

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

12 July 1989

EXAMINER HEARING

IN THE MATTER OF:

In the matter of cases called on this
date and continued or dismissed with-
out testimony presented.

CASES
9689
9691
9692
9696
9697
9698
9699
9700
9701
8668
8769

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the 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 26 July 1989

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Bettis, Boyle & Stovall CASE
10 for an unorthodox gas well location, 9692
11 Eddy County, New Mexico.

12 BEFORE: David R. Catanach, Examiner
13
14

15 TRANSCRIPT OF HEARING
16

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

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

24 For Bettis, Boyle & Stovall: William F. Carr
25 Attorney at Law
CAMPBELL and BLACK, P. A.
P. O. Box 2208
Santa Fe, New Mexico 87501

I N D E X

THOMAS R. SMITH

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Applicants Exhibit Three, APD 6

Applicants Exhibit Four, Geologic Montage 7

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1 MR. CATANACH: Call next Case
2 9692.

3 MR. STOVALL: Application of
4 Bettis, Boyle and Stovall for an unorthodox gas well loca-
5 tion, Eddy County, New Mexico.

6 MR. CATANACH: Are there ap-
7 pearances in this case?

8 MR. CARR: May it please the
9 Examiner, my name is William F. Carr with the law firm
10 Campbell & Black, P. A., of Santa Fe. We represent Bettis,
11 Boyle and Stovall and we have one witness.

12 MR. CATANACH: Any other ap-
13 pearances?

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

16
17 (Witness sworn.)

18
19 THOMAS R. SMITH,
20 being called as a witness and being duly sworn upon his
21 oath, testified as follows, to-wit:

22
23 DIRECT EXAMINATION

24 BY MR. CARR:

25 Q Will you state your full name for the

1 record, please?

2 A Thomas R. Smith.

3 Q By whom are you employed?

4 A Bettis, Boyle and Stovall.

5 Q Is Bettis, Boyle and Stovall in any way
6 whatsoever related to the attorney for the Oil Conservation
7 Division?

8 A Not that I'm aware of.

9 Q What position do you hold with Bettis,
10 Boyle and Stovall?

11 A Exploration geologist.

12 Q Have you previously testified before the
13 Oil Conservation Division and had your credentials as an
14 exploration geologist accepted and made a matter of record?

15 A Yes, I have.

16 Q Are you familiar with the application
17 filed in this case on behalf of Bettis, Boyle and Stovall?

18 A Yes.

19 Q Are you familiar with the subject area?

20 A Yes, sir.

21 MR. CARR: Are Mr. Smith's

1 record, please?

2 A Thomas R. Smith.

3 Q By whom are you employed?

4 A Bettis, Boyle and Stovall.

5 Q Is Bettis, Boyle and Stovall in any way
6 whatsoever related to the attorney for the Oil Conservation
7 Division?

8 A Not that I'm aware of.

9 Q What position do you hold with Bettis,
10 Boyle and Stovall?

11 A Exploration geologist.

12 Q Have you previously testified before the
13 Oil Conservation Division and had your credentials as an
14 exploration geologist accepted and made a matter of record?

15 A Yes, I have.

16 Q Are you familiar with the application
17 filed in this case on behalf of Bettis, Boyle and Stovall?

18 A Yes.

19 Q Are you familiar with the subject area?

20 A Yes, sir.

21 MR. CARR: Are Mr. Smith's
22 qualifications acceptable?

23 MR. CATANACH: They are.

24 Q Would you briefly state what Bettis,
25 Boyle and Stovall seeks with this application?

1 A We are seeking an unorthodox location
2 for the drilling of the 1-A Lotos Well, to be located in
3 Section 15 of Township 24 South, Range 31 East, Eddy
4 County, New Mexico.

5 Q And what is the primary objective in
6 this well?

7 A The primary objective is the Morrow and
8 Devonian.

9 Q Would you refer to what has been marked
10 for identification as Bettis, Boyle and Stovall Exhibit
11 Number One, identify this exhibit and then review it for
12 Mr. Catanach?

