

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:)
)
APPLICATION OF POGO PRODUCTION)
COMPANY FOR TWO UNORTHODOX OIL WELL)
LOCATIONS, EDDY COUNTY, NEW MEXICO)
)

CASE NO. 11,402

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

RECEIVED

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Oil Conservation Division

October 19th, 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, October 19th, 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.

* * *

I N D E X

October 19th, 1995
 Examiner Hearing
 CASE NO. 11,402

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* * *

A P P E A R A N C E S

FOR THE APPLICANT:

HINKLE, COX, EATON, COFFIELD & HENSLEY
 218 Montezuma
 P.O. Box 2068
 Santa Fe, New Mexico 87504-2068
 By: JAMES G. BRUCE

* * *

1 WHEREUPON, the following proceedings were had at
2 8:21 a.m.:

3
4 EXAMINER CATANACH: And at this time I'll call
5 Case 11,402, the Application of Pogo Production Company for
6 two unorthodox oil well locations, Eddy County, New Mexico.

7 Are there appearances in this case?

8 MR. BRUCE: Mr. Examiner, Jim Bruce from the
9 Hinkle law firm, representing the Applicant.

10 I have one witness to be sworn.

11 EXAMINER CATANACH: Any additional appearances?

12 Will the witness please stand to be sworn in at
13 this time?

14 (Thereupon, the witness was sworn.)

15 SCOTT McDANIEL,

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

18 DIRECT EXAMINATION

19 BY MR. BRUCE:

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

21 A. Yes, my name is Scott McDaniel.

22 Q. Who do you work for?

23 A. I work for Pogo Producing Company.

24 Q. And in what capacity?

25 A. I'm a landman for Pogo.

1 Q. Have you previously testified before the Division
2 as a petroleum landman?

3 A. Yes, I have.

4 Q. And were your credentials as a landman accepted
5 as a matter of record?

6 A. Yes, they were.

7 Q. And are you familiar with the land matters
8 involved in this Application?

9 A. Yes, I am.

10 MR. BRUCE: Mr. Examiner, I tender Mr. McDaniel
11 as an expert petroleum landman.

12 EXAMINER CATANACH: Mr. McDaniel is so qualified.

13 Q. (By Mr. Bruce) Mr. McDaniel, what does Pogo seek
14 in this case?

15 A. Pogo seeks unorthodox well locations for its
16 Cedar Canyon Federal Wells Number 1 and 2.

17 Q. Referring to Exhibit 1, would you describe the
18 requested location?

19 A. Yes, Exhibit 1 is a land plat of the area.

20 Shown in yellow is Pogo's acreage, and the two
21 wells that we seek locations for are identified there as
22 well.

23 The Number 1 well is situated 230 feet off of the
24 north line and 2510 feet from the west line of Section 28,
25 and this has a northeast-northwest quarter well unit.

1 The Number 2 well is 2410 feet from the north
2 line and 2310 from the east line, with a southwest-
3 northeast well unit.

4 Q. What is the basis for the requested locations?
5 And let's refer you to your Exhibits 2A and 2B.

6 First, what is Exhibit 2A?

7 A. 2A is the APD for the Number 1 well. And there
8 on Exhibit C-1 of the APD is a topographic map.

9 Q. Is that the tabbed page?

10 A. Yes, it is. As you can see, the Pecos River
11 flows through our well unit for this particular well, and
12 the BLM has required us to move from our original well
13 location.

14 Q. What was your original location for the Number 1
15 well?

16 A. It was 330 feet from the north line and 2310 feet
17 from the west line, which is orthodox.

18 Q. And again, the BLM requested you to move that?

19 A. That's correct.

20 Q. What about the Number 2 well? What is the reason
21 for moving that well from a standard location?

22 A. Again, it was originally orthodox at 1980 from
23 the north line and 2310 from the west line.

24 However, if you'll look at Exhibit C-1 of Exhibit
25 2B, which is the APD for the Number 2 well, you'll see that

1 the river also affects this location.

