

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

25 May 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Exxon Corporation for CASE
an unorthodox oil well location, Lea 9366
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:

Charles E. Roybal
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

James Bruce
Attorney At Law
HINKLE, COX, EATON, COFFIELD &
HENSLEY
P.O. Box 2068
Santa Fe, New Mexico 87504

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MR. STOGNER: Call next Case
Number 9366.

MR. ROYBAL: Case 9366. Appli-
cation of Exxon Corporation for an unorthodox well location,
Lea County, New Mexico.

MR. STOGNER: This case was
heard at the -- where was it heard, Mr. Bruce?

MR. BRUCE: April 25.

MR. STOGNER: At the April 25th
Examiner's hearing at which time it was continued and read-
vertised for today.

We'll call for appearances.

MR. BRUCE: Mr. Examiner, my
name is Jim Bruce of Santa Fe on behalf of the applicant,
Exxon Corporation.

This case was readvertised be-
cause the unit was changed from east half southeast quarter
to south half southeast quarter and had to be readvertised
for that reason.

We would request that the re-
cord remain open so that we can submit our proof of mailing
within a few days.

MR. STOGNER: All right, within
about three days, do you think, Mr. Bruce?

1 MR. BRUCE: Why don't you give
2 us -- could you give us a week since this is a holiday week-
3 end?

4 MR. STOGNER: Okay. Case Num-
5 ber 9366 will remain open pending the arrival of the proof
6 of notice.

7 Is there anything further in
8 this case today?

9 MR. BRUCE: Nope.

10 MR. STOGNER: If not, we won't
11 take it under advisement but it will remain open.

12
13 (Hearing concluded.)
14
15

16 I do hereby certify that the foregoing is
17 a complete record of the proceedings in
18 the Examiner hearing of Case No. 9366,
19 heard by me on 25 May 1988.
20 Michael H. Stogner, Examiner
21 Oil Conservation Division
22
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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 the best of my ability.

Sally W. Boyd CSR

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

27 April 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Exxon Corporation for CASE
an unorthodox oil well location, 9366
Lea 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:

Charles E. Roybal
Legal Counsel for the Division
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico 87501

For Hanley Petroleum:

W. Thomas Kellahin
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For Exxon Corp.:

James G. Bruce
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HINKLE LAW FIRM
P. O. Box 2206
Santa Fe, New Mexico 87504-2206

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I N D E X

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CHRIS J. NATENSTEDT

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Direct Examination by Mr. Bruce

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Cross Examination by Mr. Stogner

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E X H I B I T S

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Exxon Exhibit One, Locater Map

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Exxon Exhibit Two, Land Plat

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Exxon Exhibit Three, Letter, etc.

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Exxon Exhibit Four, Structure Map

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Exxon Exhibit Five, Isopach

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2 MR. STOGNER: Call next Number
3 9366.

4 MR. ROYBAL: Case 9366.
5 Application of Exxon Corporation for an unorthodox well
6 location, Lea County, New Mexico.

7 MR. STOGNER: Call for
8 appearances in this case.

9 MR. BRUCE: Mr. Examiner, my
10 name is James Bruce of Santa Fe, representing Exxon Corpora-
11 tion.

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

14 MR. KELLAHIN: Mr. Examiner,
15 I'm Tom Kellahin appearing on behalf of Hanley Petroleum,
16 Inc.

17 MR. STOGNER: Are there any
18 other appearances?

19 There being none, will the
20 witness please stand and be sworn at this time.

21
22 (Witness sworn.)
23

24 MR. STOGNER: Mr. Bruce.
25

1 CHRIS J. NATENSTEDT,
2 being called as a witness and being duly sworn upon his
3 oath, testified as follows, to-wit:

4
5 DIRECT EXAMINATION

6 BY MR. BRUCE:

7 Q Will you please state your full name and
8 city of residence?

9 A My name is Christopher J. Natenstedt. I
10 live in Midland, Texas.

11 Q And what is your occupation and who is
12 your employer?

13 A I'm a geologist employed by Exxon Corpor-
14 ation.

15 Q And have you previously testified before
16 the OCD?

17 A No, I have not.

18 Q Would you briefly describe your educa-
19 tional and employment history?

20 A I received a Bachelor of Science degree
21 in geology from the University of the Pacific in 1979.

22 Following that I worked for two years as
23 a mudlogger for Exploration Logging, California and Alaska.

24 Then went back to graduate school and re-
25 ceived a Master of Science degree in geology from San Diego

1 State University. That was in 1983.

2 Since August of 1983 I've been employed
3 by Exxon Corporation in Midland as a Production Geologist.
4 My areas of responsibility have included parts of the Per-
5 mian Basin and parts of southwestern Wyoming since that
6 time.

