

**NEW MEXICO OIL CONSERVATION COMMISSION
EXAMINER HEARING
SANTA FE, NEW MEXICO
OCTOBER 29, 1992 -- 8:15 A.M.**

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1 NEW MEXICO OIL CONSERVATION DIVISION

2 STATE LAND OFFICE BUILDING

3 STATE OF NEW MEXICO

4 CASE NO. 10575

5
6 IN THE MATTER OF:7
8 The Application of Klabzuba Operating
9 Company for an Unorthodox Oil Well
Location, Chaves County, New Mexico.10
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12
13
14 BEFORE:

15 MICHAEL E. STOGNER

16 Hearing Examiner

17 State Land Office Building

18 October 29, 1992

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21 REPORTED BY:

RECEIVED

NOV 30 1992

23 CARLA DIANE RODRIGUEZ

OIL CONSERVATION DIVISION

24 Certified Shorthand Reporter

25 for the State of New Mexico

ORIGINAL

A P P E A R A N C E S

FOR THE NEW MEXICO OIL CONSERVATION DIVISION:

ROBERT G. STOVALL, ESQ.

General Counsel
State Land Office Building
Santa Fe, New Mexico 87504

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE & SHERIDAN, P.C.

Post Office Box 2208

Santa Fe, New Mexico 87504-2208

BY: **WILLIAM F. CARR, ESQ.**

I N D E X

Page Number

Appearances

2

WITNESSES FOR THE APPLICANT:

1.

MARK CALDWELL

Examination by Mr. Carr

5

Examination by Mr. Stogner

13

Examination by Mr. Stovall

14

Certificate of Reporter

17

E X H I B I T S

Page Marked

Exhibit No. 1

8

Exhibit No. 2

10

Exhibit No. 3

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1 EXAMINER STOGNER: This hearing will
2 come to order. I'm Michael E. Stogner, appointed
3 Hearing Examiner for today's cases, Docket No.
4 33-92. Please note today's date, October 29,
5 1992.

6 First matter, we'll call Case No.
7 10575, that's the second one on page 2.

8 MR. STOVALL: Application of Klabzuba
9 Operating Company for an unorthodox oil well
10 location, Chaves County, New Mexico.

11 EXAMINER STOGNER: Call for
12 appearances.

13 MR. CARR: May it please the Examiner,
14 my name is William F. Carr with the Santa Fe law
15 firm, Campbell, Carr, Berge & Sheridan. We
16 represent Klabzuba Operating Company, and I have
17 one witness.

18 EXAMINER STOGNER: Are there any other
19 appearances in this matter? There being none,
20 will the witness please stand to be sworn at this
21 time.

22 EXAMINER STOGNER: Mr. Carr.

23 MARK CALDWELL

24 Having been first duly sworn upon his oath, was
25 examined and testified as follows:

EXAMINATION

BY MR. CARR:

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

A. Mark Caldwell.

Q. Mr. Caldwell where do you reside?

A. Weatherford, Texas.

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

A. Klabzuba Oil & Gas, as a geologist.

Q. Have you previously testified before this Division?

A. Never.

Q. Would you briefly summarize for Mr. Stogner your educational background and review your work experience?

A. I have a bachelor's degree in geology from the University of Michigan and a master's degree in geology from Western Michigan University, and I've worked for Klabzuba Oil & Gas since 1988.

Q. Are you familiar with the application filed in this case on behalf of Klabzuba Operating Company?

A. Yes.

1 Q. Could you tell us, who is Klabzuba
2 Operating Company?

3 A. Klabzuba Operating Company is an
4 independent oil and gas producer, and we operate
5 wells in numerous states. This will be our
6 second well in New Mexico.

7 Q. Where is your primary place of
8 business?

9 A. Fort Worth, Texas.

10 Q. Are you familiar with the Devonian
11 formation and the area which is affected by this
12 application?

13 A. I've done a geological study of the
14 area.

15 MR. CARR: Mr. Stogner, at this time we
16 tender Mr. Caldwell as an expert witness in
17 petroleum geology.

18 EXAMINER STOGNER: Mr. Caldwell is so
19 qualified.

20 Q. Would you briefly state what Klabzuba
21 Operating Company seeks with this application?

22 A. Klabzuba Operating Company seeks
23 approval of an unorthodox oil well location to be
24 1847 feet from the north line, 1310 feet from the
25 east line, Unit H, Section 13, T-10 South, 27

1 East, Chaves County, New Mexico.

2 Q. What acreage do you propose to dedicate
3 to this well?

4 A. We propose the southeast quarter of the
5 northeast quarter of Section 13 to be dedicated
6 to the well.

7 Q. And in what pool do you propose to
8 complete the well?

9 A. In the Racetrack Devonian pool.

10 Q. When was this pool actually created?

11 A. August 1, 1970, by Order No. R-3995.

12 Q. Are there special pool rules in effect
13 for this pool?

14 A. No. This pool has 40-acre spacing, a
15 standard unit, with 330-foot setbacks.

16 Q. What you're actually proposing, is it
17 not, is that you're going to be 10 feet from the
18 west boundary of the acreage which is dedicated
19 to the well?

