

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date OCTOBER 7, 1981 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
R. M. Williams	Morris R. Antwell	Hills
Bill Kaster	Gulf Oil Corp	Konston
Mickey Cohen	Gulf Oil Corp	Midland
William L. Carr	Campbell, Ford & Seal P.A.	Santa Fe
Wm. P. Aycock	Carr Oil Co	Dallas
JIM LAW	Wm. P. Aycock & Assoc, Inc	Midland
Charles C Joy	NEW MEXICO STATE LAND OFFICE	S.F.
George L. Scott	Corona Oil Co.	Artesia
Bob Huler	Corona Oil Co	Roswell
Dan Kenna	Byrum	Santa Fe
Bill Shackelford	Anadarko	Midland
R. M. Fickelson	Anadarko	Midland
Janet Young	Corona Oil Co.	Roswell NM
David L. Harle	Jennings & Cherry	Roswell NM
Randall R. Fort	Read & Evans Inc	Roswell NM
Sumner G. Bueh	Read & Stevens, Inc.	Roswell, NM
	Tinsper & Buell	Santa Fe, NM

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NAME	REPRESENTING	LOCATION
<i>D.H. Hamer</i> Sue Umschler Ben Donegan <i>W.T. Kelladin</i> Mark S. Parker	<i>John Yurouke</i> USGS Leonard Howard G. <i>Kelladin & Kelladin</i> Gulf V.I. Corp	<i>Mulland,</i> <i>Texas</i> A. Hug A. Lou G. <i>Santa Fe</i> Midland

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
7 October 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Gulf Oil Corporation
for a unit agreement, Chaves County,
New Mexico.

CASE
7363

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

William V. Kastler, Esq.
The Gulf Companies
P. O. Box 3725
Houston, Texas 77001

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I N D E X

MICKEY COHLMIA

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THERESA WARD

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2 MR. NUTTER: The hearing will come to
3 order, please.

4 The first case this morning will be
5 Case Number 7363.

6 MR. PEARCE: Application of Gulf Oil
7 Corporation for a unit agreement, Chaves County, New Mexico.

8 MR. KASTLER: I'm Bill Kastler from
9 Houston, representing Gulf, and I have two witnesses in this
10 case this morning. They are Mr. Mickey Cohlmlia and Ms.
11 Theresa Ward.

12 Would the two witnesses stand and sworn,
13 please?

14
15 (Witnesses sworn.)

16
17 MICKEY COHLMIA
18 being called as a witness and being duly sworn upon his oath,
19 testified as follows, to-wit:

20
21 DIRECT EXAMINATION

22 BY MR. KASTLER:

23 Q Would you please state your name, your
24 place of residence, and your title and whom you represent?

25 A My name is Mickey Cohlmlia. I live in

1
2 Midland, Texas. I'm a Senior Land Agent with Gulf Oil Cor-
3 poration.

4 Q Mr. Cohlmlia, have you previously appeared
5 before the New Mexico Oil Conservation Division and given
6 testimony?

7 A Yes, sir, I have.

8 Q And are you familiar with Gulf's appli-
9 cation in Case 7363?

10 A Yes, sir.

11 MR. KASTLER: Are the witness' qualifi-
12 cations satisfactory?

13 MR. NUTTER: Except I don't know how to
14 spell his last name.

15 A C-O-H-L-M-I-A.

16 MR. NUTTER: C-O-H-L --

17 A Yes, sir.

18 MR. NUTTER: M-I-A?

19 A Right.

20 Q Mr. Cohlmlia, where is the proposed East
21 White Ranch Unit located?

22 A It's approximately three miles east of
23 Dexter, and it's adjacent to the eastern edge of the White
24 Ranch Federal divided type unit. It's in 13 South, 30 East,
25 and will consist of Sections 11, 14, and 23, and we'll have

about 1920 acres.

Q Is this a divided or undivided type of unit?

A It's an undivided unit.

Q And by that you mean that all working interest owners will share in each well on an acreage basis?

A Yes, sir, that's correct.

Q What depths will the unit cover?

A We'll limit the depths from 3000 feet beneath the surface to all depths therein below, and with our deepest depth to be about 12,300 feet.

