

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. 13,090

APPLICATION OF DEVON ENERGY PRODUCTION)
COMPANY, L.P., FOR AN EXCEPTION TO THE)
WELL DENSITY PROVISIONS OF THE SPECIAL)
RULES GOVERNING THE BLANCO-MESAVERDE)
POOL, SAN JUAN COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

July 10th, 2003

Santa Fe, New Mexico

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Oil Conservation Division

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, July 10th, 2003, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

I N D E X

July 10th, 2003
Examiner Hearing
CASE NO. 13,090

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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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* * *

1 WHEREUPON, the following proceedings were had at
2 8:45 a.m.:

3 EXAMINER CATANACH: All right, at this time we'll
4 call Case 13,090, which is the Application of Devon Energy
5 Production Company, L.P., for an exception to the well
6 density provisions of the special rules governing the
7 Blanco-Mesaverde Pool, San Juan County, New Mexico.

8 Call for appearances.

9 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
10 representing the Applicant. I have two witnesses to be
11 sworn.

12 EXAMINER CATANACH: Call for any additional
13 appearances.

14 Okay, would the witnesses please stand to be
15 sworn in?

16 (Thereupon, the witnesses were sworn.)

17 JANET WOOLDRIDGE,
18 the witness herein, after having been first duly sworn upon
19 her oath, was examined and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. BRUCE:

22 Q. Would you please state your name and city of
23 residence for the record?

24 A. Janet Wooldridge, McLoud, Oklahoma.

25 Q. Who do you work for and in what capacity?

1 A. I'm a senior landman for Devon Energy
2 Corporation.

3 Q. Have you previously testified before the
4 Division?

5 A. No, I have not.

6 Q. Would you please summarize your educational and
7 employment background?

8 A. I attended the University of Central Oklahoma in
9 Edmond, Oklahoma. I have 11 years of experience with Devon
10 Energy, I have nine years of experience with Union Texas
11 Petroleum and about seven years experience as an
12 independent landman.

13 Q. Does your area of responsibility at Devon include
14 the San Juan Basin?

15 A. Yes, it does.

16 Q. Is the Northeast Blanco Unit your primary area of
17 responsibility?

18 A. Yes, it is.

19 Q. And are you familiar with the land matters
20 involved in this Application?

21 MR. BRUCE: Mr. Examiner, I'd tender Ms.
22 Wooldridge as an expert petroleum landman.

23 EXAMINER CATANACH: Ms. Wooldridge is so
24 qualified.

25 Q. (By Mr. Bruce) Ms. Wooldridge, if you look at

1 your Exhibit 1 and just describe what the highlights on
2 this are about?

3 A. The bold red outline is the southwest corner of
4 the Northeast Blanco Unit boundary. You'll notice in the
5 large red dot, the 105 B is the well in question that we're
6 going to discuss today.

7 Offsetting that to the south in the yellow is
8 Burlington Resources acreage. In Section 30 that would be
9 the 30-6 Unit, in Section 25 that's just -- that's not a
10 unitized spacing unit. In the pink is a spacing unit
11 operated by BP.

12 Q. Okay. Now, in the Northeast Blanco Unit, is the
13 well unit, the east half of 24 and the adjoining acreage
14 all within the Mesaverde participating area for the unit?

15 A. Yes, it is.

16 Q. Okay. And the pink and the yellow are the
17 offsetting Mesaverde spacing units operated by these
18 operators?

19 A. Yes, they are.

20 Q. Okay. Now, the Well 105 A, that is an existing
21 Mesaverde well, correct?

22 A. Yes, it is.

23 Q. And although the geologist will testify about
24 this more, that well is completed at the top of the
25 Mesaverde?

1 A. Yes, it is.

2 Q. It doesn't go through the entire Mesaverde?

3 A. It does not.

4 Q. And so what you're here for today is the Well 105
5 B, which Devon would like to complete in the lower
6 Mesaverde?

7 A. Yes, it is. Yes, that's correct.

8 Q. Okay. Now, although you don't have it marked,
9 all of Section 30 and that adjoining acreage over to the
10 east is in the -- what, Burlington-operated San Juan 30-6
11 Unit?

