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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

6 June 1984

EXAMINER HEARING

IN THE MATTER OF
Application of Ensearch Exploration,
Inc. for a non-standard proration unit, Chaves County, New Mexico. CASE
8201

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division:	W. Perry Pearce Attorney at Law Legal Counsel to the Division State Land Office Bldg. Santa Fe, New Mexico 87501
For the Applicant:	William F. Carr Attorney at Law CAMPBELL, BYRD & BLACK P.A. Post Office Box 2208 Santa Fe, New Mexico 87501

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I N D E X

DAVID N. LEAVERTON	2
Direct Examination by Mr. Carr	4
DARRELL SHULTS	
Direct Examination by Mr. Carr	11

E X H I B I T S

Enserch Exhibit One, Plat	5
Enserch Exhibit Two, Correspondence	8
Enserch Exhibit Three, Base Map	12
Enserch Exhibit Four, Log	12

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MR. STAMETS: We'll call next
Case 8201.

MR. PEARCE: That case is on
the application of Enserch Exploration, Inc. for a non-
standard proration unit, Chaves County, New Mexico.

MR. CARR: May it please the
examiner, my name is William F. Carr, with the law firm
Campbell, Byrd and Black, P. A., of Santa Fe, appearing on
behalf of Enserch.

I have two witnesses who need
to be sworn.

MR. PEARCE: Are there other
appearances in this matter?

Could I ask both witnesses to
rise, please?

(Witnesses sworn.)

MR. CARR: At this time we call
Mr. Leaverton.

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DAVID N. LEAVERTON,

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. CARR:

Q Will you state your full name and place of residence?

A My name is David N. Leaverton. I'm in Midland, Texas.

Q Mr. Leaverton, by whom are you employed and in what capacity?

A I'm the Area Land Manager for Enserch Exploration.

Q Have you previously testified before this Commission or one of its examiners?

A No, I haven't.

Q Would you summarize your educational background and your work experience for Mr. Stamets, please?

A I graduated from Texas Tech with a BBA degree in 1951 and then I was employed by Texaco in the Land Department for approximately twenty-one years and then was employed a year and a half with Aminoil, and I have been with Enserch as Area Land Manager for six years.

Q Does your area of responsibility with Enserch include Chaves County, New Mexico?

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A Yes, it does.

Q Are you familiar with the application filed in this case on behalf of Enserch?

A Yes, I am.

Q Are you familiar with the subject well?

A Yes.

MR. CARR: We tender Mr. Leaverton as an expert witness in petroleum land matters.

MR. STAMETS: He is considered qualified.

Q Mr. Leaverton, would you state briefly what Enserch Exploration, Inc. seeks with this application?

A We are seeking approval of a non-standard gas proration unit.

Q Have you prepared certain exhibits for introduction in this case?

A Yes, I have.

Q Would you refer to Exhibit Number One and review this for Mr. Stamets?

A Yes. Exhibit One is a plat showing the land situation in 12 South, 31 East of Chaves County, New Mexico, where we have a 320-acre gas unit proposed.

We had proposed -- we have proposed this unit with our other owners in this Section 13. They include Roderick Crandall of Houston and Mr. Gallergher of Lubbock, MeTex Supply, I believe of Hobbs, and Enserch Exploration, and then the Chandler family from Ft. Worth, Texas, in our

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original proration unit.

Q Would you describe the acreage which is to be dedicated to the well?

A We would like to dedicate to the well the southwest quarter, the south half of the northwest quarter, and the west half of the southeast quarter of Section 13.

Q Does the arrow on this plat show the subject well?

A Yes, it shows the No. 1 Caprock State No. 13.

Q What is the current status of this well?

A It's now, it's been completed and shut in awaiting market.

Q Was it originally drilled as a gas well?

A No, we originally scheduled it as a 12,000-foot Devonian oil test on the proration unit consisting of the west half of the southwest quarter, but then it came in as a -- we had to plug back and make the Morrow gas well of it.

