

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

CASE 10,792

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

August 12, 1993

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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I N D E X

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Appearances

2

JANET RICHARDSON

Direct Examination by Mr. Carr

5

Examination by Examiner Catanach

7

BRENT MAY

Direct Examination by Mr. Carr

8

Examination by Examiner Catanach

14

Certificate of Reporter

16

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E X H I B I T S

APPLICANT'S EXHIBITS:

Exhibit 1

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Exhibit 2

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Exhibit 3

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Exhibit 4

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1 WHEREUPON, the following proceedings were had
2 at 11:31 a.m.:

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7 EXAMINER CATANACH: At this time we'll call
8 Case Number 10,792, Application of Yates Petroleum
9 Corporation for an unorthodox gas well location, Eddy
10 County, New Mexico.

11 Are there appearances in this case?

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

15 I represent Yates Petroleum Corporation in
16 this case, and I have two witnesses.

17 EXAMINER CATANACH: Any other appearances?
18 Will the witnesses please stand to be sworn
19 in?

20 (Thereupon, the witnesses were sworn.)

21 MR. CARR: Mr. Examiner, at this time I would
22 again request that you recognize the qualifications of
23 Janet Richardson as an expert witness and petroleum
24 landman.

25 EXAMINER CATANACH: We shall do so, Mr. Carr.

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JANET RICHARDSON,

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

DIRECT EXAMINATION

BY MR. CARR:

Q. Ms. Richardson, are you familiar with the
Application filed by Yates Petroleum Corporation in
this case?

A. Yes.

Q. And are you familiar with the status of the
lands in the area surrounding the proposed unorthodox
well location?

A. Yes.

Q. Could you briefly state what Yates seeks with
this Application?

A. Yes, we seek approval of an unorthodox well
location for the proposed Yerba AMY Federal Com Well
Number 1, and it's located 1650 feet from the north
line and 1580 feet from the west line of Section 14 in
Township 21 South, Range 24 East, Eddy County, New
Mexico.

Q. Could you identify what has been marked as
Yates Exhibit Number 1?

A. Yes, Exhibit Number 1 is a land plat showing
the status of the lands surrounding our proposed

1 location.

2 The acreage colored in yellow is acreage that
3 Yates Petroleum Corporation is operator of, and the
4 white acreage is other owners' acreage.

5 Some of the offsetting owners that we have in
6 the southeast quarter of Section 11 and all of Section
7 12, it's a Celeste Grynberg lease.

8 Also in section 11, in the northeast quarter,
9 is a David Miller lease. And the west half of 11 is a
10 Santa Fe Energy lease.

11 And the north half of Section 15 is an
12 unleased federal tract. We have nominated that tract,
13 and we have also obtained BLM approval of our APD to
14 drill the well in Section 14.

15 Q. The acreage shaded in yellow is Yates
16 acreage?

17 A. Yes.

18 Q. And we are dedicating a north-half unit,
19 which is a standard spacing unit for this pool; is that
20 correct?

21 A. Yes, and I have outlined that in red on the
22 plat.

23 Q. With this location, are we encroaching on any
24 other interest owner, other than Yates?

25 A. No, we are not.

1 Q. And so there are no individuals to whom
2 notice was required pursuant to OCD rules?

3 A. No.

4 Q. Will Yates also be calling a geological
5 witness to explain the reasons for this particular
6 location being selected?

7 A. Yes.

8 Q. Was Exhibit Number 1 prepared by you?

9 A. Yes.

10 MR. CARR: I have nothing further of Ms.
11 Richardson.

12 EXAMINATION

13 BY EXAMINER CATANACH:

14 Q. Ms. Richardson, you said Yates had requested
15 that the acreage in Section 15 be nominated for lease?

16 A. Yes, we have written a letter to the BLM.

17 Q. And I suppose Yates proposes to or will bid
18 on that lease; is that correct?

19 A. Yes, we will.

20 Q. As far as the offset acreage, maybe in the
21 south half of Section 15, do you know if that's the
22 same -- I understand that Yates operates or holds the
23 lease on that, but is the ownership the same?

