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NEW MEXICO OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
STATE OF NEW MEXICO
CASE NO. 10803

IN THE MATTER OF:

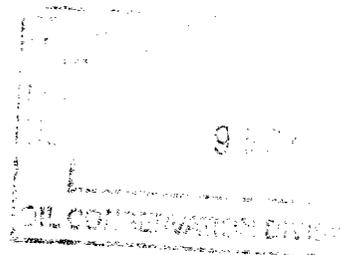
The Application of Texaco Exploration and
Production, Inc., for an unorthodox gas well
location, Eddy County, New Mexico,

BEFORE:

MICHAEL E. STOGNER
Hearing Examiner

State Land Office Building

August 26, 1993



ORIGINAL

REPORTED BY:

SUSAN B. SPERRY
Certified Court Reporter
for the State of New Mexico

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A P P E A R A N C E S

FOR THE NEW MEXICO OIL CONSERVATION DIVISION:

ROBERT G. STOVALL, ESQ.
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FOR THE APPLICANT:

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BY: William F. Carr, Esq.

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1 EXAMINER STOGNER: Call the next case, No.
2 10803.

3 MR. STOVALL: The application of Texaco
4 Exploration and Production, Inc., for an unorthodox gas
5 well location, Eddy County, New Mexico.

6 EXAMINER STOGNER: Call for appearances.

7 MR. CARR: May it please the Examiner, my
8 name is William F. Carr of the Santa Fe law firm Campbell,
9 Carr, Berge & Sheridan. We represent Texaco Exploration
10 and Production, Inc., and I have one witness.

11 EXAMINER STOGNER: Are there any other
12 appearances?

13 Will the witness please remain standing?

14 PRESSLY McCANCE, III

15 After having been first duly sworn under oath,
16 was questioned and testified as follows:

17 EXAMINATION

18 BY MR. CARR:

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

21 A. My name is Pressly McCance.

22 Q. Where do you reside?

23 A. I live in Midland, Texas.

24 Q. By whom are you employed?

25 A. I work for Texaco Exploration Production, Inc.

1 Q. And, what is your current position with Texaco?

2 A. I'm an exploitation geologist.

3 Q. Mr. McCance, have you previously testified
4 before this Division?

5 A. Yes, I have.

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

9 A. Yes, they were.

10 Q. Are you familiar with the application filed in
11 this case on behalf of Texaco?

12 A. Yes.

13 Q. And, have you made a geologic study of the lands
14 and the area that's involved in this case?

15 A. Yes, I have.

16 MR. CARR: Mr. Stogner, are the witness's
17 qualifications acceptable?

18 EXAMINER STOGNER: They are.

19 Q. (By Mr. Carr) Mr. McCance, would you briefly
20 state what Texaco seeks with this application?

21 A. Texaco seeks approval for an unorthodox gas well
22 location to be drilled, or proposed to be drilled 660 from
23 the north line, and 2310 in the west line of Section 33,
24 Township 17 south, Range 31 east, Eddy County.

25 Q. And the name of the proposed well is the Dow,

1 D-O-W, "B" 33 Federal Well No. 2?

2 A. That's correct.

3 Q. Have you prepared certain exhibits for
4 presentation here today?

5 A. Yes, I have.

6 Q. Could you refer to what has been marked for
7 identification as Texaco Exhibit No. 1? Identify this for
8 Mr. Stogner and review it, please.

9 A. Exhibit 1 is a purchase land plat showing Texaco
10 acreage in Section 33, as well as the proposed well
11 location indicated by the large red arrow, and a proration
12 unit for that well covering the west half of Section 33
13 outlined in red.

14 Q. This will be a standard proration unit or
15 spacing unit?

16 A. Yes, it will.

17 Q. Are the offsetting owners indicated on this
18 plat?

19 A. Yes, they are.

20 Q. Now, the entire Section 33 is shaded yellow.
21 Why have you done that?

22 A. Section 33 shows 100 percent Texaco leasehold in
23 Section 33, and Section 33 is a federal lease.

24 Q. There is also other Texaco acreage in this
25 immediate area; is that true?

1 A. That's correct.

2 Q. What is the status of the acreage in the south
3 half of Section 28?

4 A. Texaco currently is 100 percent working interest
5 owner of the acreage in Section 28, which is also a
6 federal lease.

