

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

APPLICATIONN OF BURNETT OIL)	
COMPANY, INC. FOR AREA)	
EXPANSION OF ITS GISSLER B-11)	
WATERFLOOD PROJECT AND FOR)	CASE NO. 10326
WATERFLOOD EXPANSION OF ITS)	
GRAYBURG JACKSON SAN ANDRES)	
UNIT WATERFLOOD PROJECT,)	
EDDY COUNTY, NEW MEXICO.)	
-----)	

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING
BEFORE: MICHAEL E. STOGNER, Hearing Examiner
June 13, 1991
Santa Fe, New Mexico

This matter came for hearing before the Oil Conservation Division on June 13, 1991, at the Oil Conservation Division Conference Room, State Land office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Linda Bumkens, CCR, Certified Court Reporter No. 3008, for the State of New Mexico.

FOR: OIL CONSERVATION DIVISION
(COPY)

BY: LINDA BUMKENS CCR
Certified Court Reporter
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APPEARANCES

FOR BURNETT OIL
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87504

1 MR. STOGNER: We'll call the next case number
2 10326.

3 MR. STOVALL: Application of Burnett Oil
4 Company, Inc. for area expansion of its Gissler B-11
5 Waterflood Project and for waterflood expansion of
6 its Grayburg Jackson San Andres Unit Waterflood
7 project, Eddy County, New Mexico.

8 MR. CARROLL: Mr. Examiner, my name is Ernest
9 Carroll of the law firm of Losee, Carson, Haas &
10 Carroll, of Artesia, New Mexico, and I'm here on
11 behalf of the applicant, Burnett Oil Company.

12 MR. STOGNER: Are there any other
13 appearances? Do you have a witness, Mr. Carroll?

14 MR. CARROLL: Yes, sir, I have one witness,
15 John McPhaul.

16 MR. STOGNER: Will you please stand and be
17 sworn? Are you ready, counselor?

18 MR. CARROLL: Yes.

19 EXAMINATION

20 BY MR. CARROLL:

21 Q. Would you please state your name and by
22 whom you're employed for the record?

23 A. My name is John McPhaul, I'm employed by
24 Burnett Oil Co., Inc., Fort Worth, Texas.

25 Q. Mr. McPhaul, have you ever testified before

1 the New Mexico OCD?

2 A. Mr. Carroll, I've attended two hearings in
3 the past, not in the immediate past, but I do not
4 recall if I actually testified.

5 Q. All right. Well, therefore, let's go
6 through just a few of your credentials. Would you
7 basically state for the examiner your educational
8 and work experience with respect to the oil
9 industry?

10 A. I've been employed by Burnett Oil Co., Inc.
11 for the last 40 years, 14 of which has been in my
12 present capacity as production superintendent out of
13 our headquarters office in Fort Worth. In that
14 capacity I manage approximately 175 company operated
15 properties in five states including New Mexico, and
16 manage nonoperating working interest in some 400
17 other properties.

18 Q. Are you responsible for the drilling,
19 completion and production of matters with respect to
20 the wells that you've just discussed?

21 A. Yes, I have. I have full managerial
22 responsibility for all the drilling, production, and
23 completion activities.

24 Q. With respect to issues that deal with
25 secondary recovery, which is basically what this

1 application concerns, have you had any engineering
2 experience and managerial responsibility with
3 respect to the kinds of issues of wells that were in
4 secondary recovery?

5 A. Yes. All of Burnett's activities in Eddy
6 County, New Mexico, I've been instrumental both in
7 first line supervision, engineering expertise, and
8 now in general managerial responsibilities.

9 Q. You do not have a degree in engineering, do
10 you, Mr. McPhaul?

11 A. No, I do not.

12 Q. But for some almost 40 years you have been
13 providing practical engineering expertise and
14 services for Burnett Oil or affiliates, have you
15 not?

16 A. Yes, I have.

17 MR. CARROLL: Mr. Examiner, I would tender
18 Mr. McPhaul as a practical engineer on behalf of
19 Burnett Oil Company.

20 MR. STOGNER: Mr. McPhaul is so qualified,
21 Mr. Carroll.

22 Q. (By Mr. Carroll) thank you. Mr. McPhaul,
23 you are familiar with the application that has been
24 filed by Burnett Oil, are you not?

25 A. Yes, I am.

1 Q. Just as a matter of housekeeping, it's
2 true, isn't it, that when we were preparing our
3 testimony for this case we'd looked at the
4 advertisement of this case and we noticed that there
5 was a mistake or two involved, was there not?

6 A. Yes, there was.

7 Q. You want to refer to it?

8 MR. CARROLL: Mr. Examiner, we just bring
9 these things. We're not sure how it will affect,
10 but we just wanted to bring them to your attention
11 just so that we could have a clean record for this
12 matter.

13 Q. (By Mr. Carroll) Mr. McPhaul, would you
14 state the problems that you've discovered night
15 before last when we were looking at this?

16 A. Well the application -- our application to
17 the OCD is concerned only with our expansion of the
18 Gissler B-11 Waterflood Project and is not intended
19 for any cause for the Grayburg Jackson San Andres
20 Unit Waterflood. That's one discrepancy. The other
21 is we seek to expand our Gissler B-11 Project by
22 injection of water into the Gissler A-12 and 13
23 rather than 14 as the advertisement says.

