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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:)
) CASE NO. 10351
APPLICATION OF STEVENS OPERATING)
CORPORATION)
)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner
July 25, 1991
Santa Fe, New Mexico

This matter came on for hearing before the Oil
Conservation Division on July 25, 1991, at 10:10 a.m. at the
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

July 25, 1991
Examiner Hearing
CASE NO. 10351

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APPEARANCES

STEVENS OPERATING CORPORATION WITNESSES:

JACK AHLEN

Direct Examination by Mr. Carr

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REPORTER'S CERTIFICATE

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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:

CAMPBELL & BLACK, P.A.
Suite 1, 110 N. Guadalupe
Santa Fe, New Mexico 87504-2208
BY: WILLIAM F. CARR, ESQ.

1 HEARING EXAMINER: Let's go back on the record. Call
2 next case, number 10351, which is the application of Stevens
3 Operating Corporation for an unorthodox oil well location in
4 Chaves County, New Mexico. At this time I'll call for
5 appearances.

6 MR. CARR: May it please the Examiner, my name is
7 William F. Carr, with the law firm Campbell & Black, P.A.,
8 of Santa Fe. I represent Stevens Operating Corporation, and
9 I have one witness.

10 HEARING EXAMINER: Are there any other witnesses?

11 (Witness sworn.)

12 HEARING EXAMINER: Mr. Carr?

13 JACK AHLEN

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

16 DIRECT EXAMINATION

17 BY MR. CARR:

18 Q. Will you state your full name for the record,
19 please?

20 A. Jack Ahlen.

21 Q. Where do you reside?

22 A. New Mexico.

23 Q. By whom are you employed and in what capacity?

24 A. I'm employed by Stevens Operating Corporation as
25 a consulting geologist.

1 Q. Have you previously testified before this
2 division and had your credentials as a geologist accepted
3 and made a matter of record?

4 A. Yes, sir, I have.

5 Q. Are you familiar with the application filed in
6 this case on behalf of Stevens Operating Corporation?

7 A. Yes, I am.

8 Q. Are you familiar with the proposed well and the
9 subject pool?

10 A. Yes, I am.

11 MR. CARR: Are the witness' qualifications acceptable?

12 HEARING EXAMINER: They are.

13 Q. (By Mr. Carr) Mr. Ahlen, could you briefly state
14 for the Examiner what Stevens Operating Corporation seeks
15 with this application?

16 A. We seek the granting and the approval of an
17 unorthodox oil well location for our McClellan Federal Well
18 Number 3. It is to be drilled at a location 2,270 feet from
19 the south line and 520 feet from the east line of Section
20 28, Township 13 South, Range 29 East.

21 HEARING EXAMINER: Repeat those footages again.

22 MR. CARR: Mr. Examiner, I would note that those are
23 not the footages that were in the application or the legal
24 advertisement. The location has been moved from that
25 unorthodox location back toward a standard location, and

1 therefore we would request that we not be required to
2 readvertise the case.

3 HEARING EXAMINER: What were those footages again now?

4 THE WITNESS: 2,270 feet from the south line and 520
5 feet from the east line.

6 Q. (By Mr. Carr) Mr. Ahlen, on the previous -- and
7 the advertised location were what? Do you know?

8 A. The advertised location was 2,310 from the south
9 and 330 from the east. Both those locations are in Unit I
10 of said Section 28. We also seek the dedication of the
11 southeast quarter of Section 28 as forming the standard
12 160-acre proration unit for that pool.

13 HEARING EXAMINER: I'll take note that this well is
14 indeed less unorthodox than the one advertised for this
15 standard 160-acre proration unit and therefore will not need
16 to be readvertised.

17 You may continue, Mr. Carr.

18 Q. (By Mr. Carr) Mr. Ahlen, I believe you stated
19 that the unorthodox location would be in the South Lone Wolf
20 Devonian Pool?