12 A. That's true.

13 Q. Okay. So the only offset Mesaverde operators are
14 Burlington and BP?

15 A. That is true.

16 Q. One other thing on -- The Well 105 B is actually
17 going down to test the Dakota also?

18 A. That is true.

19 Q. Okay. Was notice of this Application given both
20 to BP and Burlington Resources?

21 A. Yes, it was.

22 Q. And is my affidavit of notice submitted as
23 Exhibit Number 2?

24 A. Yes, it is.

25 MR. BRUCE: Mr. Examiner, I'd move the admission

1 of Devon Exhibits 1 and 2.

2 EXAMINER CATANACH: Exhibits 1 and 2 will be
3 admitted.

4 EXAMINATION

5 BY EXAMINER CATANACH:

6 Q. Ms. Wooldridge this well, the 105 B, will be
7 drilled down to the Dakota?

8 A. Yes, it will.

9 Q. Is that going to be at a standard Dakota
10 location, as far as you know?

11 A. Yes, it will.

12 Q. And is that a second well, or do you know?

13 A. That's the first well on that particular spacing
14 unit.

15 Q. And is that going to be the same spacing unit
16 orientation, east half?

17 A. Yes, it is.

18 Q. So that's the first Dakota well there?

19 A. Right.

20 Q. So we don't have to worry about that.

21 A. Right.

22 Q. Okay. And you said the east half is in the
23 participating area for the Northeast Blanco Unit Mesaverde?

24 A. For the Mesaverde.

25 Q. Okay, and there is another existing well in the

1 northeast quarter, the 105. Is that an existing Mesaverde
2 well?

3 A. Yes, it is.

4 Q. And as far as notification was concerned,
5 Burlington and BP were notified of this Application?

6 A. Yes, sir, they were.

7 Q. And as far as you know, do they have any concern
8 over your Application?

9 A. Not as far as I know.

10 Q. Now, all the wells on the Burlington and BP
11 acreage that are shown here, are all those Mesaverde wells?

12 A. Yes, they are, I believe they are. Yes.

13 EXAMINER CATANACH: Okay, I think that's all I
14 have, Mr. Bruce.

15 MR. BRUCE: Call Mr. Reitz to the stand.

16 DALE REITZ,
17 the witness herein, after having been first duly sworn upon
18 his oath, was examined and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. BRUCE:

21 Q. Would you please state your name and city of
22 residence for the record?

23 A. It's Dale Reitz, and I live in Edmond, Oklahoma.

24 Q. What is your occupation and who is your employer?

25 A. I'm a geologist and I work for Devon Energy

1 Corporation.

2 Q. Have you previously testified before the Division
3 or the Commission as a petroleum geologist?

4 A. Yes, I have.

5 Q. And were your credentials as an expert geologist
6 accepted as a matter of record?

7 A. Yes.

8 Q. And are you familiar with the geology in the
9 Northeast Blanco Unit?

10 A. Yes, I am.

11 Q. Are you the geologist at Devon responsible for
12 that unit?

13 A. Yes, sir.

14 Q. And are you familiar with the geology involved in
15 this particular Application?

16 A. Yes.

17 MR. BRUCE: Mr. Examiner, I tender Mr. Reitz as
18 an expert petroleum geologist.

19 EXAMINER CATANACH: He is so qualified.

20 Q. (By Mr. Bruce) Mr. Reitz, could you identify
21 your Exhibit 3, tell the Examiner what Devon intends to do
22 with the proposed well?

23 A. All right. Exhibit 3 is a structural cross-
24 section oriented west to east across the southern part of
25 Section 24 and the southwestern quarter of Section 19. It

1 goes through the location for the 105 B also. And there
2 aren't very many logs that were obtained on these wells,
3 but I've shown what was available.

4 The 105 A well was drilled in 1976 and
5 encountered the upper Mesaverde, a fracture in the upper
6 Mesaverde in what we're calling the Otero sand or
7 siltstone, and the well kicked and began producing at a
8 rate of 15 million a day, so it was completed -- It was
9 originally going to a deeper objective, but it was decided
10 just to complete the well right there in that fracture
11 zone, and it was perforated between 4240 and 4245 feet.
12 And it never encountered the lower Mesaverde.

