

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION
CASE 9845

COMMISSION HEARING

IN THE MATTER OF:

Application of Yates Energy Corporation
for Compulsory Pooling, Eddy County,
New Mexico.

TRANSCRIPT OF PROCEEDINGS

BEFORE: WILLIAM LEMAY, CHAIRMAN
WILLIAM WEISS, COMMISSIONER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

February 15, 1990

ORIGINAL

CUMBRE COURT REPORTING
(505) 984-2244

1 CHAIRMAN LEMAY: Good morning. I'm Bill
2 LeMay. This is Commissioner Bill Weiss, and
3 Commissioner Humphries will not be with us today, so
4 you'll just have two of the Terrible Three Bills.

5 This is the Oil Conservation Commission and
6 we are convening here to hear, first of all, Case
7 Number 9845.

8 MR. STOVALL: The application of Yates
9 Energy Corporation for compulsory pooling, Eddy
10 County, New Mexico. The Applicant requests this case
11 be dismissed.

12 CHAIRMAN LEMAY: Without objection, Case
13 Number 9845 will be dismissed.

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1 CERTIFICATE OF REPORTER

2
3 STATE OF NEW MEXICO)
4 COUNTY OF SANTA FE) ss.
5

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

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

17 WITNESS MY HAND AND SEAL February 28, 1990.

18 
19 CARLA DIANE RODRIGUEZ
20 CSR No. 91

21 My commission expires: May 25, 1991
22
23
24
25

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date: December 27, 1989Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
William F. Taylor	Campbell and Black, P.A.	Santa Fe
Bruce Hulse	Byram	Santa Fe
Sharon R. Hamilton	Vatco Energy Corporation	Redwell, NM
Dealy Carin	Modrall Law Firm	Alb, NM
Carl Anderson	Gates Energy Corp.	Roswell, NM.
Yandace Chitaka	Kellah Kellah & Hargray	Santa Fe
Perry Pearce	Montgomery & Andrews	Santa Fe
Ernest L. Prilla	Padilla & Snyder	Santa Fe
Billy Helms	Enron Oil & Gas Co	Midland, Tx
Gary L. Thomas	Enron Oil & Gas Co	Midland, Tx.
Anna Adams-Lane	Perkins Drilling	Houston
ANDREW N. HOYLE	ENRON OIL & GAS	HOUSTON

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

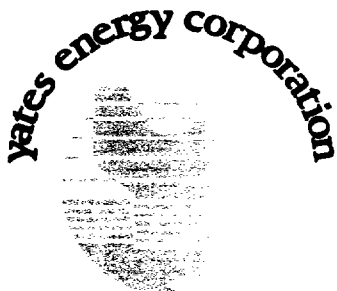
SANTA FE, NEW MEXICO

Hearing Date: December 27, 1989 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION

OIL CONSERVATION DIVISION
RECEIVED

'90 JUL 23 AM 9 09



July 19, 1990

State of New Mexico
Oil Conservation Division
P. O. Box 2099
Santa Fe, New Mexico 87504

Attention: Michael E. Stogner

Re: Case No. 9845
Order No. R-9093
Thornbush Federal #1
Eddy Co., NM,

Gentlemen:

Pursuant to the provisions of the captioned order, please be advised that all non-consenting parties, with the exception of Chevron USA, Inc., elected to participate in the drilling of the captioned well.

Total well costs involved in said drilling will be provided to your office for review in the near future.

Should you require additional information, please advise.

Yours very truly,

YATES ENERGY CORPORATION

Sharon R. Hamilton
Landman

SRH/jj

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
CASE 9845

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Energy Corporation
for Compulsory Pooling, Eddy County,
New Mexico

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

December 27, 1989

ORIGINAL

CUMBRE COURT REPORTING
(505) 984-2244

A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL
Attorney at Law
Legal Counsel to the Divison
State Land Office Building
Santa Fe, New Mexico

FOR THE APPLICANT: ERNEST L. PADILLA, ESQ.
Post Office Box 2523
Santa Fe, N.M. 87504-2523

FOR EXPLORERS PETROLEUM, WILLIAM F. CARR, ESQ.
SPIRAL, INC., & Campbell & Black, P.A.
HARVEY E. YATES CO. Post Office Box 2208
Santa Fe, N.M. 87504-2208

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YATES ENERGY CORPORATION:

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EXHIBIT 6 18

EXHIBIT 7 19

EXHIBIT 8 20

EXHIBIT 9 23

EXHIBIT 10 23

1 HEARING EXAMINER: I'll call next case, No.
2 9845, which is the application of Yates Energy
3 Corporation for compulsory pooling, Eddy County, New
4 Mexico. At this time I'll call for appearances.