Q What is the character of the land as to State or Federal or fee land?

A It's 100 percent Federal.

Q When is the earliest lease expiration date?

A October 1st of '82, and so it's not our purpose to preserve this lease, as such, but to -- to try to drill as soon as possible so that we can develop some Atoka-Morrow interest in the area.

Q Hopefully in the 1981 budget?

A Yes, sir, that's our intent.

Q Has the East White Ranch Unit been designated a logical area for unitization by the USGS?

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2 A. Verbally, yes, and we expect the written
3 confirmation momentarily.

4 Q Have the working interest owners, other
5 than Gulf, been contacted, and if so, has Gulf obtained final
6 preliminary approval?

7 A Yes, sir, they have, and we have 100
8 percent commitment to the unit.

9 MR. NUTTER: That's of the working
10 interest?

11 MR. KASTLER: Yes.

12 A Yes, sir.

13 Q Do you have any overriding royalty
14 interest?

15 A We were under the impression that we had
16 none. We understand now as of this late date that we do have
17 one, and we're in the process of contacting that overriding
18 royalty.

19 Q And all of the royalty is owned by the
20 U.S.?

21 A Yes, sir.

22 Q Do the unit and unit operating agreements
23 protect correlative rights of owners of all interests in and
24 surrounding the 1920 acre unit area?

25 A Yes, sir, in my opinion it does.

1
2 Q All right. Are the instruments on -- in
3 conventional form?

4 A Yes, both -- both instruments, both the
5 unit agreement and the unit operating agreement are the con-
6 ventional form unit agreement, being approved by both the
7 State of New Mexico and the USGS, and the operating agreement
8 and the operating agreement contains the usual provisions
9 and sub-exhibits to unify itself with the unit form of oper-
10 ation.

11 The unit agreement contains two exhibits,
12 Exhibit A being a plat of the overall unit area, and Exhibit
13 B being the description of the lands, leases, working interest
14 owners, expiration dates, and lease numbers.

15 Q What about Exhibit Number Two?

16 A Exhibit Number Two is our conventional
17 operating agreement, which will contain several sub-exhibits
18 showing the participation of the parties, various accounting
19 procedures, and the other provisions to make it compatible
20 with the unit form of development.

21 Q Mr. Cohlma, is the approval of the unit
22 area in your opinion in the interest of orderly development
23 of New Mexico's natural resources, the prevention of waste,
24 and the protection of correlative rights?

25 A Yes, sir, it is, in my opinion.

1
2 Q If approved, would Gulf abide by all
3 general and special orders of the New Mexico Oil Conservation
4 Division?

5 A Yes, sir, we will.

6 Q Were Exhibits One and Two prepared by
7 you or at your direction and under your supervision?

8 A Yes, sir, they were.

9 Q Do you have anything else to add to your
10 direct testimony in this hearing?

11 A No, sir.

12 MR. KASTLER: Mr. Examiner, this com-
13 pletes our direct examination, and I would like to move that
14 Exhibits One and Two be admitted into evidence.

15 MR. NUTTER: Exhibits One and Two will
16 be admitted in evidence.

17
18 CROSS EXAMINATION

19 BY MR. NUTTER:

20 Q Mr. Cohlma, the unitized substances
21 at 3000 feet.

22 A Yes, sir.

23 Q Was that intended to get just below the
24 Queen formation, or what?

25 A Well, it was not our original intention

1
2 but we found out that the -- one of the primary lessees in
3 our unit had rights from below 3000 feet, and this was the
4 primary reason that we -- we limited it.

5 Q Do you know what depth that is with re-
6 spect to the Queen?

7 A It's about 200 feet below it, I believe.
8 I think the Queen is about 2800 feet.

9 Q So you're not unitizing the Queen?

10 A No, sir. No, sir.

11 Q You're really going after Pennsylvanian.

12 A Yes, sir, Atoka, Atoka-Morrow primarily,
13 yes, sir.

14 Q Now, I presume the USGS has given tenta-
15 tive approval of this unit?

16 A Yes, sir. Yes, sir. As I say, we
17 not received the written but I was just in touch with them
18 and we foresee no problems in this forthcoming.

