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NEW MEXICO OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
STATE OF NEW MEXICO
CASE NO. 10542

IN THE MATTER OF:

The Application of Yates Petroleum
Corporation for an Unorthodox Gas
Well Location, Eddy County, New Mexico

BEFORE:

DAVID R. CATANACH
Hearing Examiner
State Land Office Building
September 17, 1992

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:

FISK & VANDIVER
7th & Mahone, #E
Artesia, New Mexico 88210
BY: **DAVID R. VANDIVER, ESQ.**

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I N D E X

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Appearances 2

WITNESSES FOR THE APPLICANT:

1. ROBERT BULLOCK
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2. D'NESE FLY
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1 EXAMINER CATANACH: Call the hearing to
2 order this morning for Docket 31-92. I'll call
3 the continuances and dismissals first.

4 [And there were proceedings held off
5 the record.]

6 EXAMINER CATANACH: We'll proceed now
7 with Case 10542.

8 MR. STOVALL: Application of Yates
9 Petroleum Corporation for an unorthodox gas well
10 location, Eddy County, New Mexico.

11 EXAMINER CATANACH: Are there
12 appearances in this case?

13 MR. VANDIVER: Mr. Examiner, my name is
14 David Vandiver of the Artesia firm of Fisk &
15 Vandiver, appearing on behalf of the Applicant,
16 Yates Petroleum Corporation. I have two
17 witnesses to be sworn.

18 EXAMINER CATANACH: Are there other
19 appearances?

20 Will the witnesses please stand to be
21 sworn in.

22 [The witnesses were duly sworn.]

23 MR. VANDIVER: May I proceed?

24 EXAMINER CATANACH: Yes, sir.

25 ROBERT BULLOCK

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

3 EXAMINATION

4 BY MR. VANDIVER:

5 Q. Please state your name, your
6 occupation, and by whom you're employed.

7 A. My name is Robert Bullock. I'm
8 employed by Yates Petroleum Corporation as a
9 petroleum landman in Artesia.

10 Q. Mr. Bullock, have you previously
11 testified before the Oil Conservation Division in
12 your capacity as petroleum landman, had your
13 qualifications accepted and made a matter of
14 record?

15 A. Yes.

16 Q. Are you familiar with the title to the
17 land within the area of the application in
18 today's case?

19 A. Yes, I am.

20 MR. VANDIVER: Is the witness
21 qualified, Mr. Examiner?

22 EXAMINER CATANACH: He is.

23 Q. Mr. Bullock, if you could, please state
24 briefly the purpose of Yates' application in Case
25 No. 10542.

1 A. Yates Petroleum Corporation is making
2 application to drill an unorthodox gas well, and
3 the name of the well is the Federal AB No. 11.
4 It's located in Township 18 South, Range 25 East,
5 Section 30, and the footage is 1980 from the
6 north and 1650 from the west.

7 Q. What lands does Yates propose to
8 dedicate to the proposed well?

9 A. We would like to dedicate the north
10 half of Section 30 to the well.

11 Q. If I could refer you to the Applicant's
12 Exhibit No. 1 and ask you to identify and
13 describe that exhibit?

14 A. This is a land plat of the proposed
15 location being Section 30, and it shows the
16 proposed location of the Federal AB No. 11. It
17 shows the leasehold operators in Section 30. It
18 also includes the leasehold operators in the
19 offset sections, being Sections 19, 25 and 29.

20 Q. Who is the offset operator to the south
21 of the proposed location?

22 A. That's Murchison Oil & Gas.

23 Q. Who is the offset operator in the
24 proration unit to the west of the location?

25 A. I believe that's Bravo Operating and

1 Snow Oil & Gas.

2 Q. To the west in Section 25?

3 A. That would be Yates Petroleum. Excuse
4 me.

5 Q. If I could refer you to Applicant's
6 Exhibit 2 and ask you to identify that, please?

7 A. That's the certificate of mailing that
8 Yates sent to the offset operators, indicating
9 our desire to drill the unorthodox location. And
10 also included is the return receipts we've
11 received.

12 Q. Were Exhibits 1 and 2 prepared by you
13 or under your direction?

14 A. Yes, they were.

15 MR. VANDIVER: That concludes my direct
16 examination, Mr. Examiner.

17 EXAMINATION

18 BY EXAMINER CATANACH:

19 Q. Mr. Bullock, in the east half of
20 Section 25 I show Amoco. Is that lease actually
21 operated by Yates?

22 A. Yes, it is.

23 Q. There are wells that Yates operates in
24 that east half?

25 A. That's correct.

1 Q. I notice that you've sent notice to
2 Nearburg. Where does Nearburg come into play
3 here?

4 A. Nearburg is in Section 29. They
5 operate the lease in the west half of 29, the
6 northwest quarter of the north half of the
7 southwest.