13 Q. Okay, and there's no plans to deepen it?

14 A. No.

15 Q. Okay. And then what do you intend to do with the
16 105 B well?

17 A. The 105 B well we would like to complete in the
18 approximately 500 to 600 feet of lower Mesaverde section
19 we're calling the Cliffhouse, Menefee and Point Lookout
20 formations with the Mesaverde group.

21 Q. Is that a common interval for Mesaverde wells
22 within the unit and offsetting acreage to be completed in?

23 A. Yes, it is.

24 Q. Okay. If you do complete it, what do you
25 anticipate insofar as production from the well? And I

1 would refer you to your Exhibit 4.

2 A. Our reservoir engineer, Gary Kump, has calculated
3 what he believes will be an average outcome if we drill
4 this well and complete it in the lower Mesaverde. Using
5 the publicly available production data and establishing a
6 decline curve, he came up with an average of 5.88 BCF for
7 the four surrounding immediate offsets. And then using a
8 47 percent of the reserves, based on what we have seen
9 within the Northeast Blanco Unit, he calculated an outcome
10 of 2.766 BCF of reserves that we would obtain from this
11 lower Mesaverde completion.

12 Q. Okay, and that would be the reserves recovered
13 essentially from a quarter section?

14 A. Yes.

15 Q. Okay, and therefore the well would be economic to
16 drill and produce?

17 A. Yes, it is.

18 Q. And one final question. With the 105 B well,
19 would you not complete that one in the upper Mesaverde?

20 A. The 105 B, no, it would just be in the lower
21 Mesaverde.

22 Q. Okay. And were Exhibits 3 and 4 prepared by you
23 or compiled from company business records?

24 A. Exhibit 3, you say? Yes, that was prepared by my
25 assistant and under my supervision.

1 Q. Okay, and Exhibit Number 4 was prepared by Mr.
2 Kump and you compiled it from the company business records?

3 A. Correct.

4 MR. BRUCE: Mr. Examiner, I tender Devon Exhibits
5 3 and 4.

6 EXAMINER CATANACH: Exhibits 3 and 4 will be
7 admitted.

8 EXAMINATION

9 BY EXAMINER CATANACH:

10 Q. So Mr. Reitz, what you're calling the Otero -- is
11 it the Otero sand?

12 A. It's actually more of a siltstone, it's a tight
13 siltstone. The Otero, I believe, or Chacra, produces a lot
14 better to the southwest in the more center of the Basin.
15 Up here it's more of a tight siltstone that's sometimes
16 fractured and produces.

17 Q. So that's actually Chacra and not Mesaverde? Or
18 in this area I guess it's all considered to be Mesaverde?

19 A. It's all part of the Mesaverde group, and then
20 within the Mesaverde group are all these various formations
21 and members, of which the Chacra and Otero are part of
22 that.

23 Q. Now, in other parts of the Basin the Chacra is,
24 in fact, separate or for regulatory purposes separated from
25 the Mesaverde; is that correct?

1 A. Yes.

2 Q. Now, the 105 well, what is that complete in?

3 A. The 105 A?

4 Q. The 105, the well in the northeast quarter.

5 A. Oh, the 105, that's a Mesaverde well that, let's
6 see, according to Gary's figures, produced 3.72 BCF.

7 Q. Is the 105 completed in the lower Mesaverde?

8 A. Oh, I'm sorry, I was reading the 103. The 105
9 produced 5.9 BCF, and it was completed in the lower
10 Mesaverde and upper Mesaverde.

11 Q. Both intervals?

12 A. Yes.

13 Q. Okay.

14 A. That's the normal procedure that Devon does, is
15 complete in upper and lower Mesaverde when we commingle
16 these wells with Dakota.

17 Q. Do you know how much the 105 A is currently
18 producing?

19 A. Let's see, I don't think I have that offhand. I
20 don't know that, I'm sorry.

21 Q. Do you know why it wouldn't be feasible to re-
22 enter and deepen that well, or why Devon chooses not to do
23 that?

24 A. Well, I think it's still producing at a rate that
25 -- It's produced for a long time since 1976, and I don't

1 know the current rate, but I believe it still has quite a
2 bit of life. This fracture system is pretty well set up,
3 and the decline has been real slow.

