

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

6 January 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of H. L. Brown, Jr. for CASE
an unorthodox oil well location, 9281
Roosevelt County, New Mexico.

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

For the Applicant:

Ernest L. Padilla
Attorney at Law
PADILLA & SNYDER
P. O. Box 2523
Santa Fe, New Mexico 87504

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

I N D E X

MIKE FEAGAN

Direct Examination by Mr. Padilla	4
Cross Examination by Mr. Stogner	13

I N D E X

Brown Exhibit Number One, Booklet	5
-----------------------------------	---

1
2 MR. STOGNER: We'll call next
3 Case Number 9281, which is the application of H. L. Brown,
4 Jr., for an unorthodox oil well location, Roosevelt County,
5 New Mexico.

6 We will call for appearances in
7 this case.

8 MR. PADILLA: Mr. Examiner, Er-
9 nest L. Padilla, Santa Fe, New Mexico, for the applicant.

10 I have one witness to be sworn.

11 MR. STOGNER: Are there any
12 other appearances in this matter?

13 Will the witness please stand
14 and be sworn at this time?

15
16 (Witness sworn.)
17

18 MR. STOGNER: Mr. Padilla?
19
20

21 MIKE FEAGAN,
22 being called as a witness and being duly sworn upon his
23 oath, testified as follows, to-wit:
24
25

DIRECT EXAMINATION

BY MR. PADILLA:

Q Mr. Feagan, for the record would you please state your name and tell us where you reside?

A My name is Mike Feagan. I reside in Midland, Texas.

Q Who do you work for, Mr. Feagan?

A I work for H. L. Brown, Jr., and I --

Q As what?

A As a production or petroleum engineer.

Q Mr. Feagan, have you previously testified before the Oil Conservation Division and had your credentials accepted as a matter of record?

A Yes, I have.

Q When was the last time you testified before the Oil Conservation Division?

A December 2nd, 1987.

Q In what proceeding?

A It was in regards to Case Number 9270, the application for pool creation, special pool rules, and unorthodox well location for a Devonian well in that area.

Q And does that involve the same area that is under consideration today?

A It does.

1 MR. PADILLA: Mr. Examiner, we
2 tender Mr. Feagan as an expert witness.

3 MR. STOGNER: Mr. Feagan is so
4 qualified.

5 Q Mr. Feagan, have you prepared and com-
6 piled certain materials from which you're going to testify
7 here today?

8 A I have.

9 Q And have some of those materials been
10 compiled under your supervision?

11 A Yes, they have.

12 Q Okay. Let's turn now to what we have
13 marked as Exhibit Number One and have you turn to the first
14 page of that and tell us how you have marked the exhibit and
15 -- briefly and then tell us what the case is about.

16 A This case is -- is about why H. L. Brown,
17 Jr., is applying for -- for an unorthodox location for a
18 Devonian well located in Roosevelt County, and the exhibit
19 is marked by page numbr in the bottom righthand corner.

20 Q Okay. Let's now turn to what is marked
21 as page number one and tell us what that is.

22 A This is our letter to Mr. David Catanach
23 requesting the unorthodox location. It might be pointed out
24 that in paragraph three it says that we're applying for --
25 for an unorthodox location; however, we've also applied for

1 special 80-acre field rules and they have not yet been ruled
2 upon at this time, so as this letter points out, under wild-
3 cat 40-acre rules this location that we're applying for is
4 actually a --

5 Q Your application is in reference to the
6 proposed rules, is that correct?

7 A That's right.

8 Q Okay. You also made further application
9 following this application, is that also correct, to --
10 through myself?

11 A Right.

12 Q Okay.

13 MR. PADILLA: Mr. Examiner, I'd
14 also like to state on the record that we applied for a Wolf-
15 camp unorthodox location. The advertisement did not contain
16 the Wolfcamp advertisement; however, in the meantime, H. L.
17 Brown has decided not to proceed with the Wolfcamp unortho-
18 dox location, so we just, for the record, want to delete
19 that portion of our application dealing with the Wolfcamp.

20 I believe it's on the bottom
21 paragraph of that.

22 MR. STOGNER: So the Wolfcamp
23 request will be -- which wasn't advertised, by the way --
24 you do not seek that at this time.

25 MR. PADILLA: That's correct.

1 MR. STOGER: Okay.

2 Q Okay, let's to on to what we have marked
3 as pages 2-A and 2-B. Tell us what that is and what it con-
4 tains.

5 A Pages 2-A and 2-B are just a part of the
6 drilling permit that -- that we applied for for the Federal
7 28 Com No. 1. On page 2-A it's strictly the drilling permit
8 application and it shows the surface location and other pos-
9 sible things of interest on --

10 Q Okay.

11 A -- on the Federal 28.

12 Q What's page 2-B? Is that --

13 A Page 2-B is the second page of our drill-
14 ling permit application and it shows on the map the surface
15 location.