8 Q. The only acreage that the well is
9 encroaching on is the east half of Section 25.
10 Is Amoco a partner in those wells in the east
11 half?

12 A. They farmed out.

13 Q. Oh, they farmed out. Okay.

14 EXAMINER CATANACH: I believe that's
15 all I have.

16 MR. VANDIVER: If I could, Mr.
17 Examiner?

18 FURTHER EXAMINATION

19 BY MR. VANDIVER:

20 Q. Mr. Bullock, what's the standard
21 setback for a Morrow well in this area?

22 A. It's 1980 from the end zone.

23 Q. And 660 from the sideline?

24 A. 660 from the sideline.

25 Q. So you're 330 feet to the west?

1 A. That's correct.

2 MR. VANDIVER: That's all I have, Mr.
3 Examiner.

4 EXAMINER CATANACH: The witness may be
5 excused.

6 D'NESE FLY

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

9 EXAMINATION

10 BY MR. VANDIVER:

11 Q. Please state your name, your occupation
12 and by whom you're employed.

13 A. My name is D'Nese Fly and I'm a
14 geologist with Yates Petroleum Corporation in
15 Artesia, New Mexico.

16 Q. Ms. Fly, have you previously testified
17 before the Oil Conservation Division in your
18 capacity as a petroleum geologist, had your
19 qualifications as such accepted, and are your
20 qualifications a matter of record?

21 A. Yes, they are.

22 Q. Have you made a study of the available
23 geologic information in the area of Yates'
24 proposed Federal AB Com No. 11 well?

25 A. Yes.

1 Q. And have you prepared certain exhibits
2 in preparation for this case?

3 A. Yes, I have.

4 MR. VANDIVER: Mr. Examiner, I tender
5 the witness as an expert petroleum geologist.

6 EXAMINER CATANACH: The witness is so
7 qualified.

8 Q. Ms. Fly, if you could, tell the
9 Examiner what zones you propose to test in this
10 well.

11 A. We're going for the Morrow sands in
12 this well here for this unorthodox location.

13 Q. Are there any other proposed zones you
14 would want to test?

15 A. That's all we're going for right now.

16 Q. If I could refer you to Applicant's
17 Exhibit 3 and ask you to identify that exhibit?

18 A. Exhibit 3 here is a combined structure
19 and sand isopach map. The solid lines depict the
20 thickness of the total clean, Morrow sand in the
21 area, and they are in 10-foot intervals. The
22 dotted lines are the structural contours on top
23 of the Morrow clastics, and that contour interval
24 is at 100 feet.

25 Q. I notice on your map, you show in Unit

1 B of Section 30 the Yates Federal AB No. 4 well?

2 A. Right.

3 Q. What's the status of that well?

4 A. That well is shut in right now.

5 Q. Did it produce from the Morrow?

6 A. Yes, it did, and it depleted the
7 Morrow, and we went up and produced out of the
8 Strawn. And since then I think it's reaching
9 depletion, and we have it shut in right now.

10 Q. What other information is depicted on
11 Exhibit 3?

12 A. Well, I'm showing here that the reason
13 for moving this to an unorthodox location 330
14 feet away is to try to reach our maximum
15 thickness in the Morrow sands. We're doing this
16 for geologic reasons. The orthodox location
17 would encounter possibly 30 feet or less, and
18 we're going for a maximum of about 50 feet here,
19 as shown on this map.

20 Q. Anything further with regard to Exhibit
21 3?

22 A. No.

23 Q. All right. If I could refer you to
24 Exhibit 4 and ask you to identify that, please?

25 A. Okay. Exhibit 4 is a northwest to

1 southeast stratigraphic cross-section hung on top
2 of the Morrow clastics. It has the pertinent
3 correlations on the cross-sections, and the sands
4 are colored in yellow.

5 The State JM No. 1 shows a clean sand
6 thickness of 12 feet, and I have carried the
7 cross-section through the proposed location
8 showing the different sand bodies that we hope to
9 encounter in this area.

10 Q. Ms. Fly, based upon your-- Let me ask
11 this. These two wells in the east half of
12 Section 25 are both Yates wells?

13 A. No. The one in the southeast quarter
14 is operated by Mesa.

15 Q. All right. Based upon your study of
16 this area, is your proposed location the best
17 location for a Morrow test in this proration
18 unit?