21 A. Yes, sir.

22 Q. What are the well spacing and the location
23 requirements for that pool?

24 A. 160-acre proration unit and 660 spacing.

25 Q. Have you prepared certain exhibits for

1 presentation in this hearing?

2 A. Yes, I have.

3 Q. Would you refer to what has been marked as
4 Stevens Exhibit Number 1, identify for that Mr. Stogner and
5 then review for him?

6 A. Exhibit 1 is a land map prepared by xeroxing the
7 Midland Map Company's map of a portion of Township 13 South,
8 Range 29 East. Centered in that illustration is Section 28,
9 the location where we propose to drill the well. Shows the
10 lease ownership, as well as the royalty ownership in that
11 vicinity. The proposed location is shown with a little
12 number three in the upper right-hand corner of that well.
13 It's also labeled "Proposed Location."

14 We also show for comparison the standard location
15 in that section as well as the discovery well for the
16 McClellan Number 1. The lease ownership has been brought
17 up-to-date from that which was on the original map.

18 Q. Now, the spacing unit for the proposed well is
19 the southeast quarter of Section 28?

20 A. Yes, it is. I did not mark that on this
21 particular exhibit, but it would be the southeast quarter of
22 28.

23 Q. Is the royalty and leasehold ownership identical
24 in the southeast of 28 and in 27?

25 A. Yes. If you will note, it is federal lease

1 ownerships in both sections, as well as McClellan, et al,
2 own the leases in each section. We also have a continuous
3 development program in Section 28 and 27.

4 Q. And that is a result of the --

5 A. Farmout from McClellan.

6 Q. Anything else with Exhibit Number 1?

7 A. I also specify the land measurement immediately
8 below the words "land map," the distance from the south and
9 east lines.

10 Q. Let's go now to Exhibit Number 2. Could you
11 identify this for Mr. Stogner?

12 A. This is a structure map drawn on the top of the
13 Devonian formation. It is controlled by 3D seismic control,
14 and the 3D seismic control that we have in this area is
15 indicated by the dark shading over the central portion of
16 that map. The 3D seismic control that we have is parallel
17 lines of seismic control 220 feet apart; shot points are 110
18 feet apart. So we feel as though we have a good handle on
19 the actual structural configuration in the area.

20 The proposed location is approximately -- should
21 be approximately 50 feet high to our discovery well. The
22 proposed location is also high to a standard location, and
23 we feel that by drilling at the proposed location we will
24 recover at least 30,000 and perhaps 60,000 barrels more of
25 oil than if we drilled in a standard location.

1 Q. This is simply the result of maximizing your
2 structural position?

3 A. Yes, it is.

4 Q. Are you ready to go to Exhibit Number 3?

5 A. I am.

6 Q. Would you identify that for the Examiner, please?

7 A. Exhibit Number 3 is a copy of the bottom hole
8 logs in the McClellan Number 1, the discovery well in the
9 pool. The administrative information is located on the left
10 side of that illustration. We show a copy of the
11 compensated neutron litho-density gamma ray log as well as
12 the cased hole neutron gamma ray log. And we had to
13 composite those two logs because the open hole logs were not
14 capable of reading any information at the bottom of the
15 hole. And so I composited it for use so that we can pick
16 the top of the Devonian as well as see the configuration of
17 the porosity.

18 Q. Is Exhibit Number 4, Mr. Ahlen, an affidavit and
19 attached letter and return receipt confirming that notice of
20 this hearing has been provided to McClellan Oil Corporation?

21 A. Yes, sir.

22 Q. Could you identify what has been marked as
23 Stevens Exhibit Number 5?

24 A. Exhibit Number 5 is a letter from McClellan Oil
25 Corporation dated July 22nd, 1991, in which they concur in

1 our unorthodox location and request that you approve it.
2 And it is signed by Mr. Mark McClellan, vice president of
3 McClellan Oil Corporation.

