



1 MR. CATANACH: Call next Case  
2 9480.

3 MR. STOVALL: Application of  
4 Santa Fe Energy Operating Partners, L.P., for compulsory  
5 pooling, Eddy County, New Mexico.

6 Applicant requests this case  
7 be continued to September 28th.

8 MR. CATANACH: Case 9480 is  
9 hereby continued to the September 28th hearing.

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(Hearing concluded.)

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1 STATE OF NEW MEXICO  
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
3 OIL CONSERVATION DIVISION  
4 STATE LAND OFFICE BUILDING  
5 SANTA FE, NEW MEXICO

6 28 September 1988

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Santa Fe Energy Oper- CASE  
10 ating Partners, L. P. for compulsory 9480  
11 pooling, Eddy County, New Mexico.

12 BEFORE: Michael E. Stogner, Examiner

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15 TRANSCRIPT OF HEARING

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18 A P P E A R A N C E S

19 For the Division: Robert G. Stovall  
20 Attorney at Law  
21 Legal Counsel to the Division  
22 State Land Office Bldg.  
23 Santa Fe, New Mexico

24 For the Applicant: James Bruce  
25 Attorney at Law  
HINKLE LAW FIRM  
P. O. Box 2068  
Santa Fe, New Mexico 87504

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I N D E X

PATRICK TOWER

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CURTIS ANDERSON

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1 MR. STOGNER: We'll call next  
2 Case Number 9480, which is the application of Santa Fe  
3 Energy Operating Partners, Limited Partnership, for com-  
4 pulsory pooling, Eddy County, New Mexico.

5 I'll now call for appearances.

6 MR. BRUCE: Mr. Examiner, my  
7 name is Jim Bruce from the Hinkle Law Firm, representing  
8 the applicant in this matter.

9 MR. STOGNER: Are there any  
10 other appearances?

11 There appear there are none.  
12 Will the witnesses please -- how many witnesses do you  
13 have?

14 MR. BRUCE: Two witnesses, Mr.  
15 Examiner.

16 MR. STOGNER: Will the witnes-  
17 ses please stand and raise your right hands?

18  
19 (Witnesses sworn.)

20  
21 MR. STOGNER: Thank you. You  
22 may be seated.

23 Mr. Bruce.

24  
25



1 what Santa Fe seeks in this application?

2           A           Santa Fe Energy Operating Partners, L.  
3 P., seeks an order pooling all mineral interests from the  
4 surface to the base of the Wolfcamp formation underlying  
5 the west half of Section 11, Township 22 South, Range 27  
6 East in Eddy County, New Mexico, to form a standard 320-  
7 acre oil spacing and proration unit.

8                   The unit will be dedicated to a well  
9 located at a standard location.

10                   Santa Fe also requests consideration of  
11 the cost of drilling and completing the well and allocation  
12 of costs thereof, as well as actual operating costs and  
13 charges for supervision.

14                   Santa Fe asks that it be designated  
15 operator of the well and a charge for the risk involved in  
16 drilling the well be assessed.

17           Q           Thank you. Would you please refer to  
18 Exhibit Number One and describe it briefly?

19           A           Okay. Exhibit Number One is a land  
20 plat. In yellow outlined is the 320-acre spacing unit in-  
21 volving this well.

22                   In red is located the approximate loca-  
23 tion of our test well.

24                   As noted, there's three leases involved.  
25 Two of them are Federal, of which Santa Fe owns 100 percent

1 of the working interest; the other is an 80-acre tract,  
2 being the east half of the southwest quarter, and this is  
3 owned by -- of record, by Union Oil Company of California;  
4 however, this particular tract is committed to a working  
5 interest unit that extends to the west, which contracts a  
6 -- places a number of working interest owners in this tract  
7 with approximately 19 to 20 additional parties, which we  
8 will name later.

9 Q Thank you.

10 MR. BRUCE: I think Mr. Tower  
11 said this is an oil unit and it is a gas unit, of course --

12 A Yes.

13 MR. BRUCE: -- Mr. Examiner.

14 Q Regarding the interest you're seeking to  
15 force pool, I refer you to Exhibit Number Two and ask you  
16 to describe that briefly.