16 Q Okay. Is that all you have concerning
17 that?

18 A Yes.

19 Q Okay, let's go on now to page 3. Tell us
20 what that is.

21 A Page 3 is a our lease ownership plat and
22 you'll notice the yellow acreage in the middle of the out-
23 lined yellow acreage is our 80-acre proration unit that
24 we're -- that we've applied for, and the outlined yellow ac-
25 reage is just the offset acreage that H. L. Brown, Jr. is

1 currently in control of.

2 Q In other words, you offset yourself all
3 the way around on the proration unit.

4 A That's correct.

5 Q Okay. Let's go on to page number 4 and
6 have you tell us what that is.

7 A Page number 4 is a structure map of the
8 top of the Devonian and this structure map was based on log
9 data as well as seismic interpretation.

10 Q Isn't this the same exhibit that you in-
11 troduced at the December 2nd hearing or very similar to it?

12 A Yes, it's very similar to it. I think
13 we've added some 50-foot contour lines on this one and we've
14 also marked the proposed location of the Federal 28, the
15 well we're applying for unorthodox location.

16 Q Okay, let's go on to page 5. Tell us
17 what that is.

18 A Page 5 is another structure map that is
19 not quite as optimistic as the one we had seen previously,
20 and it's based on four seismic lines and it's just strictly
21 another structure map that is based solely on seismic data
22 and is a little more, as I've mentioned, pessimistic than
23 the one we showed previously.

24 Q Does that -- would you explain why you're
25 calling this thing a pessimistic --

1 A Well --

2 Q -- location in reference to --

3 A Well, as you can see, the high is a lit-
4 tle smaller in this -- in this second structure map and on
5 page 5. The high is a lot closer to where our proposed lo-
6 cation is than where our location is right now, as a matter
7 of fact.

8 The seismic data that's shown here, there
9 are two circles to the northeast and one to the northwest
10 and those are the two points that we've drawn the high off
11 of and we even extended the -- the west portion of this high
12 to circle around our proposed location. That may, in fact,
13 go straight down, and we may be even -- where our proposed
14 location, we may even -- be even too low where it is right
15 now, but --

16 Q Okay. Let's go on to page number 6.
17 What is that?

18 A This is a cross section that we've put
19 together of the only logs that we have available in the De-
20 vonian and on the bottom, in the middle on the bottom of
21 that cross section, you'll see in pink or red, or whatever
22 color that is, which wells this includes, and basically what
23 we're showing here is the middle log shown is our Federal 27
24 Com No. 1, which is the most recent well we've drilled out
25 there, and it is also shown on the structure maps to be on

1 the high end. As you can see to the south and to the south-
2 east, we lose structure, which just basically is confirming
3 our -- our structure maps.

4 We don't have anything, unfortunately, to
5 the west or to the southwest.

6 Q What happens if you go too far west on
7 this well, in terms of this exhibit? What does -- does that
8 show what could happen if you go too far west?

9 A Well, as I mentioned, we don't have any
10 control to the west; however, we -- the wells that we do
11 have on here are -- are confirming our structure maps, so we
12 feel like certainly to the west we're going to be losing
13 structure, and as this structure map also points out, the
14 Devonian formation also thins as you get away from this
15 high, so I might also point out that we're anticipating a
16 possible water contact 30 to 50 feet below the perforated
17 interval, which is darkened on the 27 Com No. 1, and if we
18 were to lose 30 to 50 feet worth of structure, well, we feel
19 like we may possibly be wet, which could possibly happen if
20 we move to the west or to the southwest.

21 Q At the December 2nd hearing you testified
22 that you wanted to do interference tests between the 27 Well
23 and the well that you're now proposing, or at least the well
24 that was in the plans at that point. Will you still be able
25 to do interference testing between the two wells?

1 A Oh, certainly, and we plan to do some.

2 Q Let's go on now to the final page, if you
3 have nothing else concerning this exhibit. Tell us what
4 that is.

5 A No, I don't. This final page is the
6 front page of our lease agreement and I've highlighted in
7 pink again the date that this oil and gas lease was entered
8 into was January 1st, 1983, and as I've highlighted down to-
9 wards the middle of the page, it's for a period of five
10 years. So our expiration date of this lease was January
11 1st, 1988.

12 Q Have you spudded the well?

13 A We did spud the well on approximately De-
14 cember 29th.

15 Q To preserve the lease?

16 A 1987.

17 Q I see.

18 A Yes, it was to preserve the lease. And I
19 might point out again, as page 1 of this document states in
20 our letter to David Catanach, under 40-acre rules this is
21 not an unorthodox location. Under our proposed 80-acre field
22 rules this would be, so that's the reason for this applica-
23 tion.

