

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

IN THE MATTER OF THE HEARING)	
CALLLED BY THE OIL CONSERVATION)	
DIVISION FOR THE PURPOSE OF)	
CONSIDERING:)	CASE NO. 11,386
)	
APPLICATION OF AMERADA HESS)	
CORPORATION)	
_____)	

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

BEFORE: DAVID R. CATANACH, Hearing Examiner

September 21, 1995

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, September 21st, 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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September 21st, 1995
 Examiner Hearing
 CASE NO. 11,386

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A P P E A R A N C E S

FOR THE APPLICANT:

CAMPBELL, CARR & BERGE, P.A.
 Suite 1 - 110 N. Guadalupe
 P.O. Box 2208
 Santa Fe, New Mexico 87504-2208
 By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 10:56 a.m.:

3 EXAMINER CATANACH: At this time we'll call Case
4 11,386, which is the Application of Amerada Hess
5 Corporation for an unorthodox gas well location and a
6 nonstandard gas spacing and proration unit, Lea County, New
7 Mexico.

8 Are there appearances in this case?

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

12 We represent Amerada Hess Corporation in this
13 matter, and I have one witness.

14 EXAMINER CATANACH: Any other appearances?

15 Will the witness please raise your right hand so
16 you can be sworn in?

17 (Thereupon, the witness was sworn.)

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

21 DIRECT EXAMINATION

22 BY MR. CARR:

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

24 A. My name is Steve Kerlick.

25 Q. And where do you reside?

1 A. I reside in Houston, Texas.

2 Q. Mr. Kerlick, by whom are you employed?

3 A. I'm employed by Amerada Hess Corporation.

4 Q. And what is your current position with Amerada
5 Hess?

6 A. I'm a geophysicist.

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

9 A. No, sir, I have not.

10 Q. Could you summarize for Mr. Catanach your
11 educational background?

12 A. I received a bachelor of science degree in
13 geophysics in 1975 from San Diego State University. At
14 that date I was employed by Gulf Oil Corporation, and since
15 then have accumulated 20 years of oil and gas experience,
16 doing geophysical work.

17 Q. When did you go to work for Amerada Hess?

18 A. 1991.

19 Q. Are you familiar with the Application filed in
20 this case on behalf of Amerada Hess Corporation?

21 A. Yes, I am.

22 Q. And have you made a geophysical study of the
23 portion of the Ellenburger formation which is the subject
24 of this case?

25 A. I have.

1 MR. CARR: Mr. Catanach, at this time we would
2 tender Mr. Kerlick as an expert witness in geophysical
3 science.

4 EXAMINER CATANACH: Mr. Kerlick is so qualified.

5 Q. (By Mr. Carr) Could you briefly state what
6 Amerada Hess seeks with this Application?

7 A. We're seeking an unorthodox well location for the
8 North Bell Lake Federal Well Number 3 in Section 6,
9 Township 23 South, Range 34 East.

10 Q. And in what formation do you propose to complete
11 this well?

12 A. We'd like to complete in the Undesignated North
13 Bell Lake-Ellenburger Gas Pool.

14 Q. And what is the exact footage location for this
15 well?

16 A. 1930 from the north and 660 from the east.

17 Q. What is the current status of the well?

18 A. The well is currently drilling at approximately
19 4000 foot.

20 Q. And Amerada Hess received verbal approval from
21 Mr. LeMay to go forward with the drilling of the well, did
22 they not?

23 A. Yes, they did.

24 Q. But you were also required to get an order
25 approving the location before you produced it?

1 A. Correct.

2 Q. Is this well within one mile of the North Bell
3 Lake-Ellenburger Gas Pool? Is that the current status of
4 the pool?

5 A. Yes, it is.

6 Q. And what are the well-location requirements for
7 that pool?

8 A. 640-acre spacing, 1650-foot setbacks.

9 MR. CARR: Mr. Catanach, those pool rules were
10 established July the 26th by Order Number R-10,427.

11 EXAMINER CATANACH: Thank you.

12 Q. (By Mr. Carr) Mr. Kerlick, let's go to what has
13 been marked for identification as Amerada Hess Corporation
14 Exhibit Number 1. Can you refer to this exhibit, please,
15 identify it and then just review the information set out
16 there?

17 A. Yes, this is a plat identifying the spacing unit
18 in the dashed line around the discovery well. The
19 discovery well is in the southwestern corner of Section 5,
20 the Bell Lake Unit Number 2.

21 The proposed well location is in the northeast
22 quarter of Section 6, with the arrow pointing to it. And
23 there's a Conoco well in the northeast corner of Section 6
24 that is currently producing from the Devonian. That is the
25 Conoco Bell Lake Number 6.

1 Q. The acreage shaded in yellow is the tract or the
2 spacing unit to be dedicated to the proposed well in the
3 Ellenburger?

4 A. Yes, it is.

5 Q. And the dark black line around the nine sections
6 surrounding the well?

7 A. That is the North Bell Lake unit boundary.

8 Q. And is Conoco the operator of that unit?

9 A. Yes, they are.

10 Q. And Amerada Hess is the suboperator for the
11 Ellenburger formation?

12 A. That is correct.

13 Q. So actually the only offset is Conoco?

14 A. That's correct.

15 Q. What interest does Kaiser-Francis have in this
16 pool?

17 A. They have a 7.9-percent after payout by farmout
18 agreement.

19 Q. If we go to what has -- Could you identify what
20 has been identified as Amerada Hess Exhibit Number 2?

21 A. Yes, that is the waiver from Conoco.

22 Q. And then is Exhibit Number 3 a copy of an
23 affidavit confirming that notice of this Application and
24 hearing has been provided to Kaiser-Francis Oil Company as
25 required by Division rules?