7 My current responsibilities include
8 southeastern New Mexico and Lea County.

9 Q And are you familiar with the geological
10 matters involved in this case?

11 A Yes, I am.

12 MR. BRUCE: Mr. Examiner, are
13 the witness' credentials acceptable?

14 MR. STOGNER: They are.

15 Q Mr. Natenstedt, would you briefly state
16 what Exxon seeks in this application?

17 A Exxon Corporation seeks approval of an
18 unorthodox oil well location for a well to be drilled at a
19 location 990 feet from the south line and 330 feet from the
20 east line of Section 9, Township 17 South, Range 37 East, in
21 Lea County, New Mexico.

22 Exxon proposes to drill the well to test
23 the Strawn formation and seeks to dedicate the south half of
24 the southeast quarter of Section 9 to the well.

25 MR. BRUCE: Mr. Examiner, the

1 advertisement for this case states that the unit is to be
2 the east half southeast quarter, so I believe it will have
3 to be readvertised.

4 MR. STOGNER: Yes, it will.
5 Let's see, let's clarify this up before we get going. Now I
6 have received -- we have received an application here on
7 March 29th, dated March 24th, and it had a C-102 showing
8 this location, and then it had the east half, so that's
9 where that came from.

10 MR. BRUCE: Okay.

11 MR. STOGNER: Is that correct?

12 MR. BRUCE: Yep.

13 MR. STOGNER: Are you prepared
14 to go ahead and present testimony today, though?

15 MR. BRUCE: Yes.

16 Q Mr. Natenstedt, would you refer to Exxon
17 Exhibit Number One and describe its contents?

18 A Exhibit Number One is a locator map show-
19 ing southeastern New Mexico and Lea County. It shows the
20 approximate location of the Shipp Strawn Field about ten
21 miles to the southeast of the Town of Lovington.

22 Q Would you please refer the land plat mar-
23 ked Exhibit Two and discuss its contents?

24 A Exhibit Number Two is a land plat. On it
25 we have marked in orange dots Exxon's proposed location,

1 which is 990 feet from the south line, 330 feet from the
2 east line of Section 9, as well as the proposed Hanley loca-
3 tion, which you just heard in the previous case, 9365. It's
4 330 feet from the west line and 990 feet from the south line
5 of Section 10, a mirror image of Exxon's proposed location.

6 Also shown on this exhibit are the pro-
7 posed 80-acre proration units for each of the two wells.
8 Shown by a slashed square within each of the two proration
9 units is the 150 -- well, let me say the orthodox locations
10 nearest to the proposed locations of each well.

11 According to the special field rules for
12 the Shipp Strawn Pool orthodox locations have to be within
13 150 feet of the center of a governmental quarter quarter
14 section.

15 Also shown on the exhibit are the opera-
16 tors of the various leases within Sections 9 and 10.

17 Below the operator is listed important
18 other interest holders.

19 Also shown on the exhibit are Strawn pen-
20 etrations within Sections 9 and 10. Only Strawn penetra-
21 tions are shown. Strawn producers are shown as solid dots
22 and dry hole symbols denote Strawn dry holes.

23 Q Were all offset operators and lessees
24 notified of the unorthodox location request?

25 A Yes. Copies of the notice letters and

1 certified return receipts are submitted as Exhibit Number
2 Three.

3 Please note that one lessee, B. L. Estes,
4 was not notified until April 21st of 1988. Mr. Estes owns a
5 small interest in Section 16, which is to the south of the
6 proposed Exxon well in Section 9.

7 MR. BRUCE: And also, Mr.
8 Examiner, I imagine case would have to be held over for that
9 reason, also, for two weeks.

10 Q Mr. Natenstedt, would you now move on to
11 Exhibit Number four and discuss the geology of the proposed
12 location?

13 A Exhibit Number Four is a structure map
14 drawn on the top of the Strawn formation. The scale is one
15 inch equals 1000 feet. Contour interval is 50 feet.

16 Shown by orange dots are the two proposed
17 locations, Exxon's and Hanley's; Exxon's being in the
18 southeast quarter of Section 9.

19 The map shows regional dip generally to
20 the east. There are two structural highs located primarily
21 in the southeast quarter of Section 9, one of which
22 corresponds with the proposed Exxon location.

23 Q Would you please now discuss Exhibit
24 Five?

25 A Exhibit Number Five is a gross isopach of

1 thickness map of the Strawn formation. It shows thickness
2 from the top of the Strawn to the top of the underlying Ato-
3 ka formation. It also covers Section 9 and 10 of 17 South,
4 37 East. Contour interval is 25 feet.
5

6 The shaded area shown in the southeast
7 quarter of Section 9 shows the limits of the Strawn mound
8 which Exxon is proposing to develop with this prospect.