24 MR. CARROLL: So, Mr. Examiner, what we have,
25 we found those two discrepancies; one was the well

1 number. It should have been 13 rather than 14, and
2 then the other I think is just unnecessary. It
3 actually went beyond what this application -- we
4 don't have any intention of getting into the San
5 Andres with the application concerning these two
6 wells.

7 MR. STOVALL: Where is the location of the
8 13th compared to the 14th, or look at the
9 description of the 14th or what has been identified
10 as the 14th, and tell me which well is described
11 there.

12 A. On the advertisement 14-A is located in
13 unit A of the northeast of the northeast of the 14,
14 and it should be 13 Unit B in the northwest of the
15 northeast of 14.

16 MR. STOVALL: In other words, the injection --
17 well, from the one that's noted actually gets
18 further away from the unit boundary or project
19 boundary then the well that was noted; is that
20 correct?

21 MR. CARROLL: That would be correct,
22 Mr. Stovall. I think the 14 is to the east of the 13
23 well, closer to the outside boundaries; is it not,
24 Mr. McPhaul?

25 A. Yes.

1 MR. STOVALL: Is the ownership to the south --
2 I assume the pink area is the area that we're
3 concerned about; is that right?

4 MR. CARROLL: Yes.

5 MR. STOVALL: It appears to me, looking at
6 this, that the south half of the northeast is common
7 ownership in both quarter quarter or in that area.

8 MR. CARROLL: That's correct. There would be
9 no change or cause any problem with respect to
10 notification. It's the same parties involved. It
11 really doesn't -- to the best of my investigation,
12 Mr. Stovall, I don't see a real problem. It was
13 just a technical one that was just a -- probably a
14 typographical error in the notice, and we just did
15 not catch it until we were preparing to come up
16 here.

17 MR. STOVALL: Well, given the fact that the
18 purpose of notice is to give people knowledge of the
19 pendency of the application and the impact on their
20 rights, I believe -- and I'm just looking at -- we
21 haven't gone into this -- it appears that your
22 mailing went to the offset tract as required under
23 the rules; is that correct?

24 MR. CARROLL: That's correct.

25 MR. STOVALL: The subject wells are located 40

1 acres apart. The well which should have been
2 identified as the injection well is actually further
3 from any other interest, so there's less impact, and
4 I'm inclined to recommend that the error in the
5 notice does not substantively deprive anybody of
6 notice of the intent of this hearing and the purpose
7 of the hearing with respect to -- at least as far as
8 the identification of the well.

9 MR. CARROLL: We concur, Mr. Stovall, had that
10 actually been the well, it would not have required
11 us to give notice to any new persons. I mean, we
12 have given notice to the same group of people,
13 so I --

14 MR. STOVALL: I would want to check one thing,
15 I'll do that while you continue. It may, in fact,
16 be that publication -- I'll just check publication
17 notices and see whether it was -- although I suspect
18 it's the same as the docket.

19 MR. CARROLL: That's probably true, and I did
20 not have the -- at hand -- the actual publication
21 notice to compare it.

22 MR. STOVALL: But even if it's the same as the
23 docket, I don't believe it substantively defective
24 as far in notifying parties who have an interest.

25 MR. STOGNER: With that in mind, Mr. Carroll,

1 why don't you continue while we're making that
2 decision.

3 MR. CARROLL: Thank you, Mr. Stogner.

4 Q. (By Mr. Carroll) Basically, Mr. McPhaul,
5 could you just summarize the reason that this
6 application is being made at this time for
7 Mr. Stogner, the examiner, and you might go on to
8 onto deal with a little bit of the history because
9 this particular unit has been extended previously
10 before this application, or this actual waterflood
11 unit; is that not true?

12 A. Yes. 12 and 13 were in the original
13 application that we applied to have administratively
14 approved by the OCD, and they subsequently approved
15 all of the wells on the Gissler B lease as part of
16 the expansion. Mr. Catanach said, "Due to the fact
17 that we're crossing a lease line and that we are
18 adding acreage that wasn't spoken about in the
19 original application, that they should be at a
20 hearing."

21 So in other words, the only thing this
22 hearing is involved with is the two additional wells
23 not within the boundaries of the Gissler B leases.

24 Q. All right. Mr. McPhaul, Exhibit 1 that
25 you've prepared is just the basic land plat showing

1 the unit as it would appear if the commission grants
2 this application; is that correct?

3 A. Yes. That's the total area of review.

4 Q. All right. Now, basically, the original
5 and let's -- Mr. Examiner, I apologize for the
6 exhibits being slightly out of order, but if you
7 would turn to Exhibits 12, 13, and 14, this will
8 give you a better idea of what's going on.

