

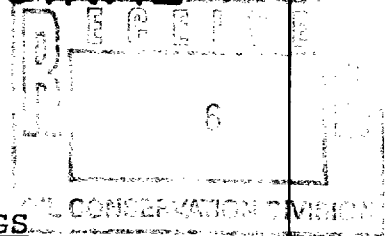
STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED)
BY THE OIL CONSERVATION DIVISION FOR)
THE PURPOSE OF CONSIDERING:)

CASE NO. 11,420

APPLICATION OF YATES PETROLEUM)
CORPORATION FOR A UNIT AGREEMENT,)
ROOSEVELT COUNTY, NEW MEXICO)

ORIGINAL



REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER Hearing Examiner

November 2nd, 1995

Roswell, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, November 2nd, 1995, at the Roswell City Hall, 425 North Richardson Street, Roswell, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

November 2nd, 1995
 Examiner Hearing
 CASE NO. 11,420

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 9:29 a.m.:

3 EXAMINER STOGNER: At this time I'll call Case
4 Number 11,420.

5 MR. CARROLL: Application of Yates Petroleum
6 Corporation for a unit agreement, Roosevelt County, New
7 Mexico.

8 EXAMINER STOGNER: At this time I'll call for
9 appearances.

10 MR. CARR: May it please the Examiner, my name is
11 William F. Carr with the Santa Fe law firm Campbell, Carr
12 and Berge.

13 We represent Yates Petroleum Corporation in this
14 matter, and I have two witnesses.

15 EXAMINER STOGNER: Any other appearances?

16 Will both witnesses please stand to be sworn at
17 this time?

18 (Thereupon, the witnesses were sworn.)

19 ROBERT BULLOCK,

20 the witness herein, after having been first duly sworn upon
21 his oath, was examined and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. CARR:

24 Q. Would you state your name for the record, please?

25 A. My name is Robert Bullock.

1 Q. Mr. Bullock, where do you reside?

2 A. I reside in Hope, New Mexico.

3 Q. By whom are you employed?

4 A. Yates Petroleum Corporation.

5 Q. And what is your current position with Yates
6 Petroleum Corporation?

7 A. I'm a landman.

8 Q. Have you previously testified before this
9 Division and had your credentials as a petroleum landman
10 accepted and made a matter of record?

11 A. Yes, sir.

12 Q. Are you familiar with the Application filed in
13 this case on behalf of Yates Petroleum Corporation?

14 A. Yes, I am.

15 Q. And are you familiar with the proposed Sawyer
16 North Unit?

17 A. Yes, sir.

18 MR. CARR: Are the witness's qualifications
19 acceptable?

20 EXAMINER STOGNER: Mr. Bullock is so qualified.

21 I do have one question. What's the population of
22 Hope these days?

23 THE WITNESS: Oh, about a hundred.

24 EXAMINER STOGNER: Hundred. Okay. Mr. Carr?

25 MR. CARR: And like the President, he comes from

1 a place called Hope.

2 Q. (By Mr. Carr) All right, Mr. Bullock, could you
3 briefly state what Yates Petroleum Corporation seeks with
4 this Application?

5 A. We're seeking an exploratory unit in Roosevelt
6 County. This unit would comprise approximately 1012.04
7 acres which will be state and federal lands.

8 Q. Have you prepared exhibits for presentation here
9 today?

10 A. Yes, sir.

11 Q. Could you refer to what has been marked for
12 identification as Yates Petroleum Corporation Exhibit
13 Number 1, identify this and review it for the Examiner?

14 A. This will be the unit agreement that we propose
15 to use on our Sawyer North Unit. It's been accepted by the
16 Bureau of Land Management and the Commissioner of Public
17 Lands for its content.

18 Attached to the agreement we have Exhibit A and
19 B, which I'll refer to here.

20 Q. Okay. Have you reviewed this with the Bureau of
21 Land Management?

22 A. Yes, we have.

23 Q. Have they proposed any amendments to the form
24 unit agreement which you're going to utilize?

25 A. No, sir.

1 Q. Let's go to what has been marked as Yates Exhibit
2 Number 2, the plat, which is the same as Exhibit A to the
3 unit agreement. Would you refer to the plat and review the
4 status of the acreage in the proposed unit?