5 MR. PADILLA: Mr. Examiner, I'm Ernest L.
6 Padilla of Santa Fe, New Mexico, for the Applicant. I
7 have two witnesses to be sworn.

8 MR. CARR: May it please the Examiner, my
9 name is William F. Carr with the law firm of Campbell
10 and Black, P.A., of Santa Fe. We represent Explorers
11 Petroleum Corporation, Spiral, Inc., and Harvey E.
12 Yates Company. I do not intend to call any
13 witnesses.

14 HEARING EXAMINER: Thank you, Mr. Carr.
15 Are there any other appearances? Will the witnesses
16 please stand to be sworn at this time.

17 (Thereupon, the witnesses were sworn.)

18 HEARING EXAMINER: Mr. Padilla?

19 SHARON R. HAMILTON

20 Called as a witness herein, after having been first
21 duly sworn upon her oath, testified as follows:

22 EXAMINATION

23 BY MR. PADILLA:

24 Q. Ms. Hamilton, for the record please state
25 your full name.

1 A. Sharon R. Hamilton.

2 Q. Ms. Hamilton, for whom do you work?

3 A. Yates Energy Corporation.

4 Q. What do you do with Yates Energy?

5 A. I'm a landman.

6 Q. Ms. Hamilton, have you previously testified
7 before the Oil Conservation Division as a petroleum
8 landman and had your credentials accepted as a matter
9 of record?

10 A. Yes, I have.

11 Q. Have you prepared certain exhibits for
12 introduction into this hearing today?

13 A. Yes, sir, I have.

14 Q. Ms. Hamilton, can you briefly tell us what
15 the purpose of the hearing is today?

16 A. We are requesting a standard 40-acre
17 proration force-pooling order.

18 Q. And that comprises what acreage?

19 A. The southeast of the southwest quarter of
20 Section 1, in Township 18 South, Range 31 East.

21 Q. Let me refer you to what we have marked as
22 Exhibit NO. 1 and have you identify that for the
23 Examiner, please.

24 A. Yes, sir. That is a land plat covering the
25 18 South, 31 East. The southeast of the southwest is

1 indicated in yellow in Section 1.

2 Q. Anything further concerning this exhibit?

3 A. No, sir.

4 Q. Ms. Hamilton, you have--well, tell us first
5 what efforts you have made to voluntarily pool this
6 particular 40-acre proration unit?

7 A. We've submitted AFEs and operating
8 agreements and requested participation. We've also
9 requested farmout from those parties not interested in
10 participating.

11 Q. Let me refer you to what we've marked as
12 Exhibit No. 2 and have you identify that for the
13 Examiner.

14 A. Yes, sir. This is an ownership listing of
15 the acreage involved in this request, and it indicates
16 the exact ownership and who has committed and who has
17 failed to respond or has not elected to participate.

18 Q. And which of those parties or entities are
19 you seeking to force pool at this hearing?

20 A. The Heyco Employees, Ltd., Explorers
21 Petroleum Corporation, Spiral, Inc., W. T. Wynn and
22 Chevron USA, Inc.

23 Q. Ms. Hamilton, perhaps it's best to go to
24 Exhibit No. 3 and have you tell us what that is and
25 what it contains?

1 A. These are copies of the various
2 correspondence and notices that have been sent to the
3 entities owning an interest in this acreage.

4 Q. Now, go ahead and go through Exhibit 3 and
5 tell us which of those entities you have sent
6 correspondence to.

7 A. Okay. We've sent letters to Harvey E.
8 Yates Company proposing the initial well; we've also
9 submitted AFEs and operating agreements to Harvey E.
10 Yates Company.

11 Q. Did Harvey E. Yates Company agree to
12 participate?

13 A. Yes, sir, they have elected to participate.

14 Q. What other correspondence have you sent to
15 the other nonparticipating interest owners?

16 A. We've also sent them AFEs and requests to
17 participate. They've also received notices of the
18 hearing and of the date of the hearing.

