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NEW MEXICO OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
STATE OF NEW MEXICO
CASE NO. 10411

IN THE MATTER OF:

The Application of Pantera Energy
Company for Compulsory Pooling
Eddy County, New Mexico.

BEFORE:

DAVID R. CATANACH
Hearing Examiner
State Land Office Building
November 7, 1991

REPORTED BY:

CARLA DIANE RODRIGUEZ
Certified Shorthand Reporter
for the State of New Mexico

ORIGINAL

A P P E A R A N C E S

FOR THE NEW MEXICO OIL CONSERVATION DIVISION:

ROBERT G. STOVALL, ESQ.
General Counsel
State Land Office Building
Santa Fe, New Mexico 87504

FOR THE APPLICANT:

THE HINKLE LAW FIRM
500 Marquette N.W., Suite 80C
Albuquerque, New Mexico 87102
BY: JAMES G. BRUCE, ESQ.

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1 EXAMINER CATANACH: At this time we'll
2 call Case 10411.

3 MR. STOVALL: Application of Pantera
4 Energy Company for compulsory pooling, Eddy
5 County, New Mexico.

6 EXAMINER CATANACH: Are there
7 appearances in this case?

8 MR. BRUCE: Mr. Examiner, Jim Bruce
9 from the Hinkle Law Firm in Albuquerque,
10 representing the Applicant. I have two witnesses
11 to be sworn.

12 EXAMINER CATANACH: Any other
13 appearances?

14 Will the two witnesses please stand to
15 be sworn in.

16 JUANITA HARTMAN

17 Having been first duly sworn upon her oath, was
18 examined and testified as follows:

19 EXAMINATION

20 BY MR. BRUCE:

21 Q. Would you please state your name and
22 city of residence.

23 A. Juanita Hartman, Amarillo, Texas.

24 Q. What is your occupation and who are you
25 employed by?

1 A. Petroleum landman for Pantera Energy
2 Company.

3 Q. Have you previously testified before
4 the New Mexico OCD?

5 A. No, I haven't.

6 Q. Would you please briefly outline your
7 educational and work background?

8 A. I have a bachelor of business
9 administration from West Texas State University
10 in Canyon, Texas. I have been in the oil
11 business for 10 years.

12 I was an assistant to the land manager
13 at Donald C. Slosson Oil Producers for eight
14 years, and now a petroleum landman for two years.

15 Q. For Pantera?

16 A. One year for BCL, an independent, and
17 one year for Pantera.

18 Q. Does your area of responsibility
19 include Southeast New Mexico?

20 A. No. We're new to this area.

21 Q. But you are responsible for the land in
22 this case?

23 A. Yes.

24 Q. You're familiar with the land matters
25 involved in Case 10411?

1 A. Yes.

2 MR. BRUCE: Mr. Examiner, I tender the
3 witness as an expert petroleum landman.

4 EXAMINER CATANACH: The witness is so
5 qualified.

6 Q. Ms. Hartman, would you please state
7 briefly what Pantera seeks in this case.

8 A. Pantera seeks an Order pooling all
9 mineral interests from the surface to the base of
10 the Morrow formation, under the south half of
11 Section 22, Township 18 South, Range 28 East, for
12 all pools and formations spaced on 40, 80, 160
13 and 320.

14 Q. Referring to Exhibit No. 1, would you
15 describe the ownership of the leasehold estate in
16 the south half of Section 22?

17 A. Exxon owns the 40 acres in the
18 northwest quarter of the southwest quarter. Oryx
19 owns the 40 acres in the northeast quarter of the
20 southwest quarter. Chevron owns the 40 acres in
21 the northwest to the southeast.

22 The other 200 acres is owned
23 undividedly between four companies, Yates
24 Petroleum, 36.1 acres, Arco Oil & Gas, 100 acres,
25 Dekalb, 31.94 acres and Marathon Oil Company,

1 31.94 acres.

2 Q. Of the parties on this exhibit, which
3 ones have farmed out or otherwise committed their
4 interest to the well?

5 A. We've received a formal farmout from
6 Dekalb Energy Company. We've received a letter
7 of intent to farm out from Arco Oil & Gas, a
8 letter of intent to farm out from Chevron, and a
9 verbal from Exxon.