9 Burnett Oil has had the Gissler B
10 waterflood for quite some time; is that correct?

11 A. Yes. It was approved by the commission in
12 1974.

13 Q. All right. And Exhibit 12 depicts the
14 waterflood as it was originally approved in 1974; is
15 that correct?

16 A. Yes.

17 Q. Are you missing those exhibits?

18 A. Yes. Exhibit 12 is -- the waterflood was
19 originally a land agreement between -- property
20 waterflood agreement -- between Anadarco and what is
21 now Harvard Petroleum, and it consisted -- our part
22 consisted of three injection wells. That was
23 approved in 1974 or '73 as the Gissler B-11
24 Waterflood Project and that so delineated in
25 Exhibit 12 acreage.

1 Q. Then later -- earlier in 1991, this year,
2 you made an administrative application to expand
3 that waterflood; did you not?

4 A. Yes, and that was -- now that's covered --
5 that acreage is covered by Exhibit 13, and that was
6 administratively approved, I believe, earlier this
7 year or late in 1990.

8 Q. And we have listed the seven wells that
9 were allowed to be added to that in our application;
10 did we not?

11 A. Yes.

12 MR. STOGNER: I'm sorry. Do you have the
13 order number that approved both of the original
14 expansions?

15 MR. CARROLL: The original order was approved
16 pursuant to order F4676 back in 1974.

17 MR. STOGNER: Here, at the division in the "F"
18 order?

19 MR. CARROLL: Yes, sir. That's what --

20 MR. STOGNER: There's no such animal. Let
21 me write that down and I'll do some more digging.
22 What was that again?

23 MR. CARROLL: F4676.

24 MR. STOGNER: I'm not talking about order
25 R4676 application of Andy Burnett doing business as

1 Renfo Oil Company Waterflood Project State number
2 5102 order number R4676.

3 MR. CARROLL: Okay. I may have a typo in my
4 notes here.

5 MR. STOGNER: You mentioned 1974. I show it
6 approved the 20th of November, 1973; is this the
7 right one?

8 MR. MCPHAUL: Yes.

9 MR. STOGNER: Okay. How about the
10 administrative expansion?

11 MR. CARROLL: That was approved in 1991, and
12 do you have that order number?

13 MR. STOGNER: Here it is.

14 MR. CARROLL: This is administrative order
15 number WFX 604.

16 MR. STOGNER: All right. You may continue.

17 Q. (By Mr. Carroll) Exhibit 14 that you have
18 prepared would then show the expansion that is
19 requested pursuant to this application, and that
20 expansion area would be colored in pink; is that
21 true, Mr. McPhaul?

22 A. Yes. That's the 200 acres that we're here
23 today for, and that includes the two proposed
24 injection wells, 13 and 12.

25 Q. All right.

1 A. And I believe it's delineated in pink.

2 Q. I'll ask you to turn now to your Exhibit
3 number 2. Exhibit number 2 is the required
4 certificate of mailing and compliance with rule
5 1207; is that correct?

6 A. That's correct.

7 Q. And the second page of that, or Exhibit A
8 to that Exhibit 2, lists the offset operators; is
9 that correct?

10 A. Yes, sir.

11 Q. Was notice given to all of those offset
12 operators pursuant to the commission rules?

13 A. Yes.

14 Q. And a copy, or an example of the letter
15 going out to those is behind that page, and also the
16 copies of the green cards are also provided which
17 shows the return receipt notice to each one of these
18 individuals; is that correct?

19 A. Yes, sir.

20 Q. Now, Mr. McPhaul, let's go to the rest of
21 your exhibits starting with Exhibit number 3. What
22 is Exhibit 3?

23 A. Exhibit 3 is an injection well data sheet
24 as prescribed by the commission with a schematic of
25 the wellbore. It lists total depth proposed, the

1 perforated interval and the proposed packer setting
2 and tubing type to be used in connection with the
3 injection. It also shows the schematic of the
4 cement -- primary cement job.

5 Q. And this is for the Gissler A well number
6 12; is that correct?

7 A. Yes.

8 Q. All right. Exhibit 4. What is Exhibit 4?

9 A. Exhibit 4 is the same thing on the other
10 proposed injection well, Gissler A-13.

11 Q. All right. Now based on your study of
12 these two wells, is it engineering and practically
13 feasible to convert these two wells to injection
14 wells as you are proposing in this application?

15 A. Yes.

16 Q. Well, the commission also requires at the
17 time you make an application to give information
18 with respect to plugged wells that may be in the
19 vicinity; is that correct, Mr. McPhaul?

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

21 Q. Your Exhibits 5 and 6 are exhibits prepared
22 to comply with that requirement; are they not?

23 A. Yes.

24 Q. And with respect to plugged wells, are
25 these the only two plugged wells in the area that

1 would be affected by these two injection wells?

2 A. Yes, I believe so.

3 Q. And what -- would you describe first of
4 all, what Exhibit 5 is, for what particular well,
5 and any other pertinent information you need to give
6 to the examiner?

7 A. Exhibit 5 is a schematic of a plugged well
8 on Burnett Unit Grayburg Jackson San Andres Unit,
9 and this schematic attempts to delineate the cement
10 placed as per commission approval, and how this well
11 got to be approved as a plugged well.

12 Q. All right. And this is well number 32; is
13 that correct?

14 A. Yes. That is unit well 32.

15 Q. All right. And Exhibit 6 is the same kind
16 of information for Unit well 33; is that correct?

17 A. Yes, exactly.

18 Q. Mr. McPhaul, in your study of these plugged
19 wells, do you foresee any problems that might be
20 encountered by turning wells 12 and 13 into an
21 injection well?

