

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
12 May 1982

EXAMINER HEARING

IN THE MATTER OF:

Application of Harvey E. Yates Company
for a unit agreement, Lea County, New
Mexico.

CASE
7567

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Michael Cunningham, Pro Tem
W. Perry Pearce, Esq.
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For the Applicant:

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P. O. Box 1933
Roswell, New Mexico 88201

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MR. STAMETS: We'll call next Case 7567.

MR. CUNNINGHAM: Application of Harvey E. Yates Company for a unit agreement, Lea County, New Mexico.

MR. HALL: Mr. Examiner, my name is Joe Hall, representing the applicant, Harvey E. Yates Company, and I have two witnesses, who need to be sworn.

(Witnesses sworn.)

ROSEMARY AVERY

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

DIRECT EXAMINATION

BY MR. HALL:

Q. Would you state your name and address, please?

A. My name is Rosemary Avery. I live in Roswell, New Mexico.

Q. And what is your position with the applicant, Harvey E. Yates Company?

A. I am the Land Supervisor and a senior landman with Harvey E. Yates Company.

Q. Have you testified before the Division be-

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2 fore and had your qualifications as a professional landman
3 accepted?

4 A. Yes, I have.

5 MR. HALL: Mr. Examiner, I'd request that
6 Ms. Avery be recognized as a professional landman for purposes
7 of her testimony on related matters in the case.

8 MR. STAMETS: The witness is considered
9 qualified.

10 Q. Are you familiar with the application in
11 Case 7567?

12 A. Yes, I am.

13 Q. Would you please state the purpose of the
14 application for the Examiner?

15 A. Applicant requests the Division approval
16 of the proposed unit agreement for the development and oper-
17 ation of the Richardson Unit in Lea County, New Mexico.

18 Q. I've handed you what has been marked for
19 identification as Applicant's Exhibit Number One, and would
20 ask that you identify that exhibit, please.

21 A. This is a land plat that covers the south
22 half of Sections 31 and 32 of Township 13 South, Range 36 East,
23 and all of Section 6 of Township 14 South, Range 36 East in
24 Lea County, New Mexico.

25 Q. And what does this area represent?

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2 A This is the proposed area for the Richard-
3 son Unit, the approval of which is the purpose of our appli-
4 cation.

5 Q And would you recount again, please, what
6 the proposed unit area comprises?

7 A The actual legal description are Lot 3,
8 4, the east half of the southwest quarter, and the southeast
9 quarter of Section 31, which comprises the south half, and
10 the south half of Section 32 in Township 13 South, Range 36
11 East, and Lots 1, 2, 3, 4, 5, 6, and 7, the southeast quarter
12 of the northwest quarter, and the east half of the southwest
13 quarter, and the south half of the northeast quarter, and
14 the southeast quarter of Section 6, which is all of Section
15 6 of Township 14 South, Range 36 East, Lea County, New Mexico.

16 It contains 1,283.35 acres, more or less,
17 and from the surface to all depths.

18 Q Would you please explain to the Examiner
19 the mineral ownership of the lands within the proposed unit
20 boundaries?

21 A The State of New Mexico lands comprise
22 402.33 acres, which is 31.349982 percent of the unit area.

23 The fee lands, or patented lands, comprise
24 881.302 acres, which is 68.650018 percent of the unit area.

25 Q Okay. Would you please indicate the

location for the initial test well under the Richardson Unit?

A. The initial test well would be located where the arrow points, which is 660 from the south line and 660 from the west line of Section 32.

Q. Is that a standard location under New Mexico Oil Conservation Division Rule 104?

A. No, it is not, but the location was approved by Administrative Order MSL-1508 on March the 25th, 1982.

MR. HALL: And, Mr. Examiner, I have a copy of that order if you would like to --

MR. STAMETS: That's not necessary.

Q. I hand you now a copy of what's been marked for identification as Applicant's Exhibit Number Two and would ask that you identify that for the Examiner, please.