10 Q. Now, as to Exxon, do you wish to keep
11 them in this case until they have formally
12 committed to farm out?

13 A. Yes, we do.

14 Q. Briefly, then, who are the interest
15 owners that you seek to force pool in this case?

16 A. Okay. We want to force pool Exxon,
17 Exxon Company USA, Oryx Energy Company, Yates
18 Petroleum Corporation, and Marathon Oil Company.
19 And I believe we want to leave Arco Oil & Gas in
20 there until we receive their formal agreement.

21 Q. Okay. Would you please describe your
22 efforts to obtain the voluntary joinder of the
23 persons you have just named? And, for that
24 purpose, would you please identify Exhibit 2 for
25 the Examiner.

1 A. Okay. Exhibit 2 is a list of my phone
2 contacts and my correspondence with each of the
3 individual companies which began in June. Around
4 the 13th of June, I wrote requesting farmouts
5 from each of the companies, and from then until
6 November 5th, day before yesterday, had made
7 numerous phone conversations and letters back and
8 forth with each company, as well as a visit to
9 Midland to meet everyone in Midland and talked
10 with all of them.

11 Q. Included in Exhibit 2, besides your
12 chronological listing, is that the correspondence
13 to each party?

14 A. Yes, as well as correspondence from
15 them.

16 Q. Does Pantera request it be named
17 operator of this well?

18 A. Yes, we do.

19 Q. Referring to Exhibit 3, would you
20 identify that for the Examiner and discuss its
21 contents?

22 A. That is Pantera Energy Company's
23 authorization for expenditure. We estimate
24 dry-hole costs to be \$347,000 and completed well
25 costs to be \$570,000.

1 Q. I believe you just stated that this is
2 Pantera's first well in New Mexico, is it not?

3 A. Yes, it is.

4 Q. You don't have a comparison in New
5 Mexico, but is this in line with well costs for
6 other wells you've drilled of this type in, say,
7 Texas or Oklahoma?

8 A. Yes, it is. In fact, Yates Petroleum
9 had thought about participating and they had
10 already signed off on our AFE saying that it was
11 in line with theirs.

12 Q. Do you have a recommendation as to the
13 amounts which Pantera should be paid for
14 supervision and administrative expenses?

15 A. For a well of this depth, we recommend
16 \$6,000 while drilling and \$600 for operating.

17 Q. Is this in line with other supervision
18 and administration charges charged by Pantera in
19 other areas?

20 A. Yes, it is.

21 Q. What penalty do you recommend against
22 the nonconsenting interest owners?

23 A. Cost plus 200.

24 Q. Will the geologist discuss this
25 further?

1 A. Yes, he will.

2 Q. Were all interested parties notified of
3 this hearing?

4 A. Yes, they were.

5 Q. Are the notice letters and return
6 receipts or copies of the return receipts marked
7 Exhibit 4?

8 A. Yes, they are.

9 Q. Were Exhibits 1 through 4 prepared by
10 you or compiled from company records?

11 A. Yes.

12 Q. In your opinion, will the granting of
13 this application be in the interests of
14 conservation, the prevention of waste and the
15 protection of correlative rights?

16 A. Yes.

17 MR. BRUCE: Mr. Examiner, I move the
18 admission of Exhibits 1 through 4.

19 EXAMINER CATANACH: Exhibits 1 through
20 4 will be admitted as evidence.

21 MR. STOVALL: Mr. Examiner, before you
22 ask any questions, I would like to request, Mr.
23 Bruce, that with respect to Exhibit 4 you also
24 provide an Affidavit certifying that these are
25 all the parties entitled to notice and listing

1 them on that.