5 A. This plat shows that our unit is located in
6 Township 8 South, Range 38 East. It comprises all of
7 Section 32 and Section 33. And down at the bottom it shows
8 that this unit has 640 acres of state lands, which comprise
9 approximately 63 percent of the unit. The federal lands
10 comprise 372 acres, which comprises 36.76 percent of the
11 unit.

12 Q. Mr. Bullock, let's now go to Exhibit B to the
13 unit agreement. Would you identify that and just basically
14 summarize the ownership in the proposed unit area?

15 A. Yes, Exhibit B sets out our tracts, describes
16 each tract, gives the number of acres in each tract. It
17 identifies the serial number and the expiration date of
18 each lease. It identifies the royalty and the ownership of
19 that royalty.

20 It identifies the lessee of record of each lease,
21 the overriding royalty owners, if there are any, if the --
22 it shows the working interest owner of each tract and the
23 beneficiary of each tract.

24 And down at the bottom, we recap again the state
25 lands versus the federal lands within the unit boundary.

1 Q. What percentage of this acreage in the proposed
2 unit area has been voluntarily committed to the unit?

3 A. Approximately 96 percent.

4 Q. And what interest is now outstanding?

5 A. The interest of Maralo, Inc., is still
6 outstanding, and we are negotiating with Maralo right now
7 to purchase that acreage. They have indicated they do not
8 want to participate in the unit and have indicated to us
9 that they would consider selling it.

10 Q. So at this point in time, there's no question but
11 that Yates will have effective control of unit operations?

12 A. That's correct.

13 Q. Has the Bureau of Land Management designated the
14 unit area as an area logically suited for development under
15 a unit plan?

16 A. They have given us verbal indication that they
17 would approve it, but we have not received written
18 indication of that right now.

19 Q. Have you reviewed this proposal with the
20 Commissioner of Public Lands?

21 A. Yes, sir.

22 Q. And what response have you received from the
23 Commissioner?

24 A. They are reviewing it at this present time, and
25 they haven't indicated either way.

1 Q. At this time you do not have letters, either
2 preliminary approval or the designation letter from the
3 BLM; is that right?

4 A. No, sir, that's correct.

5 Q. As soon as those are received, will you provide
6 copies to the Oil Conservation Division?

7 A. Yes, sir.

8 Q. Does Yates desire to be designated operator of
9 the proposed unit agreement?

10 A. Yes, we do.

11 Q. Does this unit agreement provide for the periodic
12 filing of plans of development?

13 A. Yes, sir. Yes, sir.

14 Q. Will these plans of development be filed with the
15 Oil Conservation Division at the same time they're filed
16 with other government agencies?

17 A. Yes.

18 Q. Will Yates also be calling a geological witness?

19 A. Yes, sir.

20 Q. Were Exhibits 1 through -- Can you just identify
21 what has been marked as Yates Petroleum Corporation Exhibit
22 Number 3?

23 A. I don't have that, Bill. What did we --

24 Q. An operating agreement.

25 A. Oh, okay, the operating agreement that we propose

1 to use on the unit agreement.

2 Q. Were Exhibits 1 through 3 prepared by you or
3 compiled under your direction?

4 A. Yes, sir.

5 MR. CARR: At this time, Mr. Stogner, we would
6 move the admission into evidence of Yates Exhibits 1
7 through 3.

8 EXAMINER STOGNER: Exhibits 1 through 3 will be
9 admitted into evidence.

10 MR. CARR: That concludes my direct examination
11 of Mr. Bullock.

12 EXAMINATION

13 BY EXAMINER STOGNER:

14 Q. Mr. Bullock, in referring to the list of
15 ownership in this unit --

16 A. Yes.

17 Q. -- referring to tract number 4 --

18 A. Right.

19 Q. -- I show the expiration date yesterday. What's
20 the status of that particular lease at this time?

21 A. We have spudded that well in, and we have
22 notified the State Land Office of that, also the BLM. So
23 we are requesting an expedited order in this case because
24 of that situation.