A. This is the proposed unit agreement for the Richardson Unit.

Q. All right, is this a fairly standard exploratory unit agreement and has the New Mexico Commissioner of Public Lands approved of this form and content?

A. Yes, by letter dated December the 9th, 1981, this has been approved.

Q. Okay. Is Harvey E. Yates Company, the applicant, designated as the unit operator in the unit agree-

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2 ment?

3 A. Yes.

4 Q. And as such given the authority under the
5 terms of the agreement to carry on all operations necessary
6 for the development and operation of the unit area?

7 A. Yes.

8 Q. All right. If you'd please refer to Ex-
9 hibit B of the unit agreement, Exhibit Number Two, and tell
10 what that shows, please.

11 A. This exhibit lists all the leases under
12 the unit area and describes the ownership of the -- of each
13 lease.

14 Q. Has the applicant, Harvey E. Yates Company,
15 submitted the unit agreement to the various parties owning
16 interest under the unit area for approval?

17 A. Yes.

18 Q. And would you please tell the Examiner
19 what response has been received as to your request for the
20 approval of the unit?

21 A. Yes, sir, of record we have 100 percent
22 agreement. We have 100 percent of the working interest
23 owners and 100 percent of the royalty owners.

24 Q. Okay. Has an operating agreement been --
25 been prepared for signature by the working interest owners

1
2 under the unit agreement?

3 A. Yes, it has.

4 Q. And have the working interest owners exe-
5 cuted that agreement?

6 A. Yes, they have.

7 MR. HALL: Again, I have a copy of that
8 if you would like.

9 MR. STAMETS: That's not necessary, either.

10 Q. Ms. Avery, where Exhibits Number One and
11 Two either prepared by you or under your direction and con-
12 trol by employees of Harvey E. Yates Company?

13 A. Yes, they were.

14 MR. HALL: Mr. Examiner, I'd move the ad-
15 mission of Applicant's Exhibits Number One and Two.

16 MR. STAMETS: These exhibits will be ad-
17 mitted.

18 MR. HALL: I have no further questions of
19 this witness.

20 MR. STAMETS: Are there questions of the
21 witness? She may be excused.

22 Do you have an Exhibit Three, Joe?

23 MR. HALL: That was going to be the -- the
24 operating agreement if you wanted it.

25 MR. STAMETS: Okay, fine.

RODNEY THOMPSON

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

DIRECT EXAMINATION

BY MR. HALL:

Q. Would you state your name and address,
please, sir?

A. My name is Rodney Thompson. I reside in
Midland, Texas.

Q. And what is your position with the Appli-
cant, Harvey E. Yates Company?

A. I'm an exploration geologist.

Q. Okay, and Mr. Thompson, have you testified
before the Division before and have your qualifications as
an expert petroleum geologist been accepted?

A. Yes, sir, I have, and Yes, they have.

MR. HALL: Mr. Examiner, I would request
that Mr. Thompson be recognized as a qualified expert geolo-
gist for the purpose of testifying on the geologically related
matters in this case.

MR. STAMETS: He is considered qualified.

Q. Are you familiar with the application filed

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2 in this case?

3 A. Yes, I am.

4 Q. And are you familiar with the Richardson
5 Unit area?

6 A. Yes, I am.

7 Q. And with the location and proposed depth
8 of the initial test well?

9 A. Yes.

10 Q. Referring to Applicant's Exhibit Number One,
11 and the position indicated thereon for the initial test well,
12 does that correctly depict the location of the initial test
13 well under the Richardson Unit?

14 A. Yes, it does.

15 Q. What is the objective and the proposed
16 depth for the initial test well?

17 A. The objective is the Austin Mississippian
18 formation and the proposed depth is 13,700 feet.

19 Q. I hand you what has been marked for identi-
20 fication as Applicant's Exhibit Number Four and ask if you
21 would identify it, please.

22 A. Exhibit Number Four is a structure map
23 contoured on the top of the Austin Mississippian formation,
24 and it illustrates the structural trend of the Austin Missis-
25 sippian in the unit area.