2 The river basically caused the location to be
3 moved to 2310 feet from the north line and east line of
4 Section 28.

5 However, an archeological study required us to
6 move an additional 100 feet to the south, which is our
7 current location.

8 Q. Okay. Now, what type of land is the north half
9 of Section 28?

10 A. All of it except for the north half, northeast,
11 is federal land; the north half, northeast, is a fee tract.

12 Q. Have you filed these APDs with the BLM?

13 A. Yes, uh-huh, we have. Although the locations
14 have not been finally approved, in preliminary discussions
15 the BLM has stated that these locations are where they want
16 the wells.

17 Q. Does geology play a part in any of these
18 locations?

19 A. No, it really doesn't.

20 And although I'm not a geologist I brought along
21 a net feet porosity map of the Brushy Canyon zone in this
22 area. It's marked Exhibit 3 and was prepared by our
23 geologist.

24 Geologically, it doesn't really matter where the
25 wells are located within these units.

1 Q. Okay. Since these wells are based on topography
2 rather than geology, why did Pogo go to hearing rather than
3 apply administratively for approval?

4 A. Really, it's a matter of timing. The lease on
5 which these wells are located will expire December 31,
6 1995, and unless we actually have production on this -- and
7 we need to have production on this lease prior to that
8 time.

9 Therefore, we need to spud the wells within the
10 next couple of weeks.

11 If we had applied administratively and an offset
12 operator had protested, the hearing would not have occurred
13 until November, which may have been too late.

14 Q. Okay. Who are the offset operators or lessees?

15 A. Again, referring back to Exhibit 1, Pogo operates
16 all of Section 28 except for the north half of the
17 northeast. And Phillips Petroleum Company and Pogo own
18 this acreage 50-50.

19 Pogo also operates the southwest quarter of
20 Section 21, which is jointly owned by Phillips and Pogo as
21 well, 25 percent by Phillips, 75 percent by Pogo.

22 The north half, northeast, of Section 28 and the
23 south half, southeast, of Section 21, are owned by
24 Phillips, Pogo, and Enron Oil and Gas Company. And I might
25 add that we're currently negotiating a joint operating

1 agreement with these parties wherein Pogo will be
2 designated the operator.

3 Q. Was notice of the Application given to these
4 other lessees?

5 A. Yes, it was.

6 Q. And is Exhibit 4 your affidavit of notice with
7 the notice letter and the certified return receipts?

8 A. Yes, it is.

9 Q. What is Exhibit 5?

10 A. Exhibit 5 contains the waivers that have been
11 signed by both Phillips and Enron.

12 Q. Okay. Now, looking at the notice letter, it was
13 also -- besides being sent to Phillips and Enron, it was
14 mailed to Guy Witherspoon and Laura Jean Hofer. Who are
15 these persons?

16 A. At the time of the notice -- At the time it was
17 mailed, they were unleased owners in the north half,
18 northeast, of Section 28, as well as the south half,
19 southeast, of Section 21. They have since been leased by
20 Pogo.

21 Q. In your opinion, is the granting of this
22 Application in the interest of conservation and the
23 prevention of waste?

24 A. Yes, it is.

25 Q. And were Exhibits 1 through 5 prepared by you or

1 compiled from company records?

2 A. Yes.

3 MR. BRUCE: Mr. Examiner, I would move the
4 admission of Pogo's Exhibits 1 through 5.

5 EXAMINER CATANACH: Exhibits 1 through 5 will be
6 admitted as evidence.

7 EXAMINATION

8 BY EXAMINER CATANACH:

9 Q. Mr. McDaniel, the Number 1 well was originally
10 staked at 330 from the north, 2310 from the west; is that
11 what you testified to?

12 A. Yes, I believe that's correct.

13 Q. And was it BLM you were working with on the
14 locations?

15 A. Yes, uh-huh.

16 Q. And they required you to move it north and east?

17 A. No, I believe it was north and -- north and
18 west -- Oh, yes, north and east, I'm sorry. Yes.

19 Q. Did you in this process, when you were working
20 with BLM, did you try and find an additional standard
21 location within that 40 acres?

