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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
CASE 10,797

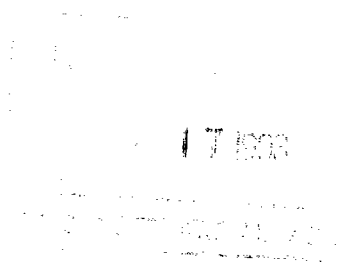
EXAMINER HEARING

IN THE MATTER OF:

Application of Collins and Ware, Inc., for an
unorthodox gas well location, Lea County, New
Mexico

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER



STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
August 12, 1993

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FOR THE DIVISION:

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1 WHEREUPON, the following proceedings were had
2 at 11:50 a.m.:

3 EXAMINER CATANACH: Okay, at this time we'll
4 call Case 10,797, Application of Collins and Ware,
5 Inc., for an unorthodox gas well location, Lea County,
6 New Mexico.

7 Are there appearances in this case?

8 MR. CARR: May it please the Examiner, my
9 name is William F. Carr with the Santa Fe law firm,
10 Campbell, Carr, Berge and Sheridan.

11 I represent Collins and Ware, Inc., in this
12 matter, and I have two witnesses.

13 EXAMINER CATANACH: Any other appearances?

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

16 (Thereupon, the witnesses were sworn.)

17 RON KING,

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

20 DIRECT EXAMINATION

21 BY MR. CARR:

22 Q. Will you state your name for the record,
23 please?

24 A. Ron King.

25 Q. Mr. King, where do you reside?

1 A. In Midland, Texas.

2 Q. By whom are you employed?

3 A. I'm employed by Collins and Ware. I'm an
4 independent landman. I'm employed on a contract basis.

5 Q. Have you previously testified before this
6 Division?

7 A. I have not.

8 Q. Could you summarize your educational
9 background for Mr. Catanach?

10 A. I'm a graduate of Texas Christian University.

11 Q. And when did you graduate?

12 A. In 1963.

13 Q. And since that time have you been employed as
14 a petroleum landman?

15 A. No, I have not. I started as a petroleum
16 landman in 1978. I was an independent for five years.
17 I then joined Hill and Simon Oil Company of Midland,
18 Texas, and their land manager. I was there for eight
19 and a half years, and I've been an independent again
20 now for two years.

21 Q. Are you familiar with the Application filed
22 in this case on behalf of Collins and Ware?

23 A. Yes, I am.

24 Q. And are you familiar with the status of the
25 lands in the area surrounding the proposed Kaiser State

1 Well Number 43?

2 A. Yes, sir, I am.

3 MR. CARR: Are Mr. King's qualifications
4 acceptable?

5 EXAMINER CATANACH: Yes, sir.

6 Q. (By Mr. Carr) Mr. King, could you briefly
7 state what Collins and Ware seeks with this
8 Application?

9 A. Yes, sir, we're seeking approval of an
10 unorthodox gas well location for the proposed Kaiser
11 State Well Number 43 at a location to be drilled 1000
12 feet from the south line and 400 feet from the west
13 line of Section 13, Township 21 South, Range 34 East of
14 Lea County.

15 Q. In what formations does Collins and Ware
16 propose to drill?

17 A. The Yates-Seven Rivers formation.

18 Q. What is the -- What pool is the primary
19 objective in this case?

20 A. It's the Wilson-Seven Rivers -- I'm sorry,
21 the Wilson Yates-Seven Rivers Associated Pool.

22 Q. And do you know the approximate depth of the
23 well?

24 A. 3850 feet.

25 Q. Why is Collins and Ware proposing to drill at

1 this particular unorthodox location?

2 A. Because of topographical and geological
3 conditions.

4 Q. Was this Application originally filed for
5 administrative approval?

6 A. Yes, in early June.

7 Q. And then what happened at that time?

8 A. We sought a location in the southwest quarter
9 of Section 13, and because of topographical problems,
10 we then sought the unorthodox location, at which time
11 we were told that that would not be approved because
12 there was a possible undrilled location in the
13 northwest quarter of the southwest quarter.

