

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BLDG.
5 SANTA FE, NEW MEXICO

6 25 May 1988

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of TXO Production Corp. CASE
10 for a unit agreement, Lea County, 9382
11 New Mexico.

12 BEFORE: Michael E. Stogner, Examiner

13
14 TRANSCRIPT OF HEARING

15
16 A P P E A R A N C E S

17 For the Division: Charles E. Roybal
18 Attorney at Law
19 Legal Counsel to the Division
20 State Land Office Bldg.
Santa Fe, New Mexico 87501

21 For the Applicant:
22
23
24
25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MR. STOGNER: We'll call next Case 9382.

MR. ROYBAL: Case 9382, application of TXO Production Corporation for a unit agreement, Lea County, New Mexico.

MR. STOGNER: At the applicant's request, Case Number 9382 will be continued to the Examiner's Hearing scheduled for June 8th, 1988.

(Hearing concluded.)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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 Conservation Division (Commission) was reported by me;
that the said transcript 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 complete record of the proceedings in
the Examiner hearing of Case No. 9382
heard by me on 25 May 1988.
Michael E. Slagter, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION COMMISSION
4 STATE LAND OFFICE BUILDING
5 SANTA FE, NEW MEXICO

6
7 8 June 1988

8 EXAMINER HEARING

9 IN THE MATTER OF:

10 Application of TXO Production Corp.
11 for a unit agreement, Lea County,
12 New Mexico.

CASE
9382

and

13 Application of TXO Production Corp.
14 for directional drilling and unortho-
15 dox oil well locations, Lea County,
16 New Mexico.

9383

17 BEFORE: David R. Catanach, Examiner

18 A P P E A R A N C E S

19 For the Division:

20 Robert G. Stovall
21 Attorney at Law
22 Legal Counsel to the Division
23 State Land Office Bldg.
24 Santa Fe, New Mexico

25 For the Applicant:

Chad Dickerson
Attorney at Law
DICKERSON, FISK & VANDIVER
Seventh & Mahone/Suite E
Artesia, New Mexico 88210

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

RICHARD COATS

Direct Examination by Mr. Dickerson	5
Cross Examination by Mr. Catanach	12
Cross Examinatin by Mr. Stovall	13

GREG WILSON

Direct Examination by Mr. Dickerson	14
Cross Examination by Mr. Catanach	20

GARY TRAVIS

Direct Examination by Mr. Dickerson	23
Cross Examination by Mr. Catanach	28

E X H I B I T S

TXO Exhibit One, Plat	6
TXO Exhibit Two, Unit Agreement	7
TXO Exhibit Three, Operating Agreement	11
TXO Exhibit Four, Letter	11
TXO Exhibit Five, Map	15
TXO Exhibit Six, Structure Map	15
TXO Exhibit Seven, Cross Section A-A'	17

E X H I B I T S CONT'D

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

TXO Exhibit Eight, Structure Map	19
TXO Exhibit Nine, Procedure	23
TXO Exhibit Ten, Schematic	25
TXO Exhibit Eleven, Schematic	26
TXO Exhibit Twelve, Document	26
TXO Exhibit Thirteen, Schematic	27
TXO Exhibit Fourteen, Schematic	27

1 MR. CATANACH: Call next Case
2 9382.

3 MR. STOVALL: Application of
4 TXO Production Corp. for a unit agreement, Lea County, New
5 Mexico.

6 MR. CATANACH: Are there
7 appearances in this case?

8 MR. DICKERSON: Mr. Examiner,
9 I'm Chad Dickerson of Artesia, New Mexico, on behalf of TXO
10 Production Corp.

11 I have three witnesses and if
12 you would not mind calling 9383, I think we can consolidate
13 those cases and shorten the time. They both involve the
14 same lands.

15 MR. CATANACH: Very well,
16 we'll call Case 9383 at this time.

17 MR. STOVALL: Application of
18 TXO Production Corp. for directional drilling and unortho-
19 dox oil well locations, in Lea County, New Mexico.

20 MR. CATANACH: Are there any
21 other appearances in either of these cases?

22 Will the witnesses please
23 stand and be sworn in?

24 (Witnesses sworn.)

25

1 RICHARD COATS,
2 being called as a witness and being duly sworn upon his
3 oath, testified as follows, to-wit:

4

5

DIRECT EXAMINATION

6

BY MR. DICKERSON:

7

Q Mr. Coats, will you state your name,
8 your occupation, and by whom you're employed, please?