22 A. No.

23 Q. With respect to Exhibit number 7, would you
24 please explain what this is and what you're
25 attempting to show to the commission?

1 A. I've attempted to to do a cross section in
2 the proposed injection interval in the two proposed
3 injection wells, and compare it to the injection
4 interval in the approved well, which is on the left,
5 Gissler B-23. That's one of the injection wells that
6 was administratively approved by the latest order.
7 Wells 13 and 12 are fairly adjacent or really are
8 adjacent, either direct offsets or diagonal offsets
9 to these approved injection intervals, and I'm just
10 attempting to show it's the same interval. The red
11 -- the black line bordered in red going across the
12 page is the top of the San Andres line which is a
13 marker, and I'm attempting to show the Metex and
14 Premier and proposed injection intervals are in the
15 same horizon.

16 Q. Would you also describe your Exhibits 8
17 through 9 which I think are somewhat similar?

18 A. This is just a general information graff
19 showing the performance of the original Gissler B-11
20 Waterflood Project from inception through the end of
21 1990.

22 What I'm attempting to show here is that
23 the waterflood project was very successful and it is
24 still successful, and in 1984 we drilled additional
25 development wells offsetting the original project.

1 Q. What about Exhibit number 9?

2 A. Exhibit 9 is another cross section showing
3 the proposed injection intervals from a west-east
4 line and it includes the Metex and the Premier which
5 are the two members of the Grayburg sands that we
6 are proposing to inject into, and the new wells that
7 we have applied for.

8 Q. Now, with respect to this application and
9 the notices that you have sent out to the offset
10 operators, you have received two waivers, have you
11 not, signed waivers from two of those operators?

12 A. Yes. We've received waivers from Anadarko
13 Petroleum Corporation and Premiere Production.

14 Q. Right. And those waivers form Exhibit 10;
15 do they not?

16 A. Yes.

17 Q. Now, Mr. McPhaul, this acreage did -- or is
18 federal acreage; is it not?

19 A. Yes. All the acreage is federal acreage.

20 Q. And you have also given notice to the BLM
21 concerning this application and expansion of this
22 waterflood?

23 A. Yes. All documentation that was submitted
24 to the OCD was also submitted to the BLM.

25 Q. And you have finally, as of yesterday, we

1 did receive confirmation that they had no objection
2 to approval of this unit by the OCD, and that is --
3 Exhibit 11 is the letter that you've received from
4 the BLM?

5 A. Yes.

6 Q. All right. Now, Mr. McPhaul, with respect
7 to the issues that the OCD are charged with
8 managing, and that deals with the protection of
9 correlative rights, and the prevention of waste,
10 with respect to this application made by Burnett
11 Oil, first of all with the issue of waste, do you
12 feel that granting this application would be in the
13 interest of preventing waste with respect to this
14 natural resource?

15 A. Yes, I do.

16 Q. Is it your opinion then that by granting
17 the extension of this waterflood unit that, in fact,
18 oil that would not be produced by any other means
19 will be produced?

20 A. Yes.

21 Q. With respect to the protection of
22 correlative rights, do you feel that the granting of
23 this would in any way harm the correlative rights of
24 any of the offset owners?

25 A. No.

1 Q. And, in fact, do you feel that it would
2 enhance the correlative rights of owners within this
3 particular area?

4 A. All of the projects are from inception
5 regularly spaced injection wells, and the two wells
6 that we're applying for today are also regularly
7 spaced injection wells, and the offset operators do
8 stand to benefit from this injection program.

9 Q. And I believe it was your earlier testimony
10 that since the latter part of 1973 when this unit
11 was first approved, that it, in fact, has been a
12 very successful unit for your company, and it has
13 continued to be successful down to the present time?

14 A. Yes, definitely. The primary production on
15 the original wells was something like 236,000
16 barrels in 30 years, and cumulative production on
17 the secondary project is well over 800,000 barrels.
18 We have over 340 percent ratio to the primary versus
19 secondary production.

20 Q. With respect to Exhibits 1 through 14, were
21 those exhibits either prepared by you or under your
22 supervision and control, and are they true and
23 accurate depictions of the items as you've described
24 them?

25 A. Absolutely.

1 MR. CARROLL: Mr. Examiner, I would move
2 admission of Burnett Exhibits 1 through 14 at this
3 time.

4 MR. STOGNER: Exhibits 1 through 14 at this
5 time will be admitted into evidence.

6 MR. CARROLL: And, Mr. Examiner, I have no
7 further questions of Mr. McPhaul at this time.

8 MR. STOGNER: Okay. I'm still confused, but
9 my confusion has shifted elsewhere. The two wells
10 that you're going to inject into, what formation
11 will they be injecting into?

12 A. It's the Grayburg Jackson field,
13 Mr. Examiner, and the formation locally describes
14 geologically as the Metex and the Premiere.

15 MR. STOGNER: But it takes -- does it take in
16 the San Andres formation?

17 A. No, not at all. Not on these two
18 applied-for wells.

19 MR. STOGNER: ~~Your~~ application wanted to
20 ~~include~~ the San Andres formation, but you are not
21 seeking to do that at this time?