19 Q 100 percent working interest unit?

20 A Yes, sir.

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

23 MR. KASTLER: Ms. Ward, will you take the
24 stand, please?
25

1
2 THERESA WARD

3 being called as a witness and being duly sworn upon her oath,
4 testified as follows, to-wit:
5

6 DIRECT EXAMINATION

7 BY MR. KASTLER:

8 Q Will you please state your name, your
9 place of residence, by whom you're employed and in what posi-
10 tion?

11 A My name is Theresa Ward. I live in
12 Midland, Texas, and I work as an exploration geologist for
13 Gulf Oil Corporation.

14 Q Have you previously appeared before the
15 New Mexico Oil Conservation Division as an expert witness?

16 A No, I have not.

17 Q Would you please state your background
18 in geology and where you attended school, what degrees you
19 obtained, and so forth?

20 A I received a BS in geology from Southern
21 Illinois University and an MS in geology from the New Mexico
22 Institute of Mining and Technology.

23 Q Have you been employed by anyone else
24 than Gulf Oil?

25 A No.

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Q How long have you been employed by Gulf?

A A little over a year and a half.

Q Are you familiar with the geology in the area that we're unitizing in this Case 7363?

A Yes.

MR. KASTLER: Are the witness' qualifications acceptable?

MR. NUTTER: They are.

MR. KASTLER: Thank you.

Q Ms. Ward, would you please explain the geological features of the East White Ranch Unit?

A Well, the prospect is a structural closure of approximately 50 feet and it's bounded on the west side by a major fault. In addition, it has a thickening in the Atoka interval of the prospect.

Q Beginning at 3000 feet, what formations are -- would be crossed or topped in drilling the unit well?

A Well, the Abo will come in at about 5500 feet. Top of the Penn at about 8400 feet, and the Atoka at 9800 feet.

Q And what is the total depth you anticipate that Gulf would have to drill to make its flow test?

A We plan to drill to about 10,600 feet, which should be top of the Mississippian lime.

Q. Where will this test well be drilled on the unit?

A. Southwest quarter of Section 14.

Q. Is that the top of the structure, the most favorable location?

A. It's the most favorable location.

Q. How far away is the nearest well capable of producing from the Atoka-Morrow interval?

A. There's a recent discovery in the Atoka approximately five miles west of our prospect.

Q. Do you know the name of that well?

A. The name of that well is the Depco No. 1 White Ranch.

Q. And does the East White Ranch Unit border on the Depco -- on the White Ranch Unit?

A. It's immediately adjacent to the White Ranch Unit and it is separated from the unit by a major fault.

Q. Do you have anything else you'd like to add at this time?

A. No.

MR. KASTLER: This concludes my direct examination.

CROSS EXAMINATION

BY MR. NUTTER:

Q. Now, Ms. Ward, do you have a geological map that shows the structure here and how it coincides with the limits of the unit as outlined in the -- in Exhibit A of Exhibit Number One?

A. We have a geological map. It is confidential with USGS.

MR. KASTLER: Gulf submitted a geological report and study, encompassing not only a structure map but a number of other matters of data, and requested the US Geological Survey to give those confidential treatment.

As a result we're not prepared to introduce a structure map at this time; however, if you wish, we could have one sent to you.

MR. NUTTER: It's kind of unusual to have a hearing for a unit without having a geological map to show the coincidence of --

MR. KASTLER: Yes.

MR. NUTTER: -- structure position and the unit boundary; however, inasmuch as this is all Federal lands, if they want to unitize it, that's their business.

MR. KASTLER: I understand.

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2 MR. NUTTER: Are there any further ques-
3 tions of Ms. Ward? She may be excused.

4 Do you have anything further, Mr. Kastler?

5 MR. KASTLER: No, sir, nothing further.

6 MR. NUTTER: Does anyone have anything
7 they wish to offer in Case Number 7363?

8 We'll take the case under advisement.

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10 (Hearing concluded.)
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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 CSR

I do hereby certify that the foregoing is a complete and correct transcript of the proceedings in the hearing of Case No. 7863, heard by me on 10/7 1981.

[Signature] Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.

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