

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

IN THE MATTER OF:)
)
APPLICATION OF SANTA FE ENERGY)
OPERATING PARTNERS, L.P. FOR AN) CASE NO. 10210
UNORTHODOX OIL WELL LOCATION,)
LEA COUNTY, NEW MEXICO.)
)
_____)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

January 10, 1991
3:37 p.m.
Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on January 10, 1991, at 3:37 p.m. at Oil Conservation Division Conference Room, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Deborah F. LaVine, RPR, Certified Court Reporter No. 252, in and for the County of Santa Fe, State of New Mexico.

FOR: OIL CONSERVATION
DIVISION

BY: DEBORAH F. LAVINE, RPR
Certified Court Reporter
CCR No. 252

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I N D E X

January 10, 1991
 Examiner Hearing
 Case No. 10210

PAGE

APPEARANCES

3

APPLICANT'S WITNESSES:

DARRELL ROBERTS

Direct Examination by Mr. Bruce
 Examination by Examiner Catanach

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JOHN L. THOMA

Direct Examination by Mr. Bruce
 Examination by Examiner Catanach

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APPLICANT'S EXHIBITS:

MRKD

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A P P E A R A N C E S

BEFORE: DAVID R. CATANACH, Hearing Examiner

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
General Counsel
Oil Conservation Commission
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

FOR THE APPLICANT: HINKLE, COX, EATON, COFFIELD & HENSLEY
Attorneys at Law
BY: JAMES G. BRUCE, ESQ.
500 Marquette, Northwest
Suite 800
Albuquerque, New Mexico 87102

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1 EXAMINER CATANACH: At this time, we will call 10210.

2 MR. STOVALL: Application of Santa Fe Energy Operating
3 Partners, L.P. for an unorthodox oil well location, Lea
4 County, New Mexico.

5 EXAMINER CATANACH: Appearances in this case?

6 MR. BRUCE: Mr. Examiner, Jim Bruce from the Hinkle law
7 firm for the applicant. I have two witnesses to be sworn, one
8 of whom has disappeared.

9 EXAMINER CATANACH: Other appearances? We'll just wait.

10 MR. STOVALL: Wait a second or swear the one and get
11 started?

12 EXAMINER CATANACH: Will the witnesses please stand and
13 be sworn in.

14 (Witnesses sworn.)

15 DARRELL ROBERTS

16 the Witness herein, having been first duly sworn, was examined
17 and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. BRUCE:

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

21 A. It's Darrell Roberts.

22 Q. And where do you reside?

23 A. Midland, Texas.

24 Q. And who do you work for and in what capacity?

25 A. Santa Fe Energy Resources as a sand drilling

1 engineer.

2 Q. And are you responsible for Santa Fe's proposed
3 unorthodox location in this case?

4 A. Yes.

5 Q. And have you previously testified before the OCD?

6 A. Yes, I have.

7 Q. And were your credentials as a petroleum engineer
8 accepted as a matter of record?

9 A. Yes.

10 MR. BRUCE: Mr. Examiner, is the witness considered
11 acceptable?

12 EXAMINER CATANACH: He is.

13 Q. (By Mr. Bruce:) Would you please state what Santa
14 Fe seeks in this case.

15 A. Santa Fe seeks approval of an unorthodox oil well
16 location for a well to be drilled 1980 from the south line and
17 330 from the -- no, it's 1980 from the east line and 330 from
18 the south line of Section 5, Township 18 South, Range 33 East,
19 in Eddy County. The proposed well is to be a Wolfcamp test,
20 and it's within a mile of the South Corbin-Wolfcamp pool which
21 is on an 80-acre spacing. And the south half of the southeast
22 quarter of Section 5 will be dedicated to the well.

23 Q. Would you describe the reason that Santa Fe seeks
24 this unorthodox location.

25 A. We went out to stake an original location by Santa

1 Fe that was at a standard location for the South Corbin field.
2 The location was 660 from the south line and 1980 from the
3 east line, and this was disapproved by Mr. Barry Hunt with the
4 BLM due to the topography of this area. Mr. Hunt advised that
5 the cut and fill, that the cut on the slope on which Santa
6 Fe's original location was to be staked would cause
7 considerable harm to the terrain due to a probable eight-foot
8 cut on the northeast corner of the location and a
9 corresponding eight-foot fill required on the southeast corner
10 to provide a level location.