22 A. No, we're not; you're right. The original
23 application mentions the San Andres.

24 MR. STOGNER: Okay. So the expansion of the
25 Jackson\San Andres Unit Waterflood project of these

1 two wells is non-existent because they will not be
2 injecting into the San Andres formation?

3 A. Exactly.

4 MR. STOGNER: Okay. Now I want to ask some
5 more questions about that because as I understand
6 it, is the Grayburg Jackson, San Andres unit area
7 operated by Burnett?

8 A. Yes.

9 MR. STOGNER: Okay. But it's just limited to
10 the San Andres formation?

11 A. Exactly. The horizon is the San Andres
12 only on the original application, the one that we
13 administratively received approval on, the
14 nonunitized area and the Gissler B project includes
15 some Lovington which is the first San Andres member
16 that may be productive, but these with wells, since
17 they are within the boundaries of the San Andres
18 unit, we can't exploit the San Andres production. I
19 hope that clarifies.

20 MR. STOGNER: Essentially we're having --
21 yeah, there's a vertical lapse -- or -- you have a
22 horizontal lapse and vertical limit on both these
23 and that's why this reads so confusing, but as far
24 as the 12 and 13, that was a mistake done here and I
25 apologize for that. That makes it a lot more clear.

1 As far as the pink outline on Exhibit number 1, is
2 that the extent of Burnett Oil Company Gissler lease
3 rather than it be the A, B, C or whatever, or does
4 it include some more acreage?

5 A. No. That's a historical matter since all
6 of the nonunitized acreage that originally was the
7 Gissler A, B, or Jackson A, B or Stevens A, B, all
8 of that acreage that was not unitized but given new
9 lease numbers, and once we cross the unit
10 boundaries, we're not drilling as a unit. The unit
11 participants are not concerned with the drilling of
12 Gissler A-12, 13, or 14 or 15, so we're drilling
13 them as lease wells.

14 We went back to the BLM and they said,
15 "Name them any way you want to," so we used the
16 original lease designation, whether it be an A lease
17 or a B lease, and we did that, and we drilled all --
18 everything that went across the San Andres unit
19 boundaries, which is still delineated in Exhibit 1,
20 the checkered half-dark lines, when we went across
21 the boundary, we drilled them as lease wells and not
22 as unit wells.

23 MR. STOVALL: What you're saying then, if I
24 understand you correctly, is when the unit was
25 formed, the BLM segregated the leases?

1 A. Yes.

2 MR. STOVALL: And assigned new lease numbers
3 to the nonunit leases?

4 A. Exactly.

5 MR. STOVALL: And those are still on a lease
6 basis, so that's the -- I guess you call it
7 horizontal separation of -- this line here,
8 everything outside the dash line got segregated from
9 the original -- same original lease -- inside the
10 dash line?

11 A. Right, that's correct.

12 MR. STOVALL: Now, when you start -- for
13 example, you're talking about using the 13 as a --
14 it will be drilled or operated on a lease waterflood
15 project basis. Even though it's within the physical
16 horizontal boundaries, it's at a given vertical
17 depth than the unit?

18 A. Exactly.

19 MR. STOVALL: Which federal lease -- did they
20 segregate the lease vertically as well as
21 horizontally at the time they segregated the lease
22 based on the land description; right?

23 A. Yeah, the land description.

24 MR. STOVALL: So these are on the old lease
25 numbers in the BLM records?

1 A. Yes.

2 MR. STOVALL: But they are not unit wells.
3 They're treated on a lease basis for accounting and
4 production purposes?

5 A. Exactly.

6 MR. STOGNER: Is there any way to map the
7 Gissler B lease?

8 MR. STOVALL: Is there a Gissler B lease?

9 A. Yes. All the Gissler B that was not
10 unitized was given in NM2748, and, yes, in answer to
11 your question, we can map it, but it won't be under
12 the same number.

13 MR. STOGNER: I'm thinking ahead too.
14 Whenever you want to expand the Grayburg Jackson or
15 injection portion, the way it was done in '73, and
16 the way waterflood is done now is essentially a
17 little bit different. And the way we do it today,
18 we outline what the waterflood unit -- or waterflood
19 project is, and when this one was approved, it
20 didn't have a nice little outline described in the
21 order, so I've also said the Gissler B, and we've
22 expanded to include wells in the Gissler A, so
23 probably it might need to be named just the
24 "Gissler." That way you'd have a bigger area to
25 expand in, and then along comes this Grayburg. It's

1 a confusing matter and probably confusing into the
2 future, but few of us know what's going on, I
3 think.

4 MR. STOVALL: Let me go back and see if we --
5 the existing waterflood project area as defined is
6 Exhibit 13; is that correct?

7 A. Existing as of the last administrative
8 approval is 13.

9 MR. STOVALL: And that project area, the area
10 in yellow on Exhibit 13, is identified as the
11 Gissler B Waterflood Project; is that correct?