19 Q. Who sent these parties notices of the
20 hearing?

21 A. The initial notice was sent by the Losee,
22 Carson Law Firm of the application.

23 Q. Now, you filed an amended application in
24 this case. Why did you do that?

25 A. There was an error in the initial

1 application describing the entire Section 1, and we
2 were only requesting an application for the 40 acres.

3 Q. Your applications state that the location
4 is going to be 1930 from the west line and 330 feet
5 from the south line of Section 1. Is that a standard
6 location?

7 A. Yes, sir, it is.

8 Q. Is that, in fact, the location that you're
9 going to actually drill the well?

10 A. Actually, the location will probably have
11 to be moved, for topographic reasons, to 1980 from the
12 west line and possible 400 from the south line.

13 Q. And what's the nature of the topographic
14 problems?

15 A. There are some existing right-of-ways of
16 pipeline in the area.

17 Q. Okay. Is that location still going to be a
18 standard location?

19 A. Yes, sir, it will still be standard in the
20 southeastern and southwest quarter.

21 Q. Ms. Hamilton, let's go on to Exhibit No. 4
22 and tell us what that is.

23 A. Exhibit No. 4 is just a summary of the
24 correspondence and the telephone calls that I have
25 personally made in regard to this drilling.

1 Q. Have you been primarily in charge, for
2 Harvey E. Yates, for seeking voluntary joinder for--

3 A. For Yates Energy Corporation?

4 Q. Yes, for Yates Energy Corporation.

5 A. Yes, I have.

6 Q. I knew I would make that mistake. At any
7 rate, you have been involved in all those
8 communications, whether oral or written?

9 A. Yes, sir, I have.

10 Q. Have there been any concerns expressed to
11 you with regard to the drilling of the well, other
12 than having had no response from the nonparticipating
13 interest owners?

14 A. There was a question on our desired
15 location, but that was the only response that we
16 received.

17 Q. Was that response made by the
18 nonparticipating owners?

19 A. Yes, sir.

20 Q. Ms. Hamilton, let's go on to Exhibit 5 and
21 tell us what that is?

22 A. That is the AFE that was originally
23 proposed for the drilling of the well.

24 Q. Does that AFE reflect reasonable well costs
25 for drilling of the well to the Bone Springs

1 formation?

2 A. Yes, sir. That has been established in
3 this area.

4 Q. By whom has that been established?

5 A. Harvey E. Yates Company.

6 Q. Now, did Harvey E. Yates company sign a
7 similar AFE?

8 A. Yes, sir, they did.

9 Q. Do you have anything further concerning
10 your AFE?

11 A. No, sir, I do not.

12 Q. Ms. Hamilton, should the Division approve
13 this application, is it the desire of Yates Energy to
14 be named the operator of the well?

15 A. Yes, sir, it is.

16 Q. Now, can you give us a recommendation as to
17 what type of overhead charges you desire that a
18 Division Order contain, should the application be
19 approved; first, for a producing well rate and then
20 for a drilling well rate?

21 A. We have requested a \$550 producing well
22 rate and \$5,500 drilling rate.

23 Q. Where did you obtain these figures?

24 A. These were the most current figures used by
25 another operator in this vicinity.

1 Q. And who is that other operator?

2 A. Harvey E. Yates Company.

3 Q. Does Harvey E. Yates Company operate wells
4 in this area?

5 A. Yes, sir, they do.

6 MR. PADILLA: Ms. Hamilton, I believe
7 that's all the questions I have of you.

8 At this time we would introduce Exhibits 1
9 through 5, Mr. Examiner, and I would tender the
10 witness for cross-examination.

11 HEARING EXAMINER: Exhibits 1 through 5
12 will be admitted into evidence at this time.

13 For the record, Mr. Carr, who are you
14 representing today?

15 MR. CARR: We're representing Heyco, Spiral
16 and Explorers.

17 HEARING EXAMINER: Okay. When you say
18 "Heyco," are you representing--

19 MR. CARR: Harvey E. Yates Company.

20 HEARING EXAMINER: Okay. And how about the
21 Heyco Employees, Ltd.?

22 MR. CARR: We are.

23 HEARING EXAMINER: So you're representing
24 all four of those?

25 MR. CARR: Yes, we are.

1 HEARING EXAMINER: Your witness, Mr. Carr.

2 EXAMINATION

3 BY MR. CARR:

4 Q. Ms. Hamilton, my question is concerning the
5 location of the well. The application that I've seen
6 had a location 1930 from the west line and 330 from
7 the south. The November 14 letter to other interest
8 owners had a location 1980 from the west, 330 from the
9 south, and today we have a location, I understand, 400
10 from the south and 1980 from the west; is that
11 correct?

