

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
6 August 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Read & Stevens, Inc.,
for a unit agreement, Eddy County,
New Mexico.

CASE
6989

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 to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

Randolph Richardson, Esq.
Roswell, New Mexico

*Hearing in this
Register in this
transcript*

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NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date AUGUST 6, 1980 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
<i>James C. Sue</i> E.R. Manning R. M. Richardson D. L. Harle	<i>Amival USA</i> El Paso Natural Gas Reas + Sterling " "	<i>Midland</i> El Paso, TX Roswell, NM " "
JAMES APPALT W. V. Kellablin Robert D. LeBlond Clyde C. Mote James C. Allen <i>James C. Allen</i> N. P. PERRIN Greg Hagard Sue E. Umshler	Amoco PRODUCTIONS Co. Kellablin + Kellablin Amoco Production Co. " " Hinkle Law Firm Amival Amival USGS, Conserv. Div.	HOUSTON, TX. Santa Fe Houston, TX " " Midland, TX Mid. TX " " Albany, NM
Richard Tully William R. Spear R. Hulur Mike Handren	TOM BOLACK Tom Bolack Byram Petro Lewis	Farmington, NM Farmington, NM Santa Fe Loveland

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DAVID HARLE

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1 MR. NUTTER: Call Case Number 6989.
2 Which is the application of Read & Stevens, Inc., for a unit
3 agreement, Eddy County, New Mexico.

4 MR. RICHARDSON: Randolph M. Richardson,
5 Roswell, New Mexico, appearing on behalf of the applicant.

6 The Division has already received a copy
7 of the unit agreement. We give you a geological report. I
8 do have one witness to be sworn, please.

9
10 (Witness sworn.)

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

15
16 DIRECT EXAMINATION

17 BY MR. RICHARDSON:

18 Q Mr. Harle, would you state your name,
19 please, and present occupation, and spell your last name,
20 please?

21 A My name is David Harle, H-A-R-L-E. I'm
22 currently employed as a geologist with Read & Stevens.

23 Q Would you please state your educational
24 and professional background which will enable you to testify
25 in this case?

1 A I have a Bachelor of Science degree in
2 geology from Oregon State University, conferred in 1966, and
3 a Master of Science in geology from Oregon State University,
4 conferred in 1974. I have six years of experience in the in-
5 dustry, first of all, with Tenneco Oil Company for three years,
6 Yates Petroleum Corporation for three years, and then the last
7 three months with Read & Stevens.

8 Q Are you familiar with the Lancaster Spring
9 Unit Area and the matters contained in the application to the
10 Division for approval of a unit agreement?

11 A Yes, I am.

12 MR. RICHARDSON: Are the qualifications
13 acceptable?

14 MR. NUTTER: Yes, they are.

15 Q Is the form of unit agreement prescribed
16 and as recently approved by the Commissioner of Public Lands?

17 A Yes.

18 Q Has a unit area been designated by the
19 United States Geological Survey as an area logically suitable
20 for development under a unit plan of development?

21 A No, it has not, and the reason is that
22 it has less than 10 percent of Federal lands, so we're using
23 the State form.

24 Q Would you please tell the Division the
25 total number of acres within the unit area and the number and

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1 percentages of acreage of Federal, State, and fee lands?

2 A. The total acreage is 960 acres. Of that
3 80 acres is Federal, which is 8.33 percent; 800 acres is State,
4 which is 83.34 percent; and 80 acres is fee, which is 8.33
5 percent.

6 Q. Would you please tell the Division the
7 township and range in which this unit is located, and approxi-
8 mate location with reference to the nearest town?

9 A. It's located in Township 22 South, Range
10 26 East. It's approximately two miles southwest of Carlsbad,
11 New Mexico.

12 Q. Mr. Harle, would you please now refer to
13 the geological report and briefly go through, specifying what
14 the report shows and which maps are pertinent, including the
15 written report? That is marked Exhibit One through Five, all
16 bound under one cover.

17 A. This report was prepared by me. In the
18 report, under Exhibit One, it's referenced as a regional map,
19 it shows the location of the unit in reference to Carlsbad,
20 New Mexico.

