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STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION  
IN THE MATTER OF THE HEARING )  
CALLED BY THE OIL CONSERVATION )  
DIVISION FOR THE PURPOSE OF )  
CONSIDERING: )  
APPLICATION OF YATES PETROLEUM ) CASE NO. 10293 & 10294  
CORPORATION FOR A UNIT AGREEMENT, )  
LEA COUNTY, NEW MEXICO. )  
\_\_\_\_\_ )

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: JIM MORROW, Hearing Examiner

May 30, 1991

Santa Fe, New Mexico

This matter came on for hearing before the Oil  
Conservation Division on May 30, 1991, at 8:20 a.m. at Oil  
Conservation Division Conference Room, State Land Office  
Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico,  
before Freda Donica, RPR, Certified Court Reporter No. 417,  
for the State of New Mexico.

FOR: OIL CONSERVATION                      BY: FREDA DONICA, RPR  
DIVISION                                      Certified Court Reporter  
CCR No. 417

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I N D E X

May 30, 1991  
Examiner Hearing  
CASE NO. 10293 & 10294

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APPEARANCES

YATES PETROLEUM CORPORATION WITNESSES:

ROBERT BULLOCK

Direct Examination by Mr. Richards 4  
Examination by Mr. Stovall 11

STERLING FLY

Direct Examination by Mr. Richards 13  
Examination by Mr. Stovall 27

REPORTER' CERTIFICATE

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E X H I B I T S

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C through F 25

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A P P E A R A N C E S

FOR THE DIVISION:

ROBERT G. STOVALL, ESQ.  
General Counsel  
Oil Conservation Commission  
State Land Office Building  
310 Old Santa Fe Trail  
Santa Fe, New Mexico 87501

FOR THE APPLICANT:

SANDERS, BRUIN, COLL & WORLEY, P.A.  
Attorneys at Law  
BY: DAMON RICHARDS, ESQ.  
P. O. Box 550  
Roswell, New Mexico 88201

1 HEARING EXAMINER: Call case 10293.

2 MR. STOVALL: Application of Yates Petroleum

3 Corporation for a unit agreement, Lea County, New Mexico.

4 HEARING EXAMINER: Appearances?

5 MR. RICHARDS: Let's do the 10294 first, if you don't

6 mind.

7 MR. STOVALL: You can do them together.

8 MR. RICHARDS: Yes.

9 HEARING EXAMINER: Call case 10294.

10 MR. STOVALL: Application of Yates Petroleum

11 Corporation for a unit agreement, Lea County, New Mexico.

12 HEARING EXAMINER: Call for appearances in these cases.

13 MR. RICHARDS: Damon Richards for Yates Petroleum

14 Corporation. We're going to have two witnesses, Rob Bullock

15 and Chip Fly.

16 HEARING EXAMINER: Any other appearances?

17 Will the witnesses please stand to be sworn?

18 (Witnesses sworn.)

19 ROBERT BULLOCK

20 the witness herein, having been first duly sworn, was

21 examined and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. RICHARDS:

24 Q. Please state your name, address and your

25 occupation.

1           A.     My name is Robert Bullock. I'm employed by Yates  
2     Petroleum Corporation, 105 South 4th Street, Artesia, New  
3     Mexico, as a petroleum landman.

4           Q.     Give us your educational and professional  
5     background.

6           A.     I have a bachelor of business administration from  
7     New Mexico State University and have been a petroleum  
8     landman for 12 years.

9           Q.     Are you familiar with the Eidson Ranch Unit area  
10    and the Scratchy Ranch Unit area?

11          A.     Yes.

12          Q.     Have you ever testified as an expert witness  
13    before the OCD or before the division in the past?

14          A.     Yes, I have.

15          MR. RICHARDS: Are the qualifications of the witness --

16          HEARING EXAMINER: Yes, sir, his qualifications are  
17    acceptable.

18                 What was your first name again?

19          THE WITNESS: Robert.

20          Q.     (By Mr. Richards) We have marked as Exhibit A the  
21    unit agreement for the development and operation of the  
22    Eidson Unit in case number 10293. And Exhibit A in case  
23    10294 is the unit agreement for the development and  
24    operation of the Scratchy Ranch State Unit.

25          MR. STOVALL: Have you got a second set of those for

1 us?

2 MR. RICHARDS: Yes. I need to mark the A, B, C.

3 MR. STOVALL: Send it up and I'll put a pencil mark on  
4 it.

5 Q. (By Mr. Richards) You've reviewed these forms,  
6 haven't you?

7 A. Yes, I have.

8 Q. Is the form of unit agreement prescribed by the  
9 federal regulations on the Eidson Ranch Unit and as recently  
10 approved by the Commissioner of Public Lands?

11 A. Yes.

12 Q. And on the Scratchy Ranch Unit, is it in the form  
13 that's recently approved by the Commissioner of Public  
14 Lands?

15 A. Yes, it is.

16 Q. To distinguish between them, there is going to be  
17 some federal land in the Eidson Ranch Unit, but the Scratchy  
18 Ranch Unit is mostly state land; is that correct?

19 A. It's 100 percent state.

20 Q. Has the unit area been designated by the Federal  
21 Bureau of Land Management as an area logically suitable for  
22 development under a unit plan of development?

23 A. Yes.

24 Q. Has the Commissioner of Public Lands of the State  
25 of New Mexico granted preliminary approval yet?

1           A.     No, they haven't; that is, as of this hour, no.

2           Q.     And they've instructed us to go ahead through

3 with the hearing?

4           A.     That's correct.

5           Q.     And they'll continue to look at that; is that

6 correct?

7           A.     That's correct.

8           Q.     On both these units?

9           A.     Yes.

10          Q.     Please tell the division the townships and ranges

11 of the Eidson Ranch Unit, which is case 10293.

12          A.     The Eidson Ranch is in Township 16 South, Range

13 33 East. Sections 4, 5 and 6 all -- covers 2,990.08 acres,

14 and it's located ten miles north of -- approximately ten

15 miles northeast of Maljamar.

16                 The Scratchy Ranch Unit encompasses 5,120 acres,

17 all state lands. The township and ranges on this unit are

18 in 15 South 32 East, all of Sections 13, 14, 23, 24, 25, 26,

19 35 and 36. It's located approximately 15 miles northeast of

20 Maljamar.

21          Q.     Please tell the division the total number of

22 acres within each unit area.

23          A.     Within the instant ranch we have 2,990.08 acres,

24 and the Scratchy Ranch Unit is 5,120 acres.

25          Q.     Can you now break those acres down according to

1 the acreage of federal, state and fee lands?

2 A. On the instant ranch unit we have 2,630.08 acres  
3 of state lands, which would be about 87.96 percent of the  
4 unit. There's a 40-acre federal tract which is 1.34 percent  
5 of the unit and a 320-acre fee tract which is 10.7 percent  
6 of the unit.

7 Q. Under Exhibit B, which is the unit operating  
8 agreement, who is named as unit operator?

9 A. Yates Petroleum Corporation.

10 Q. What percentage of the working interest is  
11 already committed to each unit?

12 A. On the Eidson Ranch we have 87.96 percent of the  
13 working interest committed to that unit. On the Scratchy  
14 Ranch Unit, approximately 96 percent of the working interest  
15 is committed to the unit.

16 Q. In your opinion, what percentage of the working  
17 interest will be committed and what percentage of the  
18 royalty interest will be committed in both of the units?

19 A. I think it's not going to differ much from what I  
20 gave you. It's going to be, on the Eidson Ranch, almost 88  
21 percent; on the Scratchy Ranch it will be 96 percent.

22 Q. Were Exhibits A and B in both these cases, which  
23 are the unit agreement and the unit operating agreements,  
24 prepared by you or pursuant to your direction?

25 A. Yes, they were.



1           Q.     In your opinion, will the operation of this area  
2 under the proposed unit plans of operation be in the  
3 interest of conservation and prevention of waste?

4           A.     Yes.

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

7           A.     Yes, they will.

8           Q.     In the event of production, will the correlative  
9 rights of all parties to both these unit agreements be  
10 protected?

