

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 YATES PETROLEUM)
CORPORATION FOR AN UNORTHODOX WELL)
LOCATION, EDDY COUNTY, NEW MEXICO)

CASE NO. 12,498

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

December 7th, 2000

Santa Fe, New Mexico

00 DEC 21 PM 10:19
OIL CONSERVATION DIV.

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, December 7th, 2000, 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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I N D E X

December 7th, 2000
 Examiner Hearing
 CASE NO. 12,498

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APPLICANT'S WITNESSES:	
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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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Santa Fe, New Mexico 87504-2208
By: MICHAEL H. FELDEWERT

* * *

1 WHEREUPON, the following proceedings were had at
2 8:43 a.m.:

3 EXAMINER CATANACH: Okay, at this time I'll call
4 Case 12,498, which is the Application of Yates Petroleum
5 Corporation for an unorthodox well location, Eddy county,
6 New Mexico.

7 Call for appearances in this case.

8 MR. FELDEWERT: May it please the Examiner, my
9 name is Michael Feldewert Carr with the law firm of
10 Campbell, Carr, Berge and Sheridan, appearing on behalf of
11 the Applicant in this case, Yates Petroleum Corporation,
12 and I have two witnesses.

13 EXAMINER CATANACH: Any additional appearances?
14 Will the witnesses please stand to be sworn in?
15 (Thereupon, the witnesses were sworn.)

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

19 DIRECT EXAMINATION

20 BY MR. FELDEWERT:

21 Q. Mr. Bullock, could you please state your full
22 name for the record?

23 A. Robert Bullock.

24 Q. And where do you reside?

25 A. Hope, New Mexico.

1 Q. And would you tell the Examiner by whom you are
2 employed and in what capacity?

3 A. Yates Petroleum Corporation, as a landman.

4 Q. Have you previously testified before this
5 Division or one of its Examiners and had your credentials
6 as a petroleum landman accepted and made a matter of
7 record?

8 A. Yes, sir.

9 Q. Are you familiar with the Application that's been
10 filed by Yates in this case?

11 A. Yes, I am.

12 Q. And are you familiar with the status of the lands
13 in the subject area?

14 A. Yes.

15 MR. FELDEWERT: We'd tender Mr. Bullock as an
16 expert in petroleum land matters.

17 EXAMINER CATANACH: He is so qualified.

18 Q. (By Mr. Feldewert) Mr. Bullock, would you please
19 briefly state what Yates Corporation seeks with this
20 Application?

21 A. We're seeking authorization to drill the Chosa
22 "ATR" Federal Number 1 to the Morrow formation at an
23 unorthodox location, which is 2250 feet from the south
24 line, 1060 feet from the west line of Section 8, Township
25 South, Range 26 East.

1 We'd like to dedicate the west half of Section 8
2 to the well.

3 Q. Which pool are you drilling to?

4 A. This pool is the Undesignated Chosa Draw-Morrow
5 Gas Pool.

6 Q. Are there special rules in effect for the Chosa
7 Draw-Morrow Gas Pool?

8 A. I'm not sure.

9 MR. FELDEWERT: We'll check on that. I believe
10 the statewide rules apply, Mr. Catanach, to the Chosa Draw-
11 Morrow Gas Pool.

12 Q. (By Mr. Feldewert) Have you prepared exhibits
13 today, Mr. Bullock?

14 A. The exhibits were prepared by Janet Richardson,
15 but I am familiar with all the facts in the case.

16 Q. Okay, why don't you identify and review for the
17 Examiner Yates Petroleum Corporation Exhibit Number 1?

18 A. Exhibit Number 1 is the application that Yates
19 submitted to the OCD for drilling this well. It stated all
20 the facts, which we can go over.