25 Q. Where was that well spudded?

1 A. It was -- I don't have the footage of it. John
2 McRae, our geologist, will have that in one of his
3 exhibits, and he can speak to that.

4 Q. Okay. Do you know if it was spudded in that
5 particular tract?

6 A. Yes, it was spudded on our --

7 Q. Oh, okay.

8 A. -- expiring tract, yes.

9 Q. So the lease agreement holds in that particular
10 case?

11 A. Yes, sir, uh-huh.

12 Q. And the outstanding acreage of Maralo, that's a
13 40-acre tract in Section 33?

14 A. That's correct.

15 Q. Okay. Now, you said that the BLM nor the State
16 Land Office has provided written preliminary approvals on
17 this. When were they notified, or have you reviewed that
18 with them?

19 A. They were notified last week, the latter part of
20 last week, mid- to latter part. I can't recall the exact
21 date.

22 Q. And when you say "notified", you've rescinded all
23 the applicable forms and --

24 A. Yes, sir.

25 Q. -- format?

1 A. Uh-huh.

2 Q. Did that require visitation with the Land Office
3 or the BLM?

4 A. It did with the BLM. The State Land Office has
5 mailed all the information.

6 Q. Okay. Now, the BLM, what office is handling
7 that?

8 A. The Roswell office.

9 Q. Here in Roswell?

10 A. Yes, sir.

11 Q. Did they indicate one way or another?

12 A. They indicated that they would give approval to
13 it.

14 Q. What BLM -- Who was present with the BLM or
15 who --

16 A. Armando Lopez and John Kimetz. I believe that's
17 Kimetz, yeah.

18 Q. When do you expect to have an answer from Maralo
19 as far as buying out their interest?

20 A. I anticipate within a matter of a week or so.

21 Q. As a matter of record, could you provide us any
22 correspondence with the BLM, providing -- reflecting any
23 information on that particular land?

24 A. I can. I don't have it here today, but we can
25 certainly --

1 Q. Well, whenever that does occur.

2 A. Yeah, sure will.

3 EXAMINER STOGNER: Okay. All right, I don't have
4 anything further of this witness.

5 MR. CARR: That concludes my examination of Mr.
6 Bullock.

7 EXAMINER STOGNER: Thank you Mr. Bullock.

8 MR. CARR: Call John McRae.

9 JOHN McRAE,

10 the witness herein, after having been first duly sworn upon
11 his oath, was examined and testified as follows:

12 DIRECT EXAMINATION

13 BY MR. CARR:

14 Q. Would you state your name for the record, please?

15 A. John McRae.

16 Q. And where do you reside?

17 A. Artesia, New Mexico.

18 Q. By whom are you employed?

19 A. Yates Petroleum Corporation.

20 Q. Mr. McRae, what is your current position with
21 Yates Petroleum Corporation?

22 A. I'm an exploration geologist.

23 Q. Have you previously testified before this
24 Division?

25 A. Yes, I have.

1 Q. At the time of that testimony, were your
2 credentials as a petroleum geologist accepted and made a
3 matter of record?

4 A. Yes, they were.

5 Q. Are you familiar with the Application filed by
6 Yates Petroleum Corporation in this case?

7 A. Yes.

8 Q. And are you familiar with the proposed Sawyer
9 North Unit?

10 A. Yes, I am.

11 Q. Have you made a geological study of the area
12 surrounding the proposed unit?

13 A. Yes.

14 MR. CARR: Are the witness's qualifications
15 acceptable?

16 EXAMINER STOGNER: They are.

17 Q. (By Mr. Carr) Initially, could you identify the
18 horizons that are being unitized in the proposed Sawyer
19 North Unit agreement?

20 A. We would like all horizons unitized.

21 Q. And what is the primary objective in this unit?

22 A. The primary objective is the Pennsylvanian Bough
23 "C" formation.

24 Q. And is this within a defined pool?

25 A. No, it is not.

1 Q. Are there secondary objectives in this unit?

2 A. There is possibility for San Andres production.
3 It's erratic in this area.

4 Q. Let's go to what has been marked for
5 identification as Yates Petroleum Corporation Exhibit
6 Number 4. Would you identify this, please?