12 A. Yes, sir.

13 Q. Is the 1980 from the west and 400 from the
14 south line, is that a final location or is that still
15 under consideration?

16 A. It is still under consideration. We'll
17 have to further verify the pipeline right-of-way that
18 is in existence at this time.

19 Q. Are you also trying to keep the well a half
20 mile from existing production in the area?

21 A. Yes, sir.

22 Q. At the present time, is there seismic or
23 any other work being conducted to confirm a location?

24 A. Yes, sir, it's our understanding that
25 there's seismic work being conducted.

1 Q. Is that being done by--and if you don't
2 know, tell me--is that being done by Yates Energy
3 Corporation or someone else?

4 A. No, sir. It's being conducted by Chevron.

5 Q. Will you have access to that?

6 A. Yes, sir, we will.

7 Q. And will the other interest owners in the
8 project also have access to that?

9 A. They all have the option to elect to
10 participate.

11 Q. Will they have access to that seismic, do
12 you know, before they make that election?

13 A. Well, I believe that if they elected to pay
14 their proportionate share of the cost of the seismic,
15 they will be entitled to the information.

16 Q. You indicated, I think, that Heyco had
17 agreed to participate in the project?

18 A. Yes, sir, they did.

19 Q. Was that agreement under protest?

20 A. They protested the location.

21 Q. Was a farmout request made to Spiral and
22 Explorers, as well as the other interest owners?

23 A. I directly did not make one.

24 Q. Do you have any other information on that?

25 A. No, sir.

1 Q. Would anyone else with your company have
2 made that farmout offer?

3 A. It might have been possible that my boss,
4 Fred Yates, might have directed that.

5 Q. But you don't know?

6 A. I don't have direct knowledge.

7 MR. CARR: That's all I have. Thank you.

8 EXAMINATION

9 BY MR. STOGNER:

10 Q. Ms. Hamilton, about the location, this is
11 on federal acreage, is that right?

12 A. Yes, sir, it is.

13 Q. This 400 from the south and 1980 from the
14 west, has that been approved by the BLM or has
15 archaeological work been done on that well site?

16 A. We have done archaeological survey to the
17 1980/330 location. But if it is determined that it's
18 necessary to go 400 feet, we'll have to do an
19 additional survey.

20 Q. Okay. Now, you mentioned topography
21 reasons because of the move from the original
22 location. What were those topography problems?

23 A. There's an existing pipeline in the area
24 and we were trying to avoid any disturbance of the
25 right-of-way.

1 Q. When I go to Exhibit No. 3, the first page
2 is the September 1st letter to Harvey E. Yates
3 Company, and then the third page is the November 14th
4 Explorers Petroleum Corporation, Spiral, Heyco, I
5 guess that's one single entity to that particular
6 Roswell address, is that correct?

7 A. Yes, sir.

8 Q. Was there any communication prior to
9 November 14th to these three parties?

10 A. There was a telephone notification. All of
11 these entities are located in the same complex.

12 Q. Okay. But as far as written notification,
13 there was none prior to November 14th?

14 A. No, sir, not a formal written location.

15 Q. When was your first contact made
16 with--written contact--made with the Wynn and the
17 Chevron group?

18 A. Chevron's initial notification was November
19 6th--I'm sorry. Excuse me. It was September 22nd,
20 was the initial well proposal.

21 Q. And that is part of your Exhibit 3, is that
22 correct?

23 A. Yes, sir, it should be.

24 Q. I think I found it here whenever I asked
25 the question. But, anyway, I do have it in front of

1 me. And the Wynn interests?

2 A. November 7th.

3 Q. Have you received any response from the
4 Wynn interests?

5 A. I've spoken to him, but he had not made a
6 decision at the time.

7 Q. When did you speak to him last?

8 A. It was the first part of December.

9 Q. Okay. On your overhead charges you had
10 mentioned, I believe that's \$5,500 drilling and \$550
11 producing, is that correct?