Q And it was at that time that you needed to dedicate a 320-acre unit.

A Yes, rather than 80.

Q What are the -- who owns the remaining interest in Section 13?

A Well, in Section 13 other than this they're really spaced on 40 acres but the rest of it is owned by Gulf Oil Corporation.

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Q Does this acreage -- is this acreage part of a working interest unit that Enserch operates?

A Yes, we set up a working interest unit consisting of all of Section 14 and then the southwest quarter and the south half of the northwest of 13.

Q And what pool is this well completed in?

A Well, it's in the Caprock -- West Caprock Morrow Gas Well -- Gas Pool, which is on the docket for Case 8222 today.

Q And so there's a gas pool that's being considered today by the Commission.

A Paragraph (d) over here.

Q Okay.

A Would you review for Mr. Stamets briefly the efforts that you've made to bring Gulf into the working interest unit which you operate in Sections 13 and 14?

A Yes. We started back in April of 1983 to put together this 960-acre working interest unit consisting of the west half of 13 and all of 14, and we first contacted Gulf asking them to join in the unit and Gulf said they would consider it but they'd have a better chance if the unit consisted of all of 13 and all of 14, which we didn't really like too much geologically, but we finally told them that we would -- we would change it if it would help them join the unit.

And then they said they'd have to look at our -- our geological information and seismic and so forth

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2 before they committed, and this is a succession of letters
3 back and forth, phone conversations, and then after we talk-
4 ed to them they said they would -- they would look at the
5 information but we could not let them look at it without
6 some type of commitment to either join or farm out, so we
7 talked to them about that and they said if they did -- they
8 would either join or farm out but they gave us some real
9 tough farm out terms, 50 percent back in, and so forth, so
10 finally decided we'd try to work with them, and so they
11 looked at our information and then decided that they would
12 not join, that they would farm out but only if we made a
13 1280-acre unit, which we didn't want to do, and we had never
14 asked for a farmout on more than just that north half of the
15 northwest of Section 13.

14 So we finally did tell them that we could
15 not, none of our partners could live with the terms of
16 1/16th override and a 50 percent back in, that we would do
17 it on a 25 percent backin basis.

18 They declined to do this and the partner-
19 ship agreed unanimously that we would just leave that 80-
20 acre tract out of our working interest unit.

21 And we then asked them for a dry hole
22 contribution and they declined to go along on that line, so
23 we in effect drilled the well tight.

23 Q Mr. Leaverton, if I understand your tes-
24 timony, by -- if this non-standard proration unit is ap-
25 proved, the acreage in that unit will be acreage which has

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been committed to the working interest unit.

A Yes, uh-huh, it will.

Q If you were required to drill or dedicate a standard unit, you would be required to virtually give away a quarter of the well, is that not correct?

A Yes, we'd really give away a quarter of the well and we had -- we and our partners had taken all the risk. It would be in effect handing Gulf a quarter interest in the well.

Q If you sought a non-standard unit that was less than 320 acres, what would the effect be on the remaining acreage in Section 13?

A Well, in effect we'd leave 400 acres, which would -- essentially the Division, OCD, does not ordinarily approve more than a standard gas unit. It would just leave 80 acres probably in a window type effect with no use at all.

Q In your opinion will granting this application protect the correlative rights of the interest owners in this working interest unit?

A Yes, it still gives another 320 acres for another gas unit.

Q And it would give -- my question was would it protect the correlative rights of those in the working interest unit?

A Oh, yes, uh-huh, yes. It will enable us to produce gas under that proration unit.

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2 Q And what effect will it have on the other
3 interests in Section 13?

4 A It would just leave it like I said, they
5 could drill another well on the other 320 acres and thor-
6 oughly utilize the acreage.

