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I N D E X

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4 TERRY CHERRYHOMES

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Direct Examination by Mr. Hall

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Cross Examination by Mr. Catanach

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8 GEORGE HOVER

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Direct Examination by Mr. Hall

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Cross Examination by Mr. Taylor

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E X H I B I T S

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17 HNG Exhibit One, Rules

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18 HNG Exhibit Two, Ispach

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19 HNG Exhibit Three, Structure Map

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20 HNG Exhibit Four, Plat

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21 HNG Exhibit Five, Letter

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MR. CATANACH: Call next Case

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9083.

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MR. TAYLOR: The application of

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HNG Oil Company for a nonstandard oil proration unit, Eddy

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County, New Mexico.

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MR. CATANACH: Are there ap-

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pearances in this case?

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MR. HALL: Mr. Examiner, my

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name is Scott Hall from the Campbell & Black Law Firm in

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Santa Fe, in behalf of HNG, now called Enron.

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MR. CATANACH: Are there other

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appearances?

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MR. HALL: I have two witnesses

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to be sworn this morning -- this afternoon.

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MR. CATANACH: Will the witnes-

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ses please stand and be sworn in at this time?

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(Witnesses sworn.)

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TERRY CHERRYHOMES,

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being called as a witness and being duly sworn upon his

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oath, testified as follows, to-wit:

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DIRECT EXAMINATION

BY MR. HALL:

Q For the record please state your name.

A Terry Cherryhomes.

Q Mr. Cherryhomes, where do you live and how are you employed?

A I live in Midland, Texas, and I'm employed by Enron Oil and Gas Company as the Chief Production Geologist of the Division.

Q Have you previously testified before the Division or one of its examiners and have your qualifications been made a matter of record?

A Yes, they have.

MR. HALL: Mr. Examiner, are the witness' credentials acceptable?

MR. CATANACH: Yes, he is qualified.

Q Mr. Cherryhomes, are you familiar with the subject area?

A Yes, sir.

Q And are you familiar with the application filed in this case?

A Yes, I am.

Q What is it that Enron seeks by this

1 plication?

2 A Okay. We are asking for a nonstandard
3 80-acre proration unit due to the recompletion of an exist-
4 ing borehole and the nonstandard proration unit would be the
5 northeast of the southeast and the southeast of the north-
6 east of Section 34, Township 23 South, Range 28 East, 80 ac-
7 res in Eddy County, New Mexico.

8 Q All right. I'd like you to refer to
9 what's been marked as Exhibit One and identify that and ex-
10 plain why you're seeking this nonstandard proration unit.

11 A Okay. The -- the closest pool that this
12 well, or the pool that it's closest to is the South Culebra
13 Bluff Bone Spring Pool, in Eddy County.

14 Q Is that what Exhibit One is? Are those
15 the rules for that pool?

16 A Yes, sir.

17 Q Okay. Where is the well located on that
18 proposed nonstandard unit?

19 A Okay. The well is located 2310 feet from
20 the north line and 660 feet from the east line of Section
21 34, and it was a standard -- it was an orthodox proration
22 unit for a Morrow and Atoka well in the east half of Section
23 34.

24 Q Okay, now what do these pool rules pro-
25 vide?



1 A Okay. These pool rules provide that each
2 well will be drilled on either a north -- north half, south
3 half, or an east half or west half 80-acre proration unit in
4 the 160, and that it should be 150 feet from the center of
5 this proration unit, and there are exceptions that the
6 Director can make to these rules here.

7 Q What's the name of the well?

8 A It's the Pardue 34 Com No. 1.

9 Q So is it at a standard location under the
10 rules shown in Exhibit One?

11 A No, it isn't.

12 Q Okay. And would you explain again why
13 not?

14 A Okay. The reason it isn't is that this
15 well was drilled as a Morrow test in the east half of Sec-
16 tion 34, and it was a standard proration unit and it meets
17 all the legal guidelines for that wellbore.

18 This is a -- we have since recompleted it
19 in the Bone Spring and it does not meet the standard for the
20 South Culebra Bluff Pool.

21 Q All right. What are the plans for future
22 development in the area, and you might refer to Exhibit Two
23 if that's helpful to you.