12 A. It can be.

13 MR. STOVALL: How do you define it -- identify
14 it -- what's your name for it?

15 A. It's like Mr. Examiner said, it is
16 confusing, but it's still the Gissler. I'm
17 comfortable with Gissler B Waterflood Project. I'm
18 not so comfortable to list the newly applied-for
19 acreage under the Gissler B Waterflood Project. I
20 mean, if you all are happy with it, I am.

21 MR. STOVALL: Let me ask you this then.
22 Within this area, excluding the new part, just
23 looking at Exhibit 13, how many separate leases, you
24 know, legal description, legal documents issued by
25 the BLM are within that yellow area?

1 A. Two.

2 MR. STOVALL: There are two separate NM lease
3 numbers?

4 A. Yes. Let me qualify.

5 MR. STOVALL: I'm talking about the current
6 status now. Don't worry about what the --

7 A. The south half of the northwest quarter of
8 14. The south half of the northwest quarter of 14
9 has an LC number.

10 MR. STOVALL: Okay.

11 A. And the rest of it is NM2748 because the
12 south half of the northwest quarter of 14 is within
13 the geographical boundaries of the San Andres unit,
14 and that's -- we drilled those as lease wells as
15 part of the original Gissler B lease.

16 MR. STOVALL: That's the former -- that is --
17 the LC number lease is the original Gissler lease?

18 A. Yes, Gissler B lease.

19 MR. STOVALL: And the NM2746 is the severed
20 portion -- the segregated portion of that lease
21 which is outside of the unit boundary as given by
22 the dash line; correct?

23 A. Right. Which is not in -- which was not
24 included in the administratively approved section.
25 That part of today's application.

1 MR. STOVALL: And when you go to the expansion
2 area as shown on Exhibit 14 that you're requesting
3 today, the pink -- am I correct in interpreting that
4 part of that brings in additional acreage which is
5 now currently under NM2746?

6 A. Yes.

7 MR. STOVALL: Now, is any part of that pink
8 under the old LC lease as far as the land
9 description area? Is part within the unit
10 boundaries?

11 A. Yes.

12 MR. STOVALL: The part within the unit
13 boundary is under the old LC lease number, so again,
14 there were two separate Federal leases describing
15 the land?

16 A. Right.

17 MR. STOVALL: Okay. And those two separate
18 federal leases participate in this waterflood
19 project on a lease-tract basis?

20 A. Yes.

21 MR. STOVALL: So as far as this project is
22 concerned, the San Andres unit is a nonentity. It's
23 an entirely different tract of interest?

24 A. Yes.

25 MR. STOVALL: It just happens to have a common

1 legal description with some parts of this?

2 A. Yes.

3 MR. STOVALL: If we call the entire project as
4 described, is what is on Exhibit 14 what you want to
5 have the project -- you've identified that as the
6 Gissler B Waterflood Project. We would do so
7 knowing that it actually includes two separate
8 leases. Gissler is just an arbitrary name you put
9 on it. It's no name the feds give it; right? The
10 feds look at a lease number; right?

11 A. Right.

12 MR. STOVALL: And so you could have a
13 Gissler B lease and you can have a Gissler B
14 Waterflood Project which includes portions of the
15 Gissler B lease and portions of some other lease,
16 however it's identified?

17 A. That's comfortable.

18 MR. STOVALL: Okay.

19 MR. STOGNER: But how many more expansions can
20 be done?

21 MR. STOVALL: Well, I think if we did that,
22 then additional expansion could be -- no matter what
23 lease is brought in under additional expansion, if
24 they so desire, it can continue to be known as the
25 Gissler B Waterflood Project, and the legal

1 mechanism of intergrating leases into that project
2 is a separate matter, whether it be unitized or just
3 simply operated on a cooperative agreement-type
4 basis.

5 The name "Gissler B Waterflood Project"
6 does not limit the aerial scope of the project
7 necessarily. It's an arbitrary, artificial name
8 used to identify this thing and a boundary can be
9 drawn, a horizontal and vertical boundary can be
10 drawn around the project, around the leases within
11 the project?

12 A. Yes.

13 MR. STOVALL: If you've got -- our concern
14 here is that because it is called the Gissler B
15 Project within what is known as the Gissler B lease,
16 but there could be leases by other names in there as
17 well, but there is the potential for confusion that
18 it might be interpreted based on simply on the
19 nomenclature as a single lease waterflood project.
20 Would you have concern about changing the name
21 rather than, say, call it the "Gissler B," to call
22 it that "Gissler Cooperative Waterflood Project" so
23 that it has a distinct name, distinct from any of
24 the leases that are known within it?

25 A. I think that that would create less

1 confusion. I'm with you all on that. In fact, that
2 was Mr. Catanach's concern that, "How far do you all
3 want to go with this and what are we going to call
4 it?"

5 MR. STOVALL: If it becomes the Gissler
6 Cooperative Waterflood Project, then the fact that
7 it incorporates more than a single lease as a legal
8 instrument with a land description is less of a
9 problem because it's now not identified as a
10 leasehold waterflood. It is identified as a
11 separate and distinct entity, the waterflood project
12 has a separate and distinct entity with a separate
13 name not adapted from the lease name; is that where
14 you want to go, Mr. Examiner?