7 Q. Current development in this section is also
8 indicated on the plat; is that correct?

9 A. That's correct.

10 Q. On what offsetting tract is Texaco actually
11 encroaching with the proposed unorthodox location?

12 A. The location actually encroaches on the east
13 half of Section 33, which is a Texaco working interest
14 lease 100 percent, and acreage to the north just referred
15 to, in south half of Section 28, which is a Texaco
16 leasehold, as well.

17 Q. And you've indicated that those are both federal
18 leases?

19 A. That's correct.

20 Q. Are there any overriding royalties on these
21 tracts?

22 A. No, there are not.

23 Q. To what formation are you proposing to drilled
24 the proposed well?

25 A. The well will TD in the Mississippian, but the

1 proposed formation to be produced is the Morrow.

2 Q. Do you have any objective below the Morrow?

3 A. No.

4 Q. Are there secondary objectives in the well?

5 A. Yes, there are.

6 Q. And what are they?

7 A. The Atoka is a prospective pay, along with the
8 Strawn, Wolf Camp and Bone Spring.

9 Q. Can you tell me, generally, why is Texaco
10 proposing to drill at an unorthodox location?

11 A. Geologically, we feel that this location is the
12 most favorable position.

13 Q. Would you now refer to Texaco Exhibit No. 2,
14 your structure map on the top of the Morrow clastics, and
15 review the information on this exhibit for the Examiner?

16 A. Exhibit 2 is a structure map contoured on top of
17 the Morrow clastics; contour interval is 100 feet. It's
18 color coded, is the production, with color code indicated
19 in the box in the lower right-hand corner. As well, there
20 are some faults shown in brown, the trend northwest,
21 southeast, and additional Texaco leasehold acreage in the
22 area.

23 And I'd like to point out the trace of the
24 cross-section A to A prime indicated by the red line,
25 roughly north/south across the map.

1 Q. Let's move, then, onto the cross-section itself,
2 Texaco Exhibit No. 3. Referring to both of these
3 exhibits, would you review the geology for the Examiner?

4 A. Exhibit 3 is a stratigraphic cross-section hung
5 on top of the Morrow clastics. The prospective pays are
6 shown in green, with wells to the north. Perforations are
7 indicated -- let's see. This is vertical scale of one
8 inch to 100 feet, and the horizontal scale is roughly one
9 inch to a thousand feet. And it shows the proposed well
10 location offset in the Dow "B" Federal No. 1.

11 Q. And, that has been drilled and completed?

12 A. That's correct.

13 Q. Is that a good well in the Morrow formation?

14 A. It will produce 7 million cubic feet a day.

15 Q. Let's go on to the isopach map, Exhibit No. 4.
16 Would you review that, please?

17 A. Exhibit 4 is a gross isopach showing the
18 depositional trend of the middle Morrow clastics as
19 indicated on the previous cross-section. Again, the map
20 is color coded with isopach values indicated in red next
21 to the wells.

22 It basically shows the same leasehold, or shows
23 the same leasehold acreage, trace of the cross-section
24 again. And the anticipated amount of gross middle Morrow
25 sand roughly being 40 feet.

1 Q. Can you just summarize for the Examiner Texaco's
2 reasons for proposing the well at this location?

3 A. Well, the legal locations that would be drilled
4 in the northwest quarter of Section 33, of the two
5 locations available, the first being 1980 from the north
6 and 660 from the west line of Section 33, we feel are
7 geologically unfavorable conditions, would not allow us to
8 drill a well at that location.

9 And the second legal location, 1980 from the
10 north, and 1980 from the west line of Section 33, we feel
11 is drilled too close to the existing well and would cause
12 interference with the well that currently produces. We
13 feel that the location to the north best allows us to
14 produce additional reserves in Section 33.

15 Q. At the proposed location, you're actually
16 gaining thickness, as opposed to other standard locations;
17 is that correct?

18 A. That's correct.

19 Q. And you're also a distance far enough away from
20 the existing well to have a more effective drainage area?

21 A. That's correct.

22 Q. In your opinion, is a well at this location
23 necessary to produce the reserves in this portion of the
24 Morrow formation?

25 A. I believe that it is.

1 Q. In your opinion, would approval of this
2 application be in the best interest of conservation, the
3 prevention of waste, and the protection of correlative
4 rights?

