

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BUILDING
5 SANTA FE, NEW MEXICO

6 15 March 1989

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Texmex Seven Ltd. for CASE
10 a unit agreement, Chaves County, New 9620
11 Mexico.
12

13 BEFORE: Michael E. Stogner, Examiner
14

15 TRANSCRIPT OF HEARING
16

17 A P P E A R A N C E S
18

19 For the Division: Robert G. Stovall
20 Attorney at Law
21 Legal Counsel to the Division
22 State Land Office Bldg.
23 Santa Fe, New Mexico

24 For Texmex Seven Ltd.: Rich Neff, Pro Se
25

I N D E X

STATEMENT BY RICHARD NEFF

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E X H I B I T

Texmex Seven Exhibit One, Notice and

Return Receipts

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Texmex Seven Exhibit Two, Unit Agreement

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Texmex Seven Exhibit Three, Approval Letters

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Texmex Seven Exhibit Four, Operating Agreement

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Texmex Seven Exhibit Five, Geology Report

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Texmex Seven Exhibit Six, Structural Map

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Texmex Seven Exhibit Seven, Type Log

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Texmex Seven Exhibit Eight, Cross Section

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Texmex Seven Exhibit Nine, Application for

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Permit to Drill

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1 MR. STOGNER: Call next Case
2 9620.

3 MR. STOVALL: Application of
4 TexMex Seven, Limited, for a unit agreement Chaves County,
5 New Mexico.

6 MR. STOGNER: Call for ap-
7 pearances.

8 MR. NEFF: Mr. Examiner, I'm a
9 general partner of TexMex Seven, Limited, and I have testi-
10 mony here.

11 MR. STOGNER: Are there any
12 other appearances in this matter?

13 Mr. Neff, would you please
14 take the witness chair?

15 MR. STOVALL: You're prepared
16 to testify yourself, is that --

17 MR. NEFF: Yes, I am.

18

19 (Mr. Neff sworn.)

20

21 MR. STOVALL: Mr. Neff, as you
22 begin your testimony would you please identify yourself and
23 your relationship with TexMex?

24 MR. NEFF: My name is Richard
25 Neff. I'm a general partner of TexMex Seven, Limited, a

1 New Mexico limited partnership based in Santa Fe.

2 TexMex is the operator of the
3 proposed exploratory unit which has tentatively been named
4 Pretty Bird Unit.

5 MR. STOGNER: Mr. Neff, have
6 you testified at these proceedings before?

7 MR. NEFF: Yes. I've pre-
8 viously been qualified for and testified at OCD hearings as
9 an expert geological witness.

10 Briefly, I have a Master's de-
11 gree in geology from the University of Oklahoma. I have 28
12 years of work experience, largely in southeast New Mexico;
13 28 years being 5 with Mobil Oil Company or 8 with Mobil Oil
14 Company, 5 with Occidental Petroleum, and the last 15 as an
15 independent and consultant.

16 I'd ask that you accept these
17 qualifications.

18 MR. STOGNER: Thank you, Mr.
19 Neff, you're so qualified.

20 Would you please begin?

21 MR. NEFF: First, I should
22 mention I've sent hearing notifications to all the unit,
23 all the people within the unit outline, by certified mail
24 and I'd like to submit that as Exhibit One, the letters and
25 the return receipts.

1 One small overriding royalty
2 owner in the unit could not be located and all the working
3 interest owners received their notification February 21st.

4 I request that you accept the
5 hearing notifications as timely given. I've prepared cer-
6 tain testimony and exhibits in support of the unitization,
7 all zones and all depths underlying the proposed Pretty
8 Bird Unit, an 11,782.54 acre exploratory unit located in
9 Chaves County, 16 miles north by east of Pinon, New Mexico.

10 I worked the Pretty Bird Hills
11 area since 1970 and began on the Pretty Bird Unit itself
12 three years ago. I have a geological analysis of all re-
13 gional and local subsurface well information available from
14 the public and private records. I've also studied the sur-
15 face geological features and conditions of the proposed
16 unit and personally supervised the staking of the initial
17 wildcat drill site.