17 A Exhibit Number Two is the Exhibit A to  
18 the operating agreement which we have submitted to the  
19 various working interest owners. As noted, it itemizes the  
20 parties' working interests in the spacing unit and the pro-  
21 posed test well by Santa Fe.

22 As noted, Santa Fe owns 75 percent with  
23 I believe quite a considerable amount of people owning  
24 about --

25 Q Would you please describe the efforts of

1 Santa Fe to get these interest owners to join in the well?

2 A Starting in -- to give a little bit of  
3 background -- back in June of 1985 Santa Fe proposed to  
4 Union Oil Company of California, who is the operator of the  
5 working unit involving all these third parties, at that  
6 time Santa Fe proposed drilling a well in the southwest  
7 quarter of Section 2 in the formation of a working unit  
8 involving the west half of Section 11, which is the subject  
9 of this hearing, as well as some additional lands of  
10 Union's in the area.

11 At that time they declined to commit to  
12 such unit and consequently Santa Fe went ahead and drilled  
13 this well in Section 2.

14 In November of 1987 Santa Fe filed an  
15 application with the OCD under Case No. 9234, applying for  
16 two nonstandard proration units for the Wolfcamp formation,  
17 which in essence covered the northwest quarter and  
18 southwest quarter of Section 1 as part of that unit, and --

19 Q Section 11?

20 A Yeah, Section 11, excuse me. At that  
21 time Union, as operator of the working interest unit, was  
22 advised of the hearing and advised that if that application  
23 was successful, you know, we would be drilling these wells  
24 on 160-acre spacing.

25 It also advised if we were not success-

1 ful and the wells were drilled on 320-acre spacing, that  
2 the lands involved in the west half of Section 11, or  
3 specifically the east half of the southeast quarter, would  
4 be involved in a well that Santa Fe was planning on  
5 drilling.

6 The OCD denied the application in April  
7 of 1988. It was at that point that Santa Fe decided they  
8 would go ahead with the test; however, they would do it on  
9 the 320-acre basis incorporating Union Oil's land in the  
10 west half of 11.

11 On August 1st, 1988, a proposal was  
12 sent to all the working interest owners involved along with  
13 an AFE proposing to drill this test and offering to let let  
14 them participate or offer to farm-in.

15 Subsequent to that conversations took  
16 place with the various working interest owners and I'll  
17 itemize some of those.

18 On August 3rd conversations took place  
19 with Ray Crowder of Enstar Corporation to -- by the way,  
20 it's also one and the same as Union Texas Petroleum as  
21 listed on the previous exhibit we submitted.

22 August 22nd various correspondence --  
23 conversations took place with Pennzoil.

24 August 23rd various conversations with  
25 Cy Cowan representing the Martin Yates Estate.

1                   On September 6th a copy of the  
2 compulsory pooling application was sent to all the working  
3 interest owners.

4                   September 8th conversation took place  
5 with Wagner & Brown; September 9th with Randy Shannon of  
6 Texaco; again with Union Texas Petroleum or Enstar Corpor-  
7 ation.

8                   September 15th conversations took place  
9 with Bill Faubion of Faubion Oil & Gas. At that time  
10 Wainoco, who would show up on some of the correspondence,  
11 still believed to be the owner of that interest, and sub-  
12 sequently found out that Faubion succeeded to that interest  
13 and then we started dealing with Faubion.

14                   On September 19th we forwarded some cor-  
15 respondence to Faubion to insure that they received all the  
16 documents from Wainoco, who apparently had forwarded them  
17 over to them but they'd been misplaced

18                   Subsequent to that, additional conversa-  
19 tion on September 20 took place with Faubion; on September  
20 21st some additional conversation took place with Union Oil  
21 Company of California.