9

A My name is Richard Coats. I am a
10 landman with TXO Production Corp.

11

Q Mr. Coats, you have not previously
12 testified before this Division, have you?

13

A No, I haven't.

14

Q Will you briefly for the Examiner
15 summarize your educational and employment background for
16 him?

17

A Yes. I graduated from the University of
18 Texas with a business degree in finance and I've worked
19 the last four years with Texas Oil & Gas as a landman.

20

Q And do part of your responsibilities as
21 a landman for the applicant involve southeastern New
22 Mexico?

23

A Yes, they do.

24

Q And are you familiar with the applica-
25 tions TXO has filed in these two cases and with the

1 surrounding acreage situation?

2 A Yes, I am.

3 MR. DICKERSON: Mr. Catanach,
4 I move the admission -- or that you accept this witness'
5 qualifications as a landman.

6 MR. CATANACH: Yes, sir.

7 Q Mr. Coats, will you refer to what we
8 have submitted as TXO Exhibit Number One, or before we do
9 that, let me ask you to briefly state the purpose of TXO's
10 application in Case 9382.

11 A In Case 9382 we would seek the State's
12 approval to form a unit agreement covering the east half of
13 Section 36.

14 Q And what is the purpose of TXO's appli-
15 cation in Case 9383?

16 A To directionally drill, re-enter and
17 directionally drill a well in an unorthodox location within
18 the unit area.

19 Q Under two stated alternatives.

20 A Right.

21 Q Okay, Mr. Coats, refer to what we've
22 submitted as TXO Exhibit Number One and orient the Examiner
23 with respect to the location of your proposed unit area and
24 your directionally drilling operation.

25 A Okay. The proposed unit area would be

1 the east half of Section 36, Township 11 South, Range 37
2 East, Lea County.

3 We propose to re-enter the Skelton Oil
4 Company Phillips State No. 1 Well, which is in the north-
5 west quarter southeast quarter of Section 36, and direc-
6 tionally drill after we're re-entered the well to a loca-
7 tion in the Devonian formation with the proration unit
8 being the southwest quarter northeast quarter.

9 Q And that proposed well to be entered is
10 denoted by the red circle on your map?

11 A Yes, it is.

12 Q If that proposed operation proves im-
13 practical, what does TXO anticipate doing to test your
14 objective?

15 A Well, if that proves impractical, we
16 propose to re-enter or utilize the wellbore for the Apache
17 Corp. Heyco State No. 1 Well in the southeast quarter of
18 the northeast quarter of 36 and directionally drill that
19 well to a point -- to the same bottom hole location as the
20 -- the re-entry and directionally drilling of the Skelton
21 Oil Company Phillips State No. 1 Well.

22 Q Okay. Mr. Coats, identify for us what
23 we have submitted as TXO Exhibit Number Two.

24 A TXO Exhibit Number Two is the unit
25 agreement filed with the State Land Office.

1 Q And this is the standard form of unit
2 agreement required for all State units within the State of
3 New Mexico?

4 A Yes, it is.

5 Q And state for us again, Mr. Coats, the
6 proposed unit area and what that acreage consists of, the
7 nature of that ownership.

8 A Okay. The proposed unit area again
9 consists of the east half of Section 36. It is comprised
10 of two leases, one being the northeast quarter, covering
11 the northeast quarter, and the other covering the southeast
12 quarter.

13 The ownership is 75 percent TXO, 25
14 percent Sam Pfiester. All the leasehold, the overriding
15 royalty interest, and the net revenue interest or the
16 royalty interest are owned in exactly the same proportions
17 in both tracts.

18 Q And both tracts, did you say, are State
19 of New Mexico oil and gas leases?

20 A Yes, they are.

21 Q Mr. Coats, refer to paragraph two on
22 page two of the form unit agreement and tell us what
23 substances are proposed to be unitized under this agree-
24 ment.

25 A We propose to unitize all substances.

1 Q And all formations.

2 A And all formations.

3 Q Okay, refer to paragraph 8 on page 4 of
4 the unit agreement and briefly describe the time frame
5 within TXO -- within which TXO proposes to conduct your
6 operations on the initial test well.