7 A. That is the structure map. It is mapped on top
8 of the Bough "C" formation. We've outlined the unit in
9 red. As you can see, there's a closure situated in
10 Sections 32 and 33.

11 On this map I also have the proposed location
12 that you had asked about earlier.

13 There are three key wells in Section 32, and I
14 have identified those with numbers, Number 1, 2 and 3.
15 There are also two key wells in Section 29 to the north of
16 the unit. Those have been identified by Numbers 4 and 5.

17 This originally -- This area was originally
18 drilled to the Devonian, and Well Number 2, colored in
19 orange, is a plugged-out Devonian producer. That was the
20 discovery well for the Sawyer North Devonian field.

21 Wells Number 1, 3, 4 and 5 were subsequent
22 Devonian exploratory wells that were dry holes.

23 I have put an estimated oil-water contact on this
24 structure map in green. That's determined from the DST in
25 well Number 5 and log calculations in Wells Number 1, 2 and

1 3. I'll discuss that in more detail on the next exhibit.

2 Q. All right, let's go to Exhibit Number 5, the
3 isopach on the Bough "C", and I'd ask you to review the
4 information on that exhibit for Mr. Stogner.

5 A. This is an isopach of the Bough "C" formation. I
6 have used a cutoff of 3-percent porosity. Each well has
7 the feet of porosity greater than 3 percent designated
8 beside it. For example, Well Number 1 has 14 feet of
9 porosity greater than 3 percent.

10 On this plat I've also shown any cores or DSTs
11 that were taken in the Bough "C" formation. As you can
12 see, Well Number 1, 2 and 3 were not tested in the Bough
13 "C". Well Number 5 perforated the Bough "C" interval and
14 swabbed 100-percent saltwater.

15 Log calculations in Wells Number 1, 2 and 3
16 calculate between the upper teens and the low 30s for water
17 saturations, which is generally pay in the Bough "C"
18 formation.

19 Well Number 5 did not run an electric log, so I
20 don't have any calculations on that well. But it did
21 production test the Bough "C" and was wet.

22 Q. Are you ready to move to the cross-section?

23 A. Yes.

24 Q. All right, let's go that Exhibit Number 6, and
25 I'd ask you to review the information on that.

1 A. Exhibit Number 6 is the key well that has been
2 labeled Number 1 on both the structure map and the isopach.
3 On the left-hand side I have the sonic log, gamma ray
4 sonic. On the right-hand side is the lateral log.

5 I've highlighted in blue on the gamma ray the
6 Bough "C" interval. I've put on the sonic log the 3-
7 percent porosity cutoff, and on the lateral log I've
8 highlighted the resistivity opposite that porosity. I've
9 also, on the extreme right-hand side, put down the
10 calculations. There's 9-percent porosity in the Bough "C"
11 and 17-percent water saturation, which is pay in other
12 wells in the area.

13 Q. So if we look at this key well in the log section
14 shown on Exhibit 6, do you have an opinion as to whether or
15 not this well in fact would be capable of economic
16 production from the Bough C?

17 A. Based on our log calculations and the porosity,
18 yes.

19 Q. Where is the initial test well located? That's
20 the one shown as the proposed location on the earlier
21 exhibits?

22 A. That's correct, it's in the northeast of the
23 southeast of Section 32.

24 Q. And when did you actually spud that well?

25 A. Yesterday.

1 Q. And that was in time to hold that lease?

2 A. That's correct.

3 Q. And the Land Office is aware of that, that Yates
4 has undertaken --

5 A. Right.

6 Q. -- that action?

7 A. That's correct.

8 Q. What does your geological study tell you about
9 the subject formation in this area?

10 A. This is a zone that I believe has been
11 overlooked. The wells were drilled to a deeper horizon,
12 and these wells have not been adequately tested.