21 Q. This is a copy of the administrative application?

22 A. Yes, it is.

23 Q. Okay, and what happened to that administrative
24 application?

25 A. This application was denied.

1 Q. Do you have the denial letter as Yates Petroleum
2 Corporation's Exhibit Number 2?

3 A. Yes.

4 Q. Would you identify for the Examiner, and I guess
5 read for the record, the reasons for the denial?

6 A. Okay, stated in the letter, Paragraph (1), I'll
7 just read this, "with the inception of Division Order
8 Number R-11,231...operators have been given an additional
9 18.7 acres on the surface within a single...quarter section
10 in which to locate deep gas wells...at a location
11 considered to be standard".

12 And it appears to -- Paragraph (2) states that
13 "from the information provided, there appear to be areas
14 within the 120 acres comprising the northeast southwest and
15 the south half southwest of..." this section "...that
16 adequately meet...the geological and topographical
17 perimeters necessary for drilling a standard...(Morrow) gas
18 well location".

19 And Paragraph (3) states that "...from the
20 information provided, moving this well to the south within
21 the southwest quarter of Section 8 would improve Yates'
22 geological position on the targeted structure." It states
23 that "this fact was never covered in the subject
24 application."

25 Q. Okay. I would like you to now turn, then, to

1 Exhibit A to Yates Exhibit Number 1. Would you identify
2 that for the Examiner and explain it?

3 A. Okay, Yates originally tried to locate this well
4 at a 1650/660 location. That is what we had tried to show
5 with the block designated as A.

6 This location was too close to the river, and the
7 BLM rejected that location because it was too close to the
8 Black River, and it also was archeologically turned down as
9 well.

10 Then we attempted to move the location north to
11 B. That was our second proposed location. I believe that
12 was 1850 from the south, 660 from the west. This location
13 was also considered too close to the Black River. It also
14 was found by the BLM -- There was a cave to the northwest
15 of this location, and archeological reasons also turned it
16 down.

17 Then we attempted to move it to location 3. That
18 is the final location, which is 2250 from the south and
19 1060 from the west.

20 Q. Is that location C?

21 A. That is location C.

22 Q. Okay, and has that location been approved by the
23 BLM?

24 A. Yes, it has.

25 Q. Are there other operators or affected parties

1 toward whom the well encroaches, who must be notified of
2 this Application?

3 A. No, there are none.

4 Q. Does it only encroach upon Yates Petroleum-
5 operated properties?

6 A. Yes.

7 Q. Okay. Will Yates call a witness to review the
8 reasons for the unorthodox well location?

9 A. Yes, sir.

10 MR. FELDEWERT: Okay. At this point, Mr.
11 Examiner, then, I would move the admission of Yates
12 Exhibits 1 and 2.

13 EXAMINER CATANACH: Exhibits 1 and 2 will be
14 admitted as evidence.

15 MR. FELDEWERT: And that's all the questions I
16 have of this witness at this time.

17 EXAMINATION

18 BY EXAMINER CATANACH:

19 Q. Mr. Bullock, you attempted to locate this well in
20 this particular quarter section. Is there a reason for
21 that?

22 A. I think that there's a consideration where we can
23 tie into a pipeline if we make a well. And if we move this
24 thing to the southwest quarter, we would have to come back
25 across the river with a pipeline. That was one of the

1 considerations, which we felt was a fairly significant --
2 not having to come back across the river with a tie-in, a
3 gas tie-in.

4 MR. FELDEWERT: We also have a geologist who
5 would testify as to why they're trying to locate a well in
6 this particular quarter section.

7 Q. (By Examiner Catanach) So the pipeline, as it
8 stands right now, is on the north side of the river?

9 A. That's correct.

10 Q. This is the first well on this proration unit?

11 A. Yes.

12 Q. So I would assume that there's also geologic
13 factors as to why you can't drill in the northwest quarter
14 of this section?

15 A. I'll defer to our geologist on that.

16 Q. This location would not be encroaching on any
17 outer boundary of the proration unit but just on an
18 interior quarter-section line?