19 A. Yes, I feel that's correct.

20 Q. If you were to locate the well at an
21 orthodox location, you wouldn't anticipate that
22 you would encounter the thickness of the sand as
23 in your proposed location?

24 A. That's right.

25 Q. And, in your opinion, would the

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

4 A. Yes.

5 Q. And it would give Yates the opportunity
6 to produce its just and equitable share of the
7 gas in this proration unit?

8 A. Yes.

9 Q. Were Exhibits 3 and 4 prepared by you
10 or under your direction and supervision?

11 A. Yes, they were.

12 MR. VANDIVER: That concludes my
13 examination, Mr. Examiner.

14 EXAMINATION

15 BY EXAMINER CATANACH:

16 Q. Ms. Fly, how much did Well No. 4
17 produce before it was depleted in the Morrow?

18 A. Let's see. Well, I don't have the
19 cum's on that one. I can get those and supply
20 that for you later. I have the cum's for the
21 Strawn right now. That's all I have.

22 Q. Okay. Do you know what plans Yates has
23 for that well?

24 A. Actually, that's been turned over to
25 engineering, and I'm not sure if they're going to

1 try to do some recompletion in there or
2 restimulate it, or what they have planned for
3 that.

4 Q. Do you anticipate any additional
5 recompletion in the Morrow in that well at all?

6 A. No. It would be on up the hole.

7 Q. The producing intervals in the Morrow
8 that we're talking about, is it one sand or is it
9 multiple sands?

10 A. It can be multiple sands from the Upper
11 and Lower Morrow. Different channels. This map
12 here, I have made like a network map. It would
13 be mapping the geometric network of the numerous
14 sands. It's not the individual channels.

15 Q. Is it possible that at the proposed
16 location you could encounter more of the sands
17 than you would at a standard location, or is it
18 just a thicker interval?

19 A. Yes, sir, we would encounter more at
20 the unorthodox location.

21 Q. More of the sands?

22 A. More of the sands.

23 Q. Which might pinch out at a standard
24 location?

25 A. Yes.

1 Q. Well No. 4, was that a good producer in
2 the Morrow?

3 A. Yes, it was.

4 Q. So, even with 10 feet of Morrow sand,
5 you can make a good, producing well?

6 A. Sometimes you can, uh-huh.

7 Q. So, at a standard location, you would
8 have 30 feet, is that correct?

9 A. That's correct. It depends if you can
10 frac into the channels or not when you're out on
11 the flank with the smaller number of sands,
12 smaller footage of sands.

13 Q. At the proposed unorthodox location, do
14 you feel like you could drain more of the Morrow
15 reserves within the north half than if you were
16 at a standard location? Or you would be able to
17 recover more of the Morrow reserves?

18 A. Yes, I feel like that.

19 EXAMINER CATANACH: I believe that's
20 all I have of the witness. Any further
21 questions?

22 The witness may be excused.

23 I think we need to tender your
24 exhibits, Mr. Vandiver.

25 MR. VANDIVER: I'm sorry. I would

1 tender Applicant's Exhibits 1 through 4.

2 EXAMINER CATANACH: Exhibits 1 through
3 4 will be admitted as evidence.

4 Is there anything further in this
5 case?

6 MR. VANDIVER: No, sir.

7 EXAMINER CATANACH: There being nothing
8 further, Case 10542 will be taken under
9 advisement.

10 (And the proceedings concluded.)

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I do hereby certify that the foregoing is
a complete and true transcript of
the Examiner hearing of Case No. 10542,
heard by me on September 17, 1992.
David R. Cant, Examiner
Oil Conservation Division

1 CERTIFICATE OF REPORTER

2
 3 STATE OF NEW MEXICO)
 4 COUNTY OF SANTA FE) ss.

5
 6 I, Carla Diane Rodriguez, Certified
 7 Shorthand Reporter and Notary Public, HEREBY
 8 CERTIFY that the foregoing transcript of
 9 proceedings before the Oil Conservation Division
 10 was reported by me; that I caused my notes to be
 11 transcribed under my personal supervision; and
 12 that the foregoing is a true and accurate record
 13 of the proceedings.

14 I FURTHER CERTIFY that I am not a
 15 relative or employee of any of the parties or
 16 attorneys involved in this matter and that I have
 17 no personal interest in the final disposition of
 18 this matter.

19 WITNESS MY HAND AND SEAL September 30,
 20 1992.

21
 22
 23 
 24 CARLA DIANE RODRIGUEZ RPR
 25 CSR No. 4