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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
CASE 10,742

EXAMINER HEARING

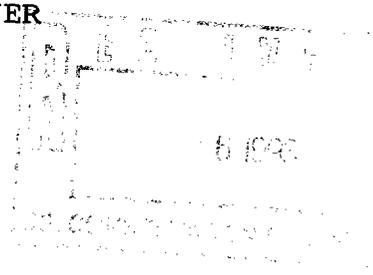
IN THE MATTER OF:

Application of Yates Petroleum Corporation for an
unorthodox gas well location, Eddy County, New
Mexico

ORIGINAL

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER



STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

July 15, 1993

A P P E A R A N C E S

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FOR THE DIVISION:

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1 WHEREUPON, the following proceedings were had
2 at 9:01 a.m.:

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8 EXAMINER CATANACH: Okay, at this time we'll
9 call Case 10,742.

10 Application of Yates Petroleum Corporation
11 for an unorthodox gas well location, Eddy County, New
12 Mexico.

13 Are there appearances in this case?

14 MR. CARR: May it please the Examiner, my
15 name is William F. Carr with the Santa Fe law firm,
16 Campbell, Carr, Berge and Sheridan.

17 I represent Yates Petroleum Corporation in
18 this case, and our witnesses have previously been
19 sworn.

20 EXAMINER CATANACH: Okay, any additional
21 appearances?

22 The record shall reflect that the witnesses
23 have previously been sworn in.

24 You may proceed.

25 MR. CARR: At this time we call D'nese Fly.

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D'NESE FLY,

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

DIRECT EXAMINATION

BY MR. CARR:

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

A. My name is D'nese Fly.

Q. And where do you reside?

A. Artesia, New Mexico.

Q. By whom are you employed?

A. I'm employed by Yates Petroleum Corporation.

Q. And what is your position with Yates?

A. Petroleum geologist.

Q. Have you previously testified before this Division?

A. Yes, I have.

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

A. Yes.

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

A. Yes.

Q. And are you familiar with the proposed

1 unorthodox well location for the Yates Sunflower "AHW"
2 Federal Well Number 2?

3 A. Yes, I am.

4 MR. CARR: Are the witness's qualifications
5 acceptable?

6 EXAMINER CATANACH: They are.

7 Q. (By Mr. Carr) Ms. Fly, would you briefly
8 state what Yates seeks in this case?

9 A. Yes, Yates Petroleum is seeking the approval
10 of an unorthodox well location for its proposed
11 Sunflower "AHW" Federal Well Number 2 to be drilled 660
12 from the north and east lines of Section 31, Township
13 19 South, Range 24 East, in Eddy County, New Mexico.

14 Q. And what formation does Yates propose to
15 drill?

16 A. To the Morrow.

17 Q. Are there other formations that Yates intends
18 to test with this well?

19 A. We will be evaluating different formations
20 that lie above the Morrow on the way down while we're
21 drilling.

22 Q. Is the Morrow formation in this area within a
23 defined pool?

24 A. I believe this would be a wildcat.

25 Q. Could you just generally state why Yates is

1 proposing to drill the well at an unorthodox location?

2 A. It is being drilled at this unorthodox
3 location for the geological conditions of the Morrow.

4 Q. Let's go to what has been marked Yates
5 Petroleum Corporation Exhibit Number 1. Would you
6 identify to Mr. Catanach and review it, please?

7 A. This is a well location and acreage
8 dedication plat.

9 The standard 320-acre gas well spacing unit,
10 dedicated to the well is shown here in red, and the
11 Yates acreage is shown here highlighted in the yellow
12 color.

13 There's no offset operators on whom this
14 location encroaches, as seen here on this map.

15 Q. Let's go to what has been marked Yates
16 Exhibit Number 2. Would you identify this for the
17 Examiner and then review it?

18 A. Okay, Exhibit Number 2 is my combination
19 structure and sand isolith map.

20 The dotted lines on here are structural
21 contours on the top of the Lower Morrow with the
22 contour interval being 100 feet.

23 The solid lines are the isolith contours.
24 They show the varying thickness of the clean Lower
25 Morrow Clastic sands, and the contour interval on this

1 is ten foot.

2 The clean sand that I have mapped is defined
3 as having less than 50 gamma ray API units on the
4 density neutron log.

5 Q. Could you explain to the Examiner exactly why
6 Yates has selected this particular location?

7 A. Yes, this location is near the axis of the
8 Lower Morrow Clastic sand thick, extending from the
9 southeast to the northwest, as shown here, and the
10 location should provide adequate sand thickness of over
11 40 feet in our Lower Morrow.

12 And this also should be about 100 feet
13 structurally higher to the water wet Lower Morrow
14 channel sand that we found in the well in Unit K of
15 Section 32, which is our Agave State "AAJ" Number 2.

