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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:) CASES NOS. 10876
and 10877

APPLICATIONS OF KLABZUBA OIL AND GAS

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: David R. Catanach, Hearing Examiner
Jim Morrow, Hearing Examiner

December 2, 1993

Santa Fe, New Mexico

This matter came on for hearing before the
Oil Conservation Division on December 2, 1993, at
Morgan Hall, State Land Office Building, 310 Old Santa
Fe Trail, Santa Fe, New Mexico, before Deborah O'Bine,
RPR, Certified Court Reporter No. 63, for the State of
New Mexico.

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A P P E A R A N C E S

FOR THE APPLICANT: CAMPBELL, CARR, BERGE &
 SHERIDAN, P.A.
 P.O. Box 2208
 Santa Fe, New Mexico 87504
BY: WILLIAM F. CARR, ESQ.

I N D E X

December 2, 1993
Examiner Hearing
CASES NOS. 10876 AND 10877

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<u>JAMES BARBER</u>	
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1 EXAMINER MORROW: We'll get started again
2 and call Case No. 10876. This is the application of
3 Klabzuba Oil and Gas for an unorthodox oil well
4 location.

5 MR. CARR: May it please the examiner, my
6 name is William F. Carr with the Santa Fe law firm
7 Campbell, Carr, Berge & Sheridan. We represent
8 Klabzuba Oil and Gas, and we would request this case
9 be consolidated for the purposes of hearing with Case
10 10877. They both involve unorthodox locations on
11 offsetting 40-acre tracts, and the testimony will be
12 virtually identical.

13 EXAMINER MORROW: We will agree to that.

14 MR. CARR: I have one witness.

15 (Witness sworn.)

16 MR. CARR: At this time we call Mr. James
17 Barber.

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

21 EXAMINATION

22 BY MR. CARR:

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

25 A. My name is James R. Barber.

1 Q. Mr. Barber, where do you reside?

2 A. I live in Euless, Texas.

3 Q. By whom are you employed?

4 A. Robert Klabzuba in Fort Worth, Texas.

5 Q. What is your present position with Mr.
6 Klabzuba?

7 A. I'm a petroleum geologist.

8 Q. Have you previously testified before the
9 New Mexico Oil Conservation Division?

10 A. No, I haven't.

11 Q. Could you briefly summarize for Mr. Morrow
12 your educational background and then review your work
13 experience?

14 A. I graduated in 1978 from Kansas State
15 University with a Bachelor of Science Degree in
16 geology. After graduation, I was employed by
17 Musselman Petroleum and Land Company for six years,
18 involving work from well site geology to development
19 and exploration geology.

20 Since that time, since 1985, I've been
21 employed by Robert Klabzuba as an exploration
22 geologist, working various areas, including the Arkoma
23 Basin, the Michigan Basin, Powder River, Green River,
24 and the Permian Basins.

25 Q. Your area of responsibility includes the

1 portion of southeastern New Mexico involved in this
2 case?

3 A. Yes.

4 Q. Are you familiar with the applications
5 filed in each of these cases on behalf of Klabzuba Oil
6 and Gas?

7 A. Yes, I am.

8 Q. Are you familiar with each of the proposed
9 wells?

10 A. Yes, I am.

11 MR. CARR: We tender Mr. Barber as an
12 expert witness in petroleum geology.

13 EXAMINER MORROW: We accept his
14 qualifications.

15 Q. (BY MR. CARR) Mr. Barber, could you
16 briefly state what Klabzuba seeks with this
17 application?

18 A. We seek approval of unorthodox oil well
19 locations for our proposed White "A" Well No. 1 to be
20 drilled 598 feet from the north line and 1380 feet
21 from the east line of Section 12, and our proposed
22 White "B" Well No. 1 to be drilled 611 feet from the
23 south line and 1297 feet from the east line of Section
24 1, both in Township 10 South, Range 27 East, Chaves
25 County, New Mexico.

1 EXAMINER MORROW: Section 1; is that what
2 you --

3 THE WITNESS: The White "A" is in Section
4 1. The "B" is in Section 12.

5 Q. (BY MR. CARR) To what formation are you
6 proposing to drill these wells?

7 A. The Devonian formation.

8 Q. In what pools are these individual wells
9 located?

10 A. The White "B" Well No. 1 location is in the
11 undesignated Devonian, but the White "A" Well No. 1 is
12 within one mile of the boundaries of the
13 Race-Track-Devonian Pool.