24 A Okay. Exhibit Two is an Isopach map of
25 the Upper Bone Spring Double-A Sand that we're -- that we

1 recompleted this well in, and our -- our future -- one we
2 get this well on line and observe the production of it, we
3 would move to an 80-acre proration unit just to the west of
4 this well. As this Isopach shows, it would be in the -- re-
5 main in the thicker part of the sand in the reservoir and
6 then probably move to a north half 80-acre proration unit, a
7 laydown, which would also help us to stay in the better part
8 of the reservoir.

9 Q Now will the wells drilled in those pro-
10 ration units be at standard locations?

11 A Yes, they will.

12 Q And they'll be under the South Culebra
13 Bone Springs rules?

14 A The second well would not be because if
15 -- if we were given the proration unit that we're requesting
16 here for this well, it automatically sets up one more unor-
17 thodox location for the field rules.

18 Q All right. Why don't you refer to Exhi-
19 bit Three, now, and explain to the Examiner what it's inten-
20 ded to reflect?

21 A Exhibit Three is simply a structure map
22 on top of this producing Bone Spring Sand, the same sand the
23 Isopach is made on, and this map shows the offset wells. It
24 shows that from west to east you get -- you're structurally
25 higher to the west and you get structurally lower to the



1 east.

2 Q All right. Who are the offsetting opera-
3 tors of those wells?

4 A Okay. In Section 27 to the north, and each
5 of these wells that's shown to be a solid dot is a Bone
6 Springs completion, Maddox is the operator to the north, and
7 really, the nearest one to the south in Section 3 is also a
8 Maddox well. I believe it was drilled by Delta Drilling
9 Company.

10 Q Do you have anything further to add?

11 A No. The other symbols, the gas well
12 symbols on here, are either Wolfcamp, Atoka, or Morrow gas
13 completions.

14 Q Mr. Cherryhomes, in your opinion will the
15 granting of this application be in the best interest of
16 conservation, the prevention of waste, and protection of
17 correlative rights?

18 A Yes, I do.

19 Q And were Exhibits One through Three, pre-
20 pared by you or at your direction?

21 A Yes, sir, they were.

22 MR. HALL: Mr. Examiner, at
23 this time we'd move the admission of Exhibits One through
24 Three, and that concludes our direct of this witness.

25 MR. CATANACH: Exhibits One

1 through Three will be admitted into evidence.

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CROSS EXAMINATION

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BY MR. CATANACH:

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Q Mr. Cherryhomes, I have a few questions.

6

A Okay.

7

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Q Has the well actually been completed in the Bone Spring Pool?

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11

A Yes, sir, it has. It's been completed and tested and we've been waiting to hook it up until we get, you know, this proration unit assigned to this well.

12

13

14

Q Okay, are you -- is the well currently within the pool boundaries of the South Culebra Bluff Bone Spring Pool?

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A The -- the field rules state that any well drilled within one mile of this well here should fall -- and if it is not closer to another pool that has field rules, that it should abide by these field rules here.

19

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Q So this pool would be the closest pool --
A Yes, sir.
Q -- to the well. Have you received approval from the Division for the nonstandard location?

23

24

25

A No, that's what we're -- see, the well-bore existed prior to when we worked it over to the Bone Springs. That's why the location of it is -- is an unortho-

1 dox location for the Bone Springs.

2 When we were looking at exceptions to the
3 Rules Three and Five and we felt like we can handle this
4 administratively, but we were told that we couldn't. It
5 sounded like we could to us.

6 Q Well, your application today states
7 nothing about a nonstandard well location. All you -- all
8 you're applying for is an 80-acre nonstandard proration
9 unit.

10 A Yes.

11 Q It doesn't say anything about the
12 location.

13 I don't see any problem with getting the
14 unorthodox location approved administratively but you would
15 still have to do that before you could produce the well.

16 A Yes.

17 MR. HALL: Mr. Examiner, if I
18 understand you correctly, that can be handled
19 administratively and won't require readvertisement on a
20 docket.

21 MR. CATANACH: No, we can -- I
22 believe we can handle it. Let me go through the rules real
23 quick here.

24 A Rule Number Five states that if it's due
25 to topographic conditions or the recompletion of an existing



1 deeper wellbore, so -- and that's what we have here.

2 Q Yeah, that can be approved administra-
3 tively; however, you will have to re-notify your offset
4 operators, I believe, because you didn't say anything about
5 your nonstandard well location in your application.

6 A Well, we wouldn't be asking for, you
7 know, this nonstandard proration unit if -- if the well were
8 a standard location, you know, for the Bone Springs, if I'm
9 -- if I'm understanding this right.