12 A. Yes, sir.

13 Q. You referred to a recent well drilled by
14 the Harvey E. Yates Company for where those figures
15 had come from?

16 A. Yes, sir.

17 Q. That particular Harvey E. Yates well, was
18 that drilled to the same depth in the Bone Springs
19 formation?

20 A. Yes, sir, it's in that Bone Springs field.

21 Q. Was it a part of force pooling or had
22 everybody agreed to that particular well?

23 A. I believe it was voluntarily.

24 Q. Do you know if the same parties as you're
25 force pooling today agreed to Harvey Yates Company's

1 wells, or was there some other interest involved?

2 A. I'm not exact on that.

3 HEARING EXAMINER: Are there any other
4 questions of this witness? If not, she may be--

5 MR. PADILLA: No further questions, Mr.
6 Examiner.

7 HEARING EXAMINER: Thank you, Mr. Padilla,
8 if not, Ms. Hamilton may be excused.

9 MR. PADILLA: Call Mr. Anderson at this
10 time.

11 CURTIS A. ANDERSON

12 Called as a witness herein, having been first duly
13 sworn upon his oath, testified as follows:

14 EXAMINATION

15 BY MR. PADILLA:

16 Q. Mr. Anderson, state your full name, please.

17 A. Curtis A. Anderson.

18 Q. Mr. Anderson, you're a petroleum geologist?

19 A. Yes.

20 Q. Have you previously testified before the
21 Oil Conservation Division and had your credentials
22 accepted as a petroleum geologist?

23 A. Yes, I have.

24 Q. Have you prepared certain exhibits,
25 geologic exhibits, for introduction at this hearing

1 today?

2 A. Yes, I have.

3 MR. PADILLA: Mr. Examiner, we tender Mr.
4 Anderson as an expert petroleum geologist.

5 HEARING EXAMINER: Mr. Anderson is so
6 qualified.

7 Q. Mr. Anderson, let's jump right into your
8 Exhibit No. 6 and have you identify that for the
9 Examiner, please.

10 A. Exhibit No. 6 is a production map of the
11 objective prospect area. The wells circled in green
12 are producers from the primary objective, first Bone
13 Springs carbonate interval. The circles colored in
14 yellow are producers from the second Bone Springs
15 sand, which is a secondary objective in the proposed
16 locations in the southwest--excuse me, the southeast
17 quarter of the southwest quarter of Section 1, and it
18 is a red square on the map.

19 The cluster of wells on the left, which is
20 west, comprises the Tamano Bone Spring fields, and the
21 cluster of wells on the right, which is on the East,
22 is the Young Norre Bone Spring field. And the dashed
23 line is the trace of cross-section A-A prime, which
24 goes through the proposed location and is the subject
25 of the next exhibit.

1 Q. Mr. Anderson, you have outlined Section 1
2 in yellow. Is there any particular significance to
3 that outline?

4 A. Only in the fact that I think the working
5 interest owners at the proposed location is consistent
6 throughout the Section, and this is the area that
7 Yates Energy Corporation has an interest in.

8 Q. Is that in line with the Exhibit No. 2 that
9 we previously introduced?

10 A. Yes.

11 Q. Is that all you have on Exhibit No. 6?

12 A. Yes.

13 Q. Let's go on to Exhibit No. 7, please, and
14 have you tell the Examiner what that is.

15 A. Exhibit No. 7 is a stratigraphic
16 cross-section A-A prime, with west on your left, east
17 on your right. This cross-section is hung on the top
18 of the first Bone Springs sand.

19 The purple line is the top is the First
20 Bone Spring Carbonate, which is the primary objective
21 at the proposed location. Within the first Bone
22 Spring carbonate you have labeled the Thornbush
23 Dolomite Interval and the Young Deep Dolomite
24 Interval, and these intervals are colored in green.
25 These are the primary objectives and producing pay

1 zones within the first Bone Spring carbonate.

2 Q. Mr. Anderson, does this green correspond
3 with the green-colored wells in the Exhibit No. 6?

4 A. That's correct.

5 Q. Okay. Go ahead, Mr. Anderson.

6 A. Okay. What's colored in red is porosity or
7 neutron porosity greater than or equal to six percent,
8 and this is the subject of the next exhibit, which is
9 an isopach of this porosity.

10 Q. Are you ready to go on to the next exhibit
11 now?

12 A. I would also like to point out what is
13 labeled Structural Datum, and that is the correlation
14 point that the final exhibit, which is a structure
15 map, is contoured on.