11          A.     Yes.

12          MR. RICHARDS: We would like to enter Exhibits A and B  
13 into evidence in this case.

14          HEARING EXAMINER: In both cases?

15          MR. RICHARDS: Yes, in both cases.

16          HEARING EXAMINER: We accept Exhibits A and B into the  
17 record.

18          MR. RICHARDS: Does the division have any questions of  
19 this witness?

20          HEARING EXAMINER: Well, I had a couple. Why don't you  
21 tell me about the interests that aren't committed, or you  
22 don't expect will be committed?

23          THE WITNESS: On the the smaller unit, the Eidson Ranch  
24 Unit, the federal tract is owned by Santa Fe Energy  
25 Operating Partners. They have 100 percent working interest.

1           Q.     (By Mr. Richards) What percentage of the unit is  
2     that?

3           A.     That is a 1.34 percent. They have indicated they  
4     will not commit this tract to the unit. They're going to  
5     stand out. It will be a non-committed tract. And the  
6     320-acre fee tract is under lease to Yates Petroleum  
7     Corporation, but it is not on a type of lease that will  
8     allow us to commit it to the unit. It will be an  
9     uncommitted fee tract.

10          HEARING EXAMINER: How about in the larger unit?

11          THE WITNESS: In that larger unit, there's an 80-acre  
12     state tract owned by Merelow, Inc. They have not joined as  
13     of this date, and they probably will not join. There's an  
14     80-acre state tract that is owned by a group of people in  
15     Chicago. And we have talked with them, and as of this date,  
16     they have not indicated they would join. They're still  
17     considering the possibility, so they may also be a standout,  
18     non-committed 80-acre tract of that unit.

19          HEARING EXAMINER: So there's two eighties in the  
20     5,120-acre unit. And what was the size of that Santa Fe  
21     tract?

22          THE WITNESS: It's a 40-acre federal tract.

23          HEARING EXAMINER: And then the Yates tract is how big?

24          THE WITNESS: The fee tract is 320 acres.

25          HEARING EXAMINER: That's the one in Eidson?

1 THE WITNESS: Yes, sir.

2 HEARING EXAMINER: How much?

3 THE WITNESS: 320.

4 HEARING EXAMINER: How do you handle those  
5 non-committed tracts in a unit like this?

6 THE WITNESS: Well, it would be a matter of dealing  
7 with them on a subsequent well. They would -- if you drill  
8 -- just -- if you drill on that fee tract, at some point in  
9 time he's going to have a hundred percent well on him. And  
10 the state would not benefit from that well, and we couldn't  
11 hold any -- there's nothing to be -- no leases will be held  
12 -- it wouldn't be recognized as a unit well.

13 HEARING EXAMINER: It would just be a window in the  
14 unit?

15 THE WITNESS: That's correct.

16 HEARING EXAMINER: And if it -- if you ever needed to  
17 communitize that or force pool it, that would just be  
18 another matter; is that correct?

19 THE WITNESS: That's correct.

20 HEARING EXAMINER: That's all the questions I have.

21 MR. STOVALL: Let me follow up a little bit with that.

22 EXAMINATION

23 BY MR. STOVALL:

24 Q. You indicated that fee tract is a -- Yates holds  
25 the lease on that tract?

1           A.     That's correct.

2           MR. STOVALL: Is it the intention of Yates to commit  
3 the working interest of the tract and treat the royalty as  
4 -- I mean, to the unit, and treat the royalty as a separate  
5 royalty tract? Is there any prohibition against that?

6           MR. RICHARDS: The lease itself does not give the  
7 lessee the right to pool or the right to unitize this  
8 lease. It gives them the right to pool, but not to  
9 unitize. Since it doesn't give them that right, then  
10 there's a possibility you could commit the working interest  
11 without committing the royalty interest; but we would rather  
12 keep it the same. That may be one possibility we'll look  
13 at.

14          Q.     (By Mr. Stovall) Looking at Exhibit A, on Exhibit  
15 A, am I correct in seeing that those are substantially  
16 oversized sections?