19 A. Correct.

20 Q. Which wouldn't affect any offset operators?

21 A. Right.

22 Q. So I assume there was no notice involved in this
23 case?

24 A. No notice was given.

25 EXAMINER CATANACH: Okay, I have nothing further.

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RAYMOND W. PODANY,

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

DIRECT EXAMINATION

BY MR. FELDEWERT:

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

A. Raymond Wayne Podany.

Q. And what is your present address?

A. Artesia, New Mexico, 1809 West Ray Avenue.

Q. And by whom are you employed, Mr. Podany?

A. Yates Petroleum.

Q. And what is your current position with Yates Petroleum Corporation?

A. Senior geologist.

Q. Have you previously testified before this Division?

A. No, I haven't.

Q. Why don't you summarize for the Examiner your educational background?

A. I'm a graduate with a bachelor of science degree in geology from George Washington University in Washington, D.C. I also have a master's degree, 1980, in geology from George Washington University.

Q. Would you summarize your work experience for the

1 Examiner, please?

2 A. I began work in the petroleum industry with Getty
3 Oil Company in Denver in 1980. I have worked for their
4 subsequent companies, Texaco, Caltex in Indonesia and
5 Texaco in Midland, and Yates in Artesia, starting in June
6 of 2000.

7 Q. Have your job responsibilities in the past
8 included the Permian Basin?

9 A. They have, yes.

10 Q. Are you familiar with the Application filed in
11 this case on behalf of Yates Petroleum?

12 A. I am, yes.

13 Q. And have you made a technical study of the area
14 surrounding the proposed well?

15 A. I have.

16 MR. FELDEWERT: Are the witness's qualifications
17 acceptable?

18 EXAMINER CATANACH: They are.

19 Q. (By Mr. Feldewert) Have you prepared an exhibit
20 for the Examiner here today?

21 A. Yes, I have prepared the exhibit that --

22 Q. Why don't you turn to Yates Exhibit Number 3,
23 identify it and explain it to the Examiner, please.

24 A. This is a plat that shows the location of the
25 Chosa "ATR" Federal Number 1 in Section 8. It shows the

1 proposed location at 2250 from the south line and 1060 from
2 the west line.

3 The map shows contours which are Morrow pay sand
4 thickness contours derived from the available well control
5 of an isopach of the sands, and the general trend within
6 the subject location are northwest-southeast.

7 So if you go to the northeast within the 320-acre
8 spacing unit, it gets much thinner. As you go to the
9 southwest, the sand thickness is greater.

10 And this is projected from the offset wells, so
11 we would project the southwest quarter of this section to
12 be much superior geologically than the north half of the
13 spacing unit.

14 And projecting our well here, we take into
15 account the sand thickness as being fairly important for
16 location. And when we planned the well it had to be moved
17 because of other considerations, other than the geology.

18 Q. This location you had chosen is one that's
19 acceptable to the BLM?

20 A. Yes, this is the location that was approved by
21 them after several others were attempted to be located in
22 the standard location.

23 Q. Is this as close as you can get to that thick-pay
24 sand and still be north of the river?

25 A. Yes, we believe that this is the closest we could

1 get within reason to the Black River and not have to cross
2 the river with a gas pipeline for this particular well.

3 Q. Is there a standard location within this quarter-
4 quarter section that's acceptable to the BLM, and that is
5 north of the river? Is there a standard location that's
6 acceptable to the BLM in this quarter-quarter section that
7 is north of the river?

8 A. No.

9 Q. Okay. In your opinion, would it be economic to
10 directionally drill from the proposed surface location to a
11 standard bottomhole location in the subject formation?

12 A. No, I believe that would be additional mechanical
13 risk, geological risk in terms of trying to find the sand,
14 and additional expense that the well may not carry in terms
15 of -- for the economics.

16 Q. As a geologist, would that be an acceptable --
17 directionally drilling, would that be an acceptable
18 alternative in your mind?

19 A. I do not think so, no.

20 Q. Okay, why don't you summarize, then, the
21 conclusions you have reached from your technical study for
22 the Examiner?

23 A. Well, we had selected our location in the
24 southwest quarter, and we had attempted to make the best
25 well we could under the circumstances.

