

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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

CASE 9948

EXAMINER HEARING

IN THE MATTER OF:

Application of Chevron U.S.A., Inc., for a Non-
Standard Gas Proration Unit and an Unorthodox Gas
Well Location, Lea County, New Mexico.

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

May 30, 1990

ORIGINAL

A P P E A R A N C E S

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

FOR THE DIVISION:

ROBERT G. STOVALL
Attorney at Law
Legal Counsel to the Division
State Land Office Building
Santa Fe, New Mexico

FOR THE APPLICANT:

CAMPBELL & BLACK, P.A.
Attorneys at Law
By: WILLIAM F. CARR
Suite 1 - 110 N. Guadalupe
P.O. Box 2208
Santa Fe, New Mexico 87504-2208

* * *

1	I N D E X	
2		Page Number
3	Appearances	2
4	Exhibits	3
5	RICHARD JONES	
6	Examination by Mr. Carr	4
7	Examination by Examiner Catanach	11
8	Certificate of Reporter	14
9	* * *	
10	E X H I B I T S	
11	APPLICANT'S EXHIBITS:	
12	Exhibit 1	6
13	Exhibit 2	8
14	Exhibit 3	9
15	Exhibit 4	10
16	* * *	
17		
18		
19		
20		
21		
22		
23		
24		
25		

1 WHEREUPON, the following proceedings were had
2 at 9:09 a.m.:

3 EXAMINER CATANACH: At this time we'll call
4 Case 9948.

5 MR. STOVALL: Application of Chevron U.S.A.,
6 Inc., for a nonstandard gas proration unit and an
7 unorthodox gas well location, Lea County, New Mexico.

8 EXAMINER CATANACH: Appearances in this case?

9 MR. CARR: May it please the Examiner, my
10 name is William F. Carr with the law firm Campbell and
11 Black, P.A., of Santa Fe.

12 We represent Chevron U.S.A., Inc., and I have
13 one witness.

14 EXAMINER CATANACH: Any other appearances?

15 Will the witness please stand and be sworn
16 in?

17 RICHARD JONES,

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

20 EXAMINATION

21 BY MR. CARR:

22 Q. Will you state your full name for the record,
23 please?

24 A. Richard Jones.

25 Q. Mr. Jones, by whom are you employed?

1 A. Chevron U.S.A.

2 Q. And in what capacity?

3 A. As a development geologist.

4 Q. Where do you reside?

5 A. Hobbs, New Mexico.

6 Q. Have you previously testified before the Oil
7 Conservation Division?

8 A. No, I have not.

9 Q. Could you briefly review your educational
10 background and summarize your work experience?

11 A. I've got a bachelor's degree in geology from
12 the University of Texas, Permian Basin.

13 I worked for 11 years for Chevron, the last
14 nine as a development geologist, the latter five years
15 in Hobbs, New Mexico.

16 Q. Does your geographic area of responsibility
17 with Chevron include the portion of southeastern New
18 Mexico involved in this case?

19 A. It does.

20 Q. Are you familiar with the Application filed
21 on behalf of Chevron?

22 A. I am.

23 Q. Are you familiar with the subject area?

24 A. I am.

25 MR. CARR: We tender Mr. Jones as an expert

1 witness in petroleum geology.

2 EXAMINER CATANACH: He is so qualified.

3 Q. (By Mr. Carr) Mr. Jones, what does Chevron
4 seek with this Application?

5 A. We seek application for a nonstandard gas
6 proration unit at an unorthodox gas well location. The
7 unit will comprise the northeast quarter and north half
8 of the northwest quarter of Section 34, Township 19
9 South, Range 36 East, Lea County, New Mexico.

10 Q. And you propose to drill a new well on that?

11 A. Yes, we do.

12 Q. That's your J.W. Smith Well Number 7?

13 A. That is correct.

14 Q. And the location is 1900 from the north line
15 and 660 from the east line; is that right?

16 A. That is correct.

17 Q. Have you prepared certain exhibits for
18 presentation in this case?

19 A. I have.

20 Q. Could you refer to what has been marked as
21 Chevron Exhibit Number 1, identify that and review it
22 for Mr. Catanach?

