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

EXAMINER HEARING

IN THE MATTER OF:

Application of Chevron, U.S.A., Inc.
for an unorthodox oil well location, Case 10094
Lea County, New Mexico.

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
September 19, 1990

ORIGINAL

A P P E A R A N C E S

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FOR THE DIVISION: ROBERT G. STOVALL
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OCD CHIEF ENGINEER: JIM MORROW
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I N D E X

Page Number

Appearances

2

1. SCOTT EVANSON

Examination by Mr. Carr

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Examination by the Hearing Examiner

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Certificate of Reporter

16

E X H I B I T S

Exhibit No. 1

7

Exhibit No. 2

7

Exhibit No. 3

11

Exhibit No. 4

11

1 P R O C E E D I N G S

2 HEARING EXAMINER: At this time we'll call Case
3 10094.

4 MR. STOVALL: Application of Chevron U.S.A., Inc.
5 for an unorthodox oil well location, Lea County, New Mexico.

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

8 MR. CARR: May it please the Examiner, my name is
9 William F. Carr with the law firm of Campbell & Black, P.A. of
10 Santa Fe. I represent Chevron U.S.A., Inc., and I have one
11 witness.

12 HEARING EXAMINER: Are there any other appearances?
13 Will the witness please stand to be sworn in.

14 SCOTT EVANSON,
15 the witness herein, after having been first duly sworn upon his
16 oath, was examined and testified as follows:

17 (Mr. Stovall is no longer present.)

18 EXAMINATION

19 BY MR. CARR:

20 Q. Will you state your full name for the record,
21 please.

22 A. Scott Evanson.

23 Q. Mr. Evanson, where do you reside?

24 A. Midland, Texas.

25 Q. By whom are you employed and in what capacity?

1 A. Chevron U.S.A. as a development geologist.

2 Q. Have you previously testified before the OCD and had
3 your credentials as a development geologist accepted and made a
4 matter of record?

5 A. Yes, I have.

6 Q. Are you familiar with the application filed in this
7 case on behalf of Chevron U.S.A., Inc.?

8 A. Yes.

9 Q. Does your geographic area of responsibility with
10 Chevron include the portion of Southeastern New Mexico involved
11 in this application?

12 A. Yes, it does.

13 Q. Have you made a study of the general area involved
14 in this case?

15 A. Yes.

16 Q. How long have you been actually working on this
17 area?

18 A. I've been working on this prospect off and on since
19 1988.

20 Q. Were you involved in the decision to pick this
21 particular well location?

22 A. Yes. In that time frame we've had myself and two
23 other earth scientists working on this prospect, and this
24 proposed location is the consensus pick of all three of us.

25 MR. CARR: Are the witness's qualifications

1 acceptable?

2 HEARING EXAMINER: They are.

3 Q. (BY MR. CARR) Mr. Evanson, would you just briefly
4 state what Chevron is seeking with this application.

5 A. We're seeking an order which would enable us to
6 drill Strawn oil well Lea "YL" State No. 2 at an unorthodox
7 location which would be 2,230 feet from the south line and
8 2,310 feet from the east line Section 2, Township 17 South,
9 Range 37 East. Proration unit for this well would be 80 acres,
10 which would consist of the west half of Southeast Quarter of
11 Section 2.

12 Q. What is the primary objective in this well?

13 A. Strawn limestone.

14 Q. And what pool would the well be actually completed
15 in?

16 A. Shipp and Strawn.

17 Q. Are there special pool rules in effect for this
18 pool?

19 A. Yes.

20 Q. What are the well location and spacing requirements
21 as set forth in those rules?

22 A. In Shipp-Strawn you need 80-acre proration unit and
23 well is to be located within 150 feet of the center of either
24 of your 40-acre tracts.

25 Q. So we have a standard proration unit here; is that

1 correct?

2 A. Yes.

3 (Thereupon, Exhibit 1 was
4 marked for identification.)

5 Q. Let's go now to what has been marked as Chevron
6 Exhibit No. 1. I'd ask you to identify that for Mr. Catanach
7 and then review the information contained on this exhibit.

8 A. Exhibit 1 is a proration unit map. It contains the
9 proration units for all Strawn tests that have been drilled in
10 this portion of Shipp field. Scale on this map is one inch
11 equals 1,000 feet.

12 What we've shown on this map are, first of all, the
13 proposed location which is designated by an open circle in
14 Section 2. It shows that location to be 330 feet from the
15 western edge of our proposed proration unit, 410 feet from the
16 northern edge of our proposed proration unit.

17 Q. So actually you are moving toward Amerind to the
18 north and the unit in which Pennzoil has an interest to the
19 west?

20 A. That's correct. Also shown on this plat are in red
21 are all tests, Strawn tests that were drilled at unorthodox
22 locations. And the order numbers authorizing those tests are
23 also shown. There are quite a few in this portion of Shipp
24 field. That's a result of the relatively small reservoirs
25 found in the Strawn here.