1 And with the river crossing at an angle, going
2 southwest to northeast through our location, we had to move
3 it, both for reasons of the river and for the archeological
4 sites and not to compromise them, and other cultural
5 considerations for that.

6 If we would have tried to put it on the south
7 half of the river, we would have had to cross the river
8 with a pipeline, which we preferred not to do, and we
9 thought this would be the best chance to make an economic
10 well at the proposed location.

11 Q. In your opinion, will the granting of this
12 Application and the drilling of the subject well to the
13 Morrow formation at this unorthodox location be in the best
14 interests of conservation, the prevention of waste and the
15 protection of correlative rights?

16 A. Yes, I do.

17 Q. And was Exhibit Number 3 prepared under your
18 direction and supervision?

19 A. Yes, it was.

20 MR. FELDEWERT: I would move the admission at
21 this time into evidence of Yates Exhibit Number 3.

22 EXAMINER CATANACH: Exhibit Number 3 will be
23 admitted as evidence.

24 MR. FELDEWERT: Mr. Examiner, that's all the
25 questions I have of this witness at this time.

EXAMINATION

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BY EXAMINER CATANACH:

Q. This Exhibit Number 3 shows some red circles. Are those Morrow penetrations?

A. Yes, the red dots are the wells that were used for the making of this map. Most of them are Morrow penetrations. There are one or two that are not.

Q. Okay. The well in Section 7 --

A. -- is a Morrow penetration, in the east half of 7, yes.

Q. Okay, that's shown to be in the thick portion of the reservoir?

A. Right.

Q. And there's -- How about that one down in Section 18? Is that a Morrow?

A. I believe so, yes.

Q. Okay, Yates doesn't operate those wells?

A. No.

Q. I'm just curious as to what the difference in producing capabilities are between those two wells. One is in the thick portion of the reservoir, and one appears to be in the thinner portion of the reservoir. You don't have any knowledge of that, though?

A. I believe that the well in -- a recent well was drilled in Section 9, which we have mapped in here as 30

1 feet, and it looks pretty marginal. It's called the
2 Esperanza well. It's the open circle in the northwest
3 quarter of Section 9. It's going to probably attempt a
4 completion in the Morrow, but it looks fairly marginal as
5 far as how much sand thickness there is.

6 We believe that some of these wells were drilled
7 in the late 1970s, that maybe they were not strong enough
8 producers and not enough permeability, not enough
9 production, that they may have overlooked some of the
10 zones, and that's why there's not that many facilities for
11 hooking up to gas pipelines in the area.

12 Q. I assume that trying to place the pipeline, or
13 trying to make the pipeline go across the river would be a
14 fairly monumental task?

15 A. I believe it would entail having the Corps of
16 Engineers come in for this. This is a fairly -- the Black
17 river does have sometimes fairly high flows during the
18 runoff times, and it is quite a large -- It's not just a
19 little stream sometimes.

20 Q. So after weighing the options, it was Yates'
21 decision to drill a less geological portion of the
22 reservoir than to try and --

23 A. That's correct.

24 Q. And you believe at your location you'll encounter
25 approximately 50 feet of sand?

1 A. Yes, that is our interpretation.

2 Q. And you believe you can make an economic well at
3 that location?

4 A. We certainly hope so.

5 Q. You just used well control to come up with this
6 map, Mr. Podany?

7 A. Yes, this is based on well control, and it's from
8 a larger regional map that we have, and this is just the
9 portions showing the surrounding area of this section.

10 EXAMINER CATANACH: Okay, I have nothing further.

11 MR. FELDEWERT: That's all I have, Mr. Examiner.

12 EXAMINER CATANACH: Okay, there being nothing
13 further in this case, 12,498 will be taken under
14 advisement.

15 (Thereupon, these proceedings were concluded at
16 9:05 a.m.)

17 * * *

18 I do hereby certify that the foregoing is a
19 true and correct copy of the proceedings
20 held on the 7th day of December, 1949
21 by the Board of Conservation.
22
23
24
25

1249A
-2000

David L. Catanach
OF Conservation

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 December 8th, 2000.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002