1 A. Yes, it is.

2 Q. So the only two other operators who can be
3 affected by this Application, Conoco and Kaiser-Francis,
4 have either waived objection to the location or been
5 notified of this hearing?

6 A. That's correct.

7 Q. Could you identify Amerada Hess Exhibit Number 4?

8 A. Yes, that is the application for a permit to
9 drill the well.

10 Q. And attached to that exhibit is a copy of Form
11 C-102?

12 A. Yes, that is the survey location for the subject
13 well.

14 Q. Let's go now to the structure map, Amerada Hess
15 Exhibit 5. I'd like you to identify this and just review
16 for Mr. Catanach what this exhibit is designed to show.

17 A. This is a structure map of the Ellenburger
18 formation as made by myself on 50-foot contour intervals.
19 This was constructed from a 3-D seismic survey over the
20 entire area.

21 As you can see from the contours, there -- We
22 expect to get 113 feet updip from the discovery well, the
23 AHC Bell Lake Number 2.

24 Q. This exhibit also shows the standard location?

25 A. Yes, it does.

1 Q. And what you basically are doing by moving this
2 location is to get to the highest structural point you can
3 reasonably achieve on this spacing unit; is that right?

4 A. That's correct, sir.

5 Q. What is the reservoir drive mechanism in this
6 pool?

7 A. Bottom water drive.

8 Q. Let's go to what has been marked for
9 identification as Amerada Hess Corporation Exhibit Number
10 6, the seismic line.

11 Can you review the information on that exhibit
12 for the Examiner?

13 A. This is an east-west trending seismic line going
14 directly through both of the locations under discussion.
15 The pink horizon that I have colored on the seismic line is
16 identified as the Ellenburger.

17 And as you can see from the wells projected into
18 it, we would lose approximately 70 foot of structure by
19 moving to a standard location.

20 Q. And the result of losing that structure could be
21 that you would leave hydrocarbons in the ground; is that
22 right?

23 A. That's correct.

24 Q. In your opinion, will approval of this
25 Application be in the best interests of conservation, the

1 prevention of waste and the protection of correlative
2 rights?

3 A. Yes, it would.

4 Q. Were Exhibits 1 through 6 either prepared by you,
5 or have you reviewed them and can you testify as to their
6 accuracy?

7 A. Yes, I can.

8 MR. CARR: At this time, Mr. Catanach, we would
9 move the admission into evidence of Amerada Hess Exhibits 1
10 through 6.

11 EXAMINER CATANACH: Exhibits 1 through 6 will be
12 admitted as evidence.

13 MR. CARR: That concludes my direct examination
14 of Mr. Kerlick.

15 EXAMINATION

16 BY EXAMINER CATANACH:

17 Q. Mr. Kerlick, the -- Is it the North Bell Lake
18 Federal Unit? Is that the name of the unit?

19 A. Yes, it is.

20 Q. Conoco is the operator?

21 A. That's correct.

22 Q. What's the primary production source in that
23 unit?

24 A. Devonian. Conoco has produced 30 BCF from their
25 Number 6 well, from the Devonian.

1 Q. Okay, and under the unit agreement, Amerada is a
2 suboperator; is that correct?

3 A. That's correct.

4 Q. So you have the rights to drill to the
5 Ellenburger?

6 A. That's correct.

7 Q. Is that the -- The discovery well, was that
8 drilled by Amerada?

9 A. Yes.

10 Q. Okay. Are Conoco and Amerada the only interest
11 owners in that unit?

12 A. Kaiser-Francis is also an interest owner.

13 Q. Okay. They have not objected to the unorthodox
14 location?

15 A. No, they haven't.

16 Q. This is a gas reservoir; is that correct?

17 A. That's correct, sir.

18 Q. Drilling structurally high, does that have an
19 effect on recoveries, in your opinion?

20 A. Yes, it does.

21 Q. Do you believe that you're going to get increased
22 gas recoveries from drilling at the proposed location?

23 A. Yes.

24 Q. As opposed to drilling a standard location?

25 A. Yeah.

1 Q. Are you able to quantify that in any form or
2 fashion?

3 A. The 70 feet?

4 Q. No, what the increased recovery might be?

5 A. Oh, no, I really couldn't. I just know that
6 based on my geophysical mapping, we could get 70-foot high
7 to the standard location, which ought to put us further up
8 on structure and help us to get more of the reserves out of
9 the ground.

10 Q. Is your 3-D seismic that accurate, that you can
11 determine that you're going to gain that much in the
12 structure?

13 A. Yeah, we think so.

14 Q. Did you use 3-D seismic to drill the discovery
15 well?

16 A. No, we did not. We acquired the 3-D seismic
17 after the discovery well.

18 Q. Have you drilled an Ellenburger well based on
19 seismic?

20 A. An Ellenburger well? Oh, on seismic, yes, we
21 have.

22 Q. Okay. The nonstandard proration unit's just a
23 result of an irregular section; is that correct?

24 A. That's correct.

25 EXAMINER CATANACH: Okay. I don't think I have

1 anything else, Mr. Carr.

2 MR. CARR: That concludes our presentation in
3 this case, Mr. Catanach.

4 EXAMINER CATANACH: All right. There being
5 nothing further, Case 11,386 will be taken under
6 advisement.

7 (Thereupon, these proceedings were concluded at
8 11:10 a.m.)

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I do hereby certify that the foregoing is
a true and correct copy of the proceedings
in Case 11,386, as heard and
reported on 9/21/75.
David K. Catnach, Examiner
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 September 26th, 1995.



 STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998