7 A We'd originally asked for 180 days but
8 -- on this with the State Land Office, but the State Land
9 Office requested that we keep the period of time we have to
10 commence our operations at 60 days, which is fine with us.

11 We propose to drill the well down to the
12 Devonian formation at a depth of approximately 12,500 feet.

13 Q And the Devonian formation is TXO's
14 principal objective in the well?

15 A Yes, it is.

16 Q How does the unit agreement provide for
17 participation and sharing of costs by the working interest
18 owners?

19 A Sam Pheister will be responsible for 25
20 percent of the cost and TXO will be responsible for 75 per-
21 cent of the cost.

22 Q So under paragraph 10 on page 6 of the
23 unit agreement the costs and benefits are borne in propor-
24 tion to the underlying ownership of the working interest
25 parties.

1 A Yes, they are.

2 Q Okay, and how is production from -- of
3 unitized substances from the unit area to be allocated
4 under paragraph 11 on page 6?

5 A It would be allocated on a surface acre
6 basis with the working interest, overriding royalty inter-
7 est and royalty interest all being common in both wells.

8 Q Okay. Mr. Coats, briefly refer to your
9 Exhibit B attached to the unit agreement and describe for
10 us the information which is tabulated on that Exhibit B.

11 A As you can see, each of the two leases
12 is represented and described on here. We have B-2188 and
13 B-2189, State of New Mexico as the -- owns the minerals
14 under both the tracts. Sam Pfeister is the lessee of re-
15 cord. The overriding royalty interest owners are common,
16 as are the working interest owners in both tracts.

17 Q And so TXO has 100 percent of the
18 working interest in the entire unit area committed to your
19 proposed unit?

20 A Yes, sir, we have.

21 Q And because of the common ownership it
22 makes no difference as to the location of the unit well.
23 All costs, expenses and revenue derived will be borne in
24 the same manner regardless of the well's location?

25 A That's correct.

1 Q Okay. Refer, Mr. Coats, to what we've
2 submitted as TXO Exhibit Number Three and very briefly
3 state for us what that instrument consists of.

4 A TXO Exhibit Number Three is a Model Form
5 Operating Agreement 610, 1982 version. It consists -- it's
6 basically a standard operating agreement with slight
7 modifications and we propose that this unit operating
8 agreement govern our operations within the unit area.

9 Q And does Exhibit B to your unit operat-
10 ing agreement allocate costs and benefits to the parties to
11 the joint operating agreement in the same manner as does
12 the unit agreement?

13 A Yes, it does.

14 Q Identify for us what we have submitted
15 as Exhibit Number Four, Mr. Coats, tell us what that is.

16 A Exhibit Number Four represents our pre-
17 liminary -- we have requested preliminary approval from the
18 State Land Office to form a unit area consisting of the
19 east half. We have received the preliminary approval with
20 one change, being the commencement date being changed from
21 180 days to -- back to the 60.

22 MR. DICKERSON: Mr. Catanach,
23 I might say that the unit agreement submitted to you as
24 Exhibit Number Two does not yet reflect the change but it
25 will prior to our submission of that agreement for final

1 approval to the State Land Office.

2 Q Mr. Coats, were Exhibits One, Two, Three
3 and Four compiled by you or under your direction and
4 supervision?

5 A Yes, they were.

6 MR. DICKERSON: Mr. Catanach,
7 move admission of TXO Exhibits One through Four and I have
8 no further questions of Mr. Coats.

9 MR. CATANACH: Exhibits One
10 through Four will be admitted as evidence.

11

12 CROSS EXAMINATION

13 BY MR. CATANACH:

14 Q Mr. Coats, were the two subject wells,
15 they were drilled by other companies, weren't they?

16 A That's correct, uh-huh.

17 Q And you picked up this lease after --
18 after these wells were abandoned or plugged?

19 A Yes, the well in the -- we propose to
20 re-enter initially, the Skelton Oil Company Phillips State
21 No. 1 Well, was drilled and abandoned initially in 1958.

22 The Heyco State Well in the southeast
23 quarter of the northeast quarter is currently temporarily
24 abandoned. It has not been plugged.

25 Q And the record owner on that well is

1 Apache Corporation?

2 A That would be correct.

3 MR. DICKERSON: Mr. Catanach,
4 I might say that the last forms filed with your Division
5 relating to that well were Apache Corporation, which was
6 evidently the operator under the terms of the previous oil
7 and gas lease, which has now expired.