22                   September 22nd we had additional corres-  
23 pondence with Yates and Faubion.

24                   September 23rd conversation took place  
25 with Texaco.

1                   On September 23rd additional conversa-  
2 tion took place with Roy Hall at First City Bank, which  
3 represents the Greathouse Trust and the Helen Greathouse  
4 interest.

5                   Also on September 23rd additional con-  
6 versations took place with Texaco and Enstar.

7                   September 26th attempts were made to  
8 contact Mr. Olmsted and Mr. J. C. Davis, Junior; however,  
9 they failed to return our calls; and also additional con-  
10 versation took place with Texaco and Nielson Enterprises,  
11 Incorporated. I will note that Nielson Enterprises, Incor-  
12 porated at that time advised us that half of their interest  
13 had been transferred to Cody Energy, Incorporated, at which  
14 party I talked to Robert Snyder, who was the principal  
15 owner of Cody.

16                   The majority of the documents dealing  
17 with these parties besides Union were not filed of record;  
18 therefor we had relied on the Union Oil Company of Califor-  
19 nia to advise us of who the contractual interest owners  
20 were.

21                   The majority of the people that we dealt  
22 with because of the small nature of their interest either  
23 did not respond or advised us that they would look to Union  
24 Oil Company of California for a decision on their part and  
25 then they would decide as to an election under this well.

1                   Some of these parties have indicated an  
2 interest to join in the well; however, we have not re-  
3 ceived any documentation to formally commit that interest  
4 and that's why we're here today.

5                   Q           Is the proposal letter you submitted,  
6 submitted as Exhibit Three?

7                   A           Yes, it is.

8                   Q           Referring to Exhibit Four, would you  
9 briefly discuss that cost of the proposed well?

10                  A           Okay. The exhibit indicates that the  
11 total dry hole cost estimated for this well is \$390,333,  
12 whereas to be completed as a producer the estimated cost is  
13 \$617,598.

14                  Q           And is this cost comparable to those  
15 normally encountered in drilling wells to this depth in  
16 this area of Eddy County?

17                  A           Yes, it is.

18                  Q           Do you have a recommendation as to the  
19 amount which Santa Fe should pay for supervision and admin-  
20 istrative expenses?

21                  A           Yes. Those amounts will be a drilling  
22 well rate per month of \$3,980. The producing well rate per  
23 month will be \$398.

24                  Q           And are these amounts also comparable to  
25 those charged by Santa Fe and other operators for other

1 wells of this type?

2 A Yes, they are.

3 Q Briefly, what type of operating  
4 agreement does Santa Fe use?

5 A We use the AAPL 610 1982 forms.

6 Q And what penalty do you recommend  
7 against nonconsenting interest owners?

8 A We recommend cost plus 200 percent.

9 Q And is this figure used in your operat-  
10 ing agreements?

11 A Yes, it is.

12 Q Were all interested parties notified of  
13 this hearing, and I refer you to Exhibit Five?

14 A Yes, they were. Some of these parties,  
15 as I noted earlier, the initial notice was sent to the re-  
16 presentative and we found that they have since either mer-  
17 ged or transferred their name, but they were all-- the re-  
18 presentatives for all entities were contacted and were not-  
19 ified.

20 Q And are the certified return receipts  
21 also attached to Exhibit Five?

22 A Yes, they are.

23 Q Were Exhibits One through Five prepared  
24 by you or compiled from Santa Fe's records?

25 A Yes, they were.

1           Q           And in your opinion will the granting of  
2 this application be in the interest of conservation and the  
3 prevention of waste?

4           A           Yes, it will.

5                       MR. BRUCE:    Mr. Examiner, I  
6 have no further questions at this time and I move the ad-  
7 mission of Exhibits One through Five.

8                       MR. STOGNER:   Exhibits One  
9 through Five will be admitted into evidence at this time.

10

11

CROSS EXAMINATION

12 BY MR. STOGNER:

13           Q           Mr. Tower, when I look at Exhibit Number  
14 Two, now which companies have not given you any kind of  
15 agreement, written or otherwise?