20 A. That's correct.

21 Q. You're dedicating a standard unit to
22 the well?

23 A. That's correct.

24 Q. Have you prepared exhibits for
25 presentation here today?

1 A. Yes, I have.

2 Q. Let's go to what has been marked
3 Klabzuba Exhibit No. 1. Would you identify that,
4 please, and review the information on this
5 exhibit for Mr. Stogner?

6 A. Exhibit 1 is a structure map of the top
7 of the Devonian. This map is based on well
8 control, and confirmed and constrained by
9 seismic. This map shows the proposed location as
10 the KOC White No. 3.

11 The plat shows 1316 feet from the east
12 line, but we will drill it at 1310 to be the
13 required 10-foot setback from the quarter quarter
14 section line.

15 Q. Now, the spacing unit to be dedicated
16 to the well is what?

17 A. The southeast quarter of the northeast
18 quarter of Section 13.

19 Q. Could you identify for Mr. Stogner the
20 discovery well in this field?

21 A. This well was drilled by Klabzuba in
22 1970. It's located in the northeast/southeast of
23 Section 13.

24 Q. And the 40 acres, the northeast of the
25 southeast, is dedicated to the well?

1 A. Dedicated to the well, and that is the
2 current pool boundary.

3 Q. There's also a trace on this exhibit
4 for a subsequent cross-section?

5 A. Cross-section A-A' is Exhibit 2.

6 Q. Before we go to that, using Exhibit 1,
7 could you review for Mr. Stogner basically the
8 status of the ownership in this area? Does this
9 exhibit show the Klabzuba Operating lease?

10 A. The lease is shown as the east half of
11 Section 13 and the west half of section 18, so
12 the ownership within the pool boundary and the
13 proposed location are all identical.

14 Q. Prior to bringing this application to
15 Mr. Stogner, did you have a supplemental title
16 opinion run?

17 A. Yes, we did. It shows common ownership
18 of the working interest and the royalty interest.

19 Q. So what we have throughout the area of
20 interest is common ownership?

21 A. Common ownership throughout the pool.

22 Q. How would you describe this Devonian
23 pool, just generally?

24 A. It's a small but prolific Devonian
25 reservoir that's typical for this area of New

1 Mexico. It has a limited water drive so that if
2 the well is located optimally, it will recover
3 more reserves than if it's off the plank of the
4 structure.

5 Q. This exhibits also shows sort of a
6 northwest/southeast trending fault. How was that
7 picked?

8 A. The fault is inferred from well
9 control. The well in the west half of Section 13
10 was nearly 400 feet low on the base of the
11 Pennsylvanian and did not penetrate the
12 Devonian. That's the most simple explanation is
13 to put a fault there. However, the fault does
14 show up on seismic.

15 Q. Let's move to Klabzuba Exhibit No. 2,
16 and I would ask you to identify and review this
17 for the Examiner.

18 A. Exhibit 2 is an east/west
19 cross-section, A - A'. This well shows the
20 structure on the Devonian and the overlying
21 formations. It shows the current producing well,
22 the Klabzuba White No. 1, which has produced
23 159,000 barrels of oil to date. It's currently
24 producing three to five barrels a day. Water cut
25 is increased in this well, and we propose to

1 drill to a structurally higher position to
2 recover attic oil that would not be recovered
3 with the current wellbore.

4 Q. If the proposed well had been the
5 initial well in the pool, do you have an opinion
6 as to whether or not it could have drained the
7 entire reservoir?

8 A. I think it would have drained the
9 entire reservoir.

10 Q. Mr. Caldwell, is Exhibit No. 3 an
11 affidavit confirming that notice of this hearing
12 today has been provided to those persons
13 identified on Exhibit A?

14 A. Yes, it is.

15 Q. Basically, who are the people on
16 Exhibit No. A?

17 A. Well, in a sense we're moving towards
18 ourselves, but in addition we gave notice to the
19 people in the west half of Section 13, which is
20 now currently an unleased tract.

21 Q. Being an unleased tract, are the
22 royalty owners in the proposed well the same as
23 the mineral owners in the west half of 13?

24 A. Yes, they are.

25 Q. And then attached to that exhibit are

1 copies of the letters with return receipts, is
2 that right?

3 A. That's correct.

4 Q. In your opinion, is a well at the
5 proposed location necessary to drain the
6 remaining reserves in this pool?

7 A. Definitely.

8 Q. Without this well, will reserves
9 ultimately be left in the ground in this
10 reservoir, thereby causing waste?

11 A. Yes, they will.

12 Q. Will approval of this unorthodox well
13 location impair the correlative rights of any
14 interest owner in this pool?