14 Q. So there were also geologic considerations --

15 A. Yes, there were.

16 Q. -- in selecting a location?

17 And pursuant to Mr. LeMay's March 21, 1990,
18 memo, a hearing was therefore required?

19 A. That is correct.

20 Q. Could you identify what has been marked as
21 Collins and Ware Exhibit Number 1?

22 A. Yes, sir, that is a leasehold map showing the
23 proposed -- or the unit of the proposed well with the
24 acreage surrounding it in yellow owned by Collins and
25 Ware.

1 Q. The 40-acre tract which is northwest of the
2 southeast of Section 14, can you tell me who is the
3 current owner of that lease?

4 A. Yes, sir, Warrior, Inc., to a depth of 3900
5 feet.

6 Q. Let's go to what has been marked as Collins
7 and Ware Exhibit Number 2. Could you identify those
8 for the Examiner?

9 A. Yes, sir, the Exhibit Number 2 is New Mexico
10 Form C-102, the first page, "Exhibit 'B'", showing the
11 proposed unorthodox location; the second page, "Exhibit
12 'A'", showing the standard location in the southwest
13 quarter of Section 13 with the electrical highline
14 across that location.

15 Q. Let's now move on to our Exhibit Number 3.
16 Could you identify and review that for Mr. Catanach?

17 A. Yes, sir, this is a topographic map of the
18 southwest quarter of Section 13 showing the topographic
19 conditions at the location, proposed location.

20 Q. So we've got the line, the power line
21 crossing the tract, which required the location be
22 moved?

23 A. That is correct.

24 Q. There is a potential location that doesn't
25 have the topographic problems in the northwest of the

1 southwest of 13?

2 A. Yes, sir.

3 Q. And that's the reason this matter had to come
4 for hearing?

5 A. Yes, sir.

6 Q. Since Collins and Ware is the owner of all
7 offsetting tracts as indicated on Exhibit 1, there is
8 no individual to whom notice needed to be given of this
9 Application?

10 A. That is correct.

11 Q. Could you identify for me what has been
12 marked Collins and Ware Exhibit Number 4?

13 A. Yes, sir, it's a copy of a letter to BTA Oil
14 Producers whereby they have not opposed our location in
15 Section 13.

16 And the second page is a copy of a letter to
17 Warrior, Inc., whereby they did not oppose the location
18 of it.

19 Q. Will Collins and Ware also call a geological
20 witness to explain that portion of the case?

21 A. Yes, they will.

22 Q. Were Exhibits 1 through 4 either prepared by
23 you or compiled under your direction?

24 A. Yes, they were.

25 MR. CARR: At this time, Mr. Catanach, we

1 move the admission of Collins and Ware Exhibits 1
2 through 4.

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

5 MR. CARR: Thank you. And that concludes my
6 direct examination of this witness.

7 EXAMINATION

8 BY EXAMINER CATANACH:

9 Q. The acreage shaded in yellow on your Exhibit
10 Number 1, did you say that was all owned by Collins and
11 Ware?

12 A. Yes, sir.

13 Q. Is that commonly owned? Is that --

14 A. Yes, sir.

15 Q. It's all the same interest?

16 A. (Nods)

17 Q. The affected offset acreage would be in
18 Section 14.

19 You mentioned something to Mr. Carr about a
20 Warrior? What --

21 A. Warrior, yes, sir. Warrior, Inc.

22 I'm sorry?

23 Q. Where do they come into play?

24 A. They own the tract marked tract 1 and the
25 northwest quarter of the southeast quarter of that

1 Section 14, down to 3900 feet.

2 Q. The northeast quarter of the southeast
3 quarter?

4 A. Yes, sir.

5 MR. STOVALL: Northeast or northwest?

6 THE WITNESS: The northwest quarter.

7 MR. STOVALL: Of the southeast quarter?

8 THE WITNESS: Of the southeast quarter.

9 MR. STOVALL: Okay.

10 Q. (By Examiner Catanach) That does not include
11 the Wilson Yates-Seven Rivers Pool; that's above that
12 pool?

13 A. Pardon?

14 Q. 3900 feet is above that pool?

15 A. It is for the Yates-Seven Rivers. I believe
16 the 3900-foot level is the base of the Yates-Seven
17 Rivers formation.