8 The current leases described
9 in Exhibit B to the unit agreement were issued to Mr.
10 Pfeister on February 1st, 1986, I guess it was, or '87.

11 MR. CATANACH: So under the
12 terms of the new lease will TXO just take over ownership of
13 the well, just --

14 MR. DICKERSON: I think that
15 our statutes in general case law provide, Mr. Catanach,
16 that an operator of an oil and gas well on a lease which
17 expires, has a reasonable time to remove his equipment and
18 personal property from it. As I understand the situation
19 relating to that Apache Well, it has no surface equipment
20 located with it. It consists of a hole in the ground with-
21 out any rods, pumpjack or anything, production equipment
22 relating to it at this time.

23

24

CROSS EXAMINATION

25

BY MR. STOVALL:

1 Q Just one -- one question as a matter of
2 clarification. The unitized substances you've identified
3 as all substances, I assume you mean all hydrocarbon --

4 A Yes, sir. That's correct.

5 Q -- substances.

6 MR. CATANACH: I think that's
7 all we have of the witness at this time. He may be
8 excused.

9
10 GREG WILSON,
11 being called as a witness and being duly sworn upon his
12 oath, testified as follows, to-wit:

13
14 DIRECT EXAMINATION

15 BY MR. DICKERSON:

16 Q Mr. Wilson, will you state your name,
17 your occupation, and by whom you're employed please?

18 A My name is Greg Wilson. I'm a geologist
19 for TXO production Company in Midland.

20 Q And, Mr. Wilson, have you previously
21 testified before this Division or one of its examiners and
22 are your credentials a matter of record?

23 A Yes, they are.

24 Q And have you made a study of the avail-
25 able geological data in relationship to the proposed unit

1 area and the -- TXO's principal objective in these cases
2 and are you familiar with that data?

3 A Yes, I am.

4 MR. DICKERSON: Tender Mr.
5 Wilson as an expert petroleum geologist, Mr. Catanach.

6 MR. CATANACH: He is so
7 qualified.

8 Q Mr. Wilson, will you refer to what we
9 have submitted as TXO Exhibit Number Five and tell us what
10 you show on that map?

11 A This is a production map showing the
12 production surrounding our proposed unit. In Section 31
13 and Section 6 in the lower righthand side of the map the
14 wells that are colored blue are Devonian producers. This
15 is -- these are some wells in the Gladiola Field. Produc-
16 tion ranges from 388 to over 800,000 barrels per well.

17 In the central part of the map, in Sec-
18 tion 36, there's a well that's colored blue, the Apache
19 Corporation Heyco State No. 1, which produced 21,000 bar-
20 rels of oil from the Devonian plus over 300,000 barrels of
21 water.

22 And that's just about everything on the
23 map.

24 Q Okay. Identify what we have submitted
25 as TXO Exhibit Number Six and tell us what you show on that

1 map.

2 A This is a structure map mapped on the
3 top of the Devonian formation.

4 What this shows is again in the lower
5 righthand side of the map, the green area is the produc-
6 tive area within the Gladiola Field.

7 The estimated oil/water contact is a
8 subsea of 8170 feet, which is shown at the bottom right.

9 Moving to the center of the map is our
10 proposed re-entry with our bottom hole location.

11 The Apache Corporation Heyco State
12 penetrated the Devonian at 8252 feet and from the well
13 information we believe they had about an 8-foot oil column,
14 so our estimated oil/water contact there was at 8260. What
15 this shows is that we are on a separate feature from the
16 Gladiola Devonian Field. The lowest production in the
17 Gladiola Field was above 8200 feet. Our oil/water contact
18 is at 8260 subsea.

19 We have a fault running approximately
20 northwest southeast which passes close to the Arlo Humble
21 State No. 1-C. It was originally drilled by Arlo and later
22 owned by Skelton.

23 And it shows our bottom hole location.
24 There's also a cross section labeled A to A' running appro-
25 ximately east to west from the H. E. Yates Gladiola Unit in

1 Section 36 to the May Petroleum Wallace No. 1-31 on the far
2 right side. That would be A'.

3 Q So it would be fair to summarize that
4 this map shows that your Devonian objective is bounded on
5 the west primarily by your fault and on the east by the
6 anticipated oil/water contact?

