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

IN THE MATTER OF THE HEARING)
CALLED BY THE OIL CONSERVATION)
DIVISION FOR THE PURPOSE OF)
CONSIDERING:) CASE NO. 10952

APPLICATION OF KLABZUBA OIL AND GAS

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: David Catanach, Hearing Examiner

April 14, 1994

Santa Fe, New Mexico

This matter came on for hearing before the
Oil Conservation Division on April 14, 1994, at
Morgan Hall, State Land Office Building, 310 Old
Santa Fe Trail, Santa Fe, New Mexico, before Deborah
O'Bine, RPR, Certified Court Reporter No. 63, for the
State of New Mexico.

ORIGINAL

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I N D E X

April 14, 1994
 Examiner Hearing
 CASE NO. 10952

PAGE

APPEARANCES

2

KLABZUBA'S WITNESS:

JAMES R. BARBER

Examination by Mr. Carr

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Examination by Examiner Catanach

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REPORTER'S CERTIFICATE

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E X H I B I T S

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Exhibit 1

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Exhibit 2

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A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL, ESQ.

General Counsel

Oil Conservation Commission

State Land Office Building

310 Old Santa Fe Trail

Santa Fe, New Mexico 87501

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE &

SHERIDAN, P.A.

P.O. Box 2208

Santa Fe, New Mexico 87504

BY: WILLIAM F. CARR, ESQ.

CUMBRE COURT REPORTING

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(505) 984-2244 FAX: 984-2092

1 EXAMINER CATANACH: At this time we'll
2 call Case 10952.

3 MR. CARROLL: Application of Klabzuba Oil
4 and Gas for two unorthodox oil well locations, Chaves
5 County, New Mexico.

6 EXAMINER CATANACH: Are there appearances
7 in this case?

8 MR. CARR: May it please the examiner, my
9 name is William F. Carr with the Santa Fe law firm of
10 Campbell, Carr, Berge & Sheridan. I represent
11 Klabzuba Oil and Gas in this case, and I have one
12 witness.

13 EXAMINER CATANACH: Are there any
14 additional appearances? Will the witness please
15 stand and be sworn in?

16 (Witness sworn.)

17 JAMES R. BARBER,
18 the witness herein, after having been first duly
19 sworn upon his oath, was examined and testified as
20 follows:

21 EXAMINATION

22 BY MR. CARR:

23 Q. Will you state your name for the record,
24 please.

25 A. My name is James R. Barber.

1 Q. Where do you reside?

2 A. Euless, Texas.

3 Q. By whom are you employed and in what
4 capacity?

5 A. I'm employed by Robert Klabzuba as a
6 geologist.

7 Q. Have you previously testified before the
8 New Mexico Oil Conservation Division?

9 A. Yes, I have.

10 Q. At the time of that prior testimony, were
11 your credentials as a petroleum geologist accepted
12 and made a matter of record?

13 A. Yes.

14 Q. Are you familiar with the application
15 filed in this case on behalf of Klabzuba Oil and Gas?

16 A. Yes, I am.

17 Q. Are you familiar with the proposed wells?

18 A. Yes.

19 MR. CARR: Are the witness's
20 qualifications acceptable?

21 EXAMINER CATANACH: They are.

22 Q. (BY MR. CARR) Mr. Barber, would you
23 briefly state what Klabzuba seeks with this
24 application?

25 A. We seek approval of an unorthodox oil well

1 location for our proposed Waller "14" Well No. 1 to
2 be drilled 2,593 feet from the north line, and 1,658
3 feet from the west line, and our proposed Waller "14"
4 Well No. 2 to be drilled 1,511 feet from the south
5 line and 1,004 feet from the west line, both in
6 Section 14, Township 12 South, Range 28 East, Chaves
7 County, New Mexico.

8 Q. To what formation is Klabzuba proposing to
9 drill?

10 A. The Devonian.

11 Q. Why has Klabzuba selected these particular
12 well locations?

13 A. Geologic conditions dictate these
14 locations be drilled.

15 Q. You've made a geologic study of the area?

16 A. Yes, I have.

17 Q. Would you refer to what has been marked
18 for identification as Klabzuba Exhibit No. 1,
19 identify this for Mr. Catanach, and then just
20 generally review what this exhibit shows?

21 A. Exhibit 1 is an orientation map covering
22 nine townships around what we call our Loco Draw
23 Prospect. It's shown in this inner township in
24 Section 14 shaded in green. The two circles are our
25 proposed well locations.