16           A           I'm sorry. Virtually everyone on here,  
17 with the exception of Santa Fe Energy, has not committed t  
18 this well.

19           Q           Okay. And now we're talking about 25  
20 percent, are we not?

21           A           That is correct.

22                       MR. STOGNER:    Are there any  
23 other questions of Mr. Tower?

24                                       He may be excused.

25                                       Mr. Bruce?

1 MR. BRUCE: Call Curt Ander-  
2 son, the geologist.

3  
4 CURTIS ANDERSON,  
5 being called as a witness and being duly sworn upon his  
6 oath, testified as follows, to-wit:

7  
8 DIRECT EXAMINATION

9 BY MR. BRUCE:

10 Q Will you please state your full name and  
11 city of residence?

12 A My name is Curtis Anderson. I live in  
13 Midland, Texas.

14 Q And who is your employer and in what  
15 capacity are you employed?

16 A I'm a geologist with Santa Fe Energy  
17 Operating Partners, L. P..

18 Q And have you previously testified as a  
19 geologist before the Division?

20 A Yes, I have.

21 Q And are you familiar with the geological  
22 matters involved in Case 9480?

23 A Yes.

24 MR. BRUCE: Mr. Examiner, are  
25 the witness credentials acceptable?

1 MR. STOGNER: They are.

2 Q Mr. Anderson, referring to Exhibit Six,  
3 would you describe its contents for the examiner?

4 A Exhibit Number Six is a structure map  
5 contoured on the top of the Lower Wolfcamp A pay zone.  
6 This is the primary producing horizon in the Carlsbad East  
7 Wolfcamp Field.

8 Also indicated on this map are in red  
9 our proposed location, which is in the southeast of the  
10 northwest of Section 11.

11 And indicated in green are those produ-  
12 cers in the Carlsbad East Wolfcamp Field.

13 Q Would you please now move on to Exhibit  
14 Seven and describe its contents?

15 A Exhibit Number Seven is a stratigraphic  
16 cross section A-A', and A being to the south, as you'll  
17 note on Exhibit Number Six, and it extends to the north.  
18 Turn your attention, please, to the outlying interval in  
19 green, which is the A pay zone in the Lower Wolfcamp, which  
20 is the primary objective at this location.

21 If we briefly walk through this cross  
22 section from the south in the southeast of the northeast of  
23 Section 11 is the extreme left log on the cross section,  
24 the Weston No. 1 Bass. You can see the indicated  
25 perforations and information at the bottom of the log.

1                   This well was potentialled flowing  
2 1.05-million cubic feet of gas per day plus 31 barrels of  
3 oil per day on a half-inch choke. It has a cumulative pro-  
4 duction of 753-million plus 52,000 barrels of oil.

5                   The next well to the north is the TXO  
6 Production Corporation No. 1 Delta Phi, also perforated in  
7 this zone, flowing 1.569-million cubic feet of gas per day  
8 plus 146 barrels of oil per day on a 14/64ths choke. It  
9 has cum production of 599-million cubic feet of gas and  
10 35,000 barrels of oil.

11                   The west offset to that well, Santa Fe  
12 Energy No. 1 Chase State 2, was completed also in that zone  
13 and the potential was omitted by mistake on the bottom of  
14 the log here. That calculated open flow CAOF was 889,000  
15 cubic feet of gas a day. It had a cum production of  
16 38-million and 2000 barrels of oil.

17                   Now this is significant in that our  
18 well, the Chase State 2 encountered an equivalent thickness  
19 of porosity to that of the Delta Phi and these other indi-  
20 cated producing wells, but we didn't have the permeability  
21 or deliverability that the other wells had. It was signi-  
22 ficantly tighter.

23                   We are now getting ready to stimulate  
24 this well, which will require frac treatment. The bottom  
25 hole pressure build-ups are similar to the other field

1 wells; just the deliverability is down.

2           The last well on the cross section was  
3 this, the North Champlin No. 1 Nix Yates, which is in the  
4 northeast quarter of Section 2. It potentialled for 1.326-  
5 million a day. It had cumulative production of 443-million  
6 and 36,000 barrels of oil.

