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

IN THE MATTER OF THE HEARING )  
CALLED BY THE OIL CONSERVATION )  
DIVISION FOR THE PURPOSE OF )  
CONSIDERING: ) CASE NO. 10,980  
APPLICATION OF ODYSSEY PARTNERS, )  
LTD. )  
\_\_\_\_\_ )

8 1994

**ORIGINAL**

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

May 26, 1994

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Thursday, May 26, 1994, at Morgan Hall, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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I N D E X

May 26, 1994  
Examiner Hearing  
CASE NO. 10,980

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APPEARANCES

APPLICANT'S WITNESSES:

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\* \* \*

E X H I B I T S

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FOR THE DIVISION:

RAND L. CARROLL  
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Legal Counsel to the Division  
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FOR THE APPLICANT:

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Santa Fe, New Mexico 87504-2208  
By: WILLIAM F. CARR

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   9:45 a.m.:

3           EXAMINER CATANACH: At this time we'll call case  
4   10,980.

5           MR. CARROLL: Application of Odyssey Partners,  
6   Ltd., for a unit agreement and an unorthodox oil well  
7   location, Lea County, New Mexico.

8           EXAMINER CATANACH: Are there appearances in this  
9   case?

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

13          I represent Odyssey Partners, Ltd., and I have  
14   two witnesses.

15          EXAMINER CATANACH: Are there any other  
16   appearances?

17          Will the witnesses please stand to be sworn in?

18          (Thereupon, the witnesses were sworn.)

19                               PHILIP R. RICE,

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

22                               DIRECT EXAMINATION

23   BY MR. CARR:

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

25           A. My name is Philip R. Rice.

1 Q. Where do you reside?

2 A. Dallas, Texas.

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

4 A. I'm an independent landman and currently employed  
5 by Odyssey Petroleum.

6 Q. Have you previously testified before this  
7 Division?

8 A. No, I have not.

9 Q. Would you briefly review for Mr. Catanach your  
10 educational background and then summarize your work  
11 experience?

12 A. I was graduated at the University of Oklahoma in  
13 petroleum land management. I'm a certified professional  
14 landman. I have 14 years' experience.

15 Q. Mr. Rice, are you familiar with the Application  
16 filed in this case on behalf of Odyssey Partners, Ltd.?

17 A. Yes, I am.

18 Q. And are you familiar with the proposed Marigold  
19 Unit and the Kinsolving 7 Well Number 2?

20 A. Yes, I am.

21 MR. CARR: Mr. Catanach, at this time we tender  
22 Mr. Rice as an expert witness in petroleum land matters.

23 EXAMINER CATANACH: Mr. Rich is so qualified.

24 Q. (By Mr. Carr) Would you briefly state what  
25 Odyssey Partners seeks with this Application?

1           A.    Odyssey is seeking the approval of the Marigold  
2 Unit and approval of an unorthodox well location.

3           Q.    And the well we're talking about is the  
4 Kinsolving 7 Well Number 2?

5           A.    That is correct.

6           Q.    And what is the proposed unorthodox location for  
7 that well?

8           A.    The approximate location is 100 feet from the  
9 south line of -- excuse me, from the north line of Section  
10 7 and 2075 feet from the east line.

11          Q.    And this is in Township 12 South, Range 38 East?

12          A.    Correct.

13          Q.    In fact, you're just 100 feet from the offsetting  
14 tract to the north?

15          A.    That is correct.

16          Q.    Now, Mr. Rice, there are two 40-acre tracts that  
17 are being included in the proposed unit; is that right?

18          A.    That is correct.

19          Q.    And so the proposed well, the Kinsolving 7 Number  
20 2, is actually located just 100 feet off the center of the  
21 unit?

22          A.    Right.

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

25          A.    Yes, sir.

1 Q. Let's go to what has been marked Odyssey Exhibit  
2 Number 1. Would you identify this and review it for Mr.  
3 Catanach?

4 A. The Exhibit Number 1 is a land plat that depicts  
5 the 80-acre unit, 40 acres being in Section 6, which is a  
6 federal lease -- Yates Petroleum is the lessee -- and 40  
7 acres in Section 7, which is a fee tract.