4 Q. Mr. Ahlen, in your opinion, would approval of
5 this unorthodox location result in the production of
6 reserves that otherwise will not be recovered?

7 A. Yes, it would.

8 Q. In your opinion, would granting the application
9 therefore be in the interest of conservation, the prevention
10 of waste and protection of correlative rights?

11 A. Yes, sir.

12 Q. Were Exhibits 1 through 5 either prepared by you
13 or compiled under your direction?

14 A. Yes.

15 MR. CARR: At this time, Mr. Stogner, we would move the
16 admission of Stevens Exhibits 1 through 5.

17 HEARING EXAMINER: Exhibits 1 through 5 will be
18 admitted into evidence.

19 MR. CARR: That concludes my direct examination of Mr.
20 Ahlen.

21 HEARING EXAMINER: Mr. Ahlen, were you present when the
22 special pool rules and discovery allowable on the discovery
23 well for this pool was created and sought in May of 1991?

24 THE WITNESS: Yes, sir, I was. I was a witness.

25 HEARING EXAMINER: And it's my understanding that --

1 I'm correct that one well will adequately drain 160 acres in
2 the pool?

3 THE WITNESS: Yes, sir, that was part of my testimony.

4 HEARING EXAMINER: And your discovery well is in the
5 northeast quarter of Section 28.

6 THE WITNESS: Yes, sir.

7 HEARING EXAMINER: And looking at Exhibit Number 2,
8 which is your structure map, Top Devonian, you show within
9 the southeast quarter of Section 28 a little dome or a rise
10 or the top being at 6,000 feet, and there's a beam-shaped
11 structure; is that correct?

12 THE WITNESS: Yes, sir.

13 HEARING EXAMINER: Now, in looking at this, you show a
14 standard location marked for the southeast quarter, and it's
15 still within those boundaries of that 6,000 foot interval.

16 THE WITNESS: Yes, sir.

17 HEARING EXAMINER: How can this proposed well differ
18 from the production of a well at a standard location?

19 THE WITNESS: This map does not depict a mesa in the
20 southeast quarter. There is additional structural
21 considerations within that section. And if I had a one-foot
22 contour interval, you could see that it built up to the
23 maximum anticlinal peak at our proposed location. The
24 contour interval on this particular map is 50 feet, and our
25 seismologist says there is a significant difference between

1 the proposed location and a standard location, perhaps on
2 the order of 25 feet. That is not shown on this map.

3 HEARING EXAMINER: Were you able to verify the accuracy
4 of this 3D seismic control with what you found in the actual
5 well bore of your Federal Number 1 well?

6 THE WITNESS: I have viewed the 3D seismic information
7 in this area, but I am not a seismologist, and I don't
8 consider myself an expert witness in seismology, but the
9 maps provided by the consultant who did the work certainly
10 indicated that this was a much higher location.

11 HEARING EXAMINER: On that you show your discovery
12 well, and right above it there's a minus 6,019 feet. What
13 does that indicate?

14 THE WITNESS: That's the datum of the top of the
15 Devonian in that well.

16 HEARING EXAMINER: Shouldn't that be within this beamed
17 structure?

18 THE WITNESS: No, sir. It's below 6,000. Everything
19 within that minus 6,000-foot contour is structurally higher
20 than the 6,019. The values within that contour would be
21 5,999, 5,998, etcetera.

22 HEARING EXAMINER: Now, it looks like there's -- what
23 would you say -- roughly 300 feet between that well and then
24 what you show as the 6,000-foot structure. So that would --
25 that's a significant raise or rise there, isn't it, between

1 6,019 and 6,000 feet for that short interval?

2 THE WITNESS: Yes. We expect that we'll intersect the
3 top of the Devonian at probably minus 6,000 -- I mean. 5970
4 to 75. But as you well know, seismic data is subjective.