7 A That's correct. Also shown on here we
8 have two seismic lines. The one that's of interest is Line
9 17, running from the southwest to the northeast and cross-
10 ing through our proposed bottom hole location.

11 This seismic line suggests that we can
12 gain 35 to 50 feet of structural advantage over the Apache
13 Corporation Heyco State, which was the marginal Devonian
14 producer.

15 Q Okay, Mr. Wilson, identify what we have
16 submitted as TXO Exhibit Number Seven and tell us what you
17 show on that cross section.

18 A This is the cross section which is lab-
19 eled A to A' on Exhibit Number Six. The -- the two wells on
20 the far right are in the Gladiola Devonian Field, again
21 showing our estimated oil/water contact at 8170 subsea. It
22 depicts a fault separating the Gladiola Field from our pro-
23 posed bottom hole location. The well in the center, the
24 third from either end, is the Apache Heyco State 36 No. 1.
25 This well DST'ed about the top 6 feet of the Devonian and

1 recovered 100 barrels of oil with 15 barrels of water,
2 which suggests that they were just into and maybe at the
3 oil/water contact when they ran that DST. A subsequent DST
4 run at a lower interval from 12,164 to 12,198, recovered
5 about 100 percent water, very little show, which suggests
6 they were just at or mostly below the oil/water contact.
7 That's what we based our estimated oil/water contact on.

8 They perforated this well, the -- it's
9 the third set of perforations shown, in the top 2 feet of
10 the Devonian and it was flowing 100 percent oil, which
11 suggests they were in the oil column above the oil/water
12 contact.

13 They later put the well on pump and it
14 started producing a large quantity of water and it subse-
15 quently went to 93 to 95 percent water, which suggests that
16 they were at the oil/water contact.

17 Our bottom hole location is depicted
18 just to the left of the Heyco Well and it simply shows that
19 we believe we can get 50, 35 to 50 feet up-dip to the Heyco
20 State Well.

21 Q Is that proposed target location in the
22 Devonian in your opinion the best location within the
23 northeast quarter of Section 36 for a Devonian test?

24 A Yes, it is.

25 Q Is there anything else you'd like to add

1 about that exhibit. Mr. Wilson?

2 A Only that the far left well did not
3 penetrate the Devonian. I have an estimated Devonian top
4 on Exhibit Number Six, the Devonian map, which is just
5 extrapolated down from the top of the Mississippian, but it
6 is moving down dip from the Mississippian from the Ralph
7 Lowe Well, so we assume the Devonian is also moving down
8 dip.

9 Q Okay, Mr. Wilson, identify what we have
10 submitted as TXO Exhibit Eight and tell Mr. Catanach what
11 you show on that map.

12 A This is a map of the -- a structure map
13 on the top of the Upper Wolfcamp pay from the Gladiola
14 Field. There is no production shown on this map; none of
15 these wells produce from the Wolfcamp. The Wolfcamp pro-
16 duction over the Gladiola Field is somewhat sporadic; it's
17 very patchy, and it's difficult to predict in some cases.
18 Our proposed bottom hole location, we believe, will hit at
19 or near the crest of a Wolfcamp structure and there is some
20 likelihood that Wolfcamp porosity could develop and we
21 could have production from the Wolfcamp formation.

22 Q Do I understand from your testimony,
23 then, that the Devonian is your principal objective and the
24 Wolfcamp would be a secondary objective?

25 A That's correct.

1 Q Are there any other anticipated
2 productive zones in the wellbore or in the spacing unit
3 that you propose to test?

4 A We don't anticipate any. The Wolfcamp
5 and Devonian are the only formations that produce within
6 the area.

7 Q Okay. Mr. Wilson, were Exhibits Five,
8 Six, Seven and Eight prepared by you or under your direc-
9 tion and supervision?

10 A Yes, they were.

11 MR. DICKERSON: Mr. Catanach,
12 move admission of TXO Exhibits Five, Six, Seven and Eight,
13 and I have no further questions of Mr. Wilson.

14 MR. CATANACH: Exhibits Five
15 through Eight will be admitted as evidence.

16

17 CROSS EXAMINATION

18 BY MR. CATANACH:

19 Q Mr. Wilson, what would be the closest
20 Wolfcamp production in this area?

21 A Approximately 3 miles southwest, 2-1/2
22 to 3 miles; mainly over the south end. Pardon me? I'm
23 sorry, southeast. Thank you. So it would be 2-1/2 to 3
24 miles southeast, not southwest; mainly over the central and
25 lower, southern portion of the Gladiola Field.