17          A.     That's correct, yes.

18          Q.     Those are the lot designations, the little  
19 numbers?

20          A.     That's correct.

21          HEARING EXAMINER: Section-and-a-half, it looks like  
22 there.

23          THE WITNESS: That's correct, 990-something acres, I  
24 believe.

25          MR. STOVALL: I have no further questions.

1 MR. RICHARDS: Thank you.

2 HEARING EXAMINER: The witness may be excused.

3 MR. RICHARDS: We'll call our next witness, Sylvester  
4 Sterling, also known as Sterling Fly, Chip Fly.

5 STERLING FLY

6 the witness herein, having been first duly sworn, was  
7 examined and testified as follows:

8 DIRECT EXAMINATION

9 BY MR. RICHARDS:

10 Q. Please state your name, address and your present  
11 occupation.

12 A. My name is Sterling Fly. I'm a geologist with  
13 Yates Petroleum Corporation in Artesia, New Mexico.

14 Q. State your educational background and your  
15 professional background, please.

16 A. I have a master's degree from the University of  
17 Texas and eleven-and-a-half years experience in petroleum  
18 geology.

19 Q. Are you familiar with the Eidson Ranch Unit area  
20 and the Scratchy Ranch State Unit area and the matters  
21 contained in the application to the division for approval of  
22 the unit agreements?

23 A. Yes.

24 Q. Have you ever testified as an expert witness  
25 before this division?

1           A.     I have.

2           MR. RICHARDS:  Are the qualifications of the witness  
3 acceptable to the division?

4           HEARING EXAMINER:  Yes, sir, his qualifications are  
5 accepted.

6           Q.     (By Mr. Richards) Has the Eidson Ranch Unit been  
7 designated by the Federal Bureau of Land Management as an  
8 area logically suitable for development under a unit plan of  
9 development?

10          A.     Yes.

11          Q.     Have you prepared, or have Exhibits C, D, E and F  
12 in both cases been prepared under your direction?

13          A.     Yes, I prepared all the geological exhibits.

14          Q.     Please refer to the geological report marked as  
15 Exhibit C to the Eidson Ranch Unit, which is case 10293.

16          A.     Exhibit C is a summary of the objectives of the  
17 Eidson Ranch State Unit.  It describes briefly the size of  
18 the unit and in a rough way the makeup, different types of  
19 ownership.

20          Q.     What are the objectives of the unit operator?

21          A.     Okay.  The primary objective is Atoka sandstone.  
22 Secondary objective is Morrow sandstone, and other  
23 objectives would be Canyon, Cisco, Wolfcamp, Strawn, any of  
24 which is possible; Queen, possibly.

25          Q.     Please refer to your Exhibit D, which is your

1 stratigraphic cross-section. Please tell the division the  
2 reason for your preparation of this exhibit and your  
3 analysis of it.

4 A. Okay. Exhibit D --

5 Q. This is on the Eidson Ranch?

6 A. Correct. Exhibit D is a stratigraphic  
7 cross-section. On the bottom of the map, of the  
8 cross-section itself, shows where the cross-section runs.  
9 It's roughly an east-west cross-section, though due to lack  
10 of well control for the unit area, it bows down to the  
11 south. The primary stratigraphic datum that this  
12 cross-section was hung on was the Atoka shale marker, marked  
13 as "datum" on the cross-section. Other formations shown are  
14 the Strawn, Lower Strawn, Atoka, Morrow, Morrow Clastics and  
15 Mississippian Austin Cycle.

16 As I indicated, our primary objective is the  
17 Atoka sandstone, which is indicated here as the Bell  
18 sandstone for a Bell Petroleum well down in Section 15, I  
19 believe it was. On a well that Yates drilled recently, this  
20 West Sombero State Unit Number 1, the center well in the  
21 cross-section encountered a 50-foot sandstone in the Atoka  
22 formation there at 12,915. That's our primary objective is  
23 to -- well, when we tested this, it was tested wet. Our  
24 primary goal is to chase this sand updip, get it into a  
25 favorable structural position and, hopefully, get a real

1     prolific production out of that. It's an excellent  
2     reservoir quality sand. As you can see on the  
3     cross-section, the sand is most thickly developed in the  
4     Yates well, but it does seem to generally occur in most  
5     penetrations in some thickness. At least on this  
6     cross-section they all encountered some of the sand.