15 MR. STOGNER: That's the way I'm visualizing
16 it. I have not -- in Exhibit number 14, I don't
17 believe really shows the outline of the what we call
18 the Gissler B lease, the Gissler A lease, or the
19 Gissler lease. It probably extends even further.

20 MR. STOVALL: And I don't think he's
21 testifying -- would it be possible -- would you be
22 able to submit, and would you submit a map which
23 shows the individual leases and identify the name
24 and the State of New Mexico or the BLM number, the
25 horizontal boundaries of those leases, and then

1 identify the project area as it affects those
2 leases, because I suspect looking at this that there
3 are portions of say NM or whatever the new lease is,
4 2746; is that right?

5 A. Yes.

6 MR. STOVALL: Which are not included in the
7 current project area.

8 A. No 2746 40-acre tract, yes.

9 MR. STOVALL: Okay. Would you submit a map of
10 the project which identifies the entire project area
11 as proposed with this requested expansion which
12 identifies the leases within that project area and
13 then to the extent that any of those leases have
14 additional lands outside the project area that is
15 also identified?

16 A. Sure.

17 MR. STOVALL: Do you follow what I'm asking?

18 A. Yes, exactly.

19 MR. STOVALL: Okay. I think that would be
20 helpful to us then to identify the relationship
21 since it's not a unit, the relationship between
22 leases and projects.

23 A. I agree.

24 MR. STOGNER: What I'd like to do is lay down
25 a horizontal description, "This is the Gissler

1 Cooperative, or Gissler project," to keep you from
2 having to go into hearing anymore. You still
3 regardless have that line that separates the unit,
4 but I think that's easily --

5 MR. STOVALL: That's a three-dimensional line
6 is what it is, and I think you can leave the San
7 Andres Unit out of it. You can put that line in
8 there just for informational purposes, but indicate
9 that that unit is not participating in the
10 waterflood project because it is different horizons,
11 so just make a notation to that effect. The unit as
12 a legal entity is not included within the waterflood
13 project.

14 A. Yes, sir.

15 MR. STOVALL: I think that gives -- I say, the
16 focus is this allows you to administratively expand
17 the project in the future without getting into this
18 convoluted hearing situation; correct?

19 MR. STOGNER: Yeah.

20 MR. CARROLL: Hopefully.

21 MR. STOGNER: And now the two wells at hand.
22 We've established none of them are going into the
23 San Andres formation. You showed me a diagram on
24 Exhibit number 5 of a plugged and an abandoned
25 well. Let me locate that on a plat here. That is

1 in what section, township and range? That is the
2 number 32?

3 A. Okay. Exhibit 5 is unit well 32, which is
4 located in the northwest of the northwest of 13.

5 MR. STOGNER: Now, you show the top of cement
6 behind the four and a half at 2710; is that correct?

7 A. Yes.

8 MR. STOGNER: Was that calculated or do you
9 have -- where did that information come from?

10 A. That was calculated when -- that's a liner
11 that was installed when we converted this unit well
12 to injection, and that was -- No, sir. That wasn't
13 calculated. That is the top of the liner, I
14 believe. That's the top of the four and a half
15 liner, so we know that is where the top of the
16 cement is.

17 MR. STOGNER: I show the top of the four and a
18 half at 444 feet -- maybe I'm seeing something
19 wrong -- and then the four and a half goes down to
20 3513, and then the top of the cement behind the four
21 and a half liner is 2710, and that is calculated?

22 A. Oh, wait a minute. Everything I've said is
23 true so far because I was thinking of another well.
24 Okay. All right. No liner, and I misspoke myself.
25 Yes, four and a half is cemented total depth, is run

1 the total depth, and cemented. We found the top of
2 the cement behind the four and a half with the
3 cement bond log. I'm sorry; wrong well.

4 MR. STOGNER: No problem. And that interval
5 is -- or the top of the same at least it's not right
6 at a hundred feet above either the perforated
7 interval, or proposed perforated intervals in the 12
8 or 13?

9 A. Yes, sir.

10 MR. STOGNER: At 100 foot do you feel that's
11 adequate to protect the injected interval of these
12 two wells?

13 A. Yes.

14 MR. STOGNER: Okay. Now there's other
15 injection wells within a half mile of that section,
16 I mean, of that well number 32; isn't there?

17 A. Did you say --

18 MR. STOGNER: There's probably some other
19 wells within a half mile of the number 32 that are
20 injected; is that a true statement?

21 A. Yes, sir.

22 MR. STOVALL: But they're all injecting into
23 the same interval?

24 A. Yeah, within the unit.

25 MR. STOGNER: When was the well number 32

1 plugged, do you know?

2 A. In 1980. I'm going to say 1986. I may be
3 a year off.

4 MR. STOVALL: I believe it indicates at the
5 top of exhibit, is that correct, 4-86?

6 A. Yes.

7 MR. STOGNER: And that was done pursuant to
8 division district authorization?

9 A. Yes, sir.

10 MR. STOVALL: And BLM authorization, I assume
11 too; is that correct?

12 A. BLM had very little input in the plugging
13 of an injection well. They turn it over to the
14 privacy of the OCD even on federal leases.