10 Q But they are two different things.

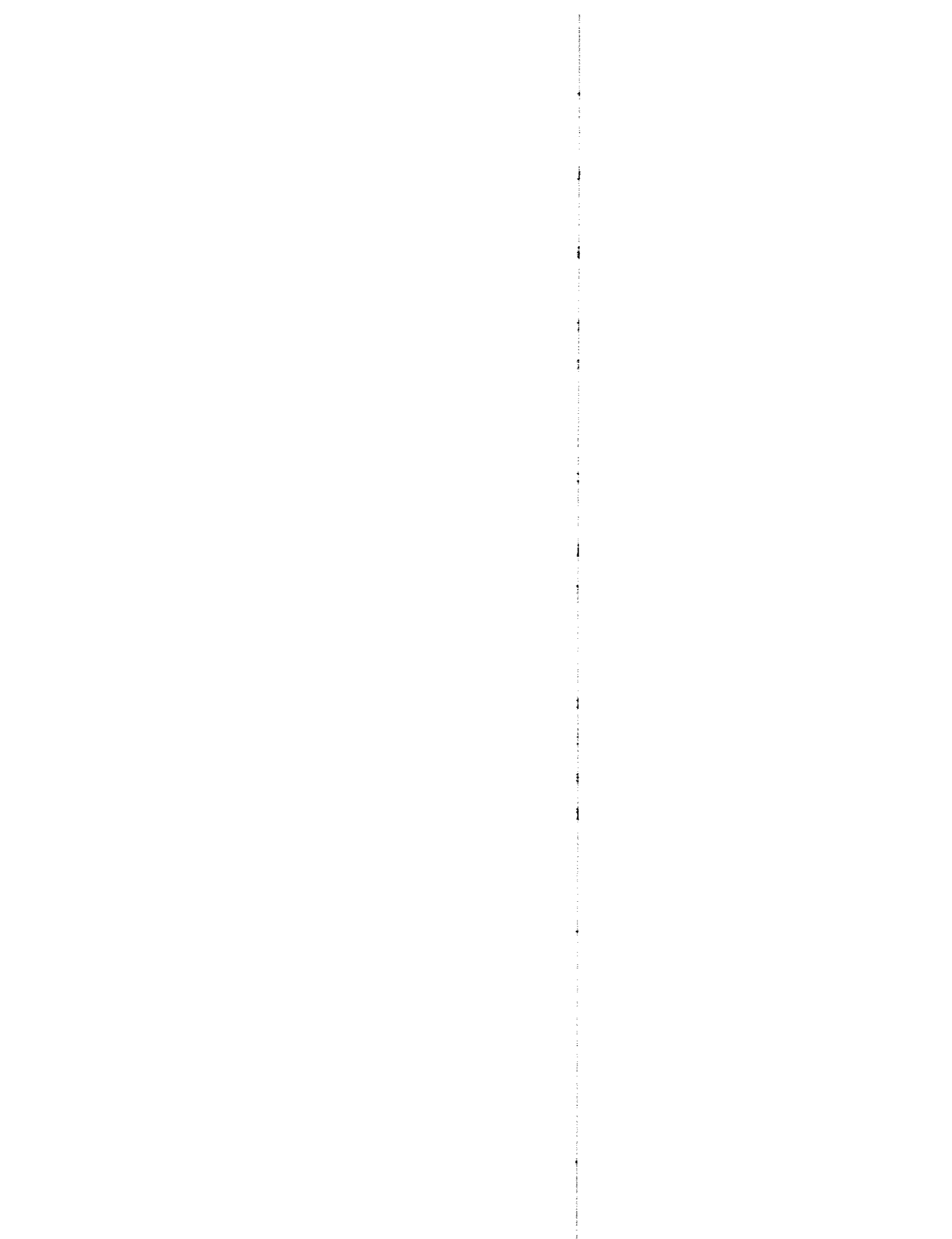
11 MR. HALL: I think what the
12 witness is saying, that it may have been implicitly stated
13 in the notice of the offset operators then, because they
14 were applying for a nonstandard unit with the well at that
15 location. It would have been, perhaps, understood by them.

16 A You see, if we had of used, for instance,
17 a standup east half of the northeast quarter proration unit,
18 our wellbore would be 330 feet off of the south line and we
19 did not feel like this would be protecting the correlative
20 rights of -- of the mineral owners to the south of us.