7           Q.     What's your secondary objective?

8           A.     Secondary objective is the Morrow Clastics. And  
9     in the Morrow we're liable to encounter numerous sandstones,  
10    so we don't have to pick a particular sandstone as our  
11    primary secondary objective. Would be this -- what's  
12    indicated as Sam sandstone on this Samedan well,  
13    next-to-the-last well to the right on the cross-section,  
14    they encountered a 30-foot sandstone just above the  
15    Mississippian and perforated it and cut a potential for  
16    calculated open flow of 2.9 million cubic feet of gas a  
17    day. Morrow gas production is typically dependent on the  
18    development of good reservoir quality sandstone. Structural  
19    position may help, but it's not critical in the development  
20    of a gas reservoir any more. And there are -- as indicated  
21    on the cross-section, there are other thin sandstone  
22    possibilities.

23          Q.     Would you now refer to Exhibit E that you  
24    prepared on the Eidson Ranch Unit? Explain what this map is  
25    and how you prepared it.



1           A.     Exhibit E is, as shown on the label, an Atoka  
2     sandstone isolith. It's essentially, on the cross-section,  
3     an isolith of the Bell sandstone most significantly through  
4     the unit area. Now, up here on the north, north of the unit  
5     area may not -- it's probably not going to be the exact same  
6     sandstone as that Bell sandstone. But through the Eidson  
7     Ranch you see that we had 50 feet down there in Section 16  
8     in the Yates well. And then that Bell well is the one with  
9     the value of 43. And you see a very clear definition of  
10    this Atoka channel sandstone trend from sand channels  
11    trended from northwest towards the southeast. And we feel  
12    like the channel that we got there in Section 16 should be  
13    present through most of our unit area.

14           Q.     Now refer to your Exhibit F, which is your  
15    structure map and explain to the division the significance  
16    of it.

17           A.     This is a structure map on the top of the Morrow  
18    limestone, as indicated on the cross-section. And in  
19    addition to showing this -- the unit outlined for the Eidson  
20    Ranch Unit, it also doubles as an exhibit for the Scratchy  
21    Ranch Unit to the north.

22           Q.     So Exhibit E is the same in both the Scratchy  
23    Ranch Unit area and the Eidson?

24           MR. STOVALL:   Exhibit F?

25           MR. RICHARDS:   Did I say E?

1           A.     And so, anyway, focusing on the Eidson Ranch  
2     Unit, we mapped in a favorable structure through most of the  
3     map unit. So, as I said earlier, we're wanting to get this  
4     sandstone on a favorable structure, and through most of the  
5     unit area of the Eidson Ranch Unit, we have indicated  
6     favorable structure.

7           Q.     (By Mr. Richards) Please tell the division your  
8     conclusions as to the formations likely to be encountered  
9     and considered prospective for production. You've already  
10    indicated that once, but once again, tell them your primary  
11    objective in the Eidson Ranch, and we'll go from there.

12          A.     The primary objective is the Atoka sandstone,  
13     combination of thick sand and favorable structure.  
14     Secondary objective is the Morrow sandstone, which is  
15     dependent mainly upon the occurrence of reservoir quality  
16     sandstone. Other objectives that we will undoubtedly test  
17     include Wolfcamp, Cisco, Canyon, Strawn, possibly Queen and  
18     any other straits.

19          Q.     Please give the division the projective depths  
20     for the initial test well and the date on or before which  
21     the test well will be drilled.

22          A.     We're projecting total depth of about 13,800  
23     feet, and we anticipate spudding prior to July the 1st.

24          Q.     Give the division the approximate location of the  
25     initial test well in the Eidson Ranch Unit.

1           A.     Initial test well is 1,980 from south line of  
2     Section 5 and 660 from the east line.

3           Q.     The exhibits, especially the structure map, show  
4     that a few wells have been drilled inside the unit area.  
5     Can you explain those?

