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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. 11178
APPLICATION OF DAVID PETROLEUM CORPORATION

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING
ORIGINAL

BEFORE: David Catanach, Hearing Examiner

JAN 8

January 5, 1995
Santa Fe, New Mexico

This matter came on for hearing before the Oil
Conservation Division on January 5, 1995, at 2040 South
Pacheco, Santa Fe, New Mexico, before Diana S. Abeyta, RPR,
Certified Court Reporter No. 168, for the State of New
Mexico.

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I N D E X

January 5, 1995
Examiner Hearing
CASE NO. 11178

PAGE

APPEARANCES

3

DAVID PETROLEUM CORPORATION'S WITNESSES:

BILL OWEN

Examination by Mr. Carr

4

Examination by Examiner Catanach

8

EDSEL NEFF

Examination by Mr. Carr

9

Examination by Examiner Catanach

16

REPORTER'S CERTIFICATE

18

E X H I B I T S

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Exhibit 1
Exhibit 2
Exhibit 3
Exhibit 4
Exhibit 5

A P P E A R A N C E S

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FOR THE DIVISION:

RAND CARROLL, ESQ.
Legal Counsel
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
BY: WILLIAM F. CARR, ESQ.

1 EXAMINER CATANACH: At this time we'll call
2 11178, which is the application of David Petroleum
3 Corporation for an unorthodox gas well location, Lea County,
4 New Mexico. Are there appearances in this case?

5 MR. CARR: May it please the Examiner, my name is
6 Willian F. Carr with the Santa Fe law firm of Campbell,
7 Carr, Berge & Sheridan. We represent David Petroelum
8 Corporation, and I have two witnesses.

9 EXAMINER CATANACH: Any additional appearances?
10 Can I get the two witnesses to stand up and be sworn in.

11 (Witnesses sworn.)

12 BILL OWEN,
13 the witness herein, after having been first duly sworn
14 upon his oath, was examined and testified as follows:

15 EXAMINATION

16 BY MR. CARR:

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

18 A. Bill Owen.

19 Q. Where do you reside?

20 A. Roswell, New Mexico.

21 Q. Mr. Owen, for whom do you work?

22 A. David Petroleum Corp.

23 Q. And what is your current position with David
24 Petroleum Corp?

25 A. Land manager.

1 Q. Have you previously testified before the Oil
2 Conservation Division?

3 A. Yes.

4 Q. At the time of that testimony, were your
5 credentials as a petroleum landman accepted and made a
6 matter of record?

7 A. Yes.

8 Q. Are you familiar with the application filed in
9 this case on behalf of David Petroleum Corporation?

10 A. Yes.

11 Q. Are you familiar with the status of the land
12 surrounding the proposed well?

13 A. Yes.

14 MR. CARR: Are the witness's qualifications
15 acceptable?

16 EXAMINER CATANACH: They are.

17 Q. (BY MR. CARR) Mr. Owen, would you briefly state
18 what David Petroleum seeks with this application.

19 A. We seek an unorthodox location to re-enter and
20 deepen the plugged and abandoned Barbara Fasken Maxwell
21 Trust "26" Well No. 1, which is located 1980 feet from the
22 North, 660 feet from the West line in Section 26, Township
23 15 South, Range 34 East.

24 Q. What formation do you propose to test in this
25 well?

1 A. The Morrow formation.

2 Q. What acreage will be dedicated to the well?

3 A. The North 1/2 of Section 26.

4 Q. Have you prepared exhibits for presentation here
5 today?

6 A. Yes, we have.

7 Q. Let's refer to what has been marked for
8 identification as David Petroleum Corporation Exhibit No. 1.
9 Would you identify that and then review the information on
10 this exhibit for Mr. Catanach.

11 A. Exhibit No. 1 is a land plat showing 26 in the
12 center of the plat. Of course, it's in Township 15 South,
13 Range 34 East. Section 26, if you will notice, in the SW of
14 the NW 1/4 you will see the Barbara Fasken Maxwell Trust
15 "26" No. 1 Well, which is the well we intend to re-enter,
16 deepen, and take down to the Morrow formation.

17 Q. And that well is currently not producing?

18 A. That's correct.

19 Q. Is the location on another well spotted
20 immediately north of that; what is the status of that well?

21 A. That well was also dry and abandoned and drilled
22 back in the '40s.

23 Q. So there is no producing well on the tract at
24 this time?

25 A. No, sir.

1 Q. Is this one lease?

2 A. Yes, it is.

3 Q. If we look at Section 26, is there any acreage in
4 that section which in fact is not owned or controlled by
5 David Petroleum Corporation?

6 A. There is interest in the SE of the SW 1/4 that we
7 do not own.

8 Q. So if you had a stand-up unit, in fact, you would
9 have acreage that is not David Petroleum Corporation's?

10 A. That's correct.

11 Q. Could you, using Exhibit No. 1, identify for the
12 Examiner any offsetting operators toward the west or
13 southwest on whom you are encroaching.

14 A. The only offset operator that we are encroaching
15 is ourselves, with the exception of a Mr. Joe Harry Bower
16 who owns a one-eighth interest in the SE 1/4 of Section 27.
17 We have attempted to contact Mr. Bower for months and have
18 been unable to work out any type of agreement, but really
19 even make any direct contact with Mr. Bower.

20 Q. And you've not been able to obtain a waiver from
21 him?

22 A. No, sir.

23 Q. Is Exhibit No. 2 an affidavit confirming notice
24 of today's hearing has been provided by certified mail to
25 Mr. Bower, as required by the rules of the New Mexico Oil

1 Conservation Division?

2 A. Yes, it is.

3 Q. A copy of our letter to Mr. Bower is attached,
4 including a return receipt that shows his signature
5 indicating he in fact received the letter?

6 A. Yes.

7 Q. Were Exhibits 1 and 2 prepared by you?

8 A. Yes, they were.

9 MR. CARR: Mr. Catanach, at this time we move the
10 admission of David Petroleum Corporation Exhibits 1 and 2.

11 EXAMINER CATANACH: Exhibits 1 and 2 will be
12 admitted as evidence.

13 MR. CARR: That includes my direct examination of
14 Mr. Owen.

15 EXAMINATION

16 BY EXAMINER CATANACH:

17 Q. Mr. Owen, the entire N 1/2 is owned by David
18 Petroleum, the N 1/2 of Section 26?

19 A. Yes, sir.

20 Q. And the NE 1/4 of Section 27?

21 A. Yes, sir.

22 Q. And there is a small interest owner, you said, in
23 the SE 1/4 of 27?

24 A. Yes, sir.

25 Q. But does David own an interest in that SE 1/4?

1 A. You are talking about 27?

2 Q. 27.

3 A. Yes, we own everything else with the exception of
4 that one interest owner.

5 Q. How about in the SW of 26, what's the status of
6 that?

7 A. We own all the interest with the exception of a
8 couple of small interests in the SE of the SW 1/4, of which
9 we have not been able to work out an agreement with those
10 mineral owners.

11 Q. Is there a reason why that proration unit was
12 oriented that way, as opposed to a W 1/2 dedication?

13 A. Yes, there is. I'll leave that to our next
14 witness. It's for geological and geophysical reasons.

15 Q. Okay. You've received no objection to this
16 location from anyone that you are aware of?

17 A. That's correct; no, we have not.

18 EXAMINER CATANACH: That's all I have of the
19 witness.

20 MR. CARR: That's all we have of Mr. Owen, and at
21 this time we will call Edsel Neff.

22 EDSEL NEFF,
23 the witness herein, after having been first duly sworn
24 upon his oath, was examined and testified as follows:

25 EXAMINATION

1 BY MR. CARR:

2 Q. Would you state your name for the record, please.

3 A. My name is Edsel Neff. E-D-S-E-L.

4 Q. By whom are you employed?

5 A. David Petroleum Corp.

6 Q. And what is your current position with David
7 Petroleum Corporation?

8 A. Exploration geologist.

9 Q. Mr. Neff, have you previously testified before
10 this division?

11 A. Yes, I have.

12 Q. At the time of that testimony were your
13 credentials as a petroleum geologist accepted and made a
14 matter of record?

15 A. Yes, they were.

16 Q. Are you familiar with the application filed in
17 this case on behalf of David Petroleum Corporation?

18 A. Yes, I am.

19 Q. Have you made a geological study of the acreage
20 which is involved in the application?

21 A. Yes, I have.

22 MR. CARR: Are the witness's qualifications
23 acceptable?

24 EXAMINER CATANACH: Yes, they are.

25 Q. (BY MR. CARR) Mr. Neff, you've prepared exhibits

1 for presentation here today?

2 A. Yes, I have.

3 Q. Would you refer to what has been marked for
4 identification as David Petroleum Corporation Exhibit No. 3,
5 identify that exhibit, and review it for Mr. Catanach.

6 A. Exhibit No. 3 is a Morrow Lime structure map in
7 Lea County. It covers 15 South, 34 East. It's a structure
8 map on top of the Morrow Lime, which is an excellent marker
9 above the Morrow clastics. This map was used both
10 subsurface and seismic in the interpretation. As you can
11 see below, on the bottom right-hand side, the production is
12 color-coded on it.

13 And this map shows that the Maxwell Trust in the
14 SW of the NW, the well we plan to re-enter, is the best
15 location for a Morrow test. And it's got several reasons
16 for that. As you can see, it's on the up thumb side of a
17 reverse fault, and this structural position would --
18 advantageous structural position -- and it also, the
19 structural position would also help in drainage, enhance
20 drainage, and I think that we have a possibility to have a
21 better chance for better reservoir rock.

22 Q. Not only is this the best location, you have the
23 deepest well on the tract to re-enter to also make it more
24 economically desirable?

25 A. Right. If we -- the re-entery of this well, it

1 TD'd at approximately 10,800 feet, and we would have to
2 deepen approximately 1,700 feet to test the Morrow, as
3 opposed to drilling a new well.

4 Q. Mr. Neff, what is the red line going north-south
5 across the W 1/2 of Section 26?

6 A. This north line is line No. 3. It's a seismic
7 line that we used in the interpretation.

8 Q. And do you have a portion of that line for review
9 here today?

10 A. Yes, I do.

11 Q. Is that what has been marked "David Petroleum
12 Corporation Exhibit No. 4"?

13 A. Right.

14 Q. Could you review that now for Mr. Catanach?

15 A. This is a section of a seismic line that we used
16 in the interpretation. It runs north and south through the
17 proposed re-entry in the shallow abandoned well to the
18 north. Both those wells are spotted on the section. The
19 blue line that you see marked "Morrow" is a Morrow Lime, top
20 of the Morrow Lime structure map. And basically, this shows
21 that the proposed re-entry, the Fasken Maxwell Trust "26"
22 No.1, is on the up thumb side of a reverse fault.

23 Q. Let's go to David Petroleum Corporation
24 Exhibit No. 5. Identify and review that.

25 A. This is an isopach of Morrow sands I've got with

1 porosity equal to or greater than 8 percent. Again, the map
2 is color-coded with production on the bottom of it. As you
3 can see, our proposed re-entry in Section 26 is on trin with
4 Morrow production to the north and south. And I interpreted
5 this well to have 30-plus feet of porous and productive
6 sands. And --

7 Q. Now, Mr. Neff, in your opinion, is the proposed
8 location the best available location in the NW 1/4 of
9 Section 26 to develop the Morrow under this acreage?

10 A. Yes, it is.

11 Q. In your opinion is a well at this location
12 necessary if in fact the remaining Morrow reserves are to be
13 produced?

14 A. Yes.

15 Q. You've developed the technical information that
16 you've presented here today from a certain amount of
17 substructure information from well control information?

18 A. Right.

19 Q. And a limited amount of seismic?

20 A. Seismic, right. Seismic and subsurface.

21 Q. Could you explain to Mr. Catanach why David is
22 proposing a N 1/2 unit as opposed to a W 1/2 unit in
23 Section 26?

24 A. Well, there's three reasons for the N 1/2
25 location. If you refer back, basically, to the structure

1 map -- structural advantage, for one, is a high structural
2 point that we have on Section 26. With this structural
3 advantage we're anticipating better sands, better
4 porosity/permeability development in these sands, and better
5 drainage. The highest structural position that you can get,
6 the better drainage we ought to have, the more effective
7 drainage we ought to have.

8 Q. Now, Mr. Neff, when would you drill or re-enter
9 the Barbara Fasken Maxwell Trust "26" Well and take it down
10 to the Morrow, is it possible that you will obtain
11 information on the formation that would suggest an
12 additional Morrow location might be available in the SW of
13 Section 26?

14 A. That's possible. When we get to the Morrow Lime,
15 there's a lot of faults in here. Yes, there is. There is a
16 possibility of the faults -- I mean, it could move some.
17 The section that you've got on the Morrow section there,
18 those are all apparent -- that's apparent fault there. It's
19 not really true dip on that fault, the section I've given
20 you guys. We're saying these faults is apparent faults
21 instead of true dip -- apparent dip, excuse me, as opposed
22 to true dip. I think there is a chance, we'll have to wait
23 and see, that the fault could shift to the right some,
24 possibly.

25 Q. Now, the portion of Section 26 which is deemed

1 potentially productive in the Morrow is all, in fact,
2 acreage owned by David Petroleum; is that correct?

3 A. That's correct.

4 Q. If in fact a W 1/2 unit was proposed, there would
5 be acreage included that is not productive, based on your
6 interpretation, and also owned by other individuals?

7 A. Right.

8 Q. So both from an ownership point of view and also
9 trying to look forward to potential development, it is
10 prudent to develop within the N 1/2 unit?

11 A. That's correct.

12 Q. Were Exhibits 3, 4 and 5 prepared by you?

13 A. They were.

14 MR. CARR: Mr. Catanach, at this time we'd move
15 the admission of David Petroleum Corporation Exhibits 3, 4
16 and 5.

17 EXAMINER CATANACH: Exhibits 3, 4 and 5 will be
18 admitted as evidence.

19 Q. (BY MR. CARR) Mr. Neff, in your opinion, will
20 approval of this application and the drilling of the well at
21 the proposed -- or the re-entry and testing of the Morrow at
22 the proposed location be in the best interest of
23 conservation and the prevention of waste and protection of
24 correlative rights?

25 A. Yes.

1 A. No, this will be the first.

2 Q. It's possible that the -- is what you're saying
3 it's possible that the SW 1/4 may not contribute production
4 to the well?

5 A. Right now, I would say no, based on where the
6 fault is, but when we get down to the Morrow Lime if the
7 structural position does change and does shift to the right,
8 there is a good chance that we could drill a well in the SW
9 of 26, but right now, no.

10 EXAMINER CATANACH: I have nothing further.

11 MR. CARR: We have nothing further in this case,
12 Mr. Catanach.

13 EXAMINER CATANACH: There being nothing further
14 in this case, Case 11178 will be taken under advisement.

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