21 Q I understand that, but you -- you really
22 should re-notify your offset operators, because it does not
23 say anything that the well is located at a nonstandard loca-
24 tion.

25 But like I said, I don't see any problem





1 ther questions of the witness at this time. He may be ex-
2 cused.

3 A Thank you.

4
5 GEORGE HOVER,
6 being called as a witness and being duly sworn upon his
7 oath, testified as follows, to-wit:

8
9 DIRECT EXAMINATION

10 BY MR. HALL:

11 Q Please state your name and place of resi-
12 dence.

13 A George Hover, Midland, Texas.

14 Q And by whom are you employed and in what
15 capacity?

16 A Enron Oil and Gas as a petroleum en-
17 gineer.

18 Q All right. Mr. Hover, have you previous-
19 ly testified before the Division?

20 A No, sir, I have not.

21 Q Why don't you give the Examiner a brief
22 summarization of your educational background and work exper-
23 ience?

24 A I have a Bachelor of Science degree in
25 engineering science from Vanderbilt University and have



1 worked for Enron Oil and Gas, formerly HNG, for the last
2 nine and a half years.

3 Q And are you familiar with the subject
4 lands and the application here today?

5 A Yes, sir, I am.

6 MR. HALL: Mr. Examiner, are
7 the witness' qualifications acceptable?

8 MR. CATANACH: Is it Mr. Hover?

9 A Hover, H-O-V-E-R.

10 MR. CATANACH: Mr. Hover is --
11 he is considered qualified.

12 Q Mr. Hover, if you'd refer back to Exhibit
13 Number Three, is the entire proration unit which is the sub-
14 ject of the application productive of oil and gas?

15 A Yes, sir, we feel like the whole prora-
16 tion unit will be productive of oil and gas. From the data
17 we've got our well is most like the Malaga No. 1 well in
18 Section 3, as far as the interval that has been perforated,
19 they, as well as us, confined it to just the one sand at the
20 top. All of the wells up on Section 27 are perforated over
21 an interval anywhere from 2 to 900 feet thick, and from
22 looking at that Maddox well in Section 3, we feel like it's
23 going to drain anywhere from 60 to 70 acres and we feel like
24 our well will do comparably the same.

25 Q All right. Could you provide some fur-



1 ther elaboration on Enron's development plans in the area?

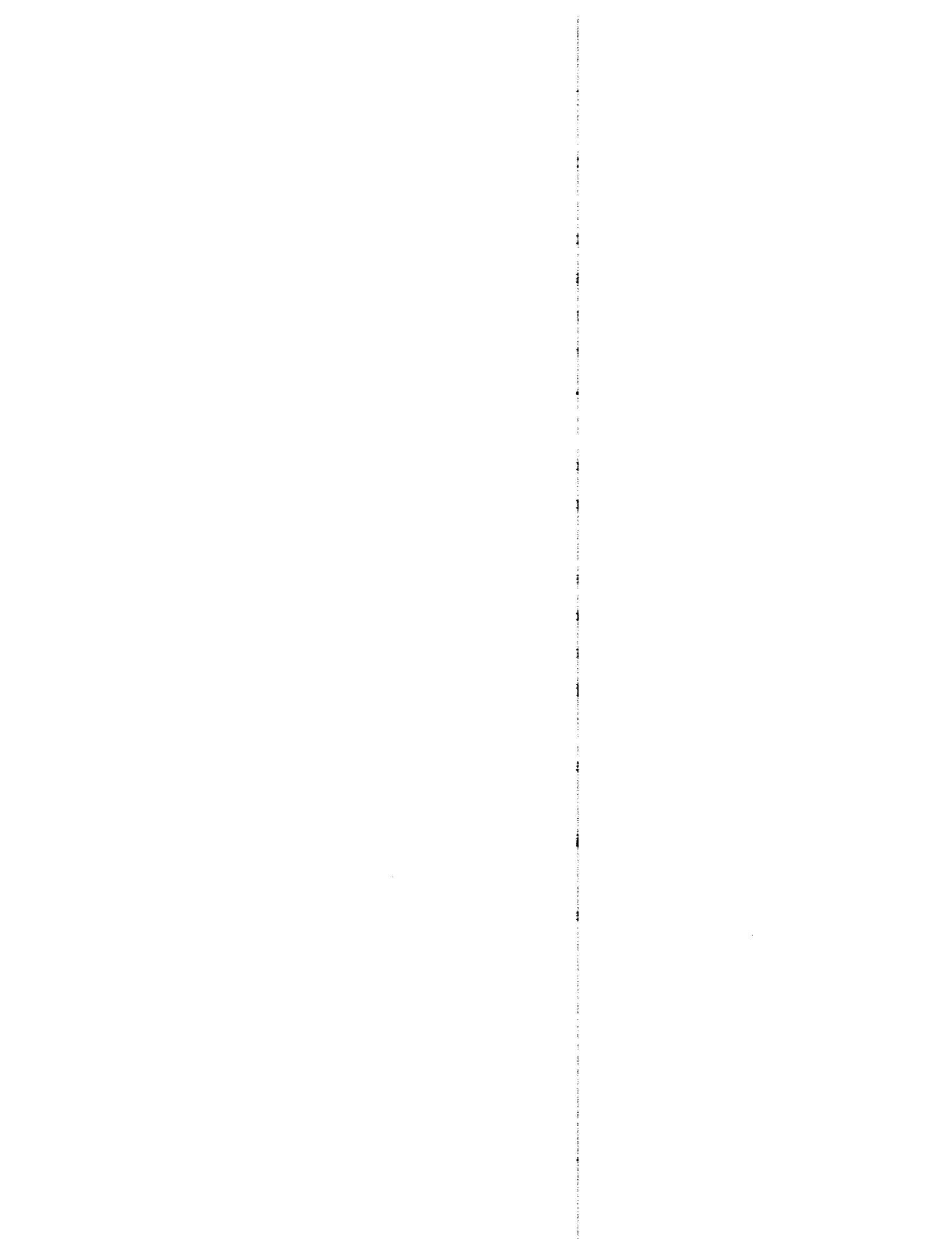
2 A As Mr. Cherryhomes stated, after looking
3 at the production of this area we would probably drill a
4 well to the west, which would be a nonstandard 80-acre pro-
5 ration unit, and then possibly one to the north, which would
6 be standard, and one to the south, which would be a standard
7 proration unit.