5 HEARING EXAMINER: Now, on Exhibit Number 1 you show a
6 number one well in the southwest of the southeast quarter.
7 Did that well penetrate this interval?

8 THE WITNESS: No, sir. That is a shallow well. It
9 only went to about 1,500 feet. I put some whiteout over
10 that so that I could show the standard location, but it is a
11 shallow Queen test.

12 MR. STOVALL: To make sure we're talking about the same
13 well, Mr. Ahlen --

14 THE WITNESS: The southwest of the southeast quarter of
15 28 is a shallow well that went to the Queen only.

16 MR. STOVALL: Just above to the right of where it says
17 "U.S."?

18 THE WITNESS: Yes, sir, with a 1B on it.

19 HEARING EXAMINER: Very little control out here, it
20 appears; is that correct?

21 THE WITNESS: Yes, sir. If you'll look on the
22 structure map, in those four sections, there are only four
23 wells deep enough to really get a handle -- excuse me, three
24 wells deep enough to get a handle on the Devonian structure,
25 one in the southeast southeast of 27, the discovery well in

1 Section 28, and then there's a well in Section 22, but it
2 didn't get to the Devonian, it only went to the
3 Mississippian.

4 HEARING EXAMINER: Bring me up on what kind of
5 reservoir this is. What's its energy mechanism and such?

6 THE WITNESS: Water drive reservoir. The Devonian
7 dolomite -- the dolomite is a medium to coarse crystalline,
8 buggy and sucrosic-type of porosity. The maximum porosity,
9 as indicated on the electric log, which you have an
10 illustration of there, is 13 percent. We feel that the
11 average porosity in the reservoir that we have penetrated is
12 about ten percent. The well is an exceptional producer.

13 HEARING EXAMINER: What would the distance be between
14 these two well bores, roughly, as opposed to putting pen and
15 pencil to it?

16 THE WITNESS: My trigonometry is long gone.

17 HEARING EXAMINER: That's why I asked the question.

18 THE WITNESS: I'd say it's about a thousand feet.

19 HEARING EXAMINER: Would that thousand-foot difference
20 between these wells, which you said yourself and the record
21 shows, that your discovery well is quite prolific, if this
22 well, hopefully, encounters the same type of production, how
23 will that affect the reservoir as a whole? Will this be in
24 the best interest of conservation of this particular zone
25 and interval, having two wells this close together?

1 THE WITNESS: Yes, sir. The well in the northeast
2 quarter will never drain the attic oil that our number three
3 location will drain.

4 MR. STOVALL: Would your number three well drain the
5 reservoir?

6 THE WITNESS: It could possibly. We didn't drill the
7 number three well first.

8 HEARING EXAMINER: I'm sorry, Mr. Ahlen. What did you
9 say?

10 MR. STOVALL: He said he didn't drill the number three
11 well first.

12 HEARING EXAMINER: Are there any other questions of Mr.
13 Ahlen?

14 MR. STOVALL: No, I think I'll stop right here.

15 HEARING EXAMINER: Thank you, Mr. Stovall.

16 Mr. Carr?

17 MR. CARR: Nothing further.

18 HEARING EXAMINER: Would you like a closing statement,
19 Mr. Carr?

20 MR. CARR: I think I'll reserve that until later in the
21 day.

22 HEARING EXAMINER: Thank you, Mr. Carr. Mr. Ahlen, you
23 may be excused.

24 Nothing further in case number 10351. It will be
25 taken under advisement.

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(The foregoing hearing was adjourned at the
approximate hour of 10:28 a.m.)

1 STATE OF NEW MEXICO)

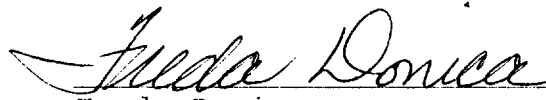
2 :

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 16th day of
15 September, 1991.

16 
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 Case No. 10351
23 heard by me on July 25 1991

24 , Examiner
25 Oil Conservation Division