16 Q. Okay. Let's go on now to Exhibit 8.

17 A. Exhibit No. 8 also shows the green circles
18 which are producers from the First Bone Spring
19 Carbonate and the--of course, the contour lines
20 represent the isopach of the porosity that was shown
21 on the cross-section.

22 Now, if you'll note the general east/west
23 trend of porosity fix, these represent dolomite
24 detrital wedges--these are wedges that collected on
25 the fore-reef side of the ABO reef. Now, the ABO reef

1 is subparallel to this east/west trend and is located
2 just off the map area from one and a half to two and a
3 half miles to the north.

4 These dolomite detritals collected on the
5 fore-reef side of the reef and present this east/west
6 trend.

7 Q. Is that a general east/west trend?

8 A. Yes, sir.

9 Q. Okay.

10 A. In reference to the risk in drilling for
11 this as an objective, I would like to point out the
12 well that's located in the northwest of the northwest
13 of Section 9, of 18 South, 32 East, is a producing
14 well from the First Bone Spring Carbonate Interval.
15 It has produced 205,000 barrels of oil; and the
16 subsequent west offset, located in the northeast to
17 the northeast of Section 8, was a dry hole. You can
18 see that the porosity interval thinned in that
19 direction and no commercial production was established
20 in that particular zone.

21 Q. Mr. Anderson, in looking at your exhibits
22 and going back to Exhibit No. 6, wouldn't it be
23 possibly more prudent to drill a well in the southwest
24 quarter of the southwest quarter of Section 1?

25 A. No, sir. That would enhance your

1 possibilities of completing in this Second Bone Spring
2 sand interval, which is the secondary objective here.
3 That, we don't feel, is a commercially viable
4 objective for drilling at this depth in this area. It
5 makes a good secondary objective or bail-out zone.

6 We anticipate, and of course the isopach
7 map shows it, that the depositional situation at the
8 proposed location is very similar to the situation you
9 see just over to the east and contoured in the young
10 North Bone Springs Field. We feel that moving east,
11 away from those wells in Section 2, of 18 South, 31
12 East, will stay within the depositional--the thick
13 depositional porosity zone, and will encounter good
14 Bone Spring carbonate reservoir and justify the
15 drilling of the well.

16 Q. And again, is that because you want to
17 drill the upper zone, or your primary target is the
18 upper zone?

19 A. That's correct.

20 Q. In other words, you want to drill a green
21 well?

22 A. That's right. We would like to end up with
23 a green circle.

24 Q. Do you have anything further concerning
25 this exhibit so far? Are you ready to move now to

1 Exhibit No. 9?

2 A. Yes, sir.

3 Q. Okay. Let's go to Exhibit No. 9 and have
4 you identify that, please, for the Examiner.

5 A. Exhibit No. 9 is a structure map, and again
6 this is drawn on top of what is labeled Structural
7 Datum on the cross-section, which is also the top of
8 the young deep dolomite.

9 Indicated in purple on there is just an
10 outline of the deposition as we saw it from the
11 isopach map. We note that the proposed location is on
12 structural strike with those first Bone Spring
13 carbonate producers in the Tamano Field located just
14 immediately to the southwest, and should be within the
15 thick porosity interval within the first Bone Spring
16 dolomite.

17 Q. Anything further on this exhibit, Mr.
18 Anderson?

19 A. No, sir.

20 Q. Let's go on now to your final Exhibit No.
21 10, and identify that for the Examiner, please?

22 A. Exhibit No. 10 is simply a summary of the
23 testimony I have just given.

24 Q. Mr. Anderson, would approval of this
25 application be in the best interest of conservation of

1 oil and gas, in your opinion?

2 A. Yes.

3 MR. PADILLA: Mr. Examiner, we tender
4 Exhibits 6 through 10, and we pass the witness at this
5 time.

6 HEARING EXAMINER: Exhibits 6 through 10
7 will be admitted into evidence.

8 EXAMINATION

9 BY MR. STOGNER:

10 Q. Mr. Anderson, you show a plugged and
11 abandoned or a dry well in the southeast-southeast of
12 Section 1. Was that a Bone Springs test?

13 A. No, sir. It was a shallow test.

14 Q. When you say "shallow," did it not
15 penetrate the Bone Spring?

16 A. No, sir.

17 Q. Now, to the south in Section 12 there are
18 also several--well, let's look at those dry hole
19 markers throughout Sections 7, 12 and 13. Are those
20 all shallow, dry wells that did not penetrate the Bone
21 Springs?