8 Q. And the proposed location is also indicated on  
9 this exhibit?

10 A. Yes, sir, in the middle of the exhibit, in the  
11 middle of the tract.

12 Q. Let's go now to Exhibit Number 2. Will you  
13 identify this for the Examiner?

14 A. Exhibit 2 is the unit agreement for the Marigold  
15 Unit. Attached to that agreement as Exhibit B is an  
16 ownership breakdown.

17 Q. And this ownership breakdown shows both the  
18 working and royalty interests in the proposed unit?

19 A. Yes, sir, that is correct.

20 Q. Is this unit agreement on the recommended federal  
21 form?

22 A. Yes, sir.

23 Q. Has the unit area been designated by the Minerals  
24 Management Service as an area logically suited for  
25 development under a unit plan?

1           A.    We have been in touch with Mr. Lopez down there,  
2 and he has given his graces subject to the outcome of this  
3 hearing.

4           Q.    And has he agreed to provide you with a letter  
5 giving preliminary approval of the unit area?

6           A.    Yes, sir, he has.

7           MR. CARR:  Mr. Catanach, we were advised  
8 yesterday by Mr. Lopez that BLM would approve the unit  
9 area.  The letter has been mailed to us, and we will  
10 provide a copy to the Division as soon as it is received.

11          Q.    (By Mr. Carr)  Mr. Rice, what percentage of the  
12 interest ownership in the unit area has been voluntarily  
13 committed to this agreement?

14          A.    The partners of the agreement, Yates and Odyssey,  
15 Yates have executed it in all their capacities, the unit  
16 agreement, and with Odyssey's it will be 100 percent.

17          Q.    So there are no outstanding working interests  
18 that haven't been voluntarily been committed to this  
19 effort?

20          A.    That is correct.

21          Q.    Does Odyssey request to be designated unit  
22 operator?

23          A.    Yes, sir.

24          Q.    And what is the primary objective in this unit?

25          A.    The test will be a 12,000-foot Devonian.

1 Q. And what horizons are being unitized in this unit  
2 agreement?

3 A. We are proposing to unitize all formations from  
4 the surface to the base of the Devonian formation.

5 Q. How soon does Odyssey plan to drill the initial  
6 test well, or actually the only well in the unit?

7 A. The only well will be drilled prior to August 1st  
8 of this year.

9 Q. In your opinion, will approval of this  
10 Application be in the best interests of conservation, the  
11 prevention of waste and the protection of correlative  
12 rights?

13 A. Yes, sir.

14 Q. And all interest owners have, in fact,  
15 voluntarily committed to the development of the Devonian  
16 under this unit plan?

17 A. That is correct.

18 Q. Is Exhibit Number 3 a copy of an affidavit  
19 confirming that notice of this Application has been  
20 provided, as required by Oil Conservation Division rules?

21 A. That is correct, and it has notified all current  
22 record holders.

23 Q. Will Odyssey also call a geological witness to  
24 review the technical aspects of this Application?

25 A. Yes, sir, we will.

1 Q. Were Exhibits 1, 2 and 3 prepared by you or  
2 compiled under your direction?

3 A. They were.

4 MR. CARR: At this time, Mr. Catanach, I move the  
5 admission of Odyssey Partners, Ltd., Exhibits 1 through 3.

6 EXAMINER CATANACH: Exhibits 1 through 3 will be  
7 admitted as evidence.

8 MR. CARR: And that concludes my direct  
9 examination of Mr. Rice.

10 EXAMINATION

11 BY EXAMINER CATANACH:

12 Q. Mr. Rice, who is Robert B. Byron?

13 A. Robert Byron was an agent of Odyssey's that  
14 acquired farmout from Dwight Tipton, who's the current  
15 operator of record of Section 7.

16 Subsequent to that, Robert assigned all of his  
17 interests to Odyssey.

18 Q. What did you say the name of this well was?

19 A. This will be the Kinsolving 7.

20 Q. Can you spell that for me?

21 A. K-i-n-s-o-l-v-i-n-g.

22 Q. Okay.

23 A. It's my understanding is the current surface  
24 owner.

25 Q. Okay, Number 1?

1 A. Number 2, 7-2 Well.

2 Q. 7-2 Well. And the surface location is proposed  
3 to be 100 feet from the north line, 2075 feet from the east  
4 line?