1 This map just shows that the Devonian
2 production, which is shaded in green, has production
3 ranges anywhere from a few thousand barrels up to
4 over 860,000 barrels per feature.

5 Q. With a feature like the one we are
6 discussing here today, what sort of an ultimate
7 recovery would you anticipate?

8 A. I would hope that we could find somewhere
9 between 300,000 and 500,000 barrels.

10 Q. Let's move to Exhibit No. 2, your
11 structural map. I'd like you to review this for the
12 examiner. First explain what is the source of the
13 information depicted on this exhibit.

14 A. This map was created with the aid of 3D
15 seismic. There are no wells drilled in these nine
16 sections. We acquired the seismic, interpreted it,
17 and created this map on the Mississippian reflector.
18 It's the deepest reflector we have confidence in.
19 The Devonian just faded out too often to believe.

20 The contour interval is 1 millisecond.
21 The standard 48 or oil unit boundaries are shown in
22 red. We have located the No. 1 "14" Waller location
23 on the crest of the feature as we can map it.

24 The No.2 "14" is shifted a little bit to
25 the southwest of its optimum location, if you just

1 used this map. However, if you notice, the contours
2 are dashed through the middle of this feature. And
3 in the seismic data set, the data degrades to some
4 extent there, and it's possible to map in an
5 east-west trending robin, trough, saddle, however you
6 want to call it, a possible low area. And for that
7 reason we feel like the No. 2 location should be
8 shifted to the southwest where the data is very good.

9 Q. What is the status of the ownership of the
10 acreage involved in this application?

11 A. Klabzuba controls all of Section 14. It
12 is a 640-acre lease, a single lease. The lease
13 provides that one Devonian well will hold 160 acres.

14 Q. What we have here is a situation where the
15 working interest ownership, as well as the royalty
16 interest in this section, is identical?

17 A. That's right.

18 Q. And so with the unorthodox location, the
19 well is only being moved toward tracts with identical
20 ownership as compared to the tract on which the well
21 is actually located and to which the well is
22 dedicated?

23 A. That's correct.

24 Q. There were no offset operators, therefore,
25 or interest owners to whom notice needed to be given

1 pursuant to Division rule?

2 A. That's right.

3 Q. Now, you have selected or interpreted this
4 pool from 3D seismic. Has Klabzuba developed other
5 Devonian pools in the area?

6 A. Yes, we have. This story may seem kind of
7 familiar. I was here four weeks ago on a similar
8 idea. But we've drilled two 3D Devonian prospects in
9 Chaves County, both of which found the structure as
10 mapped. Unfortunately, the second one was bearing
11 hydrocarbons, and we, as well as numerous other
12 operators, are scratching our heads and trying to
13 figure out what happened, but the seismic can't
14 identify the presence of hydrocarbons. We can only
15 use it to attempt to map structures and drill those
16 structures.

17 Q. So in the first two ventures using this
18 approach, you have at least encountered in fact a
19 structure which conformed to your seismic
20 interpretation?

21 A. Yes, and we're very happy with that work.

22 Q. What is generally the reservoir drive
23 mechanism in these pools?

24 A. We believe it's a very strong bottom
25 water-drive, and for that reason we want to be on the

1 top of the feature.

2 Q. And that's where the Waller "14" No. 1 is
3 actually placed?

4 A. That's right.

5 Q. The other well, the Waller No. 2, is
6 downstructure to the southwest, and as you've
7 indicated, that is because of some potential
8 formation problems in the eastern portion of the
9 structure?

10 A. That's right. There could be two knobs on
11 this feature, and we feel like the safest location
12 would be to drill to the southwest.

13 Q. In the past we've testified that one well
14 could effectively drain the formation. Do you
15 believe the second well, the Waller No. 2, is
16 necessary if you're going to recover all the
17 hydrocarbons in this pool?

18 A. Yes.

19 Q. In your opinion, are these locations the
20 best possible locations to drain the reserves from
21 the structure?

22 A. Yes, they are.

23 Q. Will these wells recover the greatest
24 percentage of the reserves from this formation?

25 A. We believe so.

1 Q. If the wells are not drilled, in your
2 opinion, will hydrocarbons be left in the ground that
3 otherwise will be produced?