16 Q. Would you now refer to Yates Exhibit Number 3
17 and identify this for Mr. Catanach?

18 A. Yes, this is a section of the Agave log, and
19 I have -- the Agave State Number 2 that I referred to
20 on the previous exhibit -- and on here I have shown the
21 pertinent tops being the Morrow Clastics top, the Lower
22 Morrow Clastics, the Mississippian Unconformity and the
23 Chester Lime.

24 As you can see here, we did test this Lower
25 Morrow sand, we did get the channel. But we test

1 perforated it, tested and recovered water.

2 We have since set a retrievable bridge plug
3 and gone up -- or a plug and gone up the hole, and are
4 making, oh, Upper Penn, Abo gas out of this well.

5 We hope to be at least 100 feet high to this
6 well in our proposed Sunflower location.

7 Q. Based on your geological study, is it your
8 opinion that the well which you're proposing needs to
9 be at this location if you're to effectively produce
10 the Morrow in this area?

11 A. Yes.

12 Q. In your opinion, will a well at this location
13 most -- produce the reserves in the Morrow channel that
14 you have indicated on your Exhibit Number 2?

15 A. Yes, I feel like if we're going to encounter
16 the Morrow in this section, we need to drill at this
17 location, this unorthodox location.

18 Q. Since there are no offsetting -- other
19 offsetting operators toward whom you're moving the
20 well, there were no operators to notify in accordance
21 with OCD rules; is that correct?

22 A. Yes.

23 Q. In your opinion, will approval of this
24 Application protect correlative rights of interest
25 owners within the area?

1 A. Yes.

2 Q. Will it enable Yates to produce the reserves
3 under this tract without encroaching on the tracts of
4 any other interest owners?

5 A. That's correct.

6 Q. Will the Application otherwise be in the best
7 interests of conservation and the prevention of waste?

8 A. Yes.

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

11 A. Yes.

12 MR. CARR: At this time, Mr. Catanach, we
13 move the admission of Yates Exhibits 1 through 3.

14 EXAMINER CATANACH: Exhibits 1 through 3 will
15 be admitted as evidence.

16 MR. CARR: That concludes my examination of
17 D'nese Fly.

18 EXAMINATION

19 BY EXAMINER CATANACH:

20 Q. Ms. Fly, in the offset well, the -- You
21 discussed the State Number 2.

22 Do you believe that you were right at the
23 gas-water contact in that well?

24 A. I'm hoping. We did get a small amount of gas
25 in there when we tested. And as you can see, the well

1 up to the -- in Section 30, Unit C, has made, oh, over
2 a BCF. It has cum'd over a BCF in the Lower Morrow.
3 So I know we are well out of the water there.

4 Q. That well that you've just discussed in
5 Section 30, that has 17 feet of sand?

6 A. Yes. So we should have adequate amount of
7 sand -- of channel sand, if we can get out of the
8 water.

9 Q. Okay. It appears that if you went to a
10 standard location, you still would be structurally high
11 enough that you would lose some sand?

12 A. That's correct.

13 Q. Is that --

14 A. You'd get out of the main thickness of the
15 channel.

16 Q. Which would probably result in what?

17 A. A poorer well, and possibly not a well at all
18 if you don't encounter enough channel sand.

19 Q. The well in Section 30, that's the only
20 Morrow production in this nine-section area?

21 A. That's correct.

22 Q. You anticipate this will probably be the only
23 additional well in the Morrow, if you do make a well,
24 in this particular sand right here?

25 A. In this section?

1 Q. Uh-huh, in this trending sand member right
2 here.

3 A. There's a possibility there could be another
4 one drilled there in the southern half of Section 30 on
5 a 320 spacing unit, if this does prove up.

6 Q. Okay. Do you know if the -- As far as the
7 offsetting leases I understand Yates operates, do you
8 know if the ownership is the same within the offsetting
9 leases?

10 A. You mean --

11 Q. As far as working interest or royalty or
12 whatever?

13 A. I don't feel qualified to answer that. I
14 could find that out for you.

15 EXAMINER CATANACH: That's okay. That's all
16 I have.

17 MR. CARR: I have nothing further in this
18 case, Mr. Catanach.

19 EXAMINER CATANACH: There being nothing
20 further, this case, Case 10,742, will be taken under
21 advisement.

22 (Thereupon, these proceedings were concluded
23 at 9:13 a.m.)

24 * * *

25

1 CERTIFICATE OF REPORTER

2

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

5

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

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

16 WITNESS MY HAND AND SEAL July 17, 1993.

17

18


 STEVEN T. BRENNER
 CCR No. 7

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My commission expires: October 14, 1994

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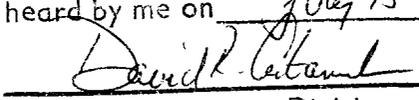
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I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examiner hearing of Case No. 10742,
 heard by me on July 15, 1993.

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25

, Examiner
 Oil Conservation Division