7 Q Do you think that granting the applica-
8 tion will cause waste?

9 A Not at all.

10 Q Were Exhibits One and Two prepared by
11 you?

12 A Uh-huh.

13 MR. CARR: At this time, Mr.
14 Stamets, we would offer Enserch Exploration, Inc. Exhibits
15 One and Two.

16 MR. STAMETS: These exhibits
17 will be admitted.

18 MR. CARR: I have nothing
19 further on direct of Mr. Leaverton.

20 MR. STAMETS: Mr. Leaverton,
21 did you make Gulf aware of your application in this case?

22 A No, I didn't. I thought the OCD usually
23 does that so I didn't.

24 MR. STAMETS: You've made no
25 direct contact with them.

A No, I haven't.

MR. STAMETS: Any other
questions of the witness? He may be excused.

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2 MR. CARR: At this time I'd
3 call Mr. Shults.

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5 DARRELL SHULTS,
6 being called as a witness and being duly sworn upon his
7 oath, testified as follows, to-wit:

8 DIRECT EXAMINATION

9 BY MR. CARR:

10 Q Will you state your full name, please?

11 A Darrell W. Shults.

12 A Mr. Shults, by whom are you employed?

13 A Enserch Exploration.

14 Q In what capacity?

15 A As an exploration geologist.

16 Q Have you previously testified before this
17 Commission or one of its examiners?

18 A No, I have not.

19 Q Would you review for Mr. Stamets your ed-
20 ucational background and your work experience?

21 A Okay. I received a BS degree in geology
22 from the University of Oklahoma in July of '79 and in August
23 of the same year I was employed by Enserch Exploration and
24 have worked the southeast New Mexico area since that time.

25 Q Does your area of responsibility include
the area in which the subject well is located?

A Yes, sir.

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Q Are you familiar with the application filed in this case on behalf of Enserch?

A Yes, sir.

MR. CARR: Are the witness' qualifications acceptable?

A They are.

Q Mr. Shults, have you prepared exhibits for introduction in this case?

A Yes, sir, I have.

Q Would you please refer to what's been marked as Enserch Exploration, Inc. Exhibit Number Three, identify this and explain what it shows?

A Okay. This is just a Caprock area base map. It shows our working interest unit that Mr. Leaverton has outlined. The scale of this map is one inch equals 4000 feet and it covers the area around our discovery well of in excess of 200 square miles and it shows not only our working interest unit here but the, in the shaded area is the proposed non-standard proration unit.

And in addition we show the nearest Morrow producers, which are circled and colored green.

Q Are the Morrow wells which are indicated on this map all classified as gas wells?

A Yes, sir.

Q Would you now refer to Enserch Exhibit Number Four and review that for Mr. Stamets?

A Okay. This is a type log of the Enserch

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No. 1 State 13, the discovery well. And was mentioned, there was a drilled to Devonian and plugged back to the Morrow.

It's correlated all the points from the Upper Morrow down to the Mississippian lime and, as you can see, we perforated the interval from 10,904 to 12; also 10,948 to 46.

We potentialized this well for 1.76-million a day and 120 barrels of condensate.

Q And this exhibit establishes that this well is in fact a Morrow producer.

A Yes, sir.

Q Were Exhibits Three and Four prepared by you?

A Yes.

MR. CARR: At this time, Mr. Stamets, we would offer Enserch Exhibits Three and Four.

MR. STAMETS: These exhibits will be admitted.

MR. CARR: That concludes my direct of this witness.

MR. STAMETS: Any questions of the witness? He may be excused.

Anything further in this case?

MR. CARR: Nothing further, Mr. Stamets.

MR. STAMETS: The case will be

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taken under advisement.

(Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY
that the foregoing Transcript of Hearing before the Oil Con-
servation Division was reported by me; that the said tran-
script is a full, true, and correct record of the hearing,
prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a correct and true copy of the proceedings in
the above hearing of case no. 8206
heard by me on 6-7-84 1984.
Richard P. Slant, Examiner
Oil Conservation Division