15 A. No. The people affected will all share
16 in the production.

17 Q. Were Exhibits 1 and 2 prepared by you?

18 A. Yes, they were.

19 Q. And Exhibit 3 is the affidavit,
20 correct?

21 A. That's correct.

22 MR. CARR: Mr. Stogner, at this time
23 we'll move the admission of Klabzuba Operating
24 Company Exhibits 1 through 3.

25 MR. STOGNER: Klabzuba Exhibits 1

1 through 3 will be admitted into evidence at this
2 time.

3 MR. CARR: That concludes my direct
4 examination of Mr. Caldwell.

5 EXAMINATION

6 BY EXAMINER STOGNER:

7 Q. Referring to Exhibit 1, Mr. Caldwell
8 what control did you have up to the north?

9 A. Pretty much that one well in the
10 northwest northeast of Section 12, the Avalanche
11 Journal White No. 1, which is 130 feet low to the
12 present producing well.

13 Q. Now, I show that the Devonian was
14 perforated, but was there any test or was that--

15 A. I don't believe the Devonian was tested
16 in that well. The one in 12?

17 Q. Yes. I see some numbers in the
18 Devonian, 2970. Is that--

19 A. That is are subsea picks.

20 Q. But it was not tested?

21 A. No, it was not.

22 Q. Did you review the log on that well?

23 A. I believe there is no log on that
24 well. I think they were sample tops, but I would
25 have to check on that to make sure.

1 Q. How about the well down in the
2 southeast quarter/southeast quarter of 12?

3 A. That was a shallow San Andres test.
4 The numbers beneath these wells are the total
5 depth. 2311 is the total depth of that well.

6 Q. Now, when I look down in the section
7 below Section 18, I show some wells in there. I
8 take it those are shallow wells, too, one in the
9 northwest of the northwest, and another one in
10 the northeast of the northwest.

11 A. Those are San Andres wells.

12 Q. So your well control was just based on
13 two wells?

14 A. No. The deep wells on Exhibit 1 are
15 circled. There are two wells in Section 19, one
16 well in Section 12, and two wells in Section 13.

17 EXAMINER STOGNER: Any other questions
18 of this witness?

19 EXAMINATION

20 BY MR. STOVALL:

21 Q. Are you saying that the interest, all
22 of 13 and the west half of 18 are all common
23 ownership, is that correct? Did I understand you
24 correctly?

25 A. No. Actually, the west half of 13 is

1 Plains Radio ownership. So, no, they are not.

2 Q. But it's the same royalty owners? Is
3 that what you said, or am I missing--

4 A. No, I don't believe that they're the
5 same royalty owners, either.

6 Q. I thought that's what I heard you say.

7 A. The east half of 13 and the west half
8 of 18 are all common ownership, the area shown by
9 the heavy dashed line, and that is all under
10 lease to us.

11 EXAMINER STOGNER: So you have common
12 royalties, common working interests in both of
13 those?

14 THE WITNESS: Yes.

15 MR. STOVALL: Regardless of the number
16 of wells that would be drilled out here, it would
17 all be the same, is that right?

18 THE WITNESS: That's right?

19 EXAMINER STOGNER: Any other questions
20 of this witness? If not, he may be excused.

21 Mr. Carr?

22 MR. CARR: Nothing further.

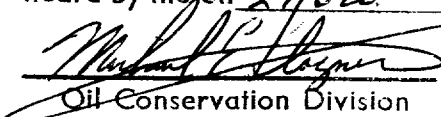
23 EXAMINER CATANACH: Anybody else have
24 anything further in Case No. 10575?

25 If not, this case will be taken under

1 advisement.

2 (And the proceedings concluded.)

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17 I do hereby certify that the foregoing is
18 a complete record of the proceedings in
19 the Examiner hearing of Case No. 10575,
20 heard by me on 29 Oct. 1992.

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25
 , Examiner
Oil Conservation Division

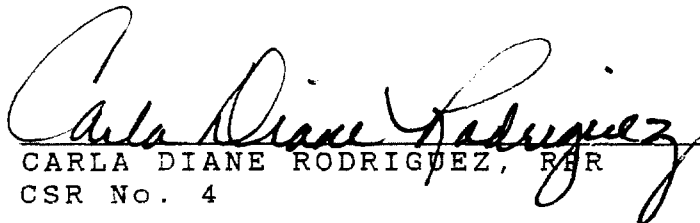
1 CERTIFICATE OF REPORTER

2
3 STATE OF NEW MEXICO)
4) ss.
5 COUNTY OF SANTA FE)

6 I, Carla Diane Rodriguez, Certified
7 Shorthand Reporter and Notary Public, HEREBY
8 CERTIFY that the foregoing transcript of
9 proceedings before the Oil Conservation Division
10 was reported by me; that I caused my notes to be
11 transcribed under my personal supervision; and
12 that the foregoing is a true and accurate record
13 of the proceedings.

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

19 WITNESS MY HAND AND SEAL November 25,
20 1992.

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24 
CARLA DIANE RODRIGUEZ, RER
CSR No. 4
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