14 Q. Why is Klabzuba proposing to drill each of
15 these wells at the stated unorthodox locations?

16 A. Geologic conditions dictate these
17 locations.

18 Q. Have you made a geologic study of this
19 area?

20 A. Yes, I have.

21 Q. Could you identify what has been marked for
22 identification as Klabzuba Exhibit No. 1 and review
23 this for Mr. Morrow?

24 A. This is a structure map on top of the
25 Devonian formation. The contour interval is 50 feet.

1 Devonian penetrations are sparse on this map, the only
2 two being the Avalanche Journal No. 1 White in Section
3 12 and the DeKalb No. 1 White unit up in Section 31.

4 We have acquired seismic in the area, and
5 that enables us to interpret this small anticlinal
6 faulted feature that we think is perspective. On the
7 map the 40-acre standard units are shown in dashed
8 lines.

9 As pertains to the White "A" location in
10 Section 12, working interest ownership and royalty
11 interest ownership is identical underneath both
12 40-acre tracts in Section 12.

13 Q. Are they different in the two 40's shown in
14 Section 1?

15 A. No, they're identical there also.

16 Q. But they're different from each other. The
17 owners in 1 are different from the owners in 12?

18 A. That's correct.

19 Q. But as to the unorthodox locations,
20 Klabzuba is only approaching on tracts with identical
21 working interest and royalty interest ownership?

22 A. That's correct.

23 Q. There are no offsetting operators on whom
24 either of these wells are actually encroaching; is
25 that correct?

1 A. That's correct.

2 Q. The fault and the general characteristics
3 of this structure are based initially on well control,
4 but you have integrated seismic information into this
5 interpretation?

6 A. That's correct.

7 Q. Based on the information available to you,
8 Mr. Barber, do you feel reasonably confident as to
9 your interpretation of the extent of this small
10 producing feature?

11 A. Yes, I do.

12 Q. This exhibit also has a trace for a
13 subsequent cross-section; is that correct?

14 A. That's correct. It's shown as A to A'.

15 Q. Why don't we go to that now, Exhibit No. 2,
16 and I'd ask you to review the information on that
17 exhibit for the examiner.

18 A. This is a structural cross-section running
19 from the low, down-faulted Avalanche Journal No. 1
20 White dry hole in Section 12. It crosses the fault
21 and runs through both the White "A" and the White "B"
22 locations, and then ties into the DeKalb dry hole up
23 in Section 31. This is -- again, it's our
24 interpretation that this is a rather small faulted
25 anticline, and that both our A and B locations should

1 be on the crest of the feature.

2 Q. Based on your geologic interpretation, are
3 there any other locations on these 40-acre tracts
4 where you could efficiently drain the reserves under
5 this acreage?

6 A. I don't believe so.

7 Q. And you place them at what you interpret
8 being the highest structural point on each of those
9 40's?

10 A. That's correct.

11 Q. Has Klabzuba developed similar pools to
12 this in the past?

13 A. Yes. About a mile to the south in the
14 Race-Track-Devonian Field, we developed a very similar
15 field. We originally drilled one well that was off
16 the flank of the feature. It produced lots of water
17 with the oil, it was kind of a troublesome well, and
18 we ended up having to acquire seismic and drill on the
19 crest of the feature, and now we have an economic well
20 at that point.

21 Q. Your first effort in that other pool was
22 without the aid of seismic information?

23 A. It was with some very old seismic.

24 Q. What do you believe the reservoir drive
25 mechanism will be in this new pool?

1 A. It's our opinion that these are probably a
2 water-drive reservoir.

3 Q. If I look at your Exhibit No. 1, do you
4 have an opinion as to whether or not the two wells
5 that you are proposing could effectively drain the
6 reserves from this entire anomaly?

7 A. Yes, I do. I think they should drain the
8 reserves at those locations.

9 Q. You won't know that until you get them
10 down?

11 A. That's right.

12 Q. In your opinion, are these wells necessary
13 to produce the reserves in this portion of the
14 Devonian formation?

15 A. Yes.

16 Q. In your opinion, will approval of the
17 application enable Klabzuba to produce reserves that
18 otherwise are not going to be recovered?

19 A. Yes.

20 Q. Will approval of the application and the
21 drilling of these wells be in the best interest of
22 conservation, the prevention of waste, and the
23 protection of correlative rights?