4 A. That's a distinct possibility.

5 Q. That would result in the waste of these
6 hydrocarbons?

7 A. Yes.

8 Q. There are no offsetting operators whose
9 correlative rights could be adversely affected by
10 this application?

11 A. That's right.

12 Q. Were Exhibits 1 and 2 prepared by you, Mr.
13 Barber?

14 A. Yes.

15 MR. CARR: At this time, Mr. Catanach, we
16 move the admission of Klabzuba Oil & Gas Exhibits 1
17 and 2.

18 EXAMINER CATANACH: Exhibits 1 and 2 will
19 be admitted as evidence.

20 MR. CARR: And that concludes my direct
21 examination of Mr. Barber.

22 EXAMINATION

23 BY EXAMINER CATANACH:

24 Q. Mr. Barber, it's my understanding the well
25 No. 1 location is at the crest of the structure?

1 A. Yes.

2 Q. And the well No. 2 location was moved
3 south to an unorthodox location because of a possible
4 low, east-west trending low at the crest of the
5 structure?

6 A. If you were to view the data, there's a
7 possibility that there is a low between the two
8 proposed locations. If we were to drill due south --
9 if we were successful on our No. 1 location and then
10 wanted to drill a well in the southwest quarter of
11 this section to protect ourselves, normally you would
12 think we would move due south of our discovery well,
13 but with the questionable data right there and the
14 possibility that it could be low, we felt like it was
15 -- the proper thing to do would be to move to where
16 the data was of good quality and stay on the crest at
17 that location and drill it there.

18 Q. Which well do you intend to drill first?

19 A. The No. 1.

20 Q. When you drill the No. 1, will that
21 confirm the presence of a low in that area? Not
22 necessarily?

23 A. It won't tell us anything about that,
24 outside of the wellbore as far as structure. It just
25 shows the top. If we were to drill due south of the

1 No. 1, and it was a low, then that would cause there
2 to be probably a knob to the southwest that would not
3 be drained due to the drive mechanism, and that oil
4 would be wasted.

5 Q. Okay. You've testified that you've
6 drilled two wells previously based on 3D seismic.
7 You did encounter the structure?

8 A. Yes. It came in as mapped.

9 Q. Did you penetrate at the position within
10 the structure that you thought you would? Did you
11 propose initially to drill into the crest of the
12 structure?

13 A. Yes.

14 Q. And did you penetrate the structure at
15 that position?

16 A. Yes. We tested it at that time, drill
17 stem tested it, and then when we recovered water, we
18 decided to, for scientific reasons, to drill down
19 another 400 or 500 feet just to get a good sonic log
20 so we could get a good synthetic and tie our seismic
21 back, recheck our seismic data at that point. Our
22 maps don't change.

23 We don't know if there was oil there at
24 one time, if it leaked, or if there was a seal
25 problem or what the problem was, but we're using the

1 seismic to identify structures. This is a structural
2 play at this point. And we've just got to take these
3 when they come along and realize that's part of the
4 oil business.

5 Q. But your 3D seismic has been pretty
6 accurate identifying positions in the structures?

7 A. We feel it has, yes.

8 Q. How deep are these wells?

9 A. These are 8,200 feet.

10 Q. Is this a federal or a state lease?

11 A. Fee.

12 Q. It's a fee lease, but it's all commonly
13 owned?

14 A. Yes.

15 Q. Working and royalty interest?

16 A. Yes, one large ranch.

17 Q. Is Klabzuba the only working interest
18 owner?

19 A. No.

20 Q. Your partners are in agreement with the
21 seismic and the locations?

22 A. Yes, all except one, and we haven't got an
23 answer from him yet.

24 EXAMINER CATANACH: I have nothing
25 further.

1 MR. CARR: We have nothing further in this
2 case.

3 EXAMINER CATANACH: There being nothing
4 further, Case 10952 will be taken under advisement.
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CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SANTA FE)

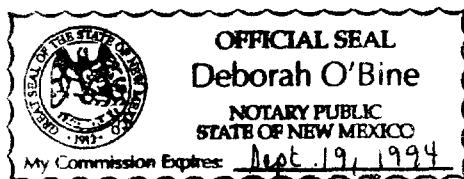
I, Deborah O'Bine, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that I caused my notes to be transcribed under my personal supervision, and that the foregoing transcript is a true and accurate record of the proceedings of said hearing.

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

WITNESS MY HAND AND SEAL, May 4, 1994.

Deborah O'Bine

DEBORAH O'BINE
 CCR No. 63



I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1052, heard by me on April 14 1994.

David C. L..., Examiner
 Oil Conservation Division

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