24 Q Let me ask you, sir, what -- why did you
25 wait so long to make application for this well?

1 A Well, we didn't complete the well till
2 either late October or November and --

3 Q Which well?

4 A The Federal 27 Com No. 1, the first, the
5 discovery well, and our partners certainly wanted to see
6 some established and some production that they felt comfor-
7 table in drilling a second well, especially based upon our
8 seismic interpretation that this well could possibly -- is
9 not as good a candidate as the first well.

10 Q Are you familiar with the royalty inter-
11 est and -- well, let me ask the question a different way.
12 Is the royalty interest and the working interest common
13 throughout this whole area?

14 A Throughout this 80-acre proration unit it
15 is.

16 Q And how about -- okay. In your opinion
17 would correlative rights be protected should the application
18 be approved?

19 A Yes.

20 Q Would the application be in the best in-
21 terest of conservation of oil and gas?

22 A We feel like it would.

23 Q Okay.

24 A An economic feasibility as far as drill-
25 ling or producing a well.

1 MR. PADILLA: Mr. Examiner, I
2 have no further questions and we offer Exhibit Number One.

3 MR. STOGNER: Exhibit Number
4 Number will be admitted into evidence.

5

6 CROSS EXAMINATION

7 BY MR. STOGNER:

8 Q Mr. Feagan.

9 A Yes, sir.

10 Q You spudded this well on the 29th.

11 A I believe that's correct, Mike. I said
12 about the 29th. It was the 29th or the 30th, I believe.

13 Q Okay. What depth are you at now?

14 A We're approximately 38 feet, I mean 3800
15 feet, excuse me. That's intermediate casing point, which is
16 almost to the top of the San Andres.

17 Q And you propose to dedicate the south
18 half northeast quarter of Section 28 as the proration unit?

19 A The south half of the northeast quarter,
20 correct.

21 Q Okay. At this time I'll take administra-
22 tive notice of Case Number 9270. That was the application
23 to create and formulate special pool rules for the North
24 Bluitt Siluro-Devonian Pool, in which 80 acres was request-
25 ed.

1 Let's refer now to page 6. That is the
2 big page of your cross section. I know this was covered at
3 the hearing to formulate the pool; however, I'd like to go
4 over some things again.

5 A Uh-huh.

6 Q You show the top of the Devonian here and
7 now you're calling this the Siluro-Devonian Pool. What is
8 the base of this proposed pool?

9 A The base of the proposed pool.

10 Q Yeah, is it at the top the Granite Wash
11 or --

12 A That's -- that's correct.

13 Q Okay. Usually the Silurian zone is made
14 up of the Fusselman formation. Is the Fusselman formation
15 present in this -- in your well?

16 A No. No. I might mention, Mr. Stogner,
17 that as I testified last time, it's my understanding accord-
18 ing to our exploration manager that commonly this particular
19 zone is called Silurian by some and Devonian by some and so
20 they combined the two together to call it the Devonian -- I
21 mean the Siluro-Devonian, just to satisfy whoever's looking
22 at this particular formation.

23 Q And this is a common practice in this
24 area, is it not?

25 A That's the way I understand it, correct.

1 Q Okay.

2 MR. STOGNER: I have no further
3 questions of Mr. Feagan.

4 Are there any other questions
5 of this witness?

6 MR. PADILLA: Nothing further.

7 MR. STOGNER: If not, he may be
8 excused.

9 Mr. Padilla, do you have any-
10 thing further in Case Number 9281?

11 MR. PADILLA: Nothing further.

12 MR. STOGNER: Does anybody else
13 have anything further in Case Number 9281?

14 If there is none, Case Number
15 9281 will be taken under advisement.

16
17 (Hearing concluded.)

18

19

20

21

22

23

24

25

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY
CERTIFY that the foregoing Transcript of Hearing before the
Oil Conservation Division (Commission) was reported by me;
that the said transcript is a full, true, and correct record
of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 9281
heard by me on 6 January 1988.
Michael J. Rogers, Examiner
Oil Conservation Division

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICO

Hearing Date

JANUARY 6, 1988

Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
Bruce Pettit	Reuding+Bates Petr. Co.	Tulsa, OK
ERIC KOELLING	" " " "	TULSA, OK
MIKE FEAGAN	H. L. BROWN, Jr	MIDLAND, TX
E. L. Padilla	Parilla & Snyder	SF
OK Zandriel	Curtis J. Little	Ay tee
W. D. Kellbin	Kellbin Kellbin Aubrey	Santa Fe
Paul W. Burchell	El Paso Natural Gas Co	El Paso, TX
William L. Egan	Campbell & Black P.A.	Santa Fe
Mark K. Nearberg	Nearberg Producing Co.	Dallas
R. Hahn	Byrum	Santa Fe
Scott Hall	Campbell & Black	SF
BILLY M. PRIEST	AMERICAN EXPLORATION	MIDLAND, TX

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date JANUARY 6, 1988 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION