

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. 11,326
)
APPLICATION OF TEXACO EXPLORATION)
AND PRODUCTION, INC.)
_____)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

July 13th, 1995

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, July 13th, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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July 13th, 1995
 Examiner Hearing
 CASE NO. 11,326

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A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 2:05 p.m.:

3 EXAMINER STOGNER: At this time call I'll Case
4 Number 11,326.

5 MR. CARROLL: Application of Texaco Exploration
6 and Production, Inc., for a high-angle/horizontal
7 directional drilling pilot project, special operating rules
8 therefor, a nonstandard oil proration unit, simultaneous
9 dedication and a special project allowable, Rio Arriba
10 County, New Mexico.

11 EXAMINER STOGNER: Call for appearances.

12 MR. CARR: May it please the Examiner, my name is
13 William F. Carr with the Santa Fe law firm Campbell, Carr
14 and Berge.

15 We represent Texaco Exploration and Production,
16 Inc., in this matter.

17 The witnesses I will call in this case testified
18 in the preceding cases. I would request that the record
19 reflect that they remain under oath and that their
20 qualifications as expert witnesses have been accepted and
21 made a matter of record by the Division.

22 EXAMINER STOGNER: Let the record so show.

23 MR. CARR: I would request also that the record
24 made in case 11,324, which was an application for
25 horizontal drilling of the L.L. McConnell Number 13 well --

1 that that record be incorporated by reference into this
2 case.

3 EXAMINER STOGNER: As it shall.

4 MR. CARR: And at this time we would call Mr.
5 Snure.

6 CHUCK SNURE,

7 the witness herein, after having been first duly sworn upon
8 his oath, was examined and testified as follows:

9 DIRECT EXAMINATION

10 BY MR. CARR:

11 Q. Mr. Snure, are you familiar with the Application
12 filed in this case on behalf of Texaco?

13 A. Yes, I am.

14 Q. Are you familiar with the status of the lands
15 surrounding the proposed horizontal well?

16 A. Yes, I am.

17 Q. Could you briefly review for Mr. Stogner what
18 Texaco seeks with this Application?

19 A. We're seeking approval of a directional drilling
20 pilot project in Township 25 North, 5 West, south half of
21 Section 21, and also the authority to recomplete the
22 existing Jicarilla "C" Well Number 35, which is located in
23 the southwest quarter of Section 21 at a surface location
24 of 1850 feet from the south line and 1190 feet from the
25 west line.

1 Q. And that is a standard location, is it not?

2 A. Yes, sir, that's correct.

3 Q. Are you seeking special drilling provisions in
4 this case?

5 A. Yes, we are, to traverse quarter and quarter-
6 quarter section lines with a horizontal wellbore and to
7 drill within 790 feet of the outer boundary of the project
8 area.

9 Q. So in this case we're seeking to stay within 790
10 feet of the boundary of the project area, unlike the
11 preceding case?

12 A. That is correct.

13 Q. Are special operating rules being sought?

14 A. Yes, the formation of a nonstandard, a regular-
15 size spacing unit, which would be the south half of Section
16 21 and to receive a project allowable based on those two
17 160-acre spacing units within the project area.

18 Q. Now, Mr. Snure, there are two wells in the south
19 half of Section 21 that are completed in the West Lindrith
20 Gallup-Dakota Pool; is that correct?

21 A. That is correct.

22 Q. And what is the other well in that pool?

23 A. The other well is the Jicarilla "C" Well Number
24 26, and it's located in the southeast quarter at a surface
25 location of 1850 feet from the south line and 790 feet from

1 the east line, which is Unit I of Section 21.

2 Q. And is Texaco seeking authority to simultaneously
3 dedicate these two wells in the West Lindrith Gallup-Dakota
4 Pool?

5 A. Yes, we are.

6 Q. And will the technical witnesses explain what
7 horizons within that pool these individual wells will be
8 producing from?

9 A. Yes, they will.

10 Q. Let's go to what's been marked as Texaco Exhibit
11 A. Can you identify and review that, please?

12 A. Yes, Exhibit A is the land map showing the
13 Jicarilla lease and also the location of the existing
14 Jicarilla "C" Well Number 35, identified with the red dot
15 in the southwest quarter.

16 Q. Existing Gallup wells in the area are also shown
17 on this exhibit?

18 A. Yes, they are.

19 Q. And are the offsetting operators indicated?

20 A. Yes, they are.

21 Q. What is the status of the Jicarilla "C" Well
22 Number 35?

23 A. The status of the well, it's currently producing
24 from the Dakota formation, approximately 57 MCF a day and
25 five barrels of oil a day.

1 Q. So it is a marginal well?

2 A. A marginal well, yes, sir.

3 Q. Let's go to Exhibit B. Can you identify and
4 review that, please?

5 A. Yes, Exhibit B is the form C-102, and it's the
6 well-location acreage-dedication plat.

7 Q. The drilling unit for this well was originally
8 the southwest quarter of 21?

9 A. That is correct.

10 Q. And the project window if this Application is
11 approved, or the drilling window, would be the south half
12 of the section, with setbacks of 790 feet from the outer
13 boundary?

14 A. Yes, that's correct.

15 Q. What is the ownership of the acreage in the
16 project area?

17 A. The ownership is common once again. The working
18 interest is owned 100 percent by Texaco, the royalty
19 interest 100 percent by the Jicarilla Apache Tribe under
20 Contract Number 34.

21 Q. Now, have you reviewed this Application with the
22 BLM?

23 A. Yes, we have.

24 Q. And have they approved the sundry notice for this
25 well?

1 A. Yes, they have.

2 Q. All right. We've talked about the current
3 development status of the acreage. We have the two wells
4 on the project area at this time?

5 A. Yes.

6 Q. Both wells are drilled as straight holes; is that
7 right?

8 A. That is correct.

9 Q. Let's go to Exhibit C. Can you identify that,
10 please?

11 A. Exhibit C is a closer detailed plat of the offset
12 operators.

13 Q. And Exhibit D?

14 A. Exhibit D is a list of the offset operators.

15 Q. And in this case, the only offset that was
16 notified was Amerada Hess?

17 A. That is correct.

18 Q. The tracts that do not have an operator indicated
19 for them on Exhibit C to the north, northwest and west of
20 the proposed acreage, is Texaco at this time attempting to
21 identify the working interest owners in each of those
22 tracts?

23 A. Yes, we are.

24 Q. And will notice be provided to each of the
25 working interest owners as required by OCD rules?

1 A. Yes, they will.

2 Q. Can you identify Exhibit E?

3 A. Yes, Exhibit E is the return receipt from Amerada
4 Hess.

5 Q. And Exhibit F?

6 A. Exhibit F is the waiver letter dated May 25th,
7 1995, executed by Amerada Hess.

8 Q. Were Exhibits A through F prepared by you or
9 compiled under your direction?

10 A. Yes, they were.

11 MR. CARR: At this time, Mr. Stogner, we would
12 move the admission into evidence of Texaco Exhibits A
13 through F.

14 EXAMINER STOGNER: Exhibits A through F will be
15 admitted into evidence.

16 MR. CARR: That concludes my direct examination
17 of Mr. Snure.

18 EXAMINER STOGNER: Thank you, Mr. Carr.

19 EXAMINATION

20 BY EXAMINER STOGNER:

21 Q. What was the lease number you said that was --

22 A. It's Jicarilla Contract Number 34.

23 Q. Thirty-four?

24 A. Yes, sir.

25 Q. And that was executed with the Jicarilla Tribe,

1 right?

2 A. Yes, sir, Jicarilla Apache Tribe.

3 EXAMINER STOGNER: No other questions of this
4 witness.

5 MR. CARR: All right, Mr. Stogner, at this time
6 we would call Mr. Oberhansley.

7 EXAMINER STOGNER: Mr. Oberhansley, before you
8 testify, you're going to need to speak up a little bit
9 more, because there's a fan operating now.

10 GARY OBERHANSLEY,

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

13 DIRECT EXAMINATION

14 BY MR. CARR:

15 Q. Mr. Oberhansley, have you made a geological study
16 of the area surrounding the Jicarilla "C" Well Number 35?

17 A. Yes, I have.

18 Q. Let's go to what has been marked as Exhibit G.
19 Can you identify that and review it for the Examiner,
20 please?

21 A. This is a structure map based on the top of the
22 Gallup formation. The contour interval on this map is 50
23 feet.