21 Exhibit Number Two is a land plat. It
22 shows the unit outline.

23 And the written geological report, this
24 is a proposed test of the Morrow Clastic zone, and the other
25 exhibits that I'll be talking from is Exhibit Four, which shows

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1 the structure, if you'll refer to that exhibit Four, which is
2 the Morrow Clastic structure.

3 It shows basically regional dip to the
4 east/southeast, and this is not uncommon in the Morrow Clastics
5 to find structure being not very important as far as the
6 trapping of gas, which means that the stratigraphic type of
7 trap is the dominant trap that we're looking for here.

8 And Exhibit Three is a compilation of the
9 production and testing data on the wells in the near area. I
10 refer to this as the Morrow reservoir map. The testing data
11 shows that there are three producers to the northeast and the
12 southwest of the unit, which I believe establishes a productive
13 sand trend that we're attempting to test in the well that will
14 be drilled in this unit.

15 There are wells to the east of the unit
16 that have penetrated the Morrow Clastic zone and show them to
17 be either wet, tight, or of limited extent, so that a comple-
18 tion was not made in this zone, even though there was a gas
19 show in these sands. They were not economically feasible to
20 make a completion in.

21 The northwestern boundary of this trend
22 is not nearly as well defined but because the three producers
23 establish the trend, additional risk would be incurred in
24 moving too far to the northwest.
25

1 Q Would you please give the Division the
2 projected depth and location for the initial test well?

3 A The depth will be a 12,000 foot test, to
4 penetrate the Minton-Mississippian zone, and completely pene-
5 trate the Morrow Clastic zone.

6 Q What other formations are you likely to
7 encounter that would be prospective productive?

8 A There are some secondary zones in the
9 Canyon and the Strawn, and the location of the well will be
10 1980 from the south and 660 from the east of Section 8, in
11 Township 22 South, Range 26 East.

12 Q Have the other working interest owners
13 within the unit area been contacted?

14 A Yes, they have.

15 Q In your opinion what percentage of the
16 royalty and what percentage of the working interest will be
17 committed to the unit?

18 A It will be 100 percent of the working in-
19 terest and 95 percent of the royalty interest.

20 Q In your opinion will the operation of
21 this area under the proposed unit plan of operation be in the
22 interest of conservation, the prevention of waste?

23 A Yes.

24 Q Will the different institutions of the
25 State, if any, receive their fair share of production, if

1 established?

2 A. Yes.

3 Q. In the event of production, will the cor-
4 relative rights of all parties to the unit agreement be pro-
5 tected?

6 A. Yes.

7 MR. RICHARDSON: I'd like to enter the
8 geological report as evidence.

9 MR. NUTTER: The geological report will
10 be admitted in evidence as Exhibit One.

11 MR. RICHARDSON: I would like to point
12 out for the record, also, that Read & Stevens are forming this
13 unit but Amoco Production Company will actually be the operator.

14 MR. NUTTER: I see, is that provided in
15 the unit agreement?

16 MR. RICHARDSON: When you get your final
17 copy of the unit agreement, Amoco will be the unit operator.

18 MR. NUTTER: I see.

19

20 CROSS EXAMINATION

21 BY MR. NUTTER:

22 Q. Now you mentioned, sir, that 100 percent
23 of the working interest would be committed and 95 percent of
24 the royalty interest. What is the royalty interest that's
25 outstanding here?

1 A. Some fee; 80 acres of fee royalty, and
2 some override on the 80 acres of Federal.

3 MR. NUTTER: I see, so there's more than
4 one royalty owner, actually --

5 MR. RICHARDSON: Yes.

6 MR. NUTTER: -- withholding commitment.
7 But all of the working interest in the section and a half is
8 committed?

9 MR. RICHARDSON: So far as we know.

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

12 Does anyone have anything to offer in
13 Case Number 6989?

14 We'll take the case under advisement.

15

16 (Hearing concluded.)

17

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19

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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 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 C.S.R.

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I do hereby certify that the foregoing is
a complete and correct transcript of the hearing in
the case of No. 6989.
heard at Santa Fe, N.M. Aug 6 1980.

[Signature], Examiner
Oil Conservation Division