9 Associated with our interpretation of the
10 limits of this Strawn mound are thicks on the Isopach map.
11 I'd like to note that as was stated by Mr. Robbins in the
12 previous hearing for Hanley, that seismic is a primary tool
13 for determining the extent of these mounds and for that
14 reason I've gone ahead and marked the seismic control that
15 was used by Exxon in the delineation of our mound interpre-
16 tation.

17 Those seismic lines are denoted by dashed
18 -- excuse me, dotted lines on this exhibit.

19 Q What conclusions do you draw from your
20 exhibits?

21 A The primary conclusion I'd like to point
22 out is that if we drill within the slashed square shown in
23 the southeast quarter of Section 9, the orthodox location in
24 our proration unit, we will be forced to drill at the very
25 edge of our interpreted reservoir target. That, we feel, is
an extremely risky thing to do; in fact, so risky that Exxon

1 would find it uneconomic to drill a well on that location.

2 As was mentioned in the previous hearing,
3 for the same reason, we have decided to farm out to Hanley
4 our interest in their proposed location in Section 10 be-
5 cause their location has the position similar to where we
6 would have to drill an orthodox location; that is, at the
7 edge of the mound.

8 So in order to reduce our risk to the
9 point where the well is economic, we would like to move our
10 location to the northeast to the present proposed location.

11 Q And in your opinion will the granting of
12 this application be in the interest of conservation, the
13 prevention of waste, and the protection of correlative
14 rights?

15 A Yes, it will.

16 Q Were Exhibits One through 5 prepared by
17 you, under your direction, or compiled from company records?

18 A They were.

19 MR. BRUCE: At this time, Mr.
20 Examiner, I move the admission of Exhibits One through Five.

21 MR. STOGNER: Exhibits One
22 through Five will be admitted into evidence.

23 MR. BRUCE: I have no further
24 questions at this time.

25

1 MR. STOGNER: Mr. Kellahin, do
2 you have any questions?

3 MR. KELLAHIN: No, sir, thank
4 you.

5
6 CROSS EXAMINATION

7 BY MR. STOGNER:

8 Q Mr. Natenstedt, whenever you sent out
9 the notification to the offsets and all the working interest
10 owners, what was included in that letter?

11 What I'm getting at, was the C-
12 101 and the C-102 also attached?

13 A I'm not familiar with those documents but
14 --

15 Q Well, did you -- it's part of your Exhi-
16 bit Three.

17 A The C-101 was attached and the C-102 was
18 attached.

19 MR. STOGNER: Okay, Mr. Naten-
20 stedt, Mr. Bruce, seeing that this is going to have to be
21 readvertised for the May 25th hearing, this particular area
22 when we're talking 80-acre proration unit, the C-102 shows a
23 standup 80, now that you have a laydown, two wells can be
24 drilled on the eastern half, so I'm going to request that
25 you renotify everybody and submit the amended C-102 with

1 your -- with your notice.

2 MR. BRUCE: Okay.

3 MR. STOGNER: Are there any
4 other questions of this witness?

5 If not, he may be excused.

6 Mr. Bruce, do you have anything
7 further in this case today?

8 MR. BRUCE: Nothing, Mr. Exam-
9 iner; nothing today.

10 MR. STOGNER: The record will
11 remain open on this case pending the Examiner's hearing
12 scheduled for May 25th, 1988.

13 Unless there is some unforeseen
14 problem, I don't see any reason why there should be any
15 technical testimony presented at that time, but, however,
16 Mr. Bruce, I would suggest that at that time you be ready to
17 submit the notification, the amended notifications at that
18 time.

19 MR. BRUCE: Sure.

20 MR. STOGNER: Anything further
21 in this case?

22 MR. NATENSTEDT: May I make
23 one comment.

24 MR. STOGNER: Mr. Bruce?

25 MR. BRUCE: What else do you

1 have to say, Mr. Natenstedt?

2 MR. NATENSTEDT: Sorry. I'd
3 just like to comment that with regard to Hanley's proposed
4 location and Exxon's proposed location, they being mirror
5 images, each is the best location as defined by each com-
6 pany's interpretation of the geology, that they should be
7 treated equally with regard to any sort of allowable penal-
8 ties.

9 MR. STOGNER: Thank you, Mr.
10 Natenstedt.

11 Anything further in this case?

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13 (Hearing concluded.)

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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. 9366,
heard by me on 22 April 1988,
Michael E. Stogner, Examiner
Oil Conservation Division