here in less than 320, you'd be covered with this
7 unit agreement.

8 A Yes, sir, and then we would be -- would
9 file a plan of development, for additional development for
10 the rest of the unit area.

11 Q Does that unit agreement plan for expan-
12 sion? Have provision for expansion of the unit area?

13 A I believe so, yes.

14 Q And contraction?

15 A I don't think we're agreeing to put any
16 contraction pages in there, as small as the unit is.

17 Q Okay.

18 MR. NUTTER: Are there any further ques-
19 tions of Mr. Hansen? He may be excused.

20 Do you have anything further, Mr. Coffield?

21 MR. COFFIELD: No, sir, I do not.

22 MR. NUTTER: Does anyone have anything
23 they wish to offer in Case Number 6576?

24 We'll take the case under advisement.

25 (Hearing concluded.)

REPORTER'S CERTIFICATE

I, SALLY W. 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 the 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 C.S.R.
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. 6576 heard by me on 6/27 19 79.

[Signature], Examiner
Oil Conservation Division