23 A. This is a structure map on top of the Queen
24 Formation, showing our structural position and the
25 structural dip to the west on our lease.

1 The red dot indicates the approximate
2 location of the J.W. Smith Number 7. The open circles
3 represent existing Eumont gas wells.

4 Q. Offsetting ownership is also indicated on
5 this plat?

6 A. It is.

7 Q. And the spacing unit that you are proposing
8 is highlighted in yellow?

9 A. Yes, it is.

10 Q. Has there been prior Eumont development on
11 this acreage?

12 A. It has in the past, the existing location,
13 the Northwest Eumont Number 153, in the northeast
14 corner of Section 34.

15 Q. And what acreage was dedicated to that well?

16 A. The east half of the northwest quarter of
17 Section 34, that 80-acre proration unit.

18 Q. And what is the current status of that well?

19 A. It is a unit well for the Northwest Eumont
20 Oil -- Waterflood. It's an injector.

21 Q. What does this structure map show you about
22 the proposed unorthodox location?

23 A. The proposed unorthodox location, we are
24 presenting -- we're trying to get a maximum structural
25 elevation on our proposed well.

1 As you can see from the structure map, there
2 is a steep structural gradient going to the west, and a
3 lot of the Penrose pay of the Eumont Pool dips
4 structurally into the oil column.

5 Q. If you move this well to the west, do you run
6 the risk of having a poorer well because you are moving
7 into --

8 A. Yes.

9 Q. -- that oil column?

10 A. Yes, we do. We lost gas pay in the Penrose.

11 Q. What is the status of Chevron's working-
12 interest ownership under the proposed proration unit?

13 A. It's a hundred percent.

14 Q. All right, Mr. Jones, let's now go to Chevron
15 Exhibit Number 2. Would it be easier to work with it
16 at the table, or do you want to put it up?

17 A. It would be easier to put it up.

18 (Off the record)

19 Q. (By Mr. Carr) Would you identify now what
20 has been marked as Chevron Exhibit Number 2?

21 A. This is a structural cross-section across the
22 prospect area. The cross-section is A/A-prime, going
23 from west to east across our proposed nonstandard
24 proration unit.

25 The offset to our proposed location is the

1 J.W. Smith Number 1, and represented here is the
2 structural position of our proposed well locations.

3 As you move to the west, as recently
4 suggested, you do lose Penrose pay below the gas-oil
5 contact. We're proposing that we drill the well at
6 this location to encounter as much of the Penrose gas
7 zone as we possibly can.

8 Q. Mr. Jones, What is shaded in yellow on this
9 exhibit?

10 A. That is the Penrose sand, productive sand.

11 Q. And the red line on each of the wells?

12 A. The red line on the wells exhibit the current
13 producing interval.

14 Q. In your opinion, is the entire proration unit
15 reasonably -- or can it be reasonably presumed
16 productive of gas in this zone?

17 A. Yes, sir, it is.

18 Q. And this shows that even with that as a fact,
19 the best location is the proposed unorthodox location?

20 A. Yes, it is.

21 Q. Okay. Would you like to return to your seat,
22 please?

23 Could you now identify what has been marked
24 as Chevron Exhibit Number 3?

25 A. Exhibit 3 is a proration plat and a

1 production plat of the existing proration units
2 immediately surrounding our proposal, outlined in
3 yellow as our proposed proration unit.

4 The star indicates the position of our
5 proposed gas well, and the other symbols, the asterisks
6 are existing gas wells offsetting our acreage.

7 Q. And this plat shows there are other
8 nonstandard proration units in the Eumont, in the area?

9 A. Yes, it does.

10 Q. In fact, there are no standard units in that
11 area?

12 A. There are no standard proration units.

13 Q. It also shows there are other wells at
14 unorthodox well locations in the Eumont?

15 A. Yes, it does.

16 Q. What basic conclusions can you reach from
17 your study of this area?

18 A. That the well location will be gas-
19 productive, that we are offset by numerous producing
20 gas wells.

21 Q. I'd like to hand you what has been marked for
22 identification as Chevron Exhibit Number 4. Is that an
23 affidavit from Campbell and Black confirming that
24 notice of today's hearing has been provided as required
25 by the Rules of the Division?