24 A. I'm not sure if it's exactly the same. It
25 should be in the same proportions that we normally take

1 our interests in.

2 Q. Okay. If in fact the north half of 15 was
3 leased, successfully leased by Yates, would that, in
4 fact, be the same ownership, in your opinion?

5 A. Yes, it would.

6 Q. Do you know when that lease sale comes up?

7 A. I have not heard when they're going to put it
8 on the next -- I'm hoping it will come up on the next
9 sale.

10 Q. Which is when? You don't know?

11 A. I don't know that either.

12 EXAMINER CATANACH: Okay, I have nothing
13 further.

14 MR. CARR: We have nothing further of this
15 witness, and we'll call at this time Brent May.

16 BRENT MAY,

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

19 DIRECT EXAMINATION

20 BY MR. CARR:

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

23 A. Brent May.

24 Q. And where do you reside?

25 A. Artesia, New Mexico.

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

3 A. Yates Petroleum as a petroleum geologist.

4 Q. Have you previously testified before this
5 Division?

6 A. Yes, I have.

7 Q. At the time of that prior testimony, were
8 your credentials as an expert in geological matters
9 accepted and made a matter of record?

10 A. Yes, they were.

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

13 A. Yes, I am.

14 Q. And are you familiar with the proposed Yerba
15 AMY Federal Com Number 1 well?

16 A. Yes, I am.

17 MR. CARR: Are the witness's qualifications
18 acceptable?

19 EXAMINER CATANACH: They are.

20 Q. (By Mr. Carr) Mr. May, what formation does
21 Yates propose to drill?

22 A. The main objective is the Morrow formation.

23 Q. Are there secondary objectives?

24 A. Yes, the Atoka, Strawn, Canyon, Wolfcamp and
25 Yeso.

1 Q. What is your primary objective?

2 A. Primary is the Morrow Clastic section within
3 the Morrow formation.

4 Q. And is there a particular secondary
5 objective?

6 A. Yes, the Upper Penn or what I term the Canyon
7 Dolomite.

8 Q. Why is Yates proposing to drill this well at
9 an unorthodox location?

10 A. Because of topographical and geological
11 conditions.

12 Q. Would you refer to what has been marked Yates
13 Exhibit Number 2, identify this and review it for Mr.
14 Catanach?

15 A. This is a topographic map of the area which
16 shows the proposed spacing unit, which is outlined
17 along with the original standard location that Yates
18 applied for, which is on the far right and uncolored,
19 plus the proposed location that we're proposing today,
20 the unorthodox location that I believe the BLM has
21 granted, and that one is colored in red.

22 The original location was located 1650 from
23 the north line and 1980 from the west line in Section
24 14. This was a standard location for a 320-acre
25 laydown spacing unit.

1 Because of the extreme topographical relief
2 in the area, the BLM would not approve this location
3 but recommended that Yates move the location due west
4 to 1650 from the north line and 1580 from the west line
5 of Section 14.

6 Q. So this actual location is at the
7 recommendation of the BLM?

8 A. Yes, it is.

9 Q. And originally you proposed to develop this
10 acreage with a well at a standard location?

11 A. Yes, we did.

12 Q. Could you refer to what has been marked Yates
13 Exhibit 3 and review that, please?

14 A. This is a structure map with the top of the
15 Lower Morrow as a datum. It shows a structural nose
16 plunging to the east in Section 14.

17 The proposed well is located near the apex of
18 the nose and is signified with the open red circle.

19 A dashed red contour line is shown between
20 the minus-6100 and -6200 contour lines. The red line
21 represents the proposed gas-water contact. This line
22 runs through a dry hole in Section 10, which is the
23 Socony Mobil Federal Unit 1-B. It's 1980 from the
24 north line and 2310 from the west line of Section 10.

25 Morrow sand was drill stem tested in this

1 well and flowed 510,000 cubic feet of gas a day and
2 recovered 270 feet of drilling mud and no water.

3 The operator ran pipe and attempted a
4 completion. The same zone was perforated and swabbed
5 68 barrels of formation water in five hours. It
6 appears that the gas-water contact was present in this
7 well.

