

## NEW MEXICO OIL CONSERVATION DIVISION

STATE LAND OFFICE BUILDING

STATE OF NEW MEXICO

CASE NO. 10828

IN THE MATTER OF:

The Application of Santa Fe Energy  
Operating Partners, L.P., for an  
Unorthodox Gas Well Location and to  
Amend Order No. R-9904, Lea County,  
New Mexico.

BEFORE:

MICHAEL E. STOGNER

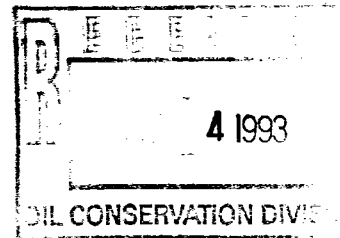
Hearing Examiner

State Land Office Building

Thursday, September 23, 1993

REPORTED BY:

CARLA DIANE RODRIGUEZ  
Certified Court Reporter  
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:

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BY: **JAMES BRUCE, ESQ.**

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1 EXAMINER STOGNER: At this time, we're  
2 going to break from the order of the docket, and  
3 we will call Case No. 10828, which is the  
4 application of Santa Fe Energy Operating  
5 Partners, L.P., for an unorthodox gas well  
6 location, and to amend Order No. R-9904, Lea  
7 County, New Mexico.

8 At this time, I'll call for  
9 appearances.

10 MR. BRUCE: Mr. Examiner, Jim Bruce  
11 representing the Applicant. I have two witnesses  
12 to be sworn.

13 EXAMINER STOGNER: Are there any other  
14 appearances in this matter?

15 Will the witnesses please stand to be  
16 sworn.

17 [And the witnesses were duly sworn.]

18 **CURTIS SMITH**

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

21 EXAMINATION

22 BY MR. BRUCE:

23 Q. Would you please state your name and  
24 city of residence for the record?

25 A. My name is Curtis Smith. I live in

1 Midland, Texas.

2 Q. Who do you work for and in what  
3 capacity?

4 A. Santa Fe Energy, as a landman.

5 Q. Have you previously testified before  
6 the Division as a landman?

7 A. Yes, I have.

8 Q. Were your credentials accepted as a  
9 matter of record?

10 A. Yes, they were.

11 Q. Are you familiar with the land matters  
12 involved in this case?

13 A. Yes, I am.

14 MR. BRUCE: Mr. Examiner, I tender Mr.  
15 Smith as an expert petroleum landman.

16 EXAMINER STOGNER: Mr. Smith is so  
17 qualified.

18 Q. Mr. Smith, what is the reason for this  
19 hearing?

20 A. Santa Fe force pooled the north half of  
21 Section 18, Township 20 South, Range 34 East, for  
22 a Morrow test well, and the Division entered  
23 Order No. R-9904 pooling the north half of  
24 Section 18, on June 4, 1993.

25 The north half of Section 18 is federal

1 land, and on February 3, 1993, Santa Fe had  
2 applied to the BLM for an APD for this well. On  
3 July 1, 1993, the BLM denied the APD due to  
4 possible potash mineralization at the proposed  
5 location.

6 Q. What is Exhibit 1?

7 A. Exhibit 1 is a copy of the BLM's letter  
8 denying approval of our orthodox location.

9 Q. Again, this denial had taken about five  
10 months, is that correct?

11 A. That's correct.

12 Q. Did Santa Fe apply for a new APD?

13 A. Yes. The BLM told Santa Fe the  
14 location of 2210 from the north line and from the  
15 east line was acceptable, so we applied for that  
16 location.

17 Q. What is Exhibit 2?

18 A. Exhibit 2 is a land plat indicating the  
19 well unit in the new proposed location.

20 Q. As far as the new proposed location,  
21 who are the offset operators?

22 A. The only offset operator is Oxy,  
23 U.S.A., Inc.; however, Santa Fe has a farmout on  
24 Oxy's acreage.

25 Q. And the Oxy acreage is in the south

1 half of Section 18?