2 MR. BRUCE: Okay. We'll get that in by
3 next week.

4 MR. STOVALL: Okay.

5 EXAMINATION

6 BY EXAMINER CATANACH:

7 Q. Ms. Hartman, Pantera has not drilled
8 any Morrow wells in this area, is that correct?

9 A. Not in this area.

10 Q. You said that Yates indicated these
11 well costs were in line with theirs?

12 A. Yes, they did.

13 Q. And have they drilled wells in this
14 specific area?

15 A. Yes, they have.

16 Q. At this point, do you not believe
17 you're going to reach agreement with Oryx, Yates
18 or Marathon?

19 A. Yates indicated they would possibly yet
20 participate. We're negotiating with Oryx, trying
21 to buy their interest, and Marathon didn't give
22 us any indication. We may possibly reach
23 agreements with some of them.

24 Q. You feel like you do have an agreement
25 with Arco, Chevron and Exxon?

1 A. Yes. Although, like I stated, we
2 wanted to leave Arco in there because there was a
3 letter of intent only, rather than a formal
4 farmout. And it did have language in it saying
5 it was subject to final management approval;
6 therefore, we don't feel comfortable with just
7 dismissing them.

8 Q. Ms. Hartman, do you know if your
9 proposed overhead rates are in line with what
10 other operators are charging in this area?

11 A. I believe they are. Even though they
12 may be a little higher than standard, Yates has
13 drilled wells in this area using this same
14 overhead rate. We checked with Matador and Yates
15 Petroleum as to some of their rates in the area.

16 EXAMINER CATANACH: I believe that's
17 all I have of the witness.

18 MR. STOVALL: I just have one question,
19 more of interest than anything.

20 EXAMINATION

21 BY MR. STOVALL:

22 Q. Where has Pantera operated or been
23 operating previously?

24 A. We have been drilling wells for 10
25 years in Oklahoma, in Northwest Oklahoma,

1 Oklahoma Panhandle and the Texas Panhandle,
2 mostly. A few in South Texas.

3 MR. STOVALL: That's all I have.

4 EXAMINER CATANACH: The witness may be
5 excused.

6 DON CAMERON

7 Having been first duly sworn upon his oath, was
8 examined and testified as follows:

9 EXAMINATION

10 BY MR. BRUCE:

11 Q. Would you please state your name and
12 city of residence.

13 A. Don Cameron, Amarillo, Texas.

14 Q. What is your occupation and who are you
15 employed by?

16 A. I'm exploration manager for Pantera
17 Energy Company.

18 Q. And do you have a background in
19 geology?

20 A. Yes. I received my bachelor of science
21 degree from West Texas State University in 1981,
22 and my master of science from West Texas State in
23 1985.

24 Q. Where have you worked since then?

25 A. I have worked for Pantera Energy for

1 eight years, and previous to that, Pioneer
2 Production Corporation in Amarillo.

3 Q. As a petroleum geologist?

4 A. Yes.

5 Q. Are you familiar with the geological
6 matters involved in this application?

7 A. Yes, I am.

8 MR. BRUCE: Mr. Examiner, I tender the
9 witness as an expert petroleum geologist.

10 EXAMINER CATANACH: He is so qualified.

11 Q. Mr. Cameron, would you please refer to
12 Pantera's Exhibit A and discuss its contents for
13 the Examiner.

14 A. Exhibit A is a production map in the
15 Turkey Tract area, especially Section 22 of 18
16 South, 28 East, Eddy County.

17 For the purposes of this study, the
18 shallow wells were left off this map and only the
19 Morrow penetrations are shown on this map. The
20 color code is, the Pennsylvanian Canyon formation
21 is in red, and the Morrow formation in yellow.

22 The production legend by each well with
23 production history shows the date of first
24 production, gas purchaser, cumulative gas, daily
25 gas average, initial wellhead pressure, last

1 reported wellhead pressure, and oil cums.

2 Q. Would you please, then, move on to
3 Exhibit B and identify the primary objective
4 you're trying to hit in this well?

5 A. Exhibit B is a net sand isopach map of
6 the Morrow B sand which, in this instance, is a
7 secondary objective on the drill side.

8 Producing wells out of that formation
9 are shown by a full hexagon around it. The zones
10 tested out of this formation have a half-hexagon
11 around it.