8 Q Now, if you'd refer to what's been marked
9 as Exhibit Four now, will this help you explain to the Exa-
10 miner why you're setting up a proration unit where you are?

11 A Well, we felt like in order to protect
12 the correlative rights of the mineral owners, if we were to
13 make this a north -- an east half proration unit in just the
14 north quarter section as per the field rules, our well would
15 only be 330 feet from the south end of the proration unit
16 and that that would not be protecting the mineral interest
17 owners that are down to the south, marked 6-10, 6-11, 6-19,
18 and 6-20. We feel like this well will more -- the drainage
19 pattern of this well will be more reflective by having our
20 proration unit -- having the well centered in the proration
21 unit rather than on the end of the proration unit.

22 Q Okay. Did you make any attempts to not-
23 ify the offset operators and receive waivers from them?

24 A Yeah, we've received two waivers to date
25 and did not -- we sent certified mail. The other two have



1 been notified but we have not received the waiver letters
2 back.

3 Q All right. Are those companies evidenced
4 on what's been marked as Exhibit Five?

5 A Yes, sir, they are.

6 Q Were Exhibits Four and Five prepared by
7 you or at your direction?

8 A Yes, sir, they were.

9 Q Mr. Hover, do you have an opinion whether
10 or not the granting of this application will be in the best
11 interest of conservation, the prevention of waste, and pro-
12 tection of correlative rights?

13 A Yes, sir, we believe it would be.

14 Q All right. At this time we'd move the
15 admission of Exhibits Four and Five and that concludes our
16 direct of this witness.

17 MR. CATANACH: Exhibits Four and
18 Five?

19 Exhibits Four and Five will be
20 admitted into evidence.

21

22 CROSS EXAMINATION

23 BY MR. TAYLOR:

24 Q Mr. Hover, we've got your notice here,
25 but we can't tell on north -- who's got the north half of



1 the northeast quarter?

2 A We have all of the east half of Section
3 34.

4 As far as other operators, we have Maddox
5 to the north in Section 27. We have -- Phillips has some
6 production in Section 2. Maddox and Kaiser-Francis own some
7 in Section 3.