18 Exhibit Two, which I'd like to
19 submit, is a copy of the unit agreement. The unit agree-
20 ment, it's a standard state and federally joint approved
21 form. Both the BLM and the State Land Office have tenta-
22 tively approved this agreement and the exhibits and Exhibit
23 Three, which I'm submitting, is copies of the BLM and state
24 approval letters.

25 The important inclusions in

1 the unit agreement are in Exhibit A which is attached to
2 it, which is a 1-to-4000 scale land plat showing the unit
3 tract numbers, the mineral and leasehold ownership and the
4 lease expiration dates.

5 Also in the unit agreement is
6 Exhibit B. It tabulates the royalty, override and working
7 interest ownership of each tract.

8 Federal lands comprise 80.3
9 percent of the unit and State lands, 19.7 percent.

10 Exhibit Four is a copy of the
11 operating agreement under which participants will drill the
12 wildcat and subsequent development wells. Within this
13 agreement is an Exhibit which gives the names, addresses
14 and percentage ownership of the operator, TexMex Seven,
15 Limited, and the non-operators. Working interest ownership
16 and leasehold ownership within the unit is as follows:
17 TexMex Seven, Limited, owns 80.31 percent; Maralo, Inc.,
18 owns 6.79 percent; Bonnie J. Brown owns 8.15 percent; and
19 open Federal minerals are 4.75 percent.

20 McClellan Oil Corporation has
21 consented to the proposed unit and I have acquired by as-
22 signment their 508.2-acre Federal lease.

23 Maralo, Inc., of Midland,
24 Texas, which owns three State leases totally 800 acres, has
25 not consented to the proposed unit.

1 Bonnie J. Brown of Cheyenne,
2 Wyoming, acquired her lease in the Federal lottery, has not
3 consented for her 960 acres to be included in the proposed
4 unit.

5 The BLM advises me that the
6 open Federal minerals will be auctioned at an upcoming sale
7 and the successful bidder will be required to join the
8 unit.

9 Proposed drill site for the
10 2,600 foot Lower Pennsylvanian wildcat well is 660 feet
11 from the south and east lines of Section 6, 19 South, 18
12 East, Chaves County. The proposed drill site and unit out-
13 line are based on the geological report which I prepared
14 and submit as Exhibit Five.

15 Now this is the same geologi-
16 cal report that went to the State Land Office and to the
17 BLM.

18 I'd just like to briefly de-
19 scribe the geology of the proposed exploratory unit through
20 the introduction of further exhibits.

21 Exhibit Six is a regional
22 subsurface structure map on 1-to-4000 scale contoured at
23 the base of the Pennsylvanian at 250-foot intervals. The
24 unit is outlined in red, the proposed unit.

25 The map depicts a faulted

1 anticline trending northwest/southeast with the axis and
2 highest structural point being within the proposed drill
3 site, Section 6. The anticline is interpreted from subsur-
4 face well control and from the projection of known surface
5 geological features. The anticline is believed to have 750
6 feet of effective 4-way closure, aided by a 3,500 foot
7 fault down to the northeast. The primary objective is gas
8 in the Lower Pennsylvanian sand reservoir, which is rock
9 stratigraphic equivalent but younger than most of the
10 Morrow and Atoka gas production located to the east and
11 largely in Eddy County.

12 The prospective gas zone is
13 shown on Exhibit Seven, which is the type log of Gulf No. 1
14 Munson, located four miles south of the proposed drill
15 site.

16 10 feet of water-bearing, re-
17 servoir quality sand is shown on the log at 2,752 feet.

18 The secondary objective is the
19 basal Abo dolomite zone, shown also on the Gulf log at
20 2,393 to 2,432. These thin zones produce gas in small
21 quantities over a wide area southwest of Artesia.

22 The productive area for both
23 target zones are anticipated to mirror the 3000 -- the
24 +3000 contour on the structure map and I based this inter-
25 pretation on the assumption that half of the effective

1 closure would be gas-filled, half water-filled.

