

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date MARCH 30, 1983 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
Chad Dickerson	Lawrence + Lawrence	Inter 212
W. Kelblin	Kelblin + Kelblin	Santa Fe
C. A. Motz	Amoco Energy Co	Houston TX
Larry Sheppard	Amoco Energy Co	Houston TX
Norman W. Wainwright	Amoco Production Co.	Houston, TX
GARY STEPHENS	Dept. of Interior	Albuquerque
W. H. H. H.	Waller Wood Co	Midland
Jerry H. H.	J. H.	Hobbs
Bob H. H.	Byram	Santa Fe
Jarvis Nelson	Millard Deck Estate	Hobbs
William L. H.	Sampbell, Eyer + Black	Santa Fe
Ernest H. H.	E. H. H.	Santa Fe
Tommy Roberts	BER - Price	
W. M. P. H.	Wayne H. H.	
	Ernie P. M. H.	Farmington
	Orson	

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date MARCH 30, 1983 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
<i>James W. Dyer</i>	OXOCO	Houston
<i>Paul J. Campbell</i>	OKOCO	Houston
<i>Richard Tully</i>	OXOCO	Farmington
<i>Byron P. Dyer</i>	National Bank of Fort Miller & DeLoach	Fort Worth
<i>J.W. Mulloy</i>	C.W. TRAINER (Foy Boyd Assoc Inc)	MIDLAND
<i>John D. Roe</i>	Jerome P. McHugh	Farmington.
<i>Paul S. Thompson</i>	Northeast Petroleum	Farmington
<i>JAMES B. T. T. T.</i>	JEROME P. McHUGH	DENVER
<i>Q.W. T. T. T.</i>		
<i>Louis MARTINEZ</i>	STATE LAND OFFICE	S.L.O. BLDG. S.F.
<i>Marion Reed</i>	Sch	Denver CO
<i>James T. T. T.</i>		
<i>Robert T. T. T.</i>		

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

30 March 1983

EXAMINER HEARING

IN THE MATTER OF:

Application of Randolph M. Richardson	CASE
for a unit agreement, Eddy County,	7833
New Mexico.	

BEFORE: Michael E. Stogner, Examiner

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:

Randolph M. Richardson
Attorney at Law
Roswell, New Mexico 88201

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

GEORGE REDDY

Direct Examination by Mr. Richardson	3
Cross Examination by Mr. Stogner	10

E X H I B I T S

Applicant Exhibit One, Report	6
Applicant Exhibit Two, Structure Map	6
Applicant Exhibit Three, Isopach	7
Applicant Exhibit Four, Map	8

1
2 MR. STOGNER: Call next Case Number
3 7833.

4 MR. PEARCE: That case is on the appli-
5 cation of Randolph M. Richardson for a unit agreement, Eddy
6 County, New Mexico.

7 MR. RICHARDSON: Randolph M. Richard-
8 son, Roswell, New Mexico, appearing on behalf of applicant.

9 I have one witness to be sworn.

10 MR. STOGNER: Are there other appear-
11 ances in this matter?

12
13 (Witness sworn.)

14
15 MR. RICHARDSON: I have already fur-
16 nished the Division a copy of the unit agreement. I'd like
17 to hand you a copy of geological report marked Exhibits One
18 through Four.

19
20 GEORGE REDDY,
21 being called as a witness and being duly sworn upon his oath,
22 testified as follows, to-wit:

23
24
25

DIRECT EXAMINATION

BY MR. RICHARDSON:

Q. Mr. Reddy, would you please state your name and present occupation?

A. My name is George Reddy. I'm a consulting geologist in Roswell, New Mexico.

Q. Mr. Reddy, would you please state your educational and professional background which will enable you to testify as an expert witness in this case?

A. I'm a graduate of the University of New Mexico; majored in geology; and been working full time as a petroleum geologist since 1961.

Q. Have you ever testified before the Oil Conservation Division before?

A. Yes.

Q. Are you familiar with the Northeast Artesia Unit Area and the matters contained in the application to the Division for approval of a unit agreement?

A. Yes.

MR. RICHARDSON: Are the qualifications acceptable?

MR. STOGNER: Mr. Reddy is qualified.

Q. Is the form of unit agreement prescribed by State regulations and been recently approved by the Commissioner

of Public Lands?

A. Yes.

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

A. No.

Q. That is due to the fact, Mr. Reddy, that the unit area only contains seven percent of the -- of Federal lands and the United States Geological Survey, or Minerals Management Service, or Bureau of Land Management, does not now need to approval the unit.

Could you please tell the Division the number of acres within the unit area and the number of percentages of the various acres of Federal, State, and patented or fee lands?

A. There's a total of 2560 acres in the proposed unit and 200 acres of that is Federal lands, or 7.81 percent; 640 acres, or 25 percent, is State lands; and 1720 acres, or 67.19 percent is patented fee lands.

Q. Could you please tell the Division the township and range in which the unit is located and approximate location with reference to the nearest town?

A. It's in Township 16 South, Range 26 East, and it's approximately 2-1/2 miles northeast of the town of Ar-

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

tesia in Eddy County.

Q. Mr. Reddy, please refer to the geological report, which has been introduced in this case and marked Exhibits One through Four. Was this report prepared by you?

A. Yes.

Q. Would you please briefly review the report, referring to the maps by name, indicating the significance of such maps?

A. The first map is labeled Figure 1. It's a structure map, top of Atoka.

Q. Mr. Reddy, let me put in there, I marked the written report as Exhibit One. His Figure 1 is Exhibit Two and so when he's referring to figures, they're one -- one up.