11 Upon viewing the area, Barry Hunt approved Santa
12 Fe's second location which is 330 from the south line and 1980
13 from the east line. And Barry Hunt also advised that this
14 location would not cause any problems to the terrain in this
15 area. And in fact the BLM permit has been approved at that
16 location, pending approval by the OCD of the unorthodox
17 location. In addition, there's an oil well pipeline that
18 crosses through the middle of the proposed unit in an
19 east/west direction. And this affects this location.

20 Q. And the crude oil pipeline has some effect in both
21 the southwest quarter of the southeast quarter and the
22 southeast quarter of the southeast quarter, does it not?

23 A. Yes.

24 Q. And you were the person at Santa Fe who had the
25 contacts with the BLM, were you not?

1 A. Right. I staked the well.

2 (Applicant's Exhibit No. 1 was
3 marked for identification.)

4 Q. Would you please refer to Exhibit 1 and just
5 describe it briefly for the examiner.

6 A. This is a topo map, a xerox copy of topo map in an
7 area that indicates the standard location for the well in this
8 unit and the proposed location, which is 330 from the south
9 line. The pipeline is also indicated. And please note that
10 it crosses approximately through the middle of the proration
11 unit and affects the location because Santa Fe desires to be
12 at least 150 feet from the east/west pipeline.

13 (Applicant's Exhibit No. 2 was
14 marked for identification.)

15 Q. Handing you Exhibit Number 2, is that just a copy
16 of the land plat identifying the well location?

17 A. Yes, it is.

18 Q. And are the offsets Oxy USA, Hayco, and Santa Fe
19 itself?

20 A. That's true.

21 Q. Now regarding the location when the topographic --
22 when the BLM gave its topographic reason for disapproving the
23 location, were there geological reasons by which Santa Fe
24 decided to move the well to the south, say, rather than the
25 north?

1 A. That's true.

2 Q. And will Santa Fe's next witness discuss those
3 further?

4 A. Yes.

5 Q. Was directional drilling considered?

6 A. Yes, we considered it. And due to the added cost
7 and the mechanical risk and the economic burden that is added
8 to a directional well, we determined that we could not drill
9 this well in a directional manner. So we determined that that
10 wouldn't be feasible for us.

11 Q. What is the approximate depth of this well?

12 A. 11,500 feet.

13 (Applicant's Exhibit No. 3 was
14 marked for identification.)

15 Q. And is Exhibit Number 3 a copy of the notification
16 letter to the offset interest owners?

17 A. Yes, it is.

18 Q. Now that was signed by Mr. Larry Murphy of Santa
19 Fe, was it not?

20 A. Yes, it was.

21 Q. Was that letter prepared and sent out under your
22 direction?

23 A. Yes.

24 Q. In your opinion, is the granting of this
25 application in the interests of conservation, the prevention

1 of waste, and the protection of correlative rights?

2 A. Yes.

3 Q. And were Exhibits 1, 2 and 3 prepared by you or
4 under your direction?

5 A. Yes, they were.

6 MR. BRUCE: Mr. Examiner, I move the admission of
7 Exhibits 1 through 3.

8 EXAMINER CATANACH: 1 through 3 will be admitted into
9 evidence.

10 (Applicant's Exhibits Nos. 1 through 3
11 were admitted into evidence.)

12 MR. BRUCE: And one final item.

13 Q. (By Mr. Bruce:) Does Santa Fe request expedited
14 approval of this case?

15 A. Yes, we do.

16 Q. What is the reason for that?

17 A. We have a farmout expiration, and then also we've
18 obtained a rig to drill this well.

19 Q. So there are farmout and economic reasons?

20 A. Right.

21 MR. BRUCE: Thank you.

22 EXAMINATION

23 BY EXAMINER CATANACH:

24 Q. Mr. Roberts, the most affected offset operator
25 would be, according to your plat, Santa Fe Energy; is that

1 right? I mean, you would offset yourself basically?

2 A. That's true.

3 Q. You own the acreage in Section 8?

4 A. Right.

5 Q. Have you had any response from any of the other two
6 offset operators?

7 A. I don't think -- I think they've all approved. No
8 objection to me anyway.

9 Q. It's my understanding that due to cut and fill
10 requirements, the BLM requested that you move to the 330
11 location?