15 MR. STOGNER: And the number 33 well. In
16 7-inch casing, at the top of the -- where's the top
17 of the cement behind the 7-inch casing? I see a top
18 of cement at 2429, but I don't know if that reflects
19 what's behind the casing.

20 A. I don't believe we ever determined where
21 the top of the cement was, behind the 7-inch.

22 MR. STOGNER: So to the top of the cement,
23 does that refer to what's inside the 7-inch casing
24 on top of the tubing that was cut?

25 A. Would you restate that?

1 MR. STOGNER: Do you see the top of cement
2 2429?

3 A. Okay. That's within the 7-inch pipe.

4 MR. STOGNER: Okay.

5 A. And it is solid cement from there down both
6 in the fissure which is at the tubing sticking up
7 there of the curve on top of it, and outside of the
8 tubing with the exception of the nonpatched area
9 which I have no idea if that's cemented in that
10 interval or not.

11 MR. STOGNER: But it was determined that
12 7-inch casing was collapsed at 2600 plus or minus?

13 A. Yes.

14 MR. STOVALL: Do you reasonably believe that
15 the cement outside that casing extends over the
16 collapsed area, comes above the collapsed area? It
17 appears that way in your drawing but --

18 A. Yes, sir.

19 MR. STOVALL: Are you comfortable that it's
20 probably -- high probability -- that it's above
21 the -- comes through the collapsed area and above?

22 A. Yes.

23 MR. STOGNER: Why did it collapse in the first
24 place then?

25 A. Old age. It was about 50 years old when we

1 plugged.

2 MR. STOGNER: That was plugged in '86 under
3 OCD authorization?

4 A. Yes.

5 MR. STOGNER: And there were active injection
6 wells within a half mile of that well number 33 at
7 the time, were there, before and after?

8 A. Yes.

9 MR. STOGNER: I have no other questions
10 concerning these two wells at this time. As
11 Mr. Stovall has stated, there shouldn't be any need
12 to readvertise.

13 MR. STOVALL: I will note for the record that
14 I did check the advertisement. In effect the
15 mistake that appears on the docket also appears in
16 the advertisement because as I indicated at the
17 beginning of the hearing, I don't think it's
18 substantively made the notice substantively
19 defective as to who might have an interest.

20 MR. STOGNER: And since you're offsetting your
21 own unit there, if you would give me the surface map
22 of the plat showing the Gissler B and Gissler A, and
23 lease numbers and everything and perhaps we've got a
24 broad enough application here that we can
25 redesignate this Gissler B-11 Waterflood Project

1 into something else and tend a little more to keep
2 you from having to go to hearing administratively
3 from here on out.

4 Also note on there, if you would please, is
5 the Grayburg above that unit area in the San Andres
6 unit area? Are there any waterfloods going on in
7 the Grayburg above that operated by Burnett? Any
8 others besides this one?

9 A. Yes.

10 MR. STOGNER: And which ones are they? That
11 would be Jackson, wasn't it?

12 A. Yes. We call it the Jackson B-1 Waterflood
13 Project. Well, it's still within its boundaries.

14 MR. STOGNER: Do you know if Jackson has any
15 of the Gissler wells in it?

16 A. No, it does not. It's all Jackson B.

17 MR. STOGNER: We just want to be concerned
18 about the Gissler?

19 A. Right.

20 MR. STOGNER: Get that to me, if you would, as
21 soon as you could. Other than that is there
22 anything else further in this case?

23 MR. CARROLL: We have nothing further.

24 MR. STOGNER: Does anybody else have anything
25 further in case 10326? In that case, this hearing

1 will be taken under advisement. Let's take a
2 20-minute recess and be back here at 1:15.

3 (The foregoing case was concluded at the
4 approximate hour of 12:50 p.m.)
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12

13 I do hereby certify that the foregoing is
14 a correct and true statement of the proceedings in
15 the Examiner hearing of Case No. 10826
16 heard by me on 13 June 1991.

17 Michael E. Higgins, Examiner
18 Oil Conservation Division
19
20
21
22
23
24
25

1 STATE OF NEW MEXICO)
) ss.
2 COUNTY OF BERNALILLO)

3 REPORTER'S CERTIFICATE

4 BE IT KNOWN that the foregoing transcript of
5 the proceedings were taken by me, that I was then
6 and there a Certified Shorthand Reporter and Notary
7 Public in and for the County of Bernalillo, State
8 of New Mexico, and by virtue thereof, authorized to
9 administer an oath; that the witness before
10 testifying was duly sworn to testify to the
11 whole truth and nothing but the truth; that the
12 questions propounded by counsel and the answers of
13 the witness thereto were taken down by me, and that
14 the foregoing pages of typewritten matter contain a
15 true and accurate transcript as requested by counsel
16 of the proceedings and testimony had and adduced
17 upon the taking of said deposition, all to the best
18 of my skill and ability.

19 I FURTHER CERTIFY that I am not related to
20 nor employed by any of the parties hereto, and have
21 no interest in the outcome hereof.

22 DATED at Bernalillo, New Mexico, this day
23 July 29, 1991.

24 My commission expires
25 April 24, 1994

LINDA BUMKENS
CCR No. 3008
Notary Public