1 Also shown in orange we have an outline that's
2 320-acre unit, formed with Pennzoil, between Chevron and
3 Pennzoil in 1987. Pennzoil is the operator of this unit, and
4 Chevron maintains a 50 percent working interest.

5 Q. The area shaded in yellow is the Chevron "YL" State
6 lease?

7 A. This is correct.

8 Q. A couple of these wells have been sidetracked there
9 also indicated in Section 2; is that right?

10 A. Yeah. There have been a couple of sidetracked wells
11 in this area, and those are shown by the dotted line.

12 (Thereupon, Exhibit 2 was
13 marked for identification.)

14 Q. Let's now go to what has been marked as Chevron
15 Exhibit No. 2. I'd ask you to identify this for Mr. Catanach.

16 A. This is an isopach map with a gross Strawn limestone
17 thickness. Scale here is one inch equals 1,000 feet. Contour
18 interval 25 feet.

19 Q. How was this constructed? What information did you
20 use?

21 A. All available well data was used in constructing
22 this map, as well as the seismic data that we have.

23 Q. Could you just briefly summarize what, in your
24 opinion, is needed to make a successful well in the
25 Shipp-Strawn pool.

1 A. Well, the reservoirs in Shipp-Strawn consist of
2 phylloid algal build-ups or mounds. These mounds are
3 relatively steep sided and generally relatively small. And
4 the -- actually what we're -- the name of the game out here is
5 to try and encounter as thick of gross Strawn limestone
6 interval as possible.

7 Now, this won't guarantee that we'll encounter
8 Shipp-Strawn porosity, but it certainly enhances your chances
9 of establishing production from the Strawn.

10 Now unfortunately we haven't come up with a
11 threshold value that would allow us to equate gross thickness
12 to net porous Strawn limestone.

13 Q. It does appear to be a positive relationship,
14 however, between the thickness of the section?

15 A. Yes, it does.

16 Q. And the porosity you encounter?

17 A. Yes.

18 Q. Let's go to Exhibit No. 2, and I'd ask you to review
19 for the Examiner the seismic lines, when they were actually run
20 and what information that gets you as it relates to this
21 location.

22 A. Okay. First of all we have our proposed location
23 against five here in Section 2. You can see it's near the
24 center of what we'll call our target mound here.

25 And the history of the seismic data is line A is the

1 east-west line. That line was run in -- was shot in 1986. And
2 at that time we recognized the possibility of a Strawn mound in
3 the approximate area of our target mound.

4 Now by 1988 we had some additional seismic shot in
5 the field area. One of these lines was line B, which
6 intersects both of the standard location in our proposed
7 proration -- standard locations in our proposed proration unit.

8 Now in the analysis of line B the mound that we are
9 attempting to delineate was not very well -- was not present to
10 a great extent in that line. Quite frankly, we were quite
11 disappointed with what we saw in line B.

12 By 1990 we had convinced ourselves with some
13 additional time to look at that data that an additional line,
14 line C, would possibly help us delineate what we still thought
15 was a mound on this tract. We shot line C in 1990 and that has
16 allowed us to come up with an approximate shape of the target
17 mound that you see here.

18 Q. In picking a location you tried to stay as close as
19 possible to your seismic line?

20 A. That's correct. We are -- our proposed location is
21 approximately 90 feet east of line C, and that would allow us
22 to drill, to maintain a 330 spacing from the lease line.

23 Q. Why didn't you place this well location at the
24 intersection of lines A and C?

25 A. Well, as I said before, we've had a little problem

1 with line A. Our confidence level in line A is not quite as
2 good as it is in C. When it came to picking the best spot we
3 decided to go with line C because of our confidence level was
4 greater in that line.

5 (Thereupon, Exhibit 3 was
6 marked for identification.)

7 Q. Is what has been marked Chevron Exhibit No. 3 a copy
8 of an affidavit confirming that notice of today's hearing has
9 been provided to all affected operators in the area?

10 A. Yes, it is.

11 Q. Do you anticipate any further opposition to this
12 case?

13 A. No, we do not.

14 Q. You have received in fact a waiver from Pennzoil on
15 whom you are encroaching to the west; is that correct?

16 A. That's correct.

17 (Thereupon, Exhibit 4 was
18 marked for identification.)

19 Q. And a copy of the Pennzoil waiver has been marked
20 Chevron Exhibit No. 4?

21 A. Yes.

22 Q. The well to the north, the Amerind to the north and
23 to the west, the Amerind well, is that currently producing?

24 A. No, it is not.

25 Q. In your opinion will granting this application

1 prevent waste?

2 A. Yes, it will. It will allow us to drill a well that
3 would, if forced to drill at a standard location, would not be
4 drilled.