18 Q. Base of the Yates-Seven Rivers, okay.

19 Mr. King, do you know what the requirement is
20 as far as electrical power lines are concerned, how far
21 you have to be away from electrical power lines?

22 A. No, sir, I don't. I do know that I talked to
23 our production engineer, and he was concerned about a
24 rig being as close as it would be to this one, if we
25 drilled it at the standard location.

1 MR. STOVALL: Do you know if that location
2 would be on the power line easement, that orthodox
3 location?

4 THE WITNESS: No, sir, I do not.

5 EXAMINER CATANACH: That's all I have. You
6 may be excused.

7 MR. CARR: At this time we call Herb Ware.

8 HERBERT WARE, III,
9 the witness herein, after having been first duly sworn
10 upon his oath, was examined and testified as follows:

11 DIRECT EXAMINATION

12 BY MR. CARR:

13 Q. Would you state your name for the record,
14 please?

15 A. Herb Ware.

16 Q. Where do you reside?

17 A. In Midland, Texas.

18 Q. By whom are you employed?

19 A. Collins and Ware, Inc.

20 Q. And in what capacity?

21 A. As a petroleum geologist.

22 Q. Have you previously testified before this
23 Division?

24 A. Yes, I have.

25 Q. At the time of that testimony, were your

1 credentials as a petroleum geologist accepted and made
2 a matter of record?

3 A. Yes, they were.

4 Q. Are you familiar with the Application filed
5 in this case on behalf of Collins and Ware?

6 A. Yes, I am.

7 Q. And are you familiar with the proposed Kaiser
8 State Well Number 43?

9 A. Yes, I am.

10 MR. CARR: Are the witness's qualifications
11 acceptable?

12 EXAMINER CATANACH: They are.

13 Q. (By Mr. Carr) Have you made a geologic study
14 of the area that is involved in this case?

15 A. Yes, I have.

16 Q. And have you prepared an exhibit for
17 presentation at this hearing?

18 A. Yes, I have.

19 Q. Would you refer to what has been marked
20 Collins and Ware Exhibit Number 5, identify that and
21 review it for Mr. Catanach?

22 A. Exhibit Number 5 is a structure map on top of
23 the Yates formation with a contour interval at 25 feet.
24 It's basically covering Sections 13, 14, 23 and 24 of
25 Township 21 South, Range 34 East, of Lea County, New

1 Mexico.

2 The area shaded in yellow is Collins and
3 Ware's acreage.

4 The gas symbols are symbolizing gas wells
5 that are productive from the Yates formation.

6 The oil symbols are oil wells that are
7 productive from the Lower Seven Rivers formation.

8 We -- Well, also on this map is the proposed
9 unorthodox location which was situated there primarily
10 because of the power line and also geologically,
11 because we feel in the southwest quarter of the
12 southwest quarter of Section 13 is the best location
13 based on structural position and quality of reservoir
14 rock.

15 As the structure map indicates, the crest of
16 the structure is situated in the southwest of the
17 southwest quadrant. And as you move to the north or
18 the northeast, we feel that not only will you lose
19 structural position, but you will also lose reservoir
20 quality within the rock, because the Yates sand tends
21 to become more dolomitic and decreases your porosity.

22 We also feel that this is the best location
23 to effectively recover the greatest amount of reserves
24 from this acreage without encroaching on anyone else's
25 acreage.

1 Q. What does Collins and Ware propose to do with
2 the existing Seven Rivers wells on this tract?

3 A. We propose to simultaneously dedicate these
4 wells. Since this has been declared an associated
5 pool, we propose to produce the gas allowable out of
6 these wells as permitted by General Rule 7 of the Rules
7 and Regulations for Associated Oil and Gas Pools.

8 Q. When we compare the proposed location with a
9 standard location in the northwest quarter of the
10 southwest quarter of 13, what you've told us is
11 basically we lose quality as well as structural
12 position; is that correct?

13 A. That's true.

14 Q. This well, in your opinion, is necessary to
15 produce the reserves under this acreage?

16 A. Yes, sir.

17 Q. In your opinion, will approval of this
18 Application and the drilling of this well result in the
19 recovery of hydrocarbons that otherwise will not be
20 recovered?