1 Q Okay, was your testimony that the Heyco
2 State No. 1 was -- that that was completed in the Devon-
3 ian?

4 A Yes, it was.

5 Q And it produced how much?

6 A 21,269 barrels of oil, and about 311,000
7 barrels of water.

8 Q It finally watered out?

9 A Yeah, they -- their first month's pro-
10 duction they were making 93 percent water and it moved up
11 from there until they went to just about all water. It was
12 no longer economic.

13 Q Whichever well you eventually use, those
14 will be located at the same bottom hole location, is that
15 correct?

16 A Yes, that's correct.

17 MR. DICKERSON: The Devonian
18 is the same, Mr. Catanach. The Wolfcamp that comes from a
19 different point is slightly different.

20 Q Anticipate that you are going to be in a
21 different structure than the Gladiola Devonian, is that
22 correct?

23 A In the Devonian I believe we're on a
24 separate closure. There seems to be a -- as I mentioned,
25 about 100 feet difference in the oil/water contacts. The

1 lowest production in the Gladiola Field is at about 8170
2 feet and that's where the estimated oil/water contact is at
3 this end of the field.

4 The Apache Corporation Heyco State Well
5 produced from 8252; that's 75 feet lower, which suggests
6 that it is a separate closure in the Devonian.

7 Q But it's all in the same pool, is that
8 correct? It's all considered to be from the same -- pro-
9 ducing from the same pool?

10 A It's from the same formation. I think it
11 would be considered a separate pool.

12 Q What -- what -- well, what was the --
13 what pool was the Heyco (unclear) producing from, what
14 field? Was that -- it wasn't Gladiola Devonian?

15 A Offhand I don't know. I had that right
16 here. Yeah, they did file in the Gladiola Devonian, but I
17 think that was before it was established that it was a
18 separate feature, or they didn't take that into considera-
19 tion.

20 Q Okay. Well, that's -- that's really not
21 your concern, though, I mean you're not requesting the
22 creation of a new pool or anything like that. It can still
23 be classified, probably, as the Gladiola Devonian.

24 MR. CATANACH: I think that's
25 all we have. The witness may be excused.

1 GARY TRAVIS,

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

4
5 DIRECT EXAMINATION

6 BY MR. DICKERSON:

7 Q Mr. Travis, will you state your full
8 name, your occupation, and by whom you're employed?

9 A My name is Gary Travis. I'm a petroleum
10 engineer with TXO Production Corporation in Midland, Texas.

11 Q And, Mr. Travis, you have previously
12 testified before this Division as a petroleum engineer,
13 have you not?

14 A Yes.

15 Q And are you familiar with the proposed
16 drilling operations of -- by TXO in these cases?

17 A Yes.

18 MR. DICKERSON: Tender Mr.
19 Travis as an expert petroleum engineer, Mr. Catanach.

20 MR. CATANACH: He is so quali-
21 fied.

22 Q Mr. Travis, will you refer to what our
23 Exhibit Number Nine and briefly summarize for us TXO's pro-
24 posed re-entry of the Humble State Well?

25 A This document is TXO's proposed proce-

1 dure for the re-entry and directional drilling of the Hum-
2 ble State No. 1 Well or the Phillips State Well. That's
3 the well located on your map in the southeast quarter -- in
4 the northwest quarter of the southeast quarter of Section
5 36.

6 This outline describes the re-entry of
7 the abandoned well, kicking off with the wellbore at approx-
8 imately 6200 feet, and the directional drilling of the
9 well to the Devonian at a location of 2100 feet from the
10 north and 1550 feet from the east line.

11 This well will also intersect the Wolf-
12 camp formation at approximately 1890 from the north line
13 and 1289 from the east line.

14 This step-by-step procedure shows what
15 type of downhole motor and what type of bottom hole
16 assembly we plan to use to reach our target objective.

17 Q Okay, so that the record will be clear,
18 Mr. Travis, would you state once again for us the target
19 locations in both the Wolfcamp and the Devonian that TXO
20 directs this well toward?

21 A The Devonian location will be 2100 feet
22 from the north line and 1550 feet from the east line.

23 The Wolfcamp location will be 2570 from
24 the north and 1604 from the east, I believe. I think I
25 said -- I gave you the other location first.