6           A.     There's only one well in Section 4, southeast  
7     southeastmost corner of Section 4. That was a well that  
8     penetrated through the Atoka. I believe it topped in the  
9     Morrow and didn't get into the Morrow clastic section. The  
10    Atoka in that had about two feet of sand, so it just missed  
11    the reservoir. And it does show to be an oil well there.  
12    They produced in the Seamon, which is a canyon zone, and  
13    they made about 5,000 barrels of oil.

14           HEARING EXAMINER: That's the well in Section 4?

15           THE WITNESS: Yes, sir.

16           Q.     (By Mr. Richards) In your opinion, does the unit  
17     area of the Eidson Ranch Unit cover all or substantially all  
18     of the geological features considered as possibly  
19     productive?

20           A.     Yes.

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

24           A.     Yes.

25           Q.     Will the different institutions of the state, if

1 any, receive their fair share of production, if established?

2 A. Yes.

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

5 A. Yes.

6 MR. RICHARDS: We would like to enter Exhibits C, D, E  
7 and F in the Eidson Ranch Unit case, which is case number  
8 10294. Do you have any questions on that one before we go  
9 to the Scratchy Ranch?

10 HEARING EXAMINER: We'll go ahead and accept those  
11 exhibits and ask you one or two questions about the  
12 exhibits. In Section 5, the 320-acre tract that would be  
13 excluded, is that the tract that's right in the middle of  
14 that section?

15 THE WITNESS: Yes, sir.

16 HEARING EXAMINER: Will the unit include all formations  
17 from the surface to the base of the Morrow?

18 THE WITNESS: Yes.

19 HEARING EXAMINER: That's all the questions I have.

20 MR. STOVALL: I don't ask geologists questions.

21 Q. (By Mr. Richards) Let's refer to the Scratchy  
22 Ranch once again. Were Exhibits C through F prepared by you  
23 or under your direction?

24 A. Yes.

25 Q. Look at Exhibit C and explain the geological

1 report to us.

2 A. This -- again, this is a summary of the  
3 objectives and size of the unit. Primary objective for the  
4 Scratchy Ranch Unit is the Morrow sandstone, and the  
5 secondary is the Atoka sand. Other objectives would include  
6 the Strawn and Canyon, Cisco.

7 Q. Let's refer to Exhibit D on the Scratchy Ranch  
8 Unit, which is your stratigraphic cross-section.

9 A. Exhibit D is very similar to the cross-section we  
10 just looked at for the Eidson Ranch. Again, all --

11 MR. STOVALL: Mr. Fly, let's unfold the paper so the  
12 court reporter can hear.

13 A. Okay. This one, again, like I say, it's just  
14 like the other one in which the stratigraphic datum is the  
15 Atoka shale. And I will refer first to the little map down  
16 on the southwest corner showing where the cross-section  
17 runs.

18 On the Scratchy Ranch Unit, what Yates proposes  
19 to do is to reenter this former Marathon well in Section 14  
20 and deepen that approximately 3,000 feet to explore for  
21 these lower Penn sandstones. So this cross-section shows  
22 the same formations and so forth as the previous well.

23 Referring first to the Morrow clastic interval,  
24 our primary objective, we see the possibility of numerous  
25 sands. Our main objective within that interval would be

--

1 this Sam sandstone, the Samedan sandstone which was  
2 developed down in Section 10 of 16 South, 33 East. It would  
3 be a basal Morrow sandstone.

4 And other sandstones, unnamed, occur to the east  
5 side of the unit higher up in the section. You see several  
6 sandstones in the Gulf well, the second well from the  
7 right. Okay. To the west of the unit there are several  
8 sandstones developed lower down, so we see the possibility  
9 of numerous potential reservoir stands in the Morrow.

10 Then the secondary objective is the Bell  
11 sandstone, the Atoka sandstone again. Expect to encounter  
12 some thickness of Atoka sandstones. Hard to predict exactly  
13 how much because there is no well control for two or three  
14 miles to either side.

15 Q. (By Mr. Richards) Please refer to your next  
16 exhibit then, Mr. Fly.

17 A. Okay.

18 Q. Explain what the exhibit is and why you prepared  
19 it.

20 A. This is E; is that right?

21 Q. Yes.

22 A. Exhibit E is a sandstone isolith map for the  
23 Morrow interval; that's cumulative or gross sandstone  
24 isolith, not any particular sandstone. But it sets up a  
25 north-south pattern of sandstone development, thick trends.