21 A. Yes, sir.

22 Q. Will approval of the Application impair the
23 correlative rights of any interest owner in the area?

24 A. No, it will not.

25 Q. Was Exhibit 5 prepared by you?

1 A. Yes, it was.

2 MR. CARR: At this time, Mr. Catanach, we
3 move the admission of Collins and Ware Exhibit Number
4 5.

5 EXAMINER CATANACH: Exhibit 5 will be
6 admitted as evidence.

7 MR. CARR: And Mr. Catanach, we have also
8 tendered to you a proposed order in this case.

9 EXAMINER CATANACH: Thank you, Mr. Carr.

10 MR. CARR: And that concludes my direct
11 examination of Mr. Ware.

12 EXAMINATION

13 BY EXAMINER CATANACH:

14 Q. Mr. Ware, you've got two additional wells in
15 the southwest quarter?

16 A. Yes, sir.

17 Q. These being the -- Do you know the numbers of
18 those wells or the --

19 A. Yes, the one in the northwest quadrant of the
20 southwest quadrant is the Number 14, and the well down
21 in the southeast of the southwest is the Number 10.

22 Q. I show three gas-well symbols. What am I
23 missing here?

24 A. Okay, that Number 40 in the southwest
25 quadrant is a plugged --

1 Q. Okay.

2 A. -- gas well.

3 Q. A standard location which would be available
4 out of the power line would be a move -- would
5 represent a move where? To what --

6 A. Well, they told us in the northwest quadrant
7 of the southwest quadrant, but there's already a
8 producing well in that quadrant. And for reasons of
9 drainage and also for structural position, you wouldn't
10 want to be up in that quadrant.

11 Q. Were the Division personnel aware that there
12 was a well in that --

13 A. I don't believe so.

14 EXAMINATION

15 BY MR. STOVALL:

16 Q. Mr. Ware, just to make sure I'm oriented
17 correctly, I'm looking at two exhibits here, the
18 topographic map, which is Exhibit 3 -- Do you have a
19 copy of that?

20 A. Yes, I do.

21 Q. And then your structure map.

22 A. Uh-huh.

23 Q. I assume that that symbol in the northwest of
24 the southwest above where it says "electric line" is
25 the same well that we're talking about?

1 A. Yes, sir, Number 14.

2 Q. Now, it appears to me there that it's further
3 east than it appears to be on the structure map. I
4 mean, is my perception correct there to start with?

5 A. Well, the area in red is the southwest
6 quadrant of Section 13.

7 Q. Right. Now, when I compare that -- Let's
8 just take a look at that for a second, just to make
9 sure we're looking at the same thing.

10 If you look at the structure map, your
11 Exhibit 5 --

12 A. Yes.

13 MR. STOVALL: Okay, hang on just a second. I
14 see what you're saying. Never mind. Thank you.

15 FURTHER EXAMINATION

16 BY EXAMINER CATANACH:

17 Q. This location that you've chosen for the
18 southwest quarter, southwest quarter, represents your
19 best opinion as to -- to solve the topographic and the
20 geologic considerations; this is the best location that
21 you can pick?

22 A. We feel it is.

23 EXAMINER CATANACH: That's all I have. The
24 witness may be excused.

25 MR. CARR: We have nothing further in this

1 case.

2 EXAMINER CATANACH: There being nothing
3 further, Case 10,797 will be taken under advisement.

4 (Thereupon, these proceedings were concluded
5 at 12:10 p.m.)

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I do hereby certify that the foregoing is
a complete record of the proceedings
the Examiner hearing of Case 10797
heard by me on August 12 1993
David R. Catanach, Examiner
Oil Conservation Division


1 CERTIFICATE OF REPORTER

2
3 STATE OF NEW MEXICO)
4 COUNTY OF SANTA FE) ss.
5

6 I, Steven T. Brenner, Certified Court
7 Reporter and Notary Public, HEREBY CERTIFY that the
8 foregoing transcript of proceedings before the Oil
9 Conservation Division was reported by me; that I
10 transcribed my notes; and that the foregoing is a true
11 and accurate record of the proceedings.

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

16 WITNESS MY HAND AND SEAL September 8th, 1993.

17
18 
19 STEVEN T. BRENNER
20 CCR No. 7

21 My commission expires: October 14, 1994
22
23
24
25