5 A. Yes, sir.

6 EXAMINER CATANACH: Okay. I have nothing  
7 further. The witness may be excused.

8 MR. CARR: Mr. Catanach, at this time we call  
9 Jack Ahlen.

10 JACK AHLEN,  
11 the witness herein, after having been first duly sworn upon  
12 his oath, was examined and testified as follows:

13 DIRECT EXAMINATION

14 BY MR. CATANACH:

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

16 A. Jack Ahlen.

17 Q. And where do you reside?

18 A. Roswell, New Mexico.

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

20 A. Odyssey Partners, Ltd., in the capacity of  
21 consulting geologist.

22 Q. Mr. Ahlen, have you previously testified before  
23 this Division?

24 A. Yes, sir, I have.

25 Q. At the time of that testimony, were your

1 credentials as an expert witness in petroleum geology  
2 accepted and made a matter of record?

3 A. Yes, sir, they were.

4 Q. Are you familiar with the Application filed in  
5 this case on behalf of Odyssey Partners, Limited?

6 A. Yes, I am.

7 Q. And are you familiar with the area surrounding  
8 the proposed unit and the proposed unorthodox well  
9 location?

10 A. Yes, I am.

11 MR. CARR: Mr. Catanach, are the witness's  
12 qualifications acceptable?

13 EXAMINER CATANACH: They are.

14 Q. (By Mr. Carr) Mr. Ahlen, have you prepared  
15 exhibits for presentation here today?

16 A. Yes, sir.

17 Q. Could you refer to what has been marked Odyssey  
18 Exhibit 4 and identify this and review it for the Examiner?

19 A. Exhibit Number 4 is a structure map on the top of  
20 the Fusselman formation of the Gladiola field.

21 It extends through parts of Township 11 and 12  
22 South, 37 and 38 East, runs approximately five miles north-  
23 south and three miles east-west.

24 It shows the general structural configuration of  
25 the Gladiola field. It also shows the proposed unorthodox

1 location, which is marked by the large black arrow.

2 Q. What is the relationship of the Fusselman to the  
3 Devonian in this area?

4 A. I consider them to be synonyms.

5 Q. And so basically here what we're looking at is a  
6 depiction of the top of the Devonian?

7 A. Yes, sir.

8 Q. Let's go to Odyssey Exhibit 5. Will you identify  
9 this for Mr. Catanach?

10 A. Odyssey Exhibit Number 5 is two cross-sections,  
11 A-A' and B-B'. They run -- Each of them run east-west,  
12 immediately to the north of the proposed well and  
13 immediately south of the proposed well. A-A' is the wells  
14 to the north, and B-B' are the wells to the south.

15 The wells are named with the administrative  
16 details shown on the caption above each well, and the well  
17 name, location, elevation and such are noted on the top of  
18 each of those well tags.

19 Shown on the electric logs themselves are the  
20 formations which is called the top of the Mississippian  
21 lime, the top of the Woodford shale and the top of the  
22 Devonian formation.

23 These are structure cross-sections, and they are  
24 datumized on the minus-8000-foot-below-sea-level datum.

25 Immediately below each well are shown the

1 perforated interval, the initial potential of each of the  
2 wells, the completion date, the plugging date, and the  
3 cumulative production for each of those wells from the  
4 Devonian, and in one instance there's also some Wolfcamp  
5 production.

6 Q. This exhibit -- These cross-sections provide a  
7 general depiction of the Devonian in the subject area; is  
8 that right?

9 A. That is correct.

10 Q. Let's go now to Odyssey Exhibit Number 6. Will  
11 you identify and then review this exhibit for Mr. Catanach?

12 A. Odyssey Exhibit Number 6 is two illustrations as  
13 well, illustrations of the 3-D seismic lines, the critical  
14 ones that go through the well location. One is line 92 and  
15 the other is line 73 of the seismic survey that was run  
16 over a portion of the northern part of the Gladiola field.

17 We are looking at only a part of the record and  
18 that part of the section that is critical to the prospect.  
19 We're looking at the time interval 1.35 seconds to 1.65  
20 seconds, which includes the lower part of the Pennsylvanian  
21 formation, the Mississippian formation, and the top of the  
22 Devonian/Fusselman formation.