24 A. Yes.

25 Q. Were Exhibits 1 and 2 prepared by you?

1 A. Yes, they were.

2 MR. CARR: At this time, Mr. Morrow, we
3 move the admission of Klabzuba Exhibits 1 and 2.

4 EXAMINER MORROW: We accept Exhibits 1 and
5 2 into the record.

6 EXAMINATION

7 BY EXAMINER MORROW:

8 Q. I'm sure you probably did, but I'll ask
9 you, did you study the production over in Section 6
10 and 7 in connection with --

11 A. Not in depth, but I know that it's San
12 Andres production, and it's rather marginal, and it's
13 not our primary target.

14 Q. Where is the production from the Devonian
15 -- what's the name of this -- the
16 Race-Track-Devonian? Where is the Race-Track-Devonian
17 located?

18 A. It's in Section 13, to the south of Section
19 12 here, in 10 South, 27 East. It's not on this map.

20 Q. Did you look at that some, the
21 Race-Track-Devonian production?

22 A. Yes, sir. We're very involved with that
23 production. The original well produced about 161,000
24 barrels of oil with a lot of water. We felt like the
25 well needed to be replaced for mechanical reasons, and

1 at the time we decided to shoot some seismic and see
2 if we could gain some structure at the same time.

3 We did. We gained about 82 feet of
4 structure, and it's a water-free producer at this
5 point.

6 Q. What is it producing now?

7 A. It pumps about 77 barrels a day pretty much
8 every day at that rate.

9 Q. Do you feel that there's any connection,
10 any reservoir connection with that?

11 A. No, sir.

12 Q. Is it similar?

13 A. Is it what?

14 Q. Do you feel what you hope to encounter with
15 these two wells will be similar to the --

16 A. I hope it will be better, but we'll take 77
17 barrels a day if that's all it will give us.

18 Q. You believe then that the south well that
19 you're proposing will drain all that you've indicated
20 might be productive here in Section 12, probably 120
21 acres or 150, maybe?

22 A. At this point, yes, we do.

23 Q. How about the Race-Track-Devonian well,
24 what do you -- how much reservoir do you feel that
25 it's drained, how many acres, acreagewise?

1 A. Twenty-five, 30, 35 feet, somewhere in that
2 area.

3 Q. Do you think that's critical in making a
4 good well in this field?

5 A. Yes, we do.

6 Q. When these wells are drilled, do you feel
7 like they're going to drift in any particular
8 direction?

9 A. I don't think at this location that we
10 should encompass any -- encounter any abnormal dip to
11 throw us off; so it would be normal drift we have. We
12 will watch it, however.

13 Q. If the bottomhole location is actually on
14 the proration unit to the west, is there any problem
15 with dedicating that acreage to the well instead of
16 the proration unit that the surface location is in?
17 If the bottomhole location is within, say, the
18 southwest of the southeast quarter, we may in fact
19 have you dedicate that 40 acres to the well?

20 A. I see what you're getting at.

21 Q. Is there any problem with that?

22 A. No. At this point I think if we made a
23 well at some point before leases expired, we would
24 probably try to get field rules to protect ourselves
25 so that somebody else couldn't come in and drill that

1 offset.

2 Q. These are fee leases?

3 A. Yes.

4 Q. (BY EXAMINER MORROW) Which well do you
5 plan to drill first?

6 A. It's really not up to me. It doesn't
7 matter to me. It's the field man's call, probably.

8 EXAMINER MORROW: Go get both of them then.

9 THE WITNESS: Right.

10 EXAMINER MORROW: I don't believe we have
11 anything.

12 MR. CARR: There's nothing further in this
13 case, Mr. Morrow.

14 EXAMINER MORROW: Cases 10876 and 10877
15 will be taken under advisement.

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CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

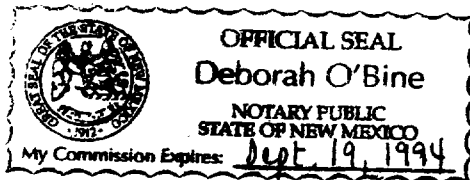
I, Deborah O'Bine, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that I caused my notes to be transcribed under my personal supervision, and that the foregoing transcript is a true and accurate record of the proceedings of said hearing.

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, January 3, 1994.

Deborah O'Bine

DEBORAH O'BINE
CCR No. 63



I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Cases Nos 10876 + 10877 heard by me on Dec 2 1993.

Jim Morrow
Jim Morrow, Examiner
Oil Conservation Division