2 A. South half of Section 18.

3 Q. Was Oxy notified of this hearing?

4 A. Yes, they were. Oxy was sent a letter  
5 on August 31, 1993.

6 Q. Is that attached to your affidavit  
7 regarding notice?

8 A. Yes, it is. You'll note that the  
9 certified return receipt to Oxy was not signed.  
10 We contacted Oxy, and they had received the  
11 letter and they sent us a letter awaiting their  
12 objection.

13 Q. Is Exhibit 4 a copy of their waiver  
14 letter?

15 A. Yes, it is.

16 Q. Exhibit 3 is your affidavit of notice?

17 A. Yes, it is.

18 Q. Does that also contain notice given to  
19 Larry Nermyr, N-E-R-M-Y-R, and Doyle Hartman?

20 A. Yes, they were parties pooled under  
21 Order No. R-9904.

22 Q. So the pooled parties were also  
23 notified of the request to amend the order?

24 A. That's correct.

25 Q. The Order No. R-9904 had a drilling

1 deadline. Was that deadline extended by the  
2 Division?

3 A. That was extended to November 1st.

4 Q. Is there any other deadline on November  
5 1st?

6 A. Yes. On the farmout from Oxy, the  
7 initial well requirement has been extended to  
8 November 1st, also.

9 Q. So you need to spud this well by  
10 November 1?

11 A. We need to spud it, not commence  
12 operations, but spud it by November 1st. We  
13 request that an order be entered before that  
14 date.

15 Q. Were Exhibits 1 through 4 prepared by  
16 you or under your direction?

17 A. Yes, they were.

18 Q. In your opinion, is the granting of  
19 this application in the interest of conservation  
20 and the prevention of waste?

21 A. Yes, it is.

22 MR. BRUCE: Mr. Examiner, I move the  
23 admission of Santa Fe Exhibits 1 through 4.

24 EXAMINER STOGNER: Exhibits 1 through 4  
25 will be admitted into evidence at this time.



## EXAMINATION

BY EXAMINER STOGNER:

Q. Mr. Smith, I don't seem to have a copy of Order No. R-9904. Was that application, was it site-specific, or was it for a standard location in the proration unit?

A. I believe it was for a standard location. Mr. Bruce, do you have a copy of that?

MR. BRUCE: Mr. Examiner, it was for a standard location, and here's a copy of the order, although paragraph 2 of the order, Mr. Examiner, does refer to the location 660 feet from the north line and 2130 feet from the east line.

EXAMINER STOGNER: Okay. And that's also put in the order, so it was site-specific.

Q. Okay. We had the north half form a 320-acre spacing unit for all formations, which included the undesignated well ridge Morrow and the undesignated Teas Pennsylvanian gas pool.

The northeast quarter, forming a 160, would that be the same, Mr. Smith?

MR. BRUCE: Yes. Excuse me, Mr. Examiner.

1 MR. SMITH: I think Mr. Bruce has  
2 something to comment on that.

3 MR. BRUCE: The well would remain in  
4 the northeast quarter, and that would need to be  
5 pooled, and Mr. Smith, I believe the 40-acre  
6 pooling would have to be changed from the  
7 northwest quarter of the northeast quarter, to  
8 the southwest quarter of the northeast quarter?

9 MR. SMITH: That's correct.

10 MR. BRUCE: For those same pools.

11 Q. Since I wasn't privy to that particular  
12 order, is there going to be any change with  
13 ownership to that new 40-acre proration unit?

14 A. No.

15 Q. Is it all in the same lease?

16 A. Yes. The north half is one base lease,  
17 one federal lease.

18 Q. I show on the Exhibit No. 2, that you  
19 handed me today, it seems like a 40-acre tract in  
20 the Teas Yates unit, Anadarko, operator. That  
21 might be true for the north half, but are there  
22 any others, or is that significant?