1 And these are channel sands in general that migrated towards  
2 the south during Morrow time. And you can see there is some  
3 separation between the sands. There's not -- the sands are  
4 much thinner in general than the Atoka sands. And as I said  
5 earlier, the Morrow is less dependent on structure,  
6 structural position, so we think that there's a very good  
7 chance of getting a good reservoir sandstone in the Morrow.

8 Q. Now let's refer to your Exhibit F.

9 A. It's the same structure map we looked at for the  
10 Eidson Ranch Unit. And, in general, it's -- through the  
11 unit area, it's fairly flat, with some indication of it  
12 coming up, rising in the north end and possible subtle  
13 structure toward the south.

14 Q. Please tell the division your conclusions as to  
15 the formations likely to be encountered and considered  
16 prospective for production.

17 A. Okay. The Morrow has a very good chance of  
18 encountering good reservoir quality sandstones. The Atoka,  
19 we should encounter good reservoir quality sandstone and,  
20 hopefully, in a favorable structural position to help that.

21 Others -- other objectives, the Strawn, the  
22 various Canyon and Cisco members have a chance. There's --  
23 production in them is generally farther to the south. I  
24 would point out the -- there is one old well indicated in  
25 Section 25 on the unit to be an oil well. That was in the

1 Abo interval. That produced 600 barrels of oil and about  
2 1,900 MCF of gas. The -- now, this well in Section 14 that  
3 we're proposing to reenter and deepen went to ten-five. It  
4 tested some intervals in the Abo.

5 HEARING EXAMINER: In the what?

6 A. In the Abo, in the permal Penn interval. And  
7 also the well in Section 24, was a ten-five well, tested  
8 about the same. Neither of them gave much indication of  
9 commercial hydrocarbon in the zones that they penetrated.

10 Q. (By Mr. Richards) Are you requesting that this  
11 unit area cover all depths from the surface down?

12 A. Yes.

13 Q. Please give the division the projected depths for  
14 the initial test well and the date on or before which it  
15 will be drilled.

16 A. Well, we're projecting this well to also go down  
17 to about 13,800, and we would spud this prior to August the  
18 1st.

19 Q. Please tell the division the approximate location  
20 of the initial test well?

21 A. Well, the location of this initial test well is  
22 this old Marathon reentry, which is in Section 14, 15 South,  
23 32 East; 2,080 feet from south line, 1,980 feet from east  
24 line.

25 Q. What do you propose to do in that well?



1           A.     Well, we would have to move a big rig on and  
2     drill out the plugs and deepen approximately 3,000 feet to  
3     drill all the way to the Mississippian or the Austin cycle,  
4     as shown on the cross-section, test any and all shoals for  
5     potential production.

6           Q.     Does the unit area cover all or substantially all  
7     of the geological features considered as possibly  
8     productive?

9           A.     Yes.

10          Q.     In your opinion, will the operation of this area  
11     under the proposed unit plan of operation be in the best  
12     interest of conservation and prevention of waste?

13          A.     Yes.

14          Q.     Will the different institutions of the state, if  
15     any, receive their fair share of production, once it's  
16     established?

17          A.     Yes.

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

20          A.     Yes.

21          MR. RICHARDS: We'd like to enter Exhibits C through F  
22     in this case.

23          HEARING EXAMINER: Which case is this again?

24          MR. RICHARDS: Scratchy Ranch Unit, 10293.

25          HEARING EXAMINER: We accept Exhibits C through F in

1       this case.

2               MR. RICHARDS: Does the division have any questions?

3               HEARING EXAMINER: Will you go ahead and start these  
4 two wells prior to approval of the unit agreement?

5               THE WITNESS: Well, we have a month before we have to  
6 get the wells spud, so there shouldn't be a problem with  
7 needing to do that, especially the Scratchy. You know, it's  
8 August 1st, the other one is July 1st; so we have a little  
9 bit of lag time here.