The written report is Exhibit One. His Figure 1 is Exhibit Two.

Go ahead, Mr. Reddy, I'm sorry.

A. The first of these is a structure map on top of Atoka. This is a good mapping point in the area. It's about 150 feet above the primary objective, which is the Morrow Clastics interval.

This proposed unit is located on the northwest shelf of the Delaware Basin and the regional dip in this area is to the southeast at about 200 feet per mile. The

proposed area lies across a general structural nose, which plunges southeastward.

The color symbols on the map are Morrow and Atoka gas wells, the blue being Atoka. Purple is Atoka-Morrow undifferentiated, and the red symbols are Morrow gas completions.

There's a general northeasterly trend to the gas production in the area but when looked at on individual field basis, there seems to be an orientation to the north and northwest, as shown on the next figure, which would be Figure 2 or Exhibit Three.

This is a net sandstone Isopach map of the primary objective, the Morrow Clastics. The prospect has been drawn in an area similar to the fields that occur to the southwest and to the northeast of the proposed unit. There the orientation is northerly, or to the northwest, against regional strike. This situation is very favorable for trapping hydrocarbons, as can be seen in some of the fields in the area, and the prospect is visualized as having a similar configuration as those fields. It's based on only a view points of control, one of which is the well in Section 31 of 16, 27, which is an abandoned Morrow producer and had about 19 feet of net sandstone.

It's on that basis that a sandstone thick

1
2 has been drawn in this proposed area.

3 The probably economic limit, well, has been --
4 has been picked, an arbitrary thickness has been picked, of
5 10 feet as being a minimum economic limit for the sandstone
6 thickness, and it's on that 10-foot contour interval that the
7 prospect limit has been drawn on the next figure, which is
8 Exhibit Four. Prospect limit here, and the field limits on
9 either -- of the fields on either side of this are shown by
10 the 10-foot contour.

11 And it's on that basis that the unit bound-
12 ary has been shown over the prospect zone, or prospect area.

13 This is an outline -- this is a Morrow pros-
14 pect outline map.

15 Q Mr. Reddy, could you give the Division your
16 conclusions as to the formations likely to be encountered and
17 considered productive, or possibly productive?

18 A Well, as mentioned, the primary objective
19 is Morrow, but in the general area there has been good shows
20 and some production from Permian beds in the Queen, Grayburg,
21 San Andres, and Wolfcamp, and in Upper Pennsylvanian in the
22 Cisco Limes. All of these are considered prospective in the
23 area.

24 Q Could you please tell the Division the pro-
25 jected depth of an initial well and the proposed location?

1
2 A. The projected depth, TD would be 8400 feet.
3 That would be sufficient to encounter Mississippian, test the
4 full section of Morrow, and I consider it prospective through-
5 out the area, but the proposed location is 660 from the north
6 line and 1980 from the west line of Section 36, Township 16
7 South, Range 26 East.

8 MR. RICHARDSON: I might interject
9 right there, Mr. Commissioner, that that location may be moved.
10 That puts us right in the middle of an irrigated field and
11 I anticipate a little trouble with the surface owner, although
12 it is State land. We may have to move it back further west.

13 It's being surveyed today for the
14 location, so in your record don't hold us to that -- to that
15 location. A Notice of Intention has not been filed yet.

16 Q. Mr. Reddy, have the other working interest
17 owners within the unit area been contacted?

18 A. Yes.

19 Q. In your opinion what percentage of the
20 working interest will be committed and what percentage of the
21 royalty will be committed?

22 A. 100 percent of the working interest and 98
23 percent of the royalty.

24 Q. In your opinion will the operation of this
25 area under the proposed unit plan of operation be in the in-

terest of conservation, the prevention of waste?

A. Yes.

Q. Will the different institutions of the State, if any, receive their fair share of production, if established?

A. Yes.

Q. In the event of production, will the correlative rights of all parties to the unit agreement be protected?

A. Yes.

MR. RICHARDSON: We would now like to offer Exhibits One through Four into evidence.

MR. STOGNER: Exhibits One through Four will be admitted into evidence.

MR. RICHARDSON: And I have no further questions of Mr. Reddy. Do you have any?

CROSS EXAMINATION

BY MR. STOGNER:

Q. Mr. Reddy, on your maps here within the unit area, you show three P&A'd wells. Do you know what formation they tested in each one?

A. Those were all shallow tests. I could refer to my depth here.

They would have tested the San Andres, all

three of those.

Q. You mentioned that your proposed location may be moved further west. Roughly speaking, how far to the west?

MR. RICHARDSON: It's right on the Pecos River and I would rather imagine that the location will be, probably, 660 from the north and around 1320 south. It's going to be, possibly, an unorthodox location.

We will not know until the surveyor gets through today.

MR. PEARCE: I think it will be necessary, when you find that location, if it's unorthodox, to come back administratively again. I don't think you can move an unorthodox without knowing exactly where it is and advertising it.

MR. RICHARDSON: I was wondering about that. On a fully participating unit like this, where your royalty and working interest is pooled and spread under the entire area, if your location actually does make that -- make any difference. In other words, the --

MR. PEARCE: I think you'll need to proceed administratively but I don't think you'll need to come back up for a hearing. I don't believe so.

MR. STOGNER: I have no further

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

questions for Mr. Reddy. He may be excused.

Anything further in Case Number 7833?

If not, this 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

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Sanita Fe, New Mexico 87501

Phone (505) 455-7409

1833
83
March 30
Michael E. Stogner Examiner
Oil Conservation Division