7           Q           Will you please now refer to your Exhi-  
8 bit Eight and discuss it?

9           A           Exhibit Number Eight is an isopach map  
10 of the porosity within the Wolfcamp -- Lower Wolfcamp A pay  
11 zone that's greater than or equal to 3 percent.

12                   Also indicated on this map is the cumu-  
13 lative production for the various productive wells within  
14 this field.

15                   This geological interpretation of this  
16 particular zone is that this is a detrital limestone that  
17 was deposited to the east off of the Lower Wolfcamp Shelf,  
18 which is adjacent and to the west.

19           Q           Do you have an opinion regarding this  
20 penalty which should be assessed in this case?

21           A           Well, based on -- on what we've found  
22 out in our No. 1 Chase State 2, located in Section 2, that  
23 we encountered an equivalent thickness of porosity that  
24 should be a commercial well within the field. We found  
25 that the deliverability was down. It was tighter than the

1 other field wells.

2 I feel that this is the primary risk  
3 involved in drilling within this -- this -- for this parti-  
4 cular objective and it could get the thickest porosity but  
5 it can also be tight and that's something that's difficult  
6 to predict.

7 Q And so you recommend the 200 percent  
8 penalty?

9 A Yes.

10 Q Were Exhibits Six, Seven and Eight pre-  
11 pared by you?

12 A Yes.

13 Q And in your opinion will the granting of  
14 this application be in the interests of conservation and  
15 the prevention of waste?

16 A Yes.

17 Q Okay.

18 MR. BRUCE: At this time I  
19 move the admission of Exhibits Six through Eight, Mr. Exa-  
20 miner.

21 MR. STOGNER: Exhibits Six  
22 through Eight will be admitted into evidence at this time.

23 MR. BRUCE: No further ques-  
24 tions at this time.

25 MR. STOGNER: Are there any

1 other witnesses (sic) for Mr. Anderson?

2 If not, he may be excused.

3 Mr. Bruce, do you have any-  
4 thing further in this case?

5 MR. BRUCE: Nothing further.

6 MR. STOGNER: Does anybody  
7 else have anything further in Case Number 9480?

8 This case will be taken under  
9 advisement.

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11 (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. 9480, heard by me on 28 September 1988.

Michael Stogor, Examiner  
Oil Conservation Division

1 STATE OF NEW MEXICO  
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
3 OIL CONSERVATION DIVISION  
4 STATE LAND OFFICE BUILDING  
5 SANTA FE, NEW MEXICO

6 12 October 1988

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Santa Fe Energy Oper- CASE  
10 ating Partners, L. P., for compulsory 9480  
11 pooling Eddy County, New Mexico.

12 BEFORE: David R. Catanach, Examiner  
13

14  
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16 TRANSCRIPT OF HEARING

17  
18 A P P E A R A N C E S

19 For the Division:

20 Robert G. Stovall  
21 Attorney at Law  
22 Legal Counsel to the Division  
23 State Land Office Bldg.  
24 Santa Fe, New Mexico

25 For the Applicant:

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MR. CATANACH: The next case on the docket, 9480, was inadvertently placed on the docket so it's already been heard. There is an order out on the case, and we'll just ignore it.

(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. 9480, heard by me on October 12, 1988.

David R. Catalan, Examiner  
Oil Conservation Division

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date SEPTEMBER 28, 1988 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
William Clark	Blackwood: Nichols	Durango Co
Bob Hulse	Byram	Santa Fe
William L. Fair	Campbell & Black	Santa Fe
W. T. Holloman	Keller & Kelly in Albany	Albany
J. Bruce	Hinkle Law Firm	Abiquiyue
Patrick Tower	SANTA FE ENERGY	MIDLAND
CART ANDERSON	"	"
KEVIN PFISTER	TERRA RESOURCES, INC	MIDLAND
ROD THOMPSON	"	"
M.P. GADDIS	"	"

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date SEPTEMBER 28, 1988 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION