

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

6 20 July 1988

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Yates Petroleum Corp- CASE
10 oration for directional drilling and 9431
11 unorthodox gas well locations, Eddy
12 County, New Mexico.

13 BEFORE: Michael E. Stogner, Examiner

14
15 TRANSCRIPT OF HEARING

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

18 For the Division: Robert G. Stovall
19 Attorney at Law
20 Legal Counsel to the Division
21 State Land Office Bldg.
Santa Fe, New Mexico

22 For the Applicant: Chad Dickerson
23 Attorney at Law
24 DICKERSON, FISK & VANDIVER
Seventh & Mahone/Suite E
25 Artesia, New Mexico 88210

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I N D E X

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1 MR. STOGNER: I'll call next
2 Case Number 9431.

3 MR. STOVALL: Application of
4 Yates Petroleum Corporation for directional drilling and
5 unorthodox gas well location, Eddy County, New Mexico.

6 MR. STOGNER: Call for appear-
7 ances in this matter.

8 MR. DICKERSON: Mr. Examiner,
9 I'm Chad Dickerson of Artesia, New Mexico, on behalf of the
10 applicant, and I have one witness.

11 MR. STOGNER: Are there any
12 other appearances in this matter?

13 Will the witness please stand
14 and be sworn at this time?

15
16 (Witness sworn.)

17
18 MR. STOGNER: Mr. Dickerson.

19 MR. DICKERSON: Mr. Examiner,
20 if I might, I would like to summarize for you the basis for
21 this application in Case 9431.

22 In Case 9330, by Order No.
23 R-8624, Yates Petroleum Corporation was authorized to drill
24 its Eland "AFC" Federal Com No. 1 Well at an unorthodox lo-
25 cation 660 feet from the north and west lines of Section

1 13, Township 20 South, 29 East, Eddy County, New Mexico,
2 and to dedicate the west half of Section 13 to that well as
3 a proposed Strawn unorthodox gas well location.

4 Subsequent to the entry of
5 that order the applicant discovered that the Federal lease
6 which it owns covering the drillsite, being the northwest
7 quarter of Section 13, was subject to a no surface occupan-
8 cy stipulation by reason of the potash deposits and control
9 on drilling operations in that area, which, however, did
10 permit directional drilling to the same location.

11
12 AL SPRINGER,

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

15
16 DIRECT EXAMINATION

17 BY MR. DICKERSON:

18 Q Mr. Springer, will you state your name,
19 your occupation, and by whom you're employed, please?

20 A My name is Al Springer. I work for
21 Yates Petroleum. I'm currently the Drilling Superinten-
22 dent.

23 Q Mr. Springer, you have not previously
24 testified before this Division as a petroleum engineer,
25 have you?

1 A No, I have not.

2 Q Will you briefly summarize for Mr. Stog-
3 ner your employment and educational background?

4 A I received a BS degree in aerospace
5 engineering from Colorado University in 1973; two years of
6 graduate school at Colorado State in material, strength of
7 materials and structural analysis; worked for Hewlett
8 Packard for three years; worked for two years for Schlum-
9 berger Well Services as a logging engineer; and I've been
10 with Yates Petroleum approximately eight years, the last
11 five being Drilling Superintendent.

12 Q And are you familiar with the applica-
13 tion filed by Yates Petroleum Corporation in Case 9431?

14 A Yes, I am.

15 MR. DICKERSON: Mr. Stogner,
16 are the witness' credentials satisfactory?

17 MR. STOGNER: Mr. Springer is
18 so qualified.

19 q Mr. Springer, will you briefly state the
20 purpose of Yates application in case 9431?

21 A We seek the authority to directionally
22 drill the Eland "AFC" Federal Com Well No. 1 from a surface
23 location of 330 feet from the south line and 1650 feet from
24 the west line, Unit N, of Section 12, Township 20 South,
25 Range 29 East.

1 We propose to deviate the well to within
2 100 feet of the following target locations, both of them
3 unorthodox:

4 The first one, in the Undesignated East
5 Burton Flats Strawn Gas Pool, 660 feet from the north and
6 west lines of Section 13.

7 The second one, in the Undesignated
8 Getty Morrow Gas Pool, 991 feet from the north line and 329
9 feet from the west line of Section 13.

10 Both wells are to be dedicated to the
11 west half of Section 13, forming a standard 320-acre gas
12 spacing and proration unit.

13 Q Okay, Mr. Springer, will you identify
14 what we have submitted as Yates Exhibit Number One and tell
15 Mr. Stogner what that map reflects?

16 A Exhibit Number One shows our acreage
17 that we currently operate, which consists of Section 11,
18 west half of Section 12, the northeast quarter of Section
19 12, and the northwest quarter of Section 13.

20 We propose to drill from Section 12,
21 1650 from the west line and 330 from the south line, and
22 the little red dot in the center is our proposed target for
23 the Strawn and we don't the Morrow on there.

24 Q But that is the location 660 from the
25 north and west lines in Unit B of Section 13?

1 A That's correct.

2 Q Okay, identify for us Exhibit Number Two
3 and tell us what that is.

4 A Exhibit Number Two is our Federal oil
5 and gas lease pertaining to the northwest quarter of Sec-
6 tion 13, which covers the area that we propose to produce
7 from. The thing I want to point out is on the second to
8 last page where the -- under Special Stipulations, it says,
9 the lessee hereby consents to the following: No surface
10 occupancy will be conducted within the leasehold, however,
11 directional drilling is allowed.

12 Q Okay, Mr. Springer, identify for us, if
13 you would, and describe your proposed operation by refer-
14 ence to what we have submitted as Exhibit Number Three,
15 which I've hung on the wall behind us.

16 A Okay. This is a sketch of how we plan
17 to do directionally on this Eland Well.

18 Right over here is a quick view from the
19 top where we propose to have our surface location. This is
20 1650 from the west and 330 from the south line of Section
21 12.

22 We propose to drill horizontally down to
23 about 5500 feet and then kick off directly in this direc-
24 tion. This shows our Strawn target, which is 660/660 from
25 the north and west, and then the Morrow target would be

1 down here and we propose to hit both of these targets with-
2 in 100 feet.

3 MR. STOGNER: Let me make sure
4 I've got this straight.

5 Now, on Exhibit Number Three
6 the portion to the righthand side, the surface location is
7 marked with the X.

8 A Correct.

9 MR. STOGNER: And the first
10 circle along the line that goes from Section 12 to Section
11 13 is your proposed entrance into the East Burton Flats
12 Strawn Pool and the end of the line is the proposed bottom
13 hole location for the Getty Morrow Gas Pool, is that cor-
14 rect?

15 A That's correct.

16 MR. STOGNER: Please continue.
17 Thank you.

18 A Okay, we propose to do this, over here
19 on the left side I've got a sketch of a wellbore that's
20 drilled eventually like that. We will drill down to 5500
21 feet. On the last bit trip prior to hitting 5500 feet we
22 will pick up a Monel (sic) collar, which will allow us to
23 drill on down .

24 Once we hit 5500 feet we will trip out
25 of the hole and do a multi-shot survey back up to surface

1 casing, and from surface casing we will do a gyro survey
2 up through surface, back up to -- to the ground level.

3 Okay, at that point it will tell us
4 exactly where we are and the relation. Ideally we will be
5 right at this point, but due to some variance or deviation
6 going down to that point we'll know exactly where we are at
7 this point. That will allow us to have an accurate spot
8 from which to start.

9 We will then go in, we'll pick up a bent
10 sub, a downhole motor, and a steering tool, go back in to
11 5500 feet, orient it in this direction, and, let's see, I
12 believe it's about a 1-3/4 (unclear) bent sub. We will
13 drill down to approximately 3-1/2 or 4 degrees with that.

14 Once we get to that point we'll come out
15 of the hole, pick up another assembly that's designed to
16 maintain the angle that you -- the curve, rate of curvature
17 that you've already established; go back in, drill with it
18 to 16-2/3rds degrees, approximately. We'll trip back out
19 of the hole again, pick up another bottom hole assembly, a
20 packed bottom hole assembly, which then will allow us -- it
21 will be very stiff to allow us to maintain this straight
22 angle all the way down as we drill.

23 As we drill with that assembly every 100
24 to 180 feet we will have a Monel collar in there again. We
25 will take surveys to see where we're at in relation to this

1 line here and this one over here.

2 When we get down to approximately an
3 area of 9500 to 10,000 feet, we'll again run a multi-shot
4 all the way back up into here and tie it in with the upper
5 surveys that we ran so we know exactly where we're at be-
6 fore we get into our target zone here.

7 If need be at that time, we could go in
8 with another motor, bent sub, and redirect our wellbore, if
9 we're off this line.

10 Once we do that, then we will continue
11 to shoot through this target area here and maintain a
12 straight line on into the final TD below the Morrow.

13 Q Will a directional survey in accordance
14 with Rule 111 be run on the entire wellbore at the comple-
15 tion of your operation?

16 A Yes, it will be. We'll have the entire
17 wellbore with sheets for the oil and gas Commission denot-
18 ing both surface, the hole position, both from above and
19 from a side view, very similar to this only it will be the
20 actual hole position.

21 Q Mr. Springer, will you identify what we
22 have submitted as Yates Exhibit Number Four and tell Mr.
23 Stogner what that is?

24 A Okay, Exhibit Number Four here is the
25 affidavit of mailing to meet the Rule 1207 of the State of

1 New Mexico. In this we supply the letters that we sent to
2 all the warranted people, plus we have certified copies in
3 the back showing that they were sent.

4 MR. DICKERSON: And, Mr. Stogner,
5 those original receipts are attached to one of the
6 documents submitted to you.

7 Q Mr. Springer, was Exhibit Number Three
8 prepared by you or under your direction and supervision?

9 A Yes, it was.

10 Q In your opinion will the approval of
11 Yates application in Case 9431 be in the interest of con-
12 servation, the prevention of waste, and the protection of
13 correlative rights?

14 A Yes, it will be.

15 MR. DICKERSON: Move admission
16 of Yates Exhibits One through Four, Mr. Stogner.

17 MR. STOGNER: Exhibits One
18 through Four will be admitted into evidence at this time.

19 MR. DICKERSON: I would re-
20 quest, Mr. Stogner, that you take administrative notice of
21 the proceedings in Case 9330, including the geological tes-
22 timony in there which is remaining unchanged.

23 I have no further evidence on
24 direct.

25 MR. STOGNER: Thank you, Mr.

1 Dickerson. Administrative notice will be taken on Case
2 9330, which was the application for an unorthodox gas well
3 location when it was assumed that this well could be drill-
4 led vertically.

5

6

CROSS EXAMINATION

7

BY MR. STOGNER:

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10

Q Mr. Springer, on your Exhibit Number
Two, when was this particular document signed with Yates
Petroleum and the U. S. government?

11

12

MR. DICKERSON: I don't know
that he knows, Mr. Examiner, but I do.

13

14

MR. STOGNER: Okay. Well, I
was looking down there at that April 15th, 1983 date --

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16

MR. DICKERSON: Yes, and --

17

MR. STOGNER: -- when the
agreement or when the lease was --

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MR. DICKERSON: The lease, on
the first page you'll see that the effective date of the
lease was May 1st, 1983. It was actually issued on April
15th, 1983. It's my understanding that there was -- the
practice is to keep up with various stipulations that ap-
pear in oil and gas leases to flag the files so that the
parties will be aware at all times of the fact that a stip-
ulation such as this exists. That was inadvertently not

1 done in this case and subsequent to the order in Case 9330
2 in connection with title examination for the drill site of
3 the proposed well the stipulation was discovered. There
4 was a short fuse expiration or drilling -- yeah, expiration
5 under that Federal lease and application was made to the
6 Bureau of Land Management which successfully obtained a
7 suspension of the term of that lease pending approval of
8 the directional drilling application.

9 Q Okay, and when I refer to Exhibit Number
10 One, that orange line, is that the potash area which you
11 had referred to earlier?

12 MR. DICKERSON: That -- this
13 is the same plat, Mr. Examiner, which was submitted in Case
14 9330 and the testimony in that case was that this was the
15 boundary of the potash area.

16 Our information is correct, as
17 I understand it, the Bureau of Land Management, you'll not-
18 ice that the proposed vertical original bottom hole loca-
19 tion in Unit B of Section 13 is not within the unit bound-
20 aries, but there are some additional regulations -- or the
21 potash boundaries, but there are some additional regula-
22 tions which govern drilling within a certain minimum dis-
23 tance from the potash deposits, which led to the imposition
24 of the no surface occupancy on this lease upon its issu-
25 ance.

1 Yates has filed with the
2 Bureau of Land Management an application for permit to
3 drill. It's believed -- it has not been formally approved
4 at this time but it is believed, and communication between
5 Yates and the Bureau of Land Management led Yates to be-
6 lieve that it will be approved shortly and in due course of
7 business.

8 Q Okay, Mr. Dickerson, -- I'm sorry, Mr.
9 Springer, in Exhibit Number Four you state in your cover
10 letters that a copy of the application was sent to all the
11 offset interest. Was this the same application which we
12 had received here at the OCD on June 2nd, 1988, describing
13 what was to be done?

14 MR. DICKERSON: Again, Mr.
15 Springer may not know, but it was. In fact, this affidavit
16 is prepared by my secretary and the letters are under my
17 signature and they did enclose the same application.

18 MR. STOGNER: I have no fur-
19 ther questions of either Mr. Springer or Mr. Dickerson.

20 Is there anything further of
21 either one of these witnesses?

22 MR. DICKERSON: Not from me.

23 MR. STOGNER: If not, Mr.
24 Springer may be excused.

25 If there is nothing further in

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Case Number 9431, it will be 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 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. 9431, heard by me on 20 July 1988.
Michael E. Higgins, Examiner
Oil Conservation Division

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date JULY 20, 1988 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
W. Kellahan Chad Dickerson	W. Kellahan Duke Energy, Risk & Vondra	Santa Fe Arlene
Al Spriggs	Yates Pet.	Artesia
Gary Hastings	Enron Oil & Gas	Midland
Robert C. Leibrock	Amerind Oil Co.	Midland
Perry Pearce	Montgomery & Andrews	Santa Fe
Scott Hall	Campbell & Clark	SF
Stergie Katirgis	Union Texas Petroleum	Farmington
Charles A. Caughey	Louisiana Land & Expl. Co. (Gross)	Houston
Paul F. Nielsen	"	"
Betsy J. Lough	Amoco Production Co	Denver
Bab Hulen	Byrum	Santa Fe
Joel Levine	GAS Company of New Mexico	AIB
J. Bruce	Hinkle Law Firm	SF

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date JULY 20, 1988 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
William J. Lund KENT LUND	Shankell & Jack P.A. AMOCO PROD. CO	Santa Fe DENVER
JOHN FAULHABER	MOBIL	DENVER
John S. Gray	UNISCHL.	Midland, Tex.
Tom Ollie	Merridin	Midland, Tex.
Mark Nearberg	Nearberg Prod	Dallas
Louis Mazzullo	" "	Midland
Craig Eggeman	Mobil	Denver
Mike Stillsworth	Mobil	" "