8 Q Thank you. That's all I need.

9 A Okay.

10 MR. CATANACH: For the record,
11 we just received a waiver from Amoco Production, also.

12 A Okay, thank you.

13 MR. CATANACH: I have no
14 further questions of the witness.

15 He may be excused.

16 MR. HALL: We have nothing
17 further in the case.

18 MR. CATANACH: Okay, there
19 being nothing further in Case 9083, it will be taken under
20 advisement.

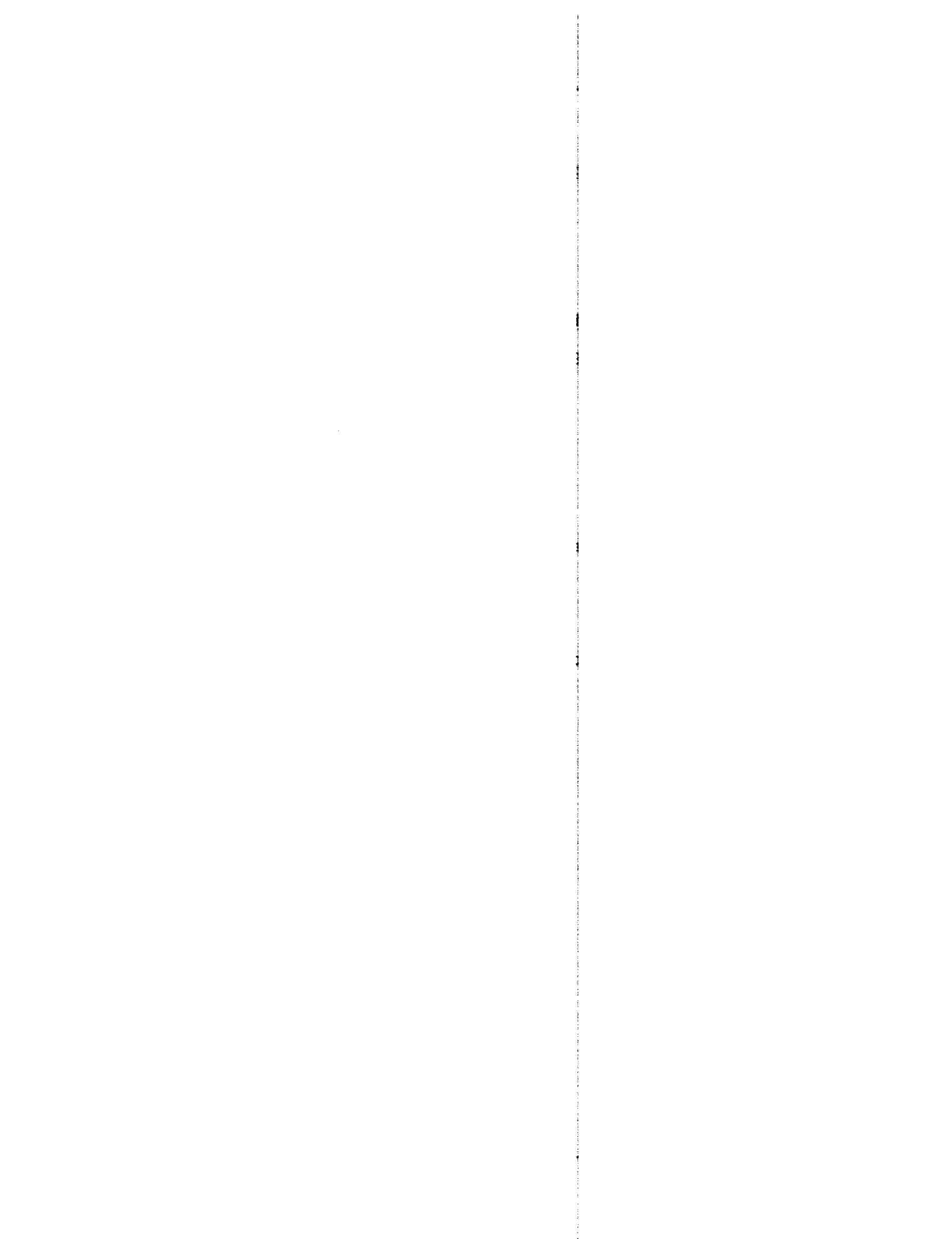
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22 (Hearing concluded.)

23

24

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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 the foregoing Transcript of Hearing before the Oil Conservation Division (Commission) was reported by me; that the said transcript is a full, true, and correct record of this portion 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 complete record of the proceedings in the Examiner hearing of Case No. 9083, heard by me on February 18, 1987.

David R. Catanzaro, Examiner
Oil Conservation Division