22 A. Yes, actually our field personnel were the people
23 that were involved with the determination of the location,
24 but I'm sure that they did. They're very much aware of the
25 standard locations that are normally used in these

1 situations.

2 Q. Okay. The river was the only factor in the
3 Number 1 location; is that correct?

4 A. That's correct.

5 Q. Okay. The Number 2 location was a combination of
6 the river and did you say there was an arch. site?

7 A. Yes, there was an arch. site.

8 Q. And that arch. site caused an additional move of
9 a hundred feet, did you say?

10 A. To the south, yes.

11 Q. Do you have anything that shows where that
12 archeological site was located?

13 A. Yes, I do have a copy of the arch. report here
14 with me today, if you would like to see that.

15 Q. Does that have a map on it?

16 A. Yes, it does.

17 EXAMINER CATANACH: Okay. Are you going to leave
18 this as an exhibit? Want me to mark it as an exhibit, or
19 just --

20 MR. BRUCE: Sure, why don't we mark that Exhibit
21 5?

22 EXAMINER CATANACH: You mean --

23 MR. BRUCE: I mean Exhibit Number 6.

24 EXAMINER CATANACH: 6, okay. Exhibit Number 6
25 will be admitted as evidence.

1 Q. (By Examiner Catanach) Mr. McDaniel, these wells
2 are going to be tested -- or drilled, down to the Bone
3 Spring?

4 A. Yes, to the upper Bone Spring.

5 Q. Okay. And you've also got targeted some Delaware
6 in those wells?

7 A. Yes, that is our primary objective.

8 Q. Primary is Delaware?

9 A. Uh-huh.

10 Q. But they will be completed in the Bone Spring if
11 you encounter some production?

12 A. That's correct.

13 Q. Okay. They won't be dually completed, will they?
14 Just singly?

15 A. No, our plans are not to dually complete them at
16 this time.

17 Q. I just wanted to go over briefly the offset
18 acreage again.

19 I believe you testified that in Section 28 -- Was
20 it Phillips and Pogo own that acreage in Section 28?

21 A. Yes, all except for the north half, northeast --

22 Q. North half of the northeast?

23 A. Right, the north half of the northeast is owned
24 by Pogo, Phillips and Enron.

25 Q. And the rest of Section 28 is owned by Pogo and

1 Phillips?

2 A. That's correct, in equal proportions.

3 Q. Okay, and Section 21, I believe you said the
4 southwest quarter was -- What was that again?

5 A. It's 25 percent -- It's owned 25 percent by
6 Phillips and 75 percent by Pogo.

7 Q. That's the southwest quarter, right?

8 A. That's correct, southwest quarter of 21.

9 Q. Okay. How about the southeast quarter of 21?

10 A. Southeast quarter of 21?

11 Q. Or the south half?

12 A. The south half of the southeast quarter of 21 is
13 owned jointly by Phillips, Pogo and Enron. And that,
14 coupled with the north half of the northeast, is -- We are
15 currently negotiating an operating agreement to cover both
16 of those 80-acre tracts.

17 Q. So the only affected interest owners are in fact
18 Pogo, Phillips and Enron in any of the well locations?

19 A. That's correct.

20 Q. Okay. And you've got waivers from Phillips and
21 Enron?

22 A. That's correct.

23 EXAMINER CATANACH: I believe that's all I have
24 of the witness, Mr. Bruce.

25 MR. BRUCE: I have nothing further, Mr. Examiner.

1 EXAMINER CATANACH: Okay, there being nothing
2 further in this case, Case 11,402 will be taken under
3 advisement.

4 (Thereupon, these proceedings were concluded at
5 8:35 a.m.)

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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.

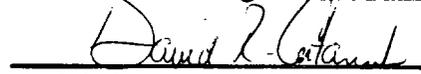
WITNESS MY HAND AND SEAL October 24th, 1995.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 11402, heard by me on October 19, 1995.

 , Examiner
 Oil Conservation Division