1 A. Yes, it is.

2 Q. In your opinion, will granting this
3 Application be in the best interests of conservation,
4 the prevention of waste, and the protection of
5 correlative rights?

6 A. Yes, it does.

7 Q. Were Exhibits 1 through 3 prepared by you?

8 A. Yes, they were.

9 MR. CARR: A this time, Mr. Catanach, we
10 would move the admission of Chevron Exhibits 1 through
11 4.

12 EXAMINER CATANACH: Exhibits 1 through 4 will
13 be admitted as evidence.

14 MR. CARR: That concludes my direct
15 examination of Mr. Jones.

16 EXAMINATION

17 BY MR. CATANACH:

18 Q. Mr. Jones, the 153 you said was previously
19 produced from the Eumont?

20 A. Yes.

21 Q. That's in the east half of the northeast
22 quarter?

23 A. That's correct.

24 Q. And that had dedicated to it 80 acres
25 consisting of the east half of the northeast?

1 A. Yes, sir, it did.

2 Q. And you say that's now an injection well?

3 A. It's an injection well into the unitized
4 interval of the Penrose, Northwest Eumont Unit.

5 Q. Now, the main gas-productive interval would
6 be the Penrose; is that correct?

7 A. In this location, it is.

8 But there are also -- There is also
9 productive pay in the Yates and Seven Rivers. Amerada
10 Hess's Weir Gas Com Number 4, direct offset to the
11 east, does produce from the Seven Rivers.

12 Q. But your well, your proposed well, will
13 probably just produce from the Penrose?

14 A. We will produce from all zones that we feel
15 are productive, based on formation evaluation.

16 Q. Okay. As you go from east to west on your
17 proration unit, do you lose some gas-productive
18 potential in the Penrose?

19 A. You limit the amount of pay that is available
20 for you above the gas-oil contact as you move east to
21 west --

22 Q. So you are --

23 A. -- in the Penrose.

24 Q. -- losing some potential gas production?

25 A. That's correct.

1 Q. The nonstandard unit, the line directly to
2 the south of the proposed location?

3 A. Yes, sir, the Amerada.

4 Q. Okay, that's operated by Amerada?

5 A. Yes, sir.

6 Q. That consists of 160 acres?

7 A. Yes, sir, it does.

8 Q. Okay, I assume there is no other Eumont
9 production in the prorated -- in the whole section?

10 A. No, sir, there is not.

11 Q. Do you feel like there's any potential for
12 production in the remainder of that section?

13 A. Yes, sir, we do, very much so.

14 EXAMINER CATANACH: That's all the questions
15 we have of the witness.

16 Did you have anything?

17 MR. CARR: We have nothing further in this
18 case.

19 EXAMINER CATANACH: Okay.

20 (Off the record)

21 EXAMINER CATANACH: The witness may be
22 excused, and there being nothing further in this case,
23 Case 9948 will be taken under advisement.

24 (Thereupon, these proceedings were concluded
25 at 9:22 a.m.)

1 CERTIFICATE OF REPORTER

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

5
6 I, Steven T. Brenner, Certified Shorthand
7 Reporter and Notary Public, HEREBY CERTIFY that the
8 foregoing transcript of proceedings before the Oil
9 Conservation Division was reported by me; that I
10 transcribed my notes; and that the foregoing is a true
11 and accurate record of the proceedings.

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

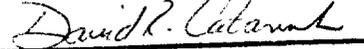
16 WITNESS MY HAND AND SEAL June 9, 1990.

17
18 

19 STEVEN T. BRENNER
20 CSR No. 106

21 My commission expires: October 14, 1990

22 I do hereby certify that the foregoing is
23 a complete record of the proceedings in
24 the Examiner hearing of Case No. 98-18,
25 heard by me on May 30 1990.

24 , Examiner
25 Oil Conservation Division