12 A. Well, they wouldn't allow us to drill in the
13 original location because of the cut and fill.

14 Q. And they recommended the 330 location?

15 A. We recommended it to them, and they approved it.

16 Q. And that is due to the pipeline going through that
17 section is partially the reason why you went to a 330
18 location?

19 A. That's true. Mainly due to the topography. Going
20 north, you could possibly get out of the -- get on, I guess,
21 on a flat place. But due to the geology, we prefer to go to
22 the south.

23 Q. I see. Now the South Corbin-Wolfcamp pool is
24 80-acre spacing?

25 A. Yes, it is.

1 Q. And the locations for that pool, standard location
2 would be within 150 feet of the center?

3 A. That's true.

4 Q. So you're about 180 nonstandard?

5 A. Right.

6 EXAMINER CATANACH: That's all I have of the witness.
7 The witness may be excused.

8 JOHN L. THOMA

9 the Witness herein, having been first duly sworn, was examined
10 and testified as follows:

11 DIRECT EXAMINATION

12 BY MR. BRUCE:

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

14 A. John Thoma.

15 Q. And who do you work for and in what capacity?

16 A. Santa Fe Energy Resources. I'm a senior geologist.

17 Q. And have you previously testified before the
18 division as an expert geologist?

19 A. Yes, I have.

20 Q. And are you familiar with the geology involved in
21 this application?

22 A. Yes, I am.

23 Q. And does your area of responsibility for Santa Fe
24 include southeast New Mexico?

25 A. Yes, it does.

1 MR. BRUCE: Mr. Examiner, I tender the witness as an
2 expert.

3 EXAMINER CATANACH: He is so qualified.

4 (Applicant's Exhibit No. 4 was
5 marked for identification.)

6 Q. (By Mr. Bruce:) Referring to Exhibit 4, Mr. Thoma,
7 could you discuss why Santa Fe when it was asked to move the
8 well moved it to the south rather than the north and why they
9 preferred to keep in the southwest of the southeast quarter?

10 A. The map before you is an isopach of the prospective
11 pay zone which is a carbonate detrital reservoir which is
12 located in the lower Wolfcamp formation. The nearest control
13 we have to the proposed location is in the northeast of the
14 northwest in Section 8, which would be our Kachina Number 8-1
15 well. Going north from that well through Section 5 and
16 Section 4, there are no Wolfcamp penetrations. We feel that
17 moving the location either into the southeast southeast of
18 Section 5 or north from the standard 660 location would
19 represent additional risk or would add risk to the drilling of
20 a well in that proration unit. And that's why we elected to
21 recommend to the BLM that we move the location south.

22 Q. In your opinion, is the granting of this
23 application in the interests of conservation, the prevention
24 of waste, and the protection of correlative rights?

25 A. Yes.

1 Q. And was Exhibit 4 prepared by you or under your
2 direction?

3 A. Yes, it was.

4 MR. BRUCE: Mr. Examiner, I move the admission of Exhibit
5 4.

6 EXAMINER CATANACH: Exhibit 4 will be admitted as
7 evidence.

8 (Applicant's Exhibit No. 4 was
9 admitted into evidence.)

10 EXAMINATION

11 BY EXAMINER CATANACH:

12 Q. Mr. Thoma, according to your map, a move north will
13 cause just a few feet reduction in the net clean carbonate
14 that you might encounter in the Wolfcamp; is that correct?
15 You're just losing a little bit of -- moving to a, well, let
16 me back up on that. Any move north of a 660 location would
17 probably put you out of the carbonate?

18 A. It potentially could.

19 Q. You don't have any control in Section 5?

20 A. That is correct, Wolfcamp control.

21 Q. The well number 8, is that a dry hole, the Kachina
22 Well Number 8?

23 A. The well in the northeast northwest?

24 Q. The northeast northeast of Section -- oh, I'm
25 sorry. The closest control point you said you had was the

1 well in the northeast of the northwest?

2 A. That's correct.

3 Q. That is a producing well?

4 A. Yes, I believe it will be a producing well. It is
5 not on line yet. It has been production tested, the short
6 duration production tests which yielded favorable results.

