

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. 11,165
)	
APPLICATION OF NAUMANN OIL AND)	
GAS, INC.)	
)	

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

January 19th, 1995

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Thursday, January 19th, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, before 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

January 19th, 1995
 Examiner Hearing
 CASE NO. 11,165

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

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Santa Fe, New Mexico 87504

FOR THE APPLICANT:

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By: W. THOMAS KELLAHIN

* * *

1 WHEREUPON, the following proceedings were had at
2 10:29 a.m.:

3 EXAMINER STOGNER: At this time I'll call Case
4 11,165, which is the Application of Naumann Oil and Gas,
5 Inc., to vacate Division Order No. R-6792, as amended, for
6 compulsory pooling, a nonstandard gas spacing and proration
7 unit, and for an unorthodox surface and subsurface gas well
8 location, Lea County, New Mexico.

9 At this time I'll call for appearances.

10 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
11 the Santa Fe law firm of Kellahin and Kellahin, appearing
12 on behalf of the Applicant, and I have two witnesses to be
13 sworn.

14 EXAMINER STOGNER: Any other appearances?

15 Will the witnesses please stand to be sworn at
16 this time?

17 (Thereupon, the witnesses were sworn.)

18 EXAMINER STOGNER: Mr. Kellahin?

19 MR. KELLAHIN: Mr. Examiner, we presented this
20 case, or at least part of this case, to you at the December
21 19th [sic] hearing. At that time you were receiving
22 evidence from the two witnesses that you've just sworn
23 concerning the re-entry of this former well, which is
24 designated as the Dakota Resources, Inc., Custer Wells
25 Number 1.

1 It had been drilled and dedicated to a north-half
2 spacing unit in Section 6 and had been abandoned and was
3 available for Mr. Naumann to acquire and to re-enter.

4 It was his plan, and still is his plan, to turn
5 the spacing unit to a west-half orientation, to re-enter
6 this wellbore, and then to complete it in the Devonian for
7 potential production from the Devonian Gas Pool.

8 We presented to you at the last hearing the
9 compulsory pooling aspects of that case. At the time we
10 presented the case to you, we had just been made aware --
11 and you may remember -- that we discovered that this
12 wellbore, in fact, was subject to a directional drilling
13 order issued by the Oil Conservation Division.

14 I have placed before you the hearing exhibits
15 that we used in the prior hearing, plus you have in front
16 of you a copy of the Arco order in Case 7304. It's Order
17 Number R-6792, and it was subsequently amended.

18 Essentially what that provided is, because the
19 spacing unit was a north half, the directional drilling of
20 the well resulted in it being an encroaching subsurface
21 location towards the ownership in Section 1 to the west.
22 It was therefore subject to a production penalty.

23 In addition, there's a special provision of the
24 order that requires that should the operator or any
25 successor desire to recomplete or perforate in any other

1 Devonian portion, it had to be made the subject of a
2 hearing.

3 In order to resolve that past order, we then have
4 filed a supplemental Application which is before you today,
5 in which we have sent notification to the offset interest
6 owners who would be entitled to notice under the Arco
7 order, and what we're seeking to do is to vacate any
8 penalty on any production that might be attributed to the
9 Devonian.

10 By turning the spacing unit to a west-half
11 spacing unit, then this subsurface location becomes
12 standard as to the western boundary. It still remains
13 slightly unorthodox as it moves to the north.

14 We have had no objection, despite notification,
15 from either Conoco, Citation or Texaco, and those are the
16 operators towards which this well might have some potential
17 impact.

18 I have Mr. Naumann here, who's a geologist. He
19 testified in December about the very things we're
20 discussing now. He's available to talk again, and I'd like
21 to recall him for just a few additional questions.

22 EXAMINER STOGNER: Thank you, Mr. Kellahin. Go
23 ahead.

24 MR. KELLAHIN: Mr. Examiner, may the record
25 reflect that Mr. Naumann is a qualified geologist that

1 previously has testified and qualified as an expert for
2 this Division in this particular case?

3 EXAMINER STOGNER: The record will so show.

4 JACK NAUMANN,

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

7 DIRECT EXAMINATION

8 BY MR. KELLAHIN:

9 Q. Okay, Mr. Naumann, if you'll do me a favor, sir,
10 if you'll take out that structure map that we used at the
11 first hearing, give the Examiner a quick refresher on what
12 you're proposing to do with the Custers Wells Number 1.

13 A. The map represents the top of the Devonian
14 formation. It's a -- You can see there's a fault down on
15 the east boundary of the feature.

16 If you'll notice where it says "proposed
17 re-entry", that is the bottomhole location of the Devonian,
18 and that is where we are proposing to attempt to
19 recomplete.

20 Q. If you'll turn to the additional exhibits that
21 I've placed before you, Mr. Naumann, you're going to find
22 Exhibit 1 is the Arco order, but you'll also find that --
23 just after that order, a copy of a directional drilling
24 report. If you'll remove the paper clip from that package,
25 and then you'll see the -- You should have the directional

1 drilling report in there. No?

2 Mr. Naumann, have you had a qualified engineer,
3 for whom you have respect and confidence, to determine for
4 you based upon this directional drilling survey at what
5 subsurface point in the Devonian will be the top of the
6 interval for which you want to add or recomplete the well?