10              HEARING EXAMINER: What was the depth of the Scratchy  
11 well again?

12              THE WITNESS: 13,800.

13              HEARING EXAMINER: Can you identify, and will you, if  
14 you can, the two 80-acre tracts on the map that will be  
15 excluded from the unit, or will be -- won't commit to the  
16 unit?

17              THE WITNESS: I guess it's number seven and --

18              HEARING EXAMINER: This is -- I'm talking about this  
19 Scratchy unit now.

20              MR. STOVALL: Do we need to get Mr. Bullock back for  
21 that?

22              THE WITNESS: Looks like Tract 7, which is in 24, and  
23 15 in 35.

24              HEARING EXAMINER: And the working interest owners  
25 there have indicated they won't. I believe that was the

1 testimony earlier. Okay, that's fine. I don't have any --  
2 let's see.

3 The Yates well in -- or the well, the dry hole in  
4 Section 14 on the Scratchy unit, do you know who drilled  
5 that well?

6 THE WITNESS: Marathon did back in '77 or '78,  
7 something like that.

8 HEARING EXAMINER: Thank you.

9 EXAMINATION

10 BY MR. STOVALL:

11 Q. Almost more in the way of a statement, assuming  
12 the division approves the unit: As you know, approvals are  
13 subject to approval by the land office and the feds, as  
14 appropriate. It's my understanding that both agencies have  
15 only taken a preliminary look at this; is that correct?

16 A. That's correct.

17 MR. STOVALL: If they make any changes to the unit  
18 designation, and after an order has been issued, you will  
19 come back and we'll have to issue a supplemental order?

20 MR. RICHARDS: That's correct. We will come back to  
21 the OCD if there's any changes.

22 HEARING EXAMINER: All right. The witness may be  
23 excused.

24 Anything further?

25 MR. RICHARDS: No, sir. Just need to mark these

1 exhibits.

2 HEARING EXAMINER: Cases 10294 and 10293 will be taken  
3 under advisement.

4 (The foregoing hearing was adjourned at the  
5 approximate hour of 9:00 a.m.)  
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1       STATE OF NEW MEXICO   )  
2                                       :  
3       COUNTY OF SANTA FE   )

4               I, FREDA DONICA, RPR, a Certified Court Reporter, DO  
5       HEREBY CERTIFY that I stenographically reported these  
6       proceedings before the Oil Conservation Division; and that  
7       the foregoing is a true, complete and accurate transcript of  
8       the proceedings of said hearing as appears from my  
9       stenographic notes so taken and transcribed under my  
10      personal supervision.

11             I FURTHER CERTIFY that I am not related to nor employed  
12      by any of the parties hereto, and have no interest in the  
13      outcome hereof.

14             DATED at Santa Fe, New Mexico, this 30th day of  
15      June, 1991.

16                                       *Freda Donica*  
17                                       Freda Donica  
18                                       Certified Court Reporter  
19                                       CCR No. 417

20                                       I do hereby certify that the foregoing is  
21                                       a complete and true transcript of the proceedings in  
22                                       the Examiner hearing of Cases 10293 and 10294-  
23                                       heard by me on May 30 1991.  
24                                       *[Signature]* Examiner  
25                                       Oil Conservation Division

## NEW MEXICO OIL CONSERVATION COMMISSION

## EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date MAY 30, 1991 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
William L. San	Campbell and Clark, P.A.	Santa Fe
Jack M. Wilson	Collins & Ware	Santa Fe
Roger T. Elliott	"	"
Robert Bullock	Yates Petroleum	Artesia, NM
Stirling H. G. G.	Yates Pet	Artesia
VICTOR T. LYON	Gas Co / NM	Santa Fe
DAMON RICHARDS	SANDERS LAW FIRM	ROSWELL
TOM MAIRI	Woodbine Petroleum Inc	Dallas, TX
Bob Bell	HEYCO	Roswell
DAVE PERRY	Heyco	
W. Perry Pearce	Kellen/Kellen Aubrey	Santa Fe
Bill Selzer	Montgomery & Andrews, P.A.	Santa Fe
Bill Hering	Collins & Ware	Midland
Paul West	Union Oil Co of Calif.	Farmington
Kurt Boley	"	"
	Sendero Petroleum	Midland