24 In relationship to the well that we plan to re-
25 enter, it's again on a -- the structure map shows a gentle

1 northeast dip direction, and we anticipate 30 to 40 feet
2 dip in that wellbore.

3 Q. All right, let's go to Exhibit H. Would you
4 identify this, please?

5 A. This is an isopach on the Upper and Lower
6 Perforation Zone of the Gallup formation. The contour
7 interval on this map is 10 feet.

8 Q. And what basically does this show you is the
9 total thickness of the Gallup?

10 A. The total thickness in this area of interest is
11 between 360 to 380 feet.

12 Q. All right, let's go to Exhibit I, the isopach on
13 the Upper Zone. Can you review this?

14 A. This is the Upper Perforation Zone, the isopach
15 map of the Gallup formation.

16 The -- okay, this -- and again in relationship to
17 the well of interest, this shows an isopach interval of 115
18 feet.

19 Q. Based on your mapping of the Upper Gallup, do you
20 believe you have a suitable formation for a horizontal
21 drilling project?

22 A. Yes.

23 Q. And do you think you will -- or do you foresee
24 any trouble in keeping the horizontal portion of the well
25 within the formation?

1 A. No.

2 Q. Let's go to the cross-section, Exhibit J. Will
3 you again identify and review the information on this for
4 the Examiner?

5 A. This cross-section, as you refer to the index
6 map, has been based on two wells. The well in -- Both
7 wells are in Section 21. The first well is the Jicarilla
8 Number 26E, on the 35, Number 35. It shows a -- And it's
9 tied to the well to the east, which is the Texaco Jicarilla
10 Number 26 well. Again, it shows the relationship of the
11 borehole in the Upper Perforated Zone.

12 The index map shows the target zone, which is
13 extended out to 2500 feet.

14 Q. If you were to pick a well to be used as the --
15 or a log to be used as the type log, would you select the
16 log for the Jicarilla "C" Number 35 well?

17 A. Yes.

18 Q. With this horizontal well, you do intend to drill
19 what appears to be directly to the east?

20 A. Yes.

21 Q. Were Exhibits G through J prepared by you?

22 A. Yes.

23 MR. CARR: At this time, Mr. Stogner, we would
24 move the admission into evidence of Texaco Exhibits G
25 through J.

1 EXAMINER STOGNER: Exhibits G through J will be
2 admitted into evidence at this time.

3 MR. CARR: And that concludes my direct
4 examination of Mr. Oberhansley.

5 EXAMINATION

6 BY EXAMINER STOGNER:

7 Q. What kind of a distance is it between this
8 project and the other two in the previous cases, roughly?

9 A. Roughly, I would say it's more than ten miles.

10 Q. Is it essentially the same type of structure?

11 A. Yes.

12 Q. Is there any noticeable difference between the
13 deposition of this portion of the Upper Zone as opposed to
14 those?

15 A. No, there isn't.

16 Q. Same type of fracturing, running in a north and
17 south direction?

18 A. Yes, that's what we anticipate.

19 Q. Are there any fracture logs out here to determine
20 that, that the direction of those fractures are in the same
21 orientation?

22 A. No, no fracture logs in this area.

23 EXAMINER STOGNER: No other questions.

24 MR. CARR: Thank you, Mr. Stogner.

25 At this time we would call Phillip Smith.

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PHILLIP W. SMITH,

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

DIRECT EXAMINATION

BY MR. CARR:

Q. Mr. Smith, are you familiar with the Application filed on behalf of Texaco in this case?

A. Yes, I am.

Q. And are you familiar with the proposed horizontal drilling of the Jicarilla "C" Number 35 well?

A. Yes.

Q. Let's go to what has been marked as Texaco Exhibit K. Would you identify and briefly review this exhibit for Mr. Stogner?

A. Exhibit K is a current completion of the Jicarilla "C" Number 35.

We have 8 5/8 casing set at 306 feet, with 275 sacks of cement. Cement was circulated to surface.

We have 5-1/2-inch casing set at 7170 feet, with cement of 670 sacks of cement. Top of cement is at 5720, and that is by a cement bond log.

We have the second stage of cement of 1075 sacks of cement from the DV tool. The top of the cement is 570 feet. Again, that is by cement bond log also.