7 A. Yes, I have had.

8 Q. Describe for me in terms of a footage what is
9 that depth.

10 A. The closest depth on -- if you notice, on page 3,
11 is 10,167, which would be the closest to our perforations.

12 And based off of the total coordinates, is how we
13 have arrived at the bottomhole location of the Devonian.

14 Q. All right. If you make that calculation, then,
15 what is the unorthodox subsurface location in the Devonian
16 at minus 10,167 from the north line?

17 A. From the north line that location would be
18 1749.93 feet.

19 Q. And from the western boundary of your spacing
20 unit?

21 A. 1268.88 feet.

22 Q. What do you propose to be the total vertical
23 interval that you want to perforate in the Devonian?

24 A. Let me go back through my notes here. It will be
25 approximately 10,140 feet to 10,160 feet.

1 Q. Do you have an opinion as to whether or not, if
2 the Examiner approves this bottomhole unorthodox location
3 without a penalty -- in other words, if he vacates the
4 existing orders -- are you gaining an unfair advantage over
5 any of the offsets?

6 A. No, I don't believe we are.

7 Q. And why would that be your opinion?

8 A. Mainly, the bottomhole pressures. The offsetting
9 wells have decreased substantially in their bottomhole
10 pressures and have -- actually have drained our location.

11 Q. Describe for us, if you will, the volume of gas
12 that has been removed from the reservoir by the well
13 located west of you in Section 1.

14 A. The well in Section 1, as at the end of 1993, has
15 produced 16.6 BCF of gas.

16 Q. Have you received any objection from Texaco,
17 Citation or Conoco, with regards to what you're attempting
18 to accomplish in this case?

19 A. No, we have not.

20 Q. Your plan, then, is still to dedicate the west
21 half of this section to a spacing unit of 320 acres for
22 production from this well at this subsurface location?

23 A. That is correct.

24 Q. When we look at the calculation of the actual
25 acreage in here, it's 312.95 acres, I guess, give or take?

1 A. Correct.

2 MR. KELLAHIN: That concludes my examination, Mr.
3 Examiner, of Mr. Naumann.

4 We would move the introduction of the directional
5 drilling survey report, which is Exhibit Number 2.

6 EXAMINER STOGNER: Exhibit Number 2 will be --

7 MR. KELLAHIN: You're looking at 2 from the first
8 hearing --

9 EXAMINER STOGNER: Yeah.

10 MR. KELLAHIN: -- and Number 2 today is a
11 directional drilling report.

12 EXAMINER STOGNER: Okay. Exhibit Number 2 will
13 be admitted into evidence.

14 EXAMINATION

15 BY EXAMINER STOGNER:

16 Q. What was those footages, again, Mr. Naumann, at
17 10,167? I've got 1749 from the north, and what was it from
18 the west line?

19 A. From the west line you come out at 1,268.88 feet.

20 Q. And the directional survey that we admitted today
21 was the one taken back in 1981; is that correct?

22 A. I believe that's correct, yes, October 19th,
23 1981.

24 Q. It is your understanding that originally this
25 location was approved for directional drilling into the

1 Ellenburger; is that correct?

2 A. That is correct.

3 EXAMINER STOGNER: I have no other questions of
4 Mr. Naumann at this time.

5 MR. KELLAHIN: Mr. Examiner, I swore Mr. David
6 Frye. Mr. Frye is the landman that testified before you at
7 the first hearing. He is available today. I see no reason
8 to call him.

9 I do have an Exhibit 3, which is our certificate
10 of mailing notification to Citation, Texaco and to Conoco.
11 I am not aware of any objection to the approval of this
12 Application by those parties.

13 And so with that tender of proof, Mr. Examiner,
14 we would conclude our presentation and we would ask you to
15 admit now Exhibit 1, which is a copy of the order, and
16 Exhibit 3, which is the certification.

17 EXAMINER STOGNER: The certification of mailing
18 is to include that vacate -- the application to vacate the
19 previous order; is that correct?

20 MR. KELLAHIN: Yes, Mr. Examiner.

21 EXAMINER STOGNER: And these are the same people
22 that were notified in the prior case?

23 MR. KELLAHIN: No, sir, these people were
24 notified because they are required to be notified under the
25 Arco order.

1 EXAMINER STOGNER: Okay. With that, then, this
2 case will be taken under advisement, and the record made in
3 the December 19th [sic] hearing will be incorporated in
4 today's hearing in this matter, and the case will be taken
5 under advisement.

6 (Thereupon, these proceedings were concluded at
7 10:41 a.m.)

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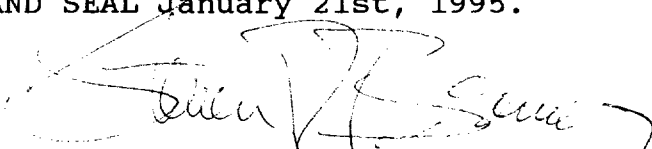
CERTIFICATE OF REPORTER

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

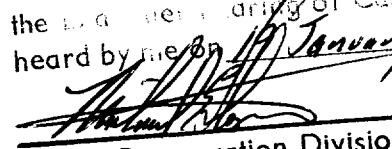
I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

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 January 21st, 1995.


 STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998

I do hereby certify that the foregoing is a correct and true transcript of the proceedings in the Oil Conservation Division of Case No. 11165 (Proposed) heard by me on January 19, 1995.

 _____, Examiner
 Oil Conservation Division