22 A. All the dry hole markers?

23 Q. Yeah, in Sections 7 and 12 especially.

24 A. Okay. Note the well in the southeast of
25 the northwest. It was a penetration.

1 Q. And that's in Section 7, right?

2 A. Yes. I'm sorry, yes, in Section 7; and the
3 dry hole marker in the southwest of the southwest of
4 Section 12. On the production map it shows up as a
5 dry hole. And that was a recently drilled dry hole
6 location. The other wells are not deep enough.

7 Q. Did you use some seismic information to
8 interpret this area between the two pools--

9 A. No, sir.

10 Q. --the North Young and the--how do you
11 pronounce that, Tamano?

12 A. Tamano. Tamano. No, sir, I haven't.

13 HEARING EXAMINER: Mr. Carr, do you have
14 any questions of this witness?

15 MR. CARR: Yes, I have just a couple.

16 HEARING EXAMINER: Mr. Carr.

17 EXAMINATION

18 BY MR. CARR:

19 Q. Mr. Anderson, we've had several locations
20 mentioned as this prospect has developed. In your
21 opinion, would any of the locations that have been
22 discussed be less risky than any other?

23 A. No, sir.

24 Q. So the movement that you're considering
25 would not affect the risk?

1 A. No, sir.

2 Q. In terms of the seismic work that's
3 currently being run by Chevron, has Yates Energy paid
4 its share and will have access to that before you
5 actually spud?

6 A. Before we actually spud, yes.

7 Q. Will that line actually connect those two
8 areas depicted on your Exhibit No. 6?

9 A. Yes, sir.

10 Q. So you will have that additional
11 information before you go forward?

12 A. We'll have that information before the well
13 should be spud. I'm not sure where they are at this
14 time in conducting this seismic survey.

15 Q. But you don't plan to spud until you get to
16 see it?

17 A. We plan to spud whenever we have our
18 ruling.

19 Q. Would you do that before you have the
20 seismic data to review to confirm the location?

21 A. That's correct.

22 MR. CARR: That's all I have.

23 HEARING EXAMINER: Thank you Mr. Carr. Mr.
24 Padilla, do you have any other questions?

25 MR. PADILLA: No further questions.

1 HEARING EXAMINER: Mr. Padilla, either I
2 missed it or it wasn't covered, about the risk penalty
3 factor.

4 MR. PADILLA: I'll ask that.

5 EXAMINATION

6 BY MR. PADILLA:

7 Q. Mr. Anderson, you mentioned something in
8 your testimony concerning the risk of this well, but I
9 failed to ask you what risk penalty you recommend.

10 A. I recommend the 200 percent, or maximum.

11 MR. PADILLA: No further questions.

12 HEARING EXAMINER: Thank you, Mr. Padilla.
13 Mr. Carr, do you have any questions concerning the
14 risk penalty?

15 MR. CARR: No questions.

16 HEARING EXAMINER: Neither do I. Mr.
17 Anderson, you may be excused. Mr. Padilla, do you
18 have anything else?

19 MR. PADILLA: Nothing else.

20 HEARING EXAMINER: Mr. Carr, do you have
21 anything further?

22 MR. CARR: Nothing further, Mr. Examiner.

23 HEARING EXAMINER: Does anybody else have
24 anything further in Case No. 9845? If not, this case
25 will be taken under advisement.

1 Let's take about a five-minute recess to
2 prepare for the next case.
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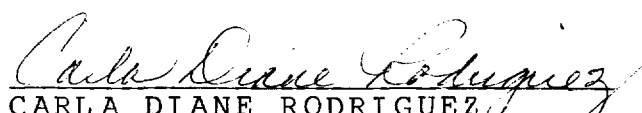
1 CERTIFICATE OF REPORTER

2
3 STATE OF NEW MEXICO)
4 COUNTY OF SANTA FE) ss.
5

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


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

17 WITNESS MY HAND AND SEAL December 28, 1989.

18 
19 CARLA DIANE RODRIGUEZ
20 CSR No. 91

21 My commission expires: May 25, 1991

22 I certify that the foregoing is
23 a true and accurate transcript of the proceedings in
24 the Oil Conservation Division of Case No. 9845,
25 heard by me on 27 December 1989.

 Examiner
Oil Conservation Division