

## NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date FEBRUARY 13, 1985 Time: 8:00 A.M.

NAME	REPRESENTING	LOCATION
W.V. Kelohin	Kelohin & Kelohin	Santa Fe
William A. Jan	Campbell and Clark	Santa Fe
Susan Rens	Southern Union Exploration	Dallas
Kelly Lancaster	Jenneco Oil Company	San Antonio
Phil C. DeLozier	Jenneco Oil Company	San Antonio
Bob Huber	Byram	Santa Fe
H.L. BOBE KENDRICK	El Paso Natural Gas Co	El Paso, TX
Randy Cynn	Cavalade Oil Corp	Lubbock TX
Terry Clay	HILLIARD OIL & GAS	MIDLAND, TEX
JOHN F NANCE	EL PASO NATURAL GAS CO	EL PASO, TX
Ernest L. Pavilla	ATTY AT LAW	Santa Fe
Richard H. Rickson	Undarico Prod. Co.	Santa Fe
Dan Rutter	Cous Euge	SF
John Erickson	El Paso Nat Gas Co.	SF
Paul White	Bianco Engineering, Inc	Artesia, N.M.
James Draper	Texas American Oil	Midland, TX
Zicky Camacho	Stevens Operating Corp	Roswell, NM
Wilbur Wilson	Stevens Oper Corp.	Roswell, N.M.

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date FEBRUARY 13, 1985 Time: 8:00 A.M.

NAME	REPRESENTING	LOCATION

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

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7  
8 13 February 1985

9 EXAMINER HEARING

10 IN THE MATTER OF:

11 Application of Stevens Operating Corporation for compulsory pooling, Chaves County, New Mexico. CASE 8475

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13  
14 BEFORE: Michael E. Stogner, Examiner

15 TRANSCRIPT OF HEARING

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

18  
19 For the Oil Conservation Division: Jeff Taylor  
20 Attorney at Law  
21 Legal Counsel to the Division  
22 State Land Office Bldg.  
23 Santa Fe, New Mexico 87501

24 For Stevens Oper. Co: Ernest L. Padilla  
25 Attorney at Law  
P. O. Box 2523  
Santa Fe, New Mexico 87501

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A P P E A R A N C E S

For TXO: W. Thomas Kellahin  
Attorney at Law  
KELLAHIN & KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87501

I N D E X

WILBUR WILSON

Direct Examination by Mr. Padilla	5
Cross Examination by Mr. Kellahin	15
Cross Examination by Mr. Stogner	20

VICKY CAMACHO

Direct Examination by Mr. Padilla	21
Cross Examination by Mr. Kellahin	26
Cross Examination by Mr. Stogner	28

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I N D E X

WILBUR WILSON

Recross Examination by Mr. Stogner	29
Recross Examination by Mr. Kellahin	31
Redirect Examination by Mr. Padilla	32

E X H I B I T S

Stevens Exhibit One, Land Plat	5
Stevens Exhibit Two, Survey	9
Stevens Exhibit Three, Log	12
Stevens Exhibit Four, Log	12
Stevens Exhibit Five, Log Analysis	13
Stevens Exhibit Six, Letter	24
Stevens Exhibit Seven, Letter	24

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MR. STOGNER: Call next Case Number 8475.

MR. TAYLOR: The application of Stevens Operating Corporation for compulsory pooling, Chaves County, New Mexico.

MR. PADILLA: Mr. Examiner, Ernest L. Padilla, Santa Fe, New Mexico, for the applicant in this case.

I have two witnesses to be sworn.

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

MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of Santa Fe, New Mexico, appearing on behalf of TXO Production Corporation.

MR. STOGNER: Mr. Kellahin, do you have any witnesses?

MR. KELLAHIN: No, sir.

MR. STOGNER: Will all witnesses in this case please stand and be sworn?

(Witnesses sworn.)

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

## DIRECT EXAMINATION

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2  
3 BY MR. PADILLA:

4 Q Mr. Wilson, for the record would you  
5 please state your name and by whom you're employed?

6 A My name is Wilbur Wilson and I'm a geolo-  
7 gist employed by Stevens Operating Corporation in Roswell,  
8 New Mexico.

9 Q Have you previously testified before the  
10 Oil Conservation Division and had your credentials accepted  
11 as a matter of record?

12 A Yes, sir.

13 Q Will you briefly tell us what the purpose  
14 of the hearing is today?

15 A Yes. This is -- the purpose of the hear-  
16 ing is a compulsory pooling hearing with regards to the  
17 drilling of the Stevens Operating Corporation Huber State  
18 No. 1.

19 MR. PADILLA: Mr. Examiner, are  
20 the witness' qualifications acceptable?

21 MR. STOGNER: If there are no  
22 objections, Mr. Wilson is so qualified.

23 Q Mr. Wilson, let's refer to what we have  
24 marked as Applicant's Exhibit Number One and have you tell  
25 us what that is and identify what it contains for the Exami-  
ner.