13 A This exhibit is a land plat showing the
14 proposed unit, as well as the proposed location for the 1-A
15 Lotos, and all of the surrounding leasehold.

16 The yellow leasehold is operated by Bet-
17 tis, Boyle and Stovall and the green colored leasehold is
18 operated by Bass Enterprises and is within the Poker Lake
19 Unit.

20 Q This location is unorthodox because it
21 is too close to the northern end line of the spacing unit,
22 is that correct?

23 A That is correct.

24 Q Are you moving toward any other operator
25 or owner of an undrilled lease?

1 A No, sir, in fact we are not and we're
2 moving away from them.

3 Q You're moving only toward yourself?

4 A That is correct.

5 Q And there is therefore no interest owner
6 to whom notice needed to be given pursuant to Oil Conserva-
7 tion Division rules.

8 A We did notify Bass and we did receive a
9 waiver from Bass.

10 Q What is the status of the royalty owner-
11 ship in Sections 10 and 15?

12 A These are all Federal leases.

13 Q Would you refer to what has been marked
14 as Bettis, Boyle and Stovall Exhibit Number Two and
15 identify that for the Examiner, please?

16 A This is the -- this exhibit is the
17 waiver letter from Bass Enterprises stating that they have
18 no -- no problem with our proposed unorthodox location.

19 Q Now, would you identify Exhibit Number
20 Three?

21 A Exhibit Number Three is the application
22 to drill which has been filed by Bettis, Boyle and Stovall
23 for the well in question, along with the acreage dedication
24 plat which shows the exact footages of our proposed loca-
25 tion.

1 Morrow structure map which represents the deepest horizon
2 for mapping or projecting structure for the Devonian and it
3 is our primary interpretation for deep seated Devonian
4 structure in the area.

5 On the far upper right is the Poker Lake
6 Sand isopach, again a gross sand isopach, which shows the
7 channel morphology that we're dealing with here and all of
8 the associated producers within that sand body.

9 Q By moving to this location, in effect
10 you're maximizing your structural position for a west half
11 proration unit in 15, is that correct?

12 A That is correct.

13 Q If you move farther south what effect
14 would this have on your ability to effectively drain that
15 proration unit?

16 A We do not feel like we would fully drain
17 the full proration unit as proposed.

18 Q So in this Morrow situation structure is
19 an important factor.

20 A We feel like it's very important.

21 Q Now on the structure map in the middle
22 of the top of this exhibit there is a trace for a cross
23 section. Would you now go to the lower part of the exhibit
24 and review that cross section for the examiner?

25 A Yes. That is cross section A-A' which

1 involves four wells and goes through the proposed location.

2 The well on the far north of the cross
3 section is the Santa Fe Energy No. 1-33 Sterling Silver
4 Federal, which shows extensive Poker Lake Sand development
5 and is producing from this particular sand body and it
6 shows that it's very well developed in this well. It also
7 shows that it only has a very small remnant of the Lotos
8 Sand.

9 From there, we go from there down to the
10 El Paso Sundance Well in Section 4, which again shows a
11 well developed Poker Lake Sand following the channel right
12 on down to the south and again a very thick Lotos Sand,
13 which is the key in developing our sand morphology for the
14 Lotos Sand and then we go into the Lotos Well, which is the
15 offset, which is the well that we are offsetting with the
16 1-A Lotos, and it shows the pay section in the Lotos Sand
17 and very little Poker Lake Sand, having missed the sand on
18 the west side in this particular well, and then it goes on
19 down to the PanAm No. 36 Poker Lake Well in Section 28 and
20 again it shows the development and production of the Poker
21 Lake Sand, as well as 8 feet of development, 9 feet of de-
22 velopment in the Lotos Sand.

23 So that, basically, shows all of the
24 Morrow stratigraphy that we're looking at in the area.

25 Q In your opinion, Mr. Smith, will

1 approval of the proposed unorthodox location enable Bettis,
2 Boyle and Stovall to most efficiently and effectively pro-
3 duce the Morrow reserves under the west half of Section 15?