4 Q. So your answer would be to just -- You don't want
5 to risk messing up the well?

6 A. We'd rather not, yes.

7 Q. What is the reasoning behind drilling the 105 B
8 in that particular quarter quarter section? Is there a
9 reason for that?

10 A. Well, we can of course access those reserves and
11 drill it from the same pad as the 105 A.

12 Q. Could that be drilled at a location that's
13 otherwise standard or that's not in the same quarter
14 section and still drain the reserves in that southeast
15 quarter?

16 A. I'm not sure -- Could you restate that?

17 Q. You're drilling it in the same 40-acre spacing or
18 the same 40-acre tract.

19 A. Uh-huh.

20 Q. Could that well be drilled in a different 40-acre
21 tract in the southeast quarter and still drain the
22 reserves?

23 A. Oh, I think the reserves are probably going to
24 still be there. It's just, I guess, easier for us to drill
25 from the same pad as the 105 A. I don't know what the

1 topography looks like out there, but that's probably the
2 reason.

3 Q. Is that pretty rough out there?

4 A. You can find some cliffs out there, and that's a
5 lot of the problem that we have for drilling deviated
6 wells, is because of topography.

7 Q. And this well is not going to be completed in the
8 upper zone, the Chacra; is that right?

9 A. That's correct, just the Cliffhouse, Menefee and
10 Point Lookout.

11 Q. Okay. as far as you know, the other offset wells
12 to the south and to the west, are those all completed in
13 both upper and lower, or have you looked at that?

14 A. I have not looked at that, but I would assume
15 they are completed in both upper and lower Mesaverde.

16 EXAMINER CATANACH: Okay. I think that's all the
17 questions I have, Mr. Bruce.

18 MR. BRUCE: I don't have any more of Mr. Reitz,
19 Mr. Examiner, but Ms. Wooldridge could comment upon surface
20 use out here, if -- to answer --

21 EXAMINER CATANACH: Yes, I would like that.

22 MS. WOOLDRIDGE: If you'll notice on your plat,
23 the location of the 105 A is approximately a mile west from
24 the Navajo Dam, although we don't have the Navajo Dam sited
25 on here. The blue that you see is the Navajo Lake.

1 This is all Bureau of Rec. area, it's a
2 recreation area, and both the Bureau of Rec. and the BLM
3 have indicated that they want us to be very careful about
4 any new disturbances, and they're being very stringent on
5 our APD applications.

6 This is also within the Horse Trail area, which
7 potentially may become no surface occupancy for any new
8 drilling when the new RMP issues, so we're trying to be
9 very careful and stay within their guidelines.

10 EXAMINER CATANACH: So this is in a recreation
11 area, you say. Is that the state park, or do you know --

12 MS. WOOLDRIDGE: It's the Navajo recreation area,
13 yes.

14 EXAMINER CATANACH: Okay. What I'd like you guys
15 to do, if you could, is summarize basically what she just
16 said and submit after the hearing some kind of exhibit that
17 maybe shows in greater detail the Navajo Recreation Area
18 and --

19 MR. BRUCE: We'll submit a topo map along with
20 it.

21 MS. WOOLDRIDGE: Sure.

22 EXAMINER CATANACH: And maybe summarize why it's
23 necessary to drill in the same quarter quarter section.

24 Thank you, Mr. Bruce.

25 Anything further?

1 MR. BRUCE: That's all I have in this matter, Mr.
2 Examiner.

3 EXAMINER CATANACH: There being nothing further,
4 Case 13,090 will be taken under advisement.

5 (Thereupon, these proceedings were concluded at
6 9:04 a.m.)

7 * * *

13 I do hereby certify that the foregoing is
14 a complete record of the proceedings in
15 the Examiner hearing of Case No. 13090,
16 heard by me on July 10 1920
17 David H. White, Examiner
18 Oil Conservation Division

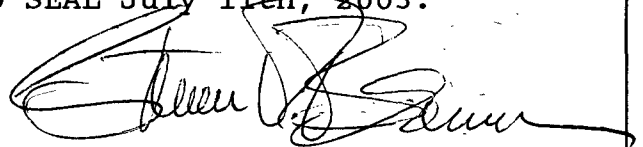
CERTIFICATE OF REPORTER

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 July 11th, 2003.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006