23 A. Well, since we're drilling to the  
24 Morrow, that unit just unitizes us to the Yates  
25 formation. So, the north half proration would

1 just be for the Morrow formation.

2 And also, at this location, we don't  
3 have the Yates rights at this 40 acres, being the  
4 southwest of the northeast, so we're not going to  
5 make a Yates well.

6 Q. You're not force pooling the  
7 Teas-Yates-Seven Rivers pool, is that correct,  
8 even though the order that you got--

9 A. Now that I think about it, it does. We  
10 can't, because I believe well No. 7 is producing  
11 from the Yates formation.

12 Q. I'm sorry, No. 7?

13 A. That's the reason we're moving this  
14 location. The BLM told us we had to be within  
15 150 feet from that No. 7 well. You can barely  
16 see it on this map. The well spot is right on  
17 this hatched, dotted line surrounding this main  
18 Teas-Yates unit. It's just above the No. 18.

19 Q. Okay. So that No. 7 well is a  
20 Teas-Yates-Seven Rivers?

21 A. Yes. It's producing from the Yates.

22 Q. And you're proposing to force pool the  
23 same acreage for an infill well?

24 A. No. Now that I think about it, no.

25 MR. BRUCE: We'll withdraw that

1 request.

2 EXAMINER STOGNER: Just for the Yates  
3 formation only?

4 MR. BRUCE: Yes. For your information,  
5 Mr. Examiner, at the last hearing, Mr. Smith's  
6 testimony was that Mr. Hartman owned .711 percent  
7 of the north half working interest, and Mr.  
8 Nermyr owned .0156 percent working interest in  
9 the north half.

10 EXAMINER STOGNER: Did you all break  
11 that down? Was that broken down to the northeast  
12 quarter?

13 MR. BRUCE: It was uniform throughout.

14 MR. SMITH: Throughout the north half.

15 EXAMINER STOGNER: And that would have  
16 been the same for the--

17 MR. BRUCE: It would be the same for  
18 the north half, northeast quarter, southwest of  
19 the northeast.

20 EXAMINER STOGNER: Okay. Mr. Bruce,  
21 what will your other witness be testifying to  
22 today?

23 MR. BRUCE: We have a geologist who  
24 will testify that, basically, that the reason for  
25 the unorthodox location is to remain in the

1 northeast quarter, as opposed to the northwest  
2 quarter.

3 EXAMINER STOGNER: Okay. With that, I  
4 don't have any other questions of Mr. Smith at  
5 this time. I may have some later.

6 MR. BRUCE: Call Mr. White to the  
7 stand.

8 DAVID WHITE

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

11 EXAMINATION

12 BY MR. BRUCE:

13 Q. Would you please state your name for  
14 the record.

15 A. David White.

16 Q. Where do you reside?

17 A. Midland, Texas.

18 Q. Who do you work for and in what  
19 capacity?

20 A. Santa Fe Energy Resources, as a  
21 petroleum geologist.

22 Q. Have you previously testified before  
23 the Division as a geologist?

24 A. Yes, I have.

25 Q. Were your credentials accepted as a

1 matter of record?

2 A. Yes, they were.

3 Q. Are you familiar with the geology in  
4 this area?

5 A. Yes.

6 Q. Did you testify at the original  
7 compulsory pooling case in this matter?

8 A. Yes, I did.

9 MR. BRUCE: Mr. Examiner, I tender Mr.  
10 White as an expert geologist.

11 EXAMINER STOGNER: Mr. White is so  
12 qualified.

13 Q. Mr. White, would you refer to Santa Fe  
14 Exhibit 5, and explain the reason for wanting to  
15 stay in the northeast quarter, in drilling your  
16 Morrow test well?

17 A. Okay. Exhibit 5 is an isopach map of  
18 the Lower Brushy Canyon net porosity. This is  
19 the primary objective in this prospect. Our  
20 present proposed location is where the red square  
21 is.