12 Q. And Exhibit C represents what?

13 A. Exhibit C is our primary objective of
14 the Morrow C sand. Again, it's a net sand
15 isopach with porosities greater than 10 percent
16 shown over the gross sand interval.

17 Q. Moving on to Exhibit D, would you just
18 briefly identify that for the Examiner?

19 A. Exhibit D is a structure map on top of
20 the Morrow hot shale marker, as I call it in the
21 area, which is a hot shale marker between the B
22 and the C sands.

23 Q. I presume, Mr. Cameron, as is usual,
24 structure has little influence on this prospect?

25 A. Very little.

1 Q. Then would you please finally move on
2 to Exhibit E, the cross-section, and go into
3 detail a little bit about the zones of interest.

4 Q. Exhibit E is a stratigraphic
5 cross-section. The lineup of the cross-section
6 is shown on Exhibit A, the production map.
7 Basically all this shows is the Morrow B and C
8 sand interval and the structural data base, the
9 Morrow hot shale oil marker.

10 Q. Referring to the Hondo well, what is
11 the status of that well?

12 A. The Hondo well, which is directly north
13 of our drill site, in the same section, was
14 completed in 7 of 85 as a dry hole. It had no C
15 sand or very little C sand interval. They did
16 test the B sand and it was nonproductive. They
17 also tested the Wolfcamp, Cisco and Bone Springs
18 in that well; all of them nonproductive.

19 MR. STOVALL: Let me make sure we've
20 got this straight. When you refer to the
21 "Hondo," there's a Hondo on each side of this.
22 You're talking about the State CD No. 1, is that
23 correct?

24 THE WITNESS: Yes, sir, in Section 22.

25 Q. Referring back to your production map,

1 what you're hoping to duplicate is the wells
2 immediately to the southeast of you--or east?

3 A. Yes. The Hondo State well in Section
4 23 and the other Morrow producers in Sections 26
5 and 27. As you can see, this is a fairly
6 significant stepout with a dry hole to the north
7 and no real production to the direct west.

8 Q. You mentioned some of the deeper
9 formations which were also dry in the Hondo State
10 CD #1 well. Are there any potential shallow
11 productive zones?

12 A. They are some potential zones, Bone
13 Springs, Cisco, Wolfcamp and Atoka, and Canyon.
14 Very secondary in this particular location.

15 Q. In your opinion, what penalty should be
16 assessed against any nonconsenting interest
17 owners in this well?

18 A. Well costs plus 200 percent.

19 Q. Do you believe that's justified by the
20 geological risk in this well?

21 A. Yes, I do.

22 Q. Were Exhibits A through E prepared by
23 you or under your direction?

24 A. Yes, they were.

25 Q. In your opinion, is the granting of

1 this application in the interests of
2 conservation, the prevention of waste and the
3 protection of correlative rights?

4 A. Yes, sir.

5 MR. BRUCE: Mr. Examiner, I move the
6 admission of Exhibits A through E.

7 EXAMINER CATANACH: Exhibits A through
8 E will be admitted as evidence.

9 EXAMINATION

10 BY MR. CATANACH:

11 Q. Mr. Cameron, am I correct in
12 understanding that most of the production is from
13 the Morrow C sand?

14 A. Yes, sir. There is very limited
15 production in the B sand. Referring to Exhibit
16 B, there is really only two wells on the entire
17 plat producing out of the B sand, the one in the
18 southeast of 14 and then the Hondo well in
19 Section 28.

20 Q. So potential production from the
21 Morrow, is that strictly limited to the B and the
22 C in this area?

23 A. Yes, it is.

24 Q. That's all there is, those two sands?

25 A. Yes. As you can see off of the

1 cross-section, the C sand is a series of three or
2 four sand stringers. I did not split those out
3 for this purpose. They, in close areas, do
4 this. Those all coalesce into one sand body.

5 EXAMINER CATANACH: I believe that's
6 all I have of the witness. You may be excused.

7 Is there anything further in this
8 case? There being nothing further, Case 10411
9 will be taken under advisement.

10 (And the proceedings concluded.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 10411,
heard by me on November 7, 1991.

David P. Catanach, Examiner
Oil Conservation Division