5 Q. Will it have any adverse effect on the correlative
6 rights of any other interest owner in the area?

7 A. No.

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

9 A. Yes, they were.

10 Q. And Exhibits 3 and 4 are the notice affidavit and
11 the waiver letter; is that correct?

12 A. Yes.

13 MR. CARR: At this time, Mr. Catanach, we would move
14 the admission of Chevron Exhibits 1 through 4.

15 HEARING EXAMINER: Exhibits 1 through 4 will be
16 admitted as evidence.

17 MR. CARR: Mr. Catanach, in this case I made an
18 error. When I mailed the letters out providing notice I placed
19 the well on a tract other than the spacing unit. I corrected
20 that but I was late, and therefore the case will have to be
21 continued until the 3rd simply to permit the error in the
22 notice to be corrected.

23 HEARING EXAMINER: Okay.

24 MR. CARR: Several people contacted me to tell me I
25 had a well on another tract.

EXAMINATION

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BY THE HEARING EXAMINER:

Q. Mr. Evanson, has Chevron drilled wells in this pool?

A. Yes. Our J. R. Holt No. 2 well is located approximately a half mile north and west of the proposed location.

Q. Is that a producing well?

A. Yes, it is.

Q. Did Chevron utilize seismic information to pick that location and drill that well?

A. Yes, we did.

Q. Has Chevron unsuccessfully used seismic information in this pool?

A. Yes. The Lea "YL" State No. 1, which is located about a mile and a half to the west, it's actually off this map in Section 2, was a seismic dry hole. Or excuse me, I mean in Section 4. So it's going to be off the map.

We also participated with Pennzoil, its 50 percent working interest partner, on the well directly west of our proposed location, which was a dry hole the first time we tried it. Sidetracked, subsequently encountered Strawn production.

Q. So the only thing you are utilizing to pick this location is seismic information?

A. That's correct. The well information from the surrounding wells is not tremendously positive for our proposed

1 location. It's purely seismic play.

2 Q. The difference in thickness between your proposed
3 location and a standard location is about how much?

4 A. It's as mapped on the order of 20 feet. Our
5 resolution really is not that great on the seismic at this
6 depth. What we're actually seeing is that at the standard
7 location it appears we're at the edge of a mound. At our
8 proposed location we think we're going to be at or near the
9 crest.

10 Q. Now Amerind doesn't have any producing wells in the
11 south half of the Northeast Quarter, Section 2?

12 A. South half of Northeast Quarter, no. That well is
13 no longer producing. Last production was in February of this
14 year.

15 Q. I don't even show a well in that 80 acres.

16 A. In which, excuse me?

17 Q. South half of the northeast.

18 A. South half of the northeast, oh, no, I am sorry. I
19 was in the wrong unit there.

20 Q. Okay. There is no production in that?

21 A. No, no.

22 Q. Okay. And you were talking about the well in the
23 south half of the Northwest Quarter?

24 A. That's correct.

25 (Mr. Stovall is now present.)

1 Q. That was a producing well?

2 A. It was a producing well. Produced somewhere in the
3 order of 25,000 barrels and has not produced since February of
4 this year.

5 Q. Is that depleted, do you know?

6 A. Yes.

7 Q. Do you know if Amerind has any plans to drill a well
8 in the Northeast Quarter?

9 A. In the Northeast Quarter, we have talked, we talked
10 with Amerind approximately two years ago about the potential of
11 drilling a well, a 50/50 well up in that proration unit, and it
12 just never came into being.

13 Q. I see.

14 Now the interest owners in the 320-acre unit are
15 just Chevron and Pennzoil?

16 A. That's correct.

17 Q. 50 percent each?

18 A. Pennzoil is the operator.

19 HEARING EXAMINER: I believe that's all I have of
20 the witness.

21 Are there any other questions?

22 MR. CARR: Nothing further.

23 HEARING EXAMINER: The witness may be excused.

24 There being nothing further this case will be
25 continued to the October 3rd docket.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the examiner hearing of Case No. 10094
heard by me on September 19 1978 CUMBER COURT REPORTING
(505) 984-2244

David R. Culant, Examiner
Oil Conservation Division

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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
CASE 10094

EXAMINER HEARING

IN THE MATTER OF:

Application of Chevron U.S.A., Inc.,
for an Unorthodox Oil Well Location,
Lea County, New Mexico.

TRANSCRIPT OF PROCEEDINGS

BEFORE: JIM MORROW, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

October 3, 1990

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FOR THE APPLICANT:

No Appearance

1 EXAMINER MORROW: Call Case 10094.

2 MR. STOVALL: Application of Chevron,
3 U.S.A., Inc., for an unorthodox oil well location, Lea
4 County, New Mexico.

5 EXAMINER MORROW: This case was heard on
6 September 19, 1990, and it was readvertised for today
7 because of a notice problem.

8 Since there are no appearances here today,
9 this case will be taken under advisement.

10 MR. STOVALL: Are you assuming that because
11 the room is empty, Mr. Morrow?

12 EXAMINER MORROW: Yes, sir.

13 That concludes today's hearing, and we'll
14 adjourn.

15 (Thereupon, the proceedings concluded.)

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