22 As you see, in the yellow, is the 20  
23 feet or greater sand, porosity greater than eight  
24 percent. Our intention is to stay in that area  
25 so as to reduce the risk of drilling a

1 noncommercial Morrow well.

2 As you go to the west, the Morrow  
3 porosity decreases rapidly.

4 Q. And your original location was just  
5 somewhat to the north/northeast of your currently  
6 proposed location?

7 A. Exactly.

8 Q. In your opinion, in order to adequately  
9 test the Morrow, you need to remain in the  
10 northeast quarter, geologically?

11 A. That's correct.

12 Q. In your opinion, will the granting of  
13 this application be in the interests of  
14 conservation and the prevention of waste?

15 A. Yes, it will.

16 Q. Was Exhibit 5 prepared by you or under  
17 your direction?

18 A. Yes, it was.

19 MR. BRUCE: Mr. Examiner, I tender  
20 Exhibit 5 into the record.

21 EXAMINER STOGNER: Exhibit 5 will be  
22 admitted into evidence.

23 EXAMINATION

24 BY EXAMINER STOGNER:

25 Q. Mr. White, in looking at Exhibit No. 2

1 and your Exhibit No. 5--well, let's go to Exhibit  
2 2. I'm looking at a well in the south half of  
3 Section 18 that's designated a gas well. Looks  
4 like there's a number "8" by it. On your map it  
5 looks like the same well, but it's P & A'd. Do  
6 you know anything about that well?

7 A. That's a dry hole. That was a dry  
8 hole.

9 Q. In what formation?

10 A. In the Yates. It was drilled to 3556.

11 Q. It looks like a gas well symbol.

12 A. Yeah. I'm looking at this, too, and I  
13 see it's got a couple of ticks off the bottom.  
14 But, if you notice the top, you don't see them up  
15 there where it says "8."

16 Q. Yes. So that was a shallow well?

17 A. Yes.

18 Q. There are no Morrow gas tests?

19 A. No, there are no Morrow gas wells or  
20 Morrow tests in this section.

21 Q. So, in fact, you're moving further away  
22 from some Morrow production, is that correct?

23 A. Yeah, due to the BLM.

24 Q. So, that shouldn't affect your risk  
25 penalty?



1           A.       No.

2                   EXAMINER STOGNER: I have no other  
3 questions of Mr. White or Mr. Smith.

4                   Mr. Bruce, do you have anything  
5 further?

6                   MR. BRUCE: Nothing further in this  
7 case, Mr. Examiner.

8                   EXAMINER STOGNER: Does anybody else  
9 have anything further in Case 10828?

10                   If not, this case will be taken under  
11 advisement.

12                   (And the proceedings concluded.)

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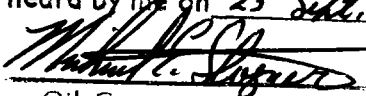
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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 10828,  
heard by me on 23 Sept. 1993.  
 , Examiner  
Oil Conservation Division

1  
2  
3 CERTIFICATE OF REPORTER4 STATE OF NEW MEXICO )  
5 ) ss.  
6 COUNTY OF SANTA FE )7 I, Carla Diane Rodriguez, Certified  
8 Court Reporter and Notary Public, HEREBY CERTIFY  
9 that the foregoing transcript of proceedings  
10 before the Oil Conservation Division was reported  
11 by me; that I caused my notes to be transcribed  
12 under my personal supervision; and that the  
13 foregoing is a true and accurate record of the  
14 proceedings.15 I FURTHER CERTIFY that I am not a  
16 relative or employee of any of the parties or  
17 attorneys involved in this matter and that I have  
18 no personal interest in the final disposition of  
19 this matter.20 WITNESS MY HAND AND SEAL September 30,  
21 1993.22  
23   
24 CARLA DIANE RODRIGUEZ, RPR  
25 CCR No. 4