13 My evaluation of the area shows that the
14 structural high appears to be a little to the southeast of
15 the wells that have been drilled, and the isopach shows the
16 porosity is thickest at the proposed location.

17 Q. Do you believe the area encompassed within the
18 proposed unit is an area that can be best developed under a
19 unit plan?

20 A. Yes, I do.

21 Q. In your opinion, will approval of this
22 Application and the development of the Bough "C" pursuant
23 to this unit plan be in the best interest of conservation,
24 the prevention of waste and the protection of correlative
25 rights?

1 A. Yes.

2 Q. Is Exhibit Number 8 a written summary of your
3 geological presentation?

4 A. Yes, it is.

5 MR. CARR: At this time, Mr. Stogner, we would
6 move the admission into evidence of Yates Petroleum
7 Corporation Exhibits 6 through 8.

8 EXAMINER STOGNER: Hold it, I've got 7 as being
9 the geological explanation.

10 MR. CARR: You're correct, it is Exhibit 7.

11 EXAMINER STOGNER: Okay, so that would be --

12 MR. CARR: It would be Exhibits --

13 EXAMINER STOGNER: -- 4, 5, 6 and 7?

14 MR. CARR: I have got Exhibit 4 the structure
15 map, 5 the isopach, 6 the log section, and 7 the geological
16 explanation. So it would be 4 through 7.

17 EXAMINER STOGNER: That's what we have. Exhibits
18 4 through 7 will be admitted into evidence.

19 MR. CARR: And that concludes my direct
20 examination of Mr. McRae.

21 EXAMINATION

22 BY EXAMINER STOGNER:

23 Q. Mr. McRae, in looking at your isopach and your
24 structure maps, what kind of information did you have back
25 to the east, over on the Texas side? Is there any Devonian

1 formation -- I'm sorry, Bough "C" formation over there?

2 A. Yes, sir, I did look at that. There's a
3 published map put out by Geomap that we subscribe to, and
4 there is a structural low immediately east of the proposed
5 unit, and then another structural nose further to the east
6 of that. There's very little well control over there, but
7 that was the interpretation that Geomap had confirmed the
8 east dip on the prospect.

9 Q. Was there anything that made the key well
10 undesirable to re-enter and check the formation?

11 A. No, sir. Actually, we have not evaluated that
12 well for a re-entry possibility. We wanted to drill a
13 little bit to the southeast, to be on top of the structure
14 and also in the thickest porosity.

15 The other problem is, the Abo causes problems in
16 some of these wells, and we felt it would be better to
17 drill a new well.

18 We'd also like to have a good mud-log evaluation
19 through the entire section from surface to the proposed TD
20 of approximately 9500 feet.

21 Q. And when was that key well drilled?

22 A. That was drilled by Anadarko in December of 1966.

23 Q. And when was that P-and-A'd?

24 A. That same year.

25 Q. Okay.

1 A. That was the plugging date, December of 1966.

2 Q. Now, do your maps also reflect the accurate
3 number of wells out there? Or are there any shallower
4 producing wells in this area?

5 A. This map -- Both maps show all wells.

6 Q. Okay. Any shallow well control over to the east
7 in Texas?

8 A. There is shallow well control, but I did not look
9 at any of that.

10 EXAMINER STOGNER: Any further questions of this
11 witness?

12 MR. CARR: I have nothing further, Mr. Stogner.

13 EXAMINER STOGNER: You may be excused.

14 Anything further, Mr. Carr?

15 MR. CARR: Nothing further in this case.

16 EXAMINER STOGNER: Other than a request for
17 expedited --

18 MR. CARR: Yes, sir.

19 EXAMINER STOGNER: Nothing further in Case Number
20 11,420, this case will be taken under advisement.

21 (Thereupon, these proceedings were concluded at
22 9:57 a.m.)

23 * * *

24

25

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

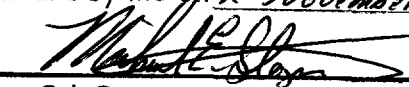
WITNESS MY HAND AND SEAL November 9th, 1995.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 11420, heard by me on 2 November 1995.

 , Examiner
 Oil Conservation Division