23 If you will note -- Excuse me, the illustration  
24 on the left is a north-south seismic line. The  
25 illustration on the right is an east-west seismic line.

1           On the extreme right of each of those  
2 illustrations, down near 1.600 seconds, are the letters  
3 DAP1. That is the symbol for the top of the Devonian  
4 formation.

5           The black cones that you see lined up there,  
6 essentially is a depiction of the surface of the Devonian  
7 formation on these two lines.

8           You'll note that there's -- On the right  
9 illustration there's a relatively straight line with a  
10 capital letter F at the top of that, and that means fault.  
11 The configuration that you see there is essentially showing  
12 a small pop-up fault block that causes the Devonian  
13 formation to be higher at that particular location than  
14 immediately adjacent to it.

15           Q. Mr. Ahlen, if we go to the top of this exhibit,  
16 there's an arrow at the top of each of the seismic lines,  
17 is there not?

18           A. Yes, that is the location of the proposed new  
19 well.

20           Q. If we go to the next exhibit, Exhibit Number 7 on  
21 the structure map, there also is a trace that shows the  
22 location of each of these seismic lines; is that also true?

23           A. That is correct.

24           Q. All right. Let's stay with Exhibit Number 7, and  
25 I'd ask you to first review the production history map on

1 the right-hand side of that exhibit, and then the structure  
2 map.

3 A. Thank you. There are two illustrations on  
4 Exhibit 7 as well.

5 The right-hand illustration is an administrative  
6 map in which it shows the -- It shows well names, it shows  
7 the locations of wells, it shows temporary or abandonment  
8 dates, it also shows cumulative production for the various  
9 formations that have produced in this area.

10 Dv. is an abbreviation for Devonian. Wc. is an  
11 abbreviation for Wolfcamp. Ms. is an abbreviation for  
12 Mississippian.

13 The previous exhibit cross-sections are shown on  
14 this map as A-A' and B-B'. The proposed location is also  
15 indicated on this map with the double circle.

16 On the left illustration of this exhibit is a 3-D  
17 seismic map illustrating the reason for the proposed new  
18 well.

19 The closing contour is the subsea datum of 8080,  
20 located entirely within the recommended unit area. You  
21 will note that the structural anomaly is divided  
22 approximately in half by the common section line between  
23 Section 6 and Section 7.

24 We propose that the income derived from  
25 production be divided essentially 50-50 on the basis of

1 this -- that half of the volume of the new part of the  
2 reservoir is in each section, and therefore appropriately  
3 belongs to those individuals owning rights in each of those  
4 two 40s in that proportion.

5 The proposed location is above the datum minus  
6 8020. We expect that this well will be approximately 60 to  
7 70 feet above or structurally higher than wells that have  
8 been drilled in the immediate vicinity and that the oil  
9 that was trapped in this small structure is still contained  
10 within what some people call the attic portion of this  
11 trap.

12 We feel as though a well drilled at that location  
13 will adequately drain this particular structure.

14 Q. Now, Mr. Ahlen, you've been involved with other  
15 efforts to develop the small Devonian pods?

16 A. Yes, sir.

17 Q. Do you have an opinion as to what the reservoir  
18 drive mechanism may be?

19 A. In the Fusselman formation it's primarily water  
20 drive.

21 Q. And is the proposed location at the highest  
22 possible location on this structure?

23 A. It is very near the highest possible location,  
24 within the quality of the data involved.

25 Q. And therefore, a well at this location would

1 enable Odyssey to produce the oil and not leave attic oil  
2 behind?

3 A. Correct.

4 Q. In your opinion, will approval of this  
5 Application result in the -- and the drilling of this well,  
6 result in the recovery of hydrocarbons that otherwise would  
7 not be recovered?

8 A. Yes, it is.

9 Q. Will the approval of the Application otherwise be  
10 in the best interests of conservation and the prevention of  
11 waste?

12 A. Yes, sir.

13 Q. Could you identify what has been marked as  
14 Odyssey Exhibit Number 8?

15 A. Yes. Exhibit Number 8 is a letter that I mailed  
16 to the Bureau of Land Management in reference to the  
17 Marigold Unit area, requesting their approval of the unit  
18 and specifying the details which we've just gone through.