Q. Let's go to Exhibit L, and would you review the

1 proposed horizontal drilling?

2 A. Exhibit L shows a proposed completion schematic.
3 We've squeezed off the perfs, milled out a 40-foot section,
4 kicked off and drilled a window and have proceeded to drill
5 a lateral approximately 2500 feet out.

6 Q. And at what depth will you kick off?

7 A. Kickoff point is at 5970.

8 Q. And at what depth would you estimate penetrating
9 the Gallup formation?

10 A. Estimated penetration point would be 6048 feet
11 true vertical depth.

12 Q. Mr. Smith, does Exhibit M summarize the drilling
13 procedures that Texaco intends to utilize in the horizontal
14 drilling of this well?

15 A. Yes, it does, and I need to point out that
16 there's a typographical error on this one too. This one
17 says "west" also. It should also be "east".

18 Q. Are these the same procedures that were reviewed
19 when you testified concerning the L.L. McConnell Number 13
20 well?

21 A. Yes.

22 Q. Will it be possible in the drilling of this well
23 for Texaco to remain within the drilling window as defined,
24 being 790 feet within the boundaries of the south half of
25 this section?

1 A. Yes.

2 Q. Do you anticipate that the acreage dedicated to
3 the well will, in fact, be drained by the horizontal
4 wellbore?

5 A. Yes.

6 Q. Do you see any potential for excess drainage from
7 any offsetting tracts?

8 A. No.

9 Q. Again, will the producing life on this well be 19
10 years if, in fact, you're able to drill a successful well?

11 A. Yes, that's what we estimate it to be.

12 Q. You will run a directional survey on the well?

13 A. Yes.

14 Q. And you will advise the Division of the time that
15 you intend to run that survey and also make a copy of it
16 available to the Division; is that correct?

17 A. Yes.

18 Q. Is this the third well in this project that you
19 intend to drill?

20 A. Yes, it is.

21 Q. When do you hope to commence the drilling,
22 actually, or target as an approximate date to commence the
23 drilling of this well?

24 A. Around October.

25 Q. In your opinion, will approval of this

1 Application be in the best interests of conservation, the
2 prevention of waste and the protection of correlative
3 rights?

4 A. Yes, it will.

5 Q. Were Exhibits K through M prepared by you?

6 A. Under my supervision, yes.

7 MR. CARR: Mr. Stogner, at this time we move the
8 admission of Texaco Exhibits K through M.

9 EXAMINER STOGNER: Exhibits K through M will be
10 admitted into evidence.

11 MR. CARR: And that concludes my examination of
12 Mr. Smith.

13 EXAMINATION

14 BY EXAMINER STOGNER:

15 Q. Which is going to be the high-priority project,
16 of the three?

17 A. The highest priority will be the L.L. McConnell.

18 Q. That's the first one?

19 A. Yes, it will.

20 Q. Will that determine whether the other two get
21 drilled or not?

22 A. If it looks real bad, yes.

23 Q. Okay. "Real bad" -- I mean what? Difficult to
24 drill in or --

25 A. No, I mean if the recovery is very poor, we may

1 do some second-guessing on the other two.

2 EXAMINER STOGNER: Okay. No other questions of
3 this witness.

4 MR. CARR: That concludes our presentation in
5 this case.

6 EXAMINER STOGNER: Okay. Now, this case had to
7 be readvertised, and it was so for the July 27th hearing
8 because it showed Range 3 West when indeed it's 5 West.

9 Also at that time it will be continued till the
10 August 10th hearing for notice requirements. Again, keep
11 me posted.

12 Thank you, Mr. Carr.

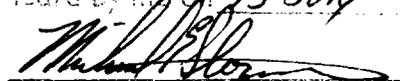
13 MR. CARR: Yes, we will.

14 EXAMINER STOGNER: With that, if there's nothing
15 further in this case, why don't we take a ten-minute
16 recess?

17 (Thereupon, these proceedings were concluded at
18 2:25 p.m.)

19 * * *

20
21 I do hereby certify that the foregoing is
22 a complete record of the proceedings in
23 the Examiners' hearing of Case No. 11326
24 heard by me on 13 July 1995.

24  , Examiner
25 Oil Conservation Division

CERTIFICATE OF REPORTER

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

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

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 July 21st, 1995.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998