5 A. Yes, it would.

6 Q. And, how soon does Texaco plan to go forward
7 with this well?

8 A. We hope to spud a well, given approval for the
9 unorthodox location, sometime in September.

10 Q. Were Exhibits 1 through 4 prepared by you?

11 A. Yes, they were.

12 MR. CARR: At this time, Mr. Stogner, we
13 move the admission of Texaco Exhibits 1 through 4.

14 EXAMINER STOGNER: Exhibits 1 to 4 will be
15 admitted into evidence.

16 MR. CARR: And, that concludes my direct
17 examination of Mr. McCance.

18 EXAMINATION

19 BY EXAMINER STOGNER:

20 Q. Mr. McCance, the well in the east half of
21 Section 33, do you know the location of that?

22 A. Well, I'm going to have to guess. It's an
23 unorthodox location for surface reasons. I believe that
24 it's -- if I had an engineering scale, I could figure it
25 out.

1 I don't know the exact location. But I know
2 that it's not an orthodox location for topographic
3 reasons.

4 MR. STOVALL: It encroaches to the west of
5 the perforation unit?

6 THE WITNESS: Pardon? Yes.

7 Q. (By Examiner Stogner) What you're showing to me
8 on Exhibit No. 4, I assume, is your classic run-of-the-
9 mill Morrow channel; is that correct?

10 A. Well, it's really the depositional trend of the
11 middle Morrow sands. From the cross-section, you can see
12 that there are a number of isolated sands, as well as a
13 sand that we've correlated across the area.

14 But it fits the traditional middle Morrow
15 orientation.

16 Q. Now, correlating this isopach, your Exhibit No.
17 3, the middle Morrow, I take it, does not show up in the
18 Skelly Oil Company, the old Skelly Oil Company Dow "B" No.
19 21 up in Section 21; is that correct?

20 A. All right. 51 or 21?

21 Q. 21. That's the middle well on the cross-
22 section.

23 A. Oh, okay. What I think is the best sand in that
24 package does not exist in that particular well, that's
25 correct. If you look at that sand, the middle set of

1 perforations there, I don't believe that sand is present
2 in that particular Skelly well.

3 We're hoping that it thickens to the north.

4 Q. And, unfortunately, to the east; is that
5 correct?

6 A. Well, that's definitely a possibility, yes.

7 Q. According to your interpretation?

8 A. Yes.

9 Q. How old is that well in the east half of 33?
10 When was that drilled?

11 A. We completed that well in October of 1992. And
12 the current cum's are indicated in blue by each well.

13 Q. Sections 28 and 33, you said, are under federal
14 lease. Is that the same lease, or common lease, or does
15 it vary?

16 A. I believe it is the same lease, and the same
17 lease numbers are indicated on the land plat. So, the
18 best of my knowledge, they are the same, are the same base
19 lease.

20 Q. Has your proposed well up in northern part of
21 this west half, has that been staked and approved by the
22 BLM at this time?

23 A. To my knowledge, we have internal approval and,
24 to my knowledge, we have applied for a permit to drill
25 with the stipulation that the OCD grants us the unorthodox

1 location.

2 Q. You haven't been made aware of any topographic
3 concerns that may require the move of this well?

4 A. Not at this time.

5 EXAMINER STOGNER: Do you have anything
6 further, Mr. Stovall?

7 MR. STOVALL: No, not me.

8 EXAMINER STOGNER: With that in mind, Mr.
9 Carr, I think we have seen and will continue seeing such
10 items as this that come before us for geological
11 concerns. When the actual staking gets done, the BLM for
12 some reason, for surface, would require it to be moved.

13 After this well was moved to a more unorthodox
14 location, that would definitely hamper, or could hinder,
15 any approval that comes from this agency for that reason.
16 But not as much so if it was less unorthodox, in this
17 particular case, no closer than 660, or any closer than
18 330.

19 We have discussed that here within the division
20 quite some time now. As opposed to authorizing a pinpoint
21 location in instances such as this, as approving rulings
22 no closer than 660, or no closer than 330.

23 Do you have anything further, Mr. Stovall?

24 Mr. Carr, do you have anything further?

25 MR. CARR: Nothing further, Mr. Stogner.

1 EXAMINER STOGNER: Does anybody else have
2 anything further in case No. 10803? This case will be
3 taken under advisement.

4 Let's take a 15-minute recess.

5 (And the proceedings concluded.)

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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. 10803,
heard by me on 26 August 1993.

Michael F. Stogner, Examiner
Oil Conservation Division

1 CERTIFICATE OF REPORTER

2

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

5

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

13

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

18

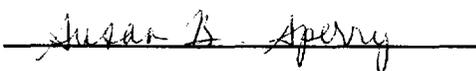
19 WITNESS MY HAND AND SEAL September 3, 1993.

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SUSAN B. SPERRY, RPR, CM
 CCR No. 156

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