2 Because of the rank wildcat
3 nature of this exploratory unit area, I believe this is a
4 logical assumption.

5 Exhibit Eight is a cross
6 section of important wells in the area which have pene-
7 trated the target reservoir. Vertical scale is one inch
8 equals 100 feet and the horizontal scale is relative be-
9 tween the wells.

10 On the left side of the cross
11 section to the west Sun No. 1 Pinon penetrated PreCambrian
12 Basement rocks at 1,847 feet under a very thin Permian Abo
13 section.

14 On the right side of the cross
15 section, or to the east, Texas Oil and Gas No. 1 Federal A
16 encountered 25 feet of Lower Pennsylvanian gas sand at
17 6,074 feet. The well was completed as a producer but never
18 produced.

19 The other wells on the cross
20 section depict favorable structural attitude and reservoir
21 quality for the accumulation of hydrocarbon on the anti-
22 cline.

23 Exhibit Nine is a copy of the
24 11-page Application For Permit To Drill, which was received
25 by the BLM office in Carlsbad yesterday.

1 I have a concluding state-
2 ment. Would you prefer to ask questions at this time or
3 shall I proceed?

4 MR. STOGNER: I have no ques-
5 tions of you at this time, Mr. Neff. You may continue.

6 MR. NEFF: Thank you. Based
7 on the testimony and exhibits presented here today, I be-
8 lieve it is in the best interest of the State of New Mex-
9 ico to approve the proposed exploratory unit. Approval of
10 this unit will promote exploration of unproven acreage
11 while protecting the correlative rights of each lessee and
12 lessor.

13 Unitization will promote the
14 timely and orderly development of State and Federal hydro-
15 carbon reserves. Waste will be prevented through the use
16 of proper spacing units and consistent reservoir management
17 and unnecessary wells will not be drilled.

18 Gas marketing and transporta-
19 tion strategies will be developed and pursued under a con-
20 sistent and effective approach.

21 And that concludes my testi-
22 mony.

23 MR. STOGNER: Thank you, Mr.
24 Neff.

25 Are there any questions of

1 this witness? If not, he may be excused.

2 Anything further in Case Num-
3 ber 9620?

4 This case will be taken under
5 advisement.

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7 (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 (Commission) 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 record of the proceedings in
the Examiner hearing of Case No. 9620,
heard by me on 15 March 1989.

Michael E. Rogers, Examiner
Oil Conservation Division

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date MARCH 15, 1989 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
Chad Dickman	Marathon Pipe & Supply	Artesia
Paul Huber	Byram	Santa Fe
W. T. Kellerman	Kellerman & Co. Engineers	Santa Fe
R. H. Bobb Kenderich	El Paso Technical Soc. Co.	El Paso, Tx
William F. Jan	Jan, Bell & Black, P.A.	Santa Fe
Richard Duff	Texaco Seven Ltd	Santa Fe
Joe Kennedy	Texaco Seven LTD	Santa Fe
John Caldwell	Meridian Oil	Farmington
Tom Hunsbury	Marathon Oil Co.	HOUSTON
Lawrence D. Hamlin		
Tom Hunsbury		
ERIC D. CARLSON	MARATHON OIL COMPANY	MIDLAND, TX
HUGH INGRAM	Conoco Inc	Logans
Tom Boelene	Conoco Inc.	Hobbs
Q/C Caldwell	BHP	Midland

NEW MEXICO OIL CONSERVATION COMMISSION

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William L. Jan	Sampbell & Black, P.A.	Santa Fe
Richard Druff	Texaco Seven Ltd	Santa Fe
Joe Kennedy	Texaco Seven LTD	Santa Fe
John Caldwell	Meridian Oil	Farmington
Tom Henshaw	MARATHON OIL CO.	HOUSTON
Lawrence D. Hume		
Thom W. Engler		
ERIC D. CARLSON	MARATHON OIL COMPANY	MIDLAND, TX
HUGH INGERM	Conoco Inc	HOBBS
Tom Boelens	Conoco Inc.	Hobbs
J. C. Cady	BHP	Midland