8 The proposed location, along with most of the
9 west half of Section 14, should be updip of this gas-
10 water contact, with the east half of Section 14
11 appearing to be wet.

12 Q. All right. Let's now go to the isolith map,
13 Exhibit Number 4. Would you review the information
14 contained on that exhibit?

15 A. The isolith map represents the sands of the
16 Morrow clastics only, and it shows the limits of the
17 sand deposition within a fluvial setting. The isolith
18 map is a clean sand map with a gamma-ray cutoff of 50
19 API units or less.

20 The map shows a sand thick trending through
21 the west half of Section 14. In my opinion, the
22 thickest section of the sand channel should yield the
23 best chance to encounter reservoir-quality porosity and
24 permeability.

25 Q. And these are the geological reasons that

1 Yates has -- for Yates's decision to place the well in
2 this portion of the north half of Section 14; is that
3 correct?

4 A. Yes, the west half appears to be updip of the
5 gas-water contact, and the location should provide
6 maximum sand thickness.

7 Q. In your opinion, is this the best available
8 location in the north half of Section 14?

9 A. Yes, considering the -- Yes, considering the
10 topographical reasons too, yes.

11 Q. Will approval of this Application enable
12 Yates Petroleum Corporation to produce reserves that
13 otherwise will not be recovered?

14 A. Yes, because with the laydown spacing unit
15 and the sand thick trending through the west half of
16 Section 14, two Morrow wells could penetrate the
17 thickest part of the sand section in the west half,
18 whereas if we had a standup spacing unit there could
19 only be one Morrow well penetrating the sand thick, and
20 if any wells were drilled in the east half they
21 probably would be below the gas-water contact.

22 Q. If this Application is granted, will
23 correlative rights be protected?

24 A. Yes, I believe so.

25 Q. In fact, the only interest owner toward whom

1 the well is being moved is actually Yates Petroleum
2 Corporation?

3 A. Yes, I believe so.

4 Q. How soon does Yates need to spud this well?

5 A. We have an expiration date of 9-1-93.

6 Q. Does Yates request that the Order be
7 expedited to the extent possible?

8 A. Yes, we do.

9 Q. Were Exhibits 3 and 4 prepared by you?

10 A. Yes, they were.

11 MR. CARR: Mr. Catanach, at this time we move
12 the admission of Yates Petroleum Corporation Exhibits 3
13 and 4, and we have a proposed order that we would like
14 to offer in this case.

15 And that concludes my direct examination of
16 this witness.

17 EXAMINER CATANACH: Exhibits 2, 3 and 4 will
18 be admitted as evidence.

19 EXAMINATION

20 BY EXAMINER CATANACH:

21 Q. Mr. May, what is the closest Morrow
22 production in this area?

23 A. I believe it would be back to the southwest,
24 there is Morrow production -- Excuse me, no, we have
25 Morrow production -- We just completed a well in

1 Section 22, the Lowe Staple Number 1 Yates Petroleum,
2 just re-entered that well, and it is not -- It may not
3 have beneficially IP'd, but we have tested gas from the
4 Morrow formation.

5 Q. Is that the one that is shown on Exhibit
6 Number 3?

7 A. Yes, it is shown on the exhibits in Section
8 22, the only well in Section 22.

9 Q. What's the nearest Upper Penn production?

10 A. That would be to the south, which would be
11 the Yates Petroleum Pan Am Pardue Number 1 in Section
12 27.

13 There could be some Upper -- Now, that well
14 produced oil, and there could be some gas production
15 from the Upper Penn back to the west a few miles.

16 EXAMINER CATANACH: I have nothing further of
17 the witness. He may be excused.

18 MR. CARR: We have nothing further of Mr.
19 May, and that concludes our presentation in this case.

20 EXAMINER CATANACH: There being nothing
21 further, Case 10,792 will be taken under advisement.

22 (Thereupon, these proceedings were concluded
23 at 11:46 a.m.)

24 I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 10792,
*certified by me on April 10 1983.
David R. Catnach
Oil Conservation Division, Examiner

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 September 8th, 1993.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1994