1 Yes, that's right, 2570 from the north
2 line and 1604 from the east line.

3 Q And you are seeking to come within 50
4 feet in any direction of those target locations?

5 A That's correct.

6 Q And a completion in either of those
7 zones within 50 feet of those targets would result in a
8 southwest quarter of the northeast quarter spacing unit,
9 would it not?

10 A That's correct.

11 Q Okay, Mr. Travis, refer to our Exhibit
12 Number Ten and tell us what you show on that picture.

13 A Exhibit Ten is a schematic of the exist-
14 ing wellbore of the Humble State C No. 1, with a brief his-
15 tory of the well in the top left corner.

16 It shows the 35-sack cement plug at 6226
17 to 6326, that we intend to use to kick off the well with
18 the downhole motor and from that point drill directionally
19 to the Devonian target.

20 It shows some junk in the borehole below
21 where we intend to kick off, so we -- we don't anticipate
22 any -- any major problems getting to that plug at 6226.

23 Q Okay, refer to our Exhibit Number
24 Eleven, Mr. Travis, and tell us what you show by that in-
25 strument.

1 A Eleven is also a schematic of the Humble
2 State C No. 1. This is what we hope the well will look
3 like when TXO has completed the proposed procedure, and
4 it's showing our bottom hole location and our Wolfcamp
5 location 2570 from the north and 1604 from the east.

6 Q Okay, Mr. Travis, in the event TXO is
7 unsuccessful in re-entering that well, refer to our Exhibit
8 Number Twelve and briefly summarize for us what you propose
9 to do as an alternate.

10 A Exhibit Twelve is a document detailing
11 TXO's proposed procedures for the pulling of the casing at
12 approximately 5600 feet, where we estimate the top of the
13 cement to be, and then from that point setting a cement
14 plug and coming off of that plug and drilling directionally
15 to the -- to the Devonian, this approximate depth of 12,200
16 feet, and we intend to TD the well in the Devonian at the
17 same location as the Humble State C would have been, 2100
18 feet from the north and 1550 feet from the east, and we
19 also intend to drill through the Wolfcamp zone at approxi-
20 mately 1890 feet from the north line and 1289 feet from the
21 east line in this wellbore.

22 Q So the spacing unit would remain as the
23 southwest quarter of the northeast quarter in the event you
24 make a Devonian well from -- in this proposed operation,
25 but a Wolfcamp completion would put you in Unit H, the

1 southeast quarter of the northeast quarter, would it not?

2 A Yes.

3 Q Okay, refer to Exhibit Number Thirteen,
4 Mr. Travis, and summarize the information shown on that
5 page for us.

6 A Exhibit Thirteen is another schematic.
7 It's the existing wellbore schematic of the Heyco State
8 Well. It shows the estimated top of the cement where we
9 intend to pull the casing and set a plug and kick the well
10 off at that point.

11 Q Okay, identify Exhibit Number Fourteen
12 for us and describe it.

13 A Fourteen is another schematic of what
14 TXO intends the well to look like once we've completed the
15 well.

16 It shows the kick off point at 5600 feet
17 and the TD is --

18 MR. CATANACH: Excuse me, Mr.
19 Dickerson, I don't have a Fourteen.

20 A Well, I'll start again.

21 Exhibit Fourteen is a schematic of what
22 TXO intends the wellbore to look like after we've com-
23 pleted operations.

24 It shows a kick off point at approxi-
25 mately 5600 feet and a TD at 12,200 feet.

1 Q Mr. Travis, what is the reason for TXO's
2 proposed re-entry of one or the other of these two wells
3 instead of simply drilling a vertical wellbore?

4 A We feel we can save the initial cost of
5 surface casing, intermediate casing, cement, and have 5-to-
6 6000 feet of hole already made for us by re-entering the
7 well, and save a couple hundred thousand dollars by doing
8 it this way.

9 Q Mr. Travis, in your opinion will the
10 granting of TXO's applications in these two cases be in the
11 interest of conservation, the prevention of waste, and the
12 protection of correlative rights?

13 A Yes.

14 MR. DICKERSON: Mr. Catanach,
15 move admission of TXO Exhibits Nine through Fourteen and I
16 have no further questions of Mr. Travis.