19 Q. And this basically summarizes your geological  
20 presentation?

21 A. Yes, sir, it does.

22 Q. Were Exhibits 4 through 8 either prepared by you  
23 or compiled under your direction?

24 A. Yes, they were.

25 MR. CARR: At this time, Mr. Catanach, we move

1 the admission of Odyssey Exhibits 4 through 8.

2 EXAMINER CATANACH: Exhibits 4 through 8 will be  
3 admitted as evidence.

4 MR. CARR: That concludes my direct examination  
5 of Mr. Ahlen.

6 EXAMINATION

7 BY EXAMINER CATANACH:

8 Q. Mr. Ahlen, is that a north-south-running fault in  
9 that --

10 A. Yes.

11 Q. -- block?

12 Does that have any effect on the -- or influence  
13 on the proposed location? Is that a factor in choosing --

14 A. Well, the well is located sufficiently west of  
15 the location so that we don't actually penetrate the fault.  
16 Some people feel that if you actually penetrate the fault  
17 itself, it might be a little bit more tight there than  
18 otherwise.

19 Q. Basically, you're just trying to get at the  
20 highest position on the structure?

21 A. Yes, sir. You'll note that this -- All of the  
22 wells in this immediate vicinity have been plugged out in  
23 the Devonian formation, and there is no production  
24 offsetting this particular well at the present time from  
25 the Devonian Fusselman formation.

1           So this would be additional oil that would not be  
2 recovered any other way.

3           Q.    Is this structure map based solely on the 3-D  
4 seismic, or did that have other factors utilized, well  
5 control, well logs?

6           A.    Well, well logs were used to establish the basis  
7 for the 3-D survey.  In other words, the 3-D survey is  
8 standardized based on the subsurface data that you see in  
9 the wells immediately adjacent.

10           The 3-D survey itself was conducted over  
11 approximately four and a half miles in the northern part of  
12 the Gladiola field.  And of course I am presenting only two  
13 of those lines.  In a 3-D survey you run significantly more  
14 seismic lines than I have shown here.  You essentially run  
15 them on a spacing of about 110 feet between lines.  So you  
16 attempt to get a 3-D picture of the structure.

17           So this structure is based on significantly more  
18 seismic lines than I have presented here at this hearing,  
19 and we have selected only the ones that illustrate the  
20 critical part of the structure.  There were some lines that  
21 had -- were no help whatsoever to present this structure.

22           Q.    Are you pretty confident that the 3-D seismic  
23 tells you where the highest point on that structure is?

24           A.    Yes, sir.

25           Q.    Have you utilized it in a Devonian situation

1 before?

2 A. In other areas of southeastern New Mexico it has  
3 been used successfully, yes, sir.

4 Q. Do you know if there's much drift, drilling that  
5 deep in this area, wellbore drift?

6 A. Oh, yes, if you're not careful you will drift  
7 significantly in some areas.

8 We will limit the drift on this particular well,  
9 such that we are within a very small area of risk, or area  
10 of error.

11 Q. Is there any estimate of what kind of reserves  
12 you guys are looking at to recover from this well?

13 A. Yes, on the letter that -- On Exhibit 8 that I  
14 have written to the Bureau of Land Management, in the last  
15 paragraph I suggest that there might be as much as 650,000  
16 barrels of oil remaining to be recovered.

17 Q. This is essentially in a part of the pool that's  
18 already been depleted, wells have been plugged out; is that  
19 correct?

20 A. Yes.

21 Q. Which part of the Gladiola pool is still active,  
22 is --

23 A. Exhibit Number 4, the extreme southern part of  
24 the field, the highest part of the structure in the extreme  
25 southern part of the field, where the original discovery

1 wells were drilled back in the Fifties.

2 EXAMINER CATANACH: Okay. I have nothing of the  
3 witness.

4 MR. CARR: That concludes our presentation in  
5 this case, Mr. Examiner.

6 EXAMINER CATANACH: There being nothing further,  
7 Case 10,980 will be taken under advisement.

8 (Thereupon, these proceedings were concluded at  
9 10:13 a.m.)

10 \* \* \*

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14 I do hereby certify that the foregoing is  
15 a complete record of the proceedings in  
16 the Examiner hearing of Case No. 10980.  
17 heard by me on May 26 1998.  
David K. Catanach, Examiner  
18 Oil Conservation Division  
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