4 A Yes, it will.

5 Q In your opinion will granting this ap-
6 plication be in the best interest of conservation, the
7 prevention of waste and the protection of correlative
8 rights?

9 A Yes.

10 Q Were Exhibits -- would you identify for
11 Mr. Catanach what is -- has been marked as Bettis, Boyle
12 and Stovall Exhibit Number Five?

13 A This is a geologic discussion of the
14 things that I've briefly touched on with this montage.

15 Q Is this basically a summary of the geo-
16 logical testimony you've previously --

17 A Yes, it is.

18 Q -- presented?

19 Were Exhibits One through Five prepared
20 by you or compiled under your direction and supervision?

21 A Yes, they were.

22 MR. CARR: At this time, Mr.
23 Catanach, we move the admission of Bettis, Boyle and
24 Stovall Exhibits One through Five.

25 MR. CATANACH: Exhibits One

1 through Five will be admitted as evidence.

2 MR. CARR: That concludes my
3 direct examination of Mr. Smith.

4

5 CROSS EXAMINATION

6 BY MR. CATANACH;

7 Q Mr. Smith, is the geologic considera-
8 tions that necessitate this location, are they primarily in
9 the Devonian or in the Morrow?

10 A It's primarily Morrow but we would also,
11 if in fact we do have the structural attitude that we be-
12 lieve that we will have, we also have a very good chance at
13 Devonian.

14 Q Is there any Devonian production in this
15 area?

16 A I've shown on this Middle Morrow struc-
17 ture map the only three Devonian penetrations in the area
18 and they are shown with this little dark arrow. There are
19 only three, the nearest of which is the PanAm Well down in
20 Section 28. The other two are up in the township to the
21 north, so you can see there's very limited Devonian con-
22 trol.

23 Q And are those producing?

24 A No, there is no Devonian production in
25 the area --

1 Q They -- they were just --

2 A -- of this map.

3 Q They just penetrated the Devonian.

4 A That's correct.

5 Q Did they test it?

6 A The well in Section 28 did test it and
7 it is our key well for a show in the Devonian and this is
8 why we would consider, or are considering going to the
9 Devonian in this well.

10 Q So you anticipate the major stand would
11 be the Poker Lake Sand in the proposed well, or both, I
12 guess.

13 A Both, actually, with the Lotos Sand,
14 with the production that we have in our well in Section 9,
15 really being our major objective in this well.

16 Q In terms of the sand, the sand penetra-
17 ted, what would a move south do to -- to (unclear) that?

18 Does a move to a standard location, say,
19 1980 from the north --

20 A Right. Moving south would not affect
21 the sand as we see it now. We would just be compromising
22 our structural position. We feel like that we -- in order
23 to drain the full 320 we need to optimize our structural
24 position, and it's very critical for Devonian.

25 Q You said that structure is very impor-

1 tant in these Morrow producers?

2 A It is in terms of secondary porosity
3 development. We have documented in the Lotos Well that
4 fracturing is very important in terms of developing perme-
5 ability, so there seems to be a correlation between the
6 higher structural position that you can achieve, the better
7 reservoirs you will develop in terms of secondary perme-
8 ability development.

9 Q When was that well in Section 9 drilled?

10 A It was drilled in -- it was completed in
11 December of 1988.

12 Q What does that produce?

13 A It produces 5-million feet a day and has
14 been since -- since we put it on line in December.

15 Q Does Bettis have any plans to drill a
16 well in Section 10?

17 A Definitely, if in fact we can confirm
18 our Poker Lake picture as well as our Devonian picture.

19 Right now we would not drill in 10 for
20 our Lotos Sand objective.

21 MR. CATANACH: That's all the
22 questions I have. The witness may be excused.

23 MR. CARR: I have nothing fur-
24 ther, Mr. Catanach.

25 MR. CATANACH: There being

1 nothing further in this case, Case 9692 will be taken under
2 advisement.

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4 (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. 7692,
heard by me on July 26, 19 58.
David C. Caton, Examiner
Oil Conservation Division