17 MR. CATANACH: Exhibits Nine
18 through Fourteen will be admitted as evidence.

19

20 CROSS EXAMINATION

21 BY MR. CATANACH:

22 Q Mr. Travis, you've got two proposed
23 re-entries. What problems do you foresee on re-entering
24 the Apache or the Heyco Well? Do you see any problems that
25 lead you to -- to apply for two wells?

1 A Well, initially we'd start with the
2 Humble State C. We feel that risking each well over the
3 cost of what you'd have to expend, you have to go with the
4 well that you believe you're going to spend less, even when
5 you put the risk into your -- into your dollars, and so
6 that's why we want to start with the Humble State C.

7 Of course, the Heyco State, we wouldn't
8 have any surface plugs to drill out and we could -- we feel
9 we could pull casing and have a pretty clean well to go in-
10 to, but there's always problems, you know, you can try and
11 pull a casing, the formation has swelled around it, you may
12 part the casing trying to pull it, you may have a fishing
13 job. There's a lot of risk involved with both of them.

14 Q Okay, on both wells do you plan to run a
15 survey initially at the kick off point to determine where
16 you are, is that it?

17 A Yes, sir. We'll run a gyroscopic survey
18 in the pipe and then we'll run a multishot from the kick
19 off point back to surface in the open hole section, and
20 we'll bring them both together and we'll know where we're
21 starting from.

22 Q Okay, and you do -- and also at TD
23 you're going to run another multishot survey?

24 A Yes, sir.

25 Q Mr. Travis, if you successfully complete

1 the Humble State No. 1, what are your plans for -- for the
2 Heyco (unclear)?

3 A I have no plans for it.

4 Q Okay, it will probably have to be plug-
5 ged and abandoned.

6 A That's correct. I guess there is some
7 feasibility you could use it for a salt water disposal well
8 if you get a high water cut. I've never looked at that.
9 I'm just saying there is a possibility that we -- you'd be
10 injecting back into a current waterleg, repressuring that
11 formation.

12 Q Have you guys looked at what kind of
13 reserves you may be -- recoverable reserves you may be
14 looking at with a successful well?

15 A Yes, sir, I'm sure we have but I haven't
16 done that.

17 (Thereupon a discussion was had off the record.)

18 MR. CATANACH: I think that's
19 all we have. The witness may be excused.

20 Anything further in Case 9382
21 or 9383?

22 MR. DICKERSON: Nothing.

23 MR. CATANACH: If not, they
24 will be taken under advisement.

25 (Hearing concluded.)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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 Conservation Division (Commission) was reported by me; that the said transcript 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 complete record of the proceedings in the Examiner hearing of Case No. 9382, 9383 heard by me on June 8 1988.

David R. Catant Examiner
Oil Conservation Division

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date JUNE 8, 1988 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
W T Kellerman	Kellerman Kellerman Aubrey	Santa Fe
Chad Dickerson	Dukeman, Fred Vachon	ARTESIA
Richard H Coate	TKO Production Corp.	Midland, TX.
Gregory A Nelson	TKO Prod. Corp.	Midland TX.
Larry Travis	TKO	✓
HUGH INGRAM	CONOCO	HOBBS
Bob Hulm	Byram	Santa Fe
RL Hocker	OXY/USA Inc	Tulsa
JERRY SILLERUD	OXY USA INC	MIDLAND TX
William A. Carr 1301 Coater	Campbell and Black Kodey Law Firm	Santa Fe SF
Brent W. Hale	Northwest Pipeline	SLC, Utah
Michael J. Murphy	Northwest Pipeline Corp.	Salt Lake City, Utah.
PAUL THOMPSON	NORTHWEST PIPELINE	FARMINGTON.
Ozell E Williamson	WILLIAMSON AND WILLIAMSON	MIDLAND
JC Williamson E.R. Marrison	WILLIAMSON AND WILLIAMSON El Paso Natural Gas	MIDLAND El Paso, TX

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date JUNE 8, 1988 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
V. T. LYON	OCD	S.F.
DENNIS B. WEINMAYER	TEXACO	HOBBS, NM
J. BRUCE	Hinkle Law Firm/Exxon	S.F.
L. MAZZULLO	Nearburg Producing Co	Midland, TX
Mark Nearburg	"	Dallas, TX
John C. Byars	J. R. Cone	Lubbock, Tex
Bill Duncan	EXXON	Midland
LAWRENCE SOMASEY	EXXON	MIDLAND