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2 Q All right, would you explain any other
3 significance of that for the Examiner?

4 A Well, it -- it identifies our -- our ob-
5 jective area here within the unit, and it does show that we
6 expect the acreage in the Austin Mississippian to be situated
7 or developed in a good structural position under our proposed
8 unit area, and we feel our initial test is -- or our initial
9 location for the proposed test is -- was chosen to test both
10 our major objective in the Austin Mississippian, as well as
11 our other objectives, mainly the Atoka sandstones, and the
12 Wolfcamp, and the Upper Pennsylvanian carbonates.

13 Q I hand you what has been marked for ident-
14 ification as Applicant's Exhibit Number Five and ask if you
15 would identify that and explain its significance, please.

16 A Exhibit Number Five is a structural cross
17 section with -- having a datum hung on the Morrow limestone,
18 top of the Morrow limestone, and this cross section is a
19 north-to-south section from A to A'. And it shows the devel-
20 opment of the Mississippian Austin formation through our
21 immediate area here that is developed to the Richardson Unit.
22 It also shows development in the Atoka sandstone in wells in
23 the immediate area, and it helps to decipher our porosity
24 trend. We feels it's developed as mainly secondary porosity
25 and therefor stratigraphically -- developed stratigraphic

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2 development in the porosity through our area, and it does
3 have information on the wells in the immediate area that were
4 used as a basis for the initiation of this prospect, as well
5 as the unit.

6 Q I'll hand you what -- now what has been
7 marked for identification as Applicant's Exhibit Number Six,
8 and if you'd also identify and explain the significance of
9 that, please.

10 A Yes, sir. Exhibit Number Six is also a
11 cross section. It is a structural cross section whose datum
12 is hung on the top of the Austin Mississippian limestone, and
13 it shows our location, where we expect our objective formation
14 to be encountered, showing its structural position -- struc-
15 tural position relative to immediate offset wells in the area,
16 one being the HEYCO Betenbough -- No. 1 HEYCO Betenbough Well
17 in Section 32 of 13 South, Range 36 East, which was completed
18 in the Atoka sandstone, and the other well being the Harvey
19 E. Yates Company Richardson No. 1, located in Section 5 of
20 Township 14 South, Range 36 East. And we feel we'll be sit-
21 uated in an optimum position to encounter both production
22 from the Austin Mississippian limestone, as well as the Atoka
23 sandstone, and in addition, in an optimum position to encounter
24 potential Wolfcamp carbonate and Upper Pennsylvanian carbonate
25 oil producing formations.

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2 Q Is it your professional opinion that the
3 proposed unit area covers all or substantially all of the
4 geological feature?

5 A Yes.

6 Q And is it your opinion that in the event
7 oil or gas is discovered in paying quantities on lands within
8 the unit area the area can be developed more economically and
9 efficiently under the terms of the unit agreement so that
10 maximum recovery of unitized substances will be obtained?

11 A Yes. And do you feel that the unit agree-
12 ment will permit the producing area to be developed and oper-
13 ated in a manner which will promote the conservation -- promote
14 conservation, prevent waste, as contemplated by the statutes
15 of the State of New Mexico and the rules and regulations of
16 the Division?

17 A Yes.

18 Q Were Exhibits Number Four, Five, and Six
19 prepared by you or under your direction and control?

20 A Yes, they were.

21 MR. HALL: Mr. Examiner, I move the admis-
22 sion of Applicant's Exhibits Four, Five, and Six.

23 MR. STAMETS: These exhibits will be ad-
24 mitted.

25 MR. HALL: And I have no further questions

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of the witness.

MR. STAMETS: Are there any further questions
of the witness? He may be excused.

Anything further in this case?

MR. HALL: No, sir.

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

(Hearing concluded.)

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 correct and true transcript of the hearing before the Oil Conservation Division of the Department of Conservation of California, No. 7567, heard by me on 5/12, 1982.

Richard L. Flynn, Examiner
Oil Conservation Division

SALL. W. BOYD, C.S.R.

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