7 Q. Mr. Thoma, do you have an opinion as to how much
8 net clean carbonate you need to encounter to make a commercial
9 well on the reservoir?

10 A. In almost all of the Wolfcamp reservoirs that I
11 have studied in this area, the actual pay thickness, rather
12 the actual clean carbonate thickness, does not directly
13 correspond to the quality of production, that it is merely an
14 indicator of the fact that you are in the correct depositional
15 setting to encounter reservoir conditions.

16 The reservoir particularly in this interval is a
17 fractured reservoir. And it is extremely difficult to predict
18 the fracture trends. However, I can say definitively that you
19 need to be in clean carbonate for the fracturing to produce an
20 effective reservoir.

21 EXAMINER CATANACH: I see. I believe that's all I have.
22 The witness may be excused.

23 EXAMINER CATANACH: Is there anything further, Mr. Bruce?

24 MR. BRUCE: No, sir.

25 EXAMINER CATANACH: Case 10210 will be taken under

1 advisement.

2 (Recess taken.)

3 EXAMINER CATANACH: Do you want to finish whatever you're
4 doing here, Mr. Bruce?

5 MR. BRUCE: Mr. Examiner, I'd make a motion in case 10210
6 to keep Exhibit 4 confidential until the subpoena issues in
7 case 10211 are decided by the division.

8 EXAMINER CATANACH: And that will be decided later on
9 this afternoon.

10 MR. BRUCE: Or it will be argued. I'm not sure whether
11 it will be decided.

12 MR. STOVALL: For the record, and this is in case 10210.
13 It's for the record established that applicant Santa Fe has
14 presented a geologic exhibit in the form of an isopach,
15 Exhibit Number 4. Case 10211 involves a compulsory pooling
16 matter which is being opposed by Hanley Exploration. Is that
17 correct, Mr. Callahan?

18 MR. KELLAHIN: That's true.

19 MR. STOVALL: And Hanley has sought in that case by way
20 of subpoena certain geologic information related to a well
21 drilled by Santa Fe and which information is shown on Exhibit
22 Number 4 in case 210. Santa Fe has filed a motion to quash
23 said subpoena. That motion will be heard this afternoon. And
24 what Santa Fe is requesting is that until such time as Hanley
25 is granted authority either by the division or by Santa Fe

1 access to the geologic information in that particular geologic
2 exhibit is requested to be kept confidential. Is that a fair
3 summation of what's going on, Mr. Bruce?

4 MR. BRUCE: Yes, Mr. Stovall.

5 MR. STOVALL: And that issue should be resolved after the
6 subpoena discussion. Depending on what the division decides
7 to do with the subpoena request, then we may have to deal with
8 the confidentiality of an exhibit in a case which has been
9 heard and is public knowledge; is that correct?

10 MR. BRUCE: (Nods head.)

11 EXAMINER CATANACH: Upon recommendation of counsel, I'll
12 go ahead and grant that motion.

13 MR. STOVALL: At least for the next 30 minutes or so.

14 EXAMINER CATANACH: For the time being, yes.

15 MR. STOVALL: If it needs to be reconsidered at that
16 time, then we'll discuss somehow sealing the hearing record
17 for that purpose.

18 (The foregoing hearing was adjourned at the approximate
19 hour of 3:55 p.m.)

20
21 I do hereby certify that the foregoing is
22 a complete record of the proceedings in
23 the Examiner hearing of Case No. 10270,
24 heard by me on January 10, 1991.

25
David R. Catnach, Examiner
Oil Conservation Division

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

3 REPORTER'S CERTIFICATE

4
5
6 I, DEBORAH F. LAVINE, RPR, a Certified Court
7 Reporter and Notary Public, DO HEREBY CERTIFY that I
8 stenographically reported these proceedings before the Oil
9 Conservation Division; and that the foregoing is a true,
10 complete and accurate transcript of the proceedings of said
11 hearing as appears from my stenographic notes so taken and
12 transcribed under my personal supervision.

13 I FURTHER CERTIFY that I am not related to nor
14 employed by any of the parties hereto and have no interest in
15 the outcome hereof.

16 DATED at Santa Fe, New Mexico, this 11th of
17 February, 1991.

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DEBORAH F. LAVINE, RPR
Certified Court Reporter
CCR No. 252, Notary Public

My Commission Expires:
August 6th, 1993