A Exhibit Number One is a map showing the

1  
2 wells in the general vicinity of the proposed Huber State  
3 No. 1, which is located in Section 16 of 8 South, 29 East,  
4 which is in the northeast quadrant of this map.

5 The map represents four townships sur-  
6 rounding the principal San Andres field in the area, which  
7 is the Twin Lakes San Andres.

8 The oil wells, as well as the P & A wells  
9 that have no color on them, represent simply San Andres pro-  
10 ducing wells or San Andres dry holes.

11 The wells circled in green are wells  
12 which have been drilled deeper than the San Andres.

13 The red circled wells are San Andres dis-  
14 covery wells.

15 And the pink are wells which have been  
16 drilled to a depth shallower than the San Andres and the  
17 yellow are deep wells which are producing from a horizon be-  
18 low the San Andres.

19 And also shown, if you'll note around,  
20 there's a dashed line around the Twin Lakes Field, the Red  
21 Lake Ridge Field and the Bullseye Field, and these are the  
22 -- my interpretation of the approximate limits of the field,  
23 as well as those wells within the line, that, even though  
24 they are dry holes, would be considered a development well  
25 rather than a wildcat well.

Q Tell us generally where the proposed well  
is located and its relation to the closest field.

A The proposed location of the Huber State

1  
2 in the southeast of the southwest of 16 of 8, 29, is offset  
3 to the south by the Stevens Operating Corporation No. 1 Red  
4 Lake Ridge.

5 Now this well was drilled to 8530 feet in  
6 the Fusselman and it was plugged back and completed with a  
7 CAOF of 5378 mcf out of the Atoka, and the well has since  
8 been temporarily abandoned.

9 Two locations to the east the dry hole  
10 that you see on the map represents the Aztec Amoco State No.  
11 1, which is a 3000-foot San Andres dry hole.

12 The log analysis of these two wells indi-  
13 cates that the Amoco State Well to the east has a 2-foot  
14 zone in the P-1 porosity zone of the San Andres, which has 7  
15 percent porosity and 66 percent water.

16 The well to the south, the Stevens Oper-  
17 ating Corporation Red Lake Ridge Well, is indicative of a  
18 high water cut should -- should we attempt to complete from  
19 the San Andres.

20 Using a 5 percent cutoff on that well  
21 there are four zones which have higher than 5 percent poro-  
22 sity. The productivity ratio index on that well ranges from  
23 a .065 in the lower part of the P-1 zone to a .033 in the  
24 upper part, which would be indicative of mostly water pro-  
25 duction in that well.

26 Q Now how many locations away -- well,  
27 first of all let me ask you, what is the exact location of  
28 the -- of the well and what is the proposed proration unit

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that you want to dedicate to the well?

A The exact location of the well is 660 feet from the south, 1980 feet from the west, of Section 16, Township 8 South, 29 East.

Q And the proration unit?

A The proration unit would represent 40 acres, which would be the southeast of the southwest of that section.

Q And what is the proposed depth of the well?

A 3000 feet.

Q And it would be to the San Andres formation?

A It would drill through the San Andres and test the San Andres P-1 zone.

Q What would be the approximate cost for drilling the well?

A The approximate dry hole cost would be \$91,230 and the estimated completed well cost would be \$167,793.

Q Does that -- are those costs reasonable well costs for a San Andres well in that area?

A Yes, they are.

Q Does Stevens Operating Corporation have considerable experience in drilling San Andres wells in the area?

A Yes, I would say we've got more exper-

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ience in the area than anybody.

Q Let me temporarily refer you to what we have marked as Exhibit Number Two and have you identify that.

A Exhibit Number Two is a copy of the latest 1984 Ernst and Winney Survey of combined fixed rates and overhead charges for oil and gas producers in West Texas and eastern New Mexico.

Q Does that exhibit reflect overhead charges that are reasonable for the area for a San Andres well?

A Yes, they do.

Q Have you recently made a study of your own overhead charges and -- in relation to what Ernst and Winney has published in its publication?

A Yes, we have. We've made a study through the Twin Lakes Field, as well as the Red Lake Ridge Field, and we find that the \$325 per month rate is very fair.

Q Okay. Let me go back to Exhibit Number One and have you give us a brief history of the area represented by your exhibit.

A We are presently -- I might add, the only real activity in the area right now is represented in what is called the Red Lake Ridge Field, which is in Section 21 and 28 of 8, 29.

We are presently operating this field.  
We have --

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Q When you say "we" does that mean Stevens Operating Corporation?

A Yes.

Q Okay.

A We have drilled, we have presently in the field four oil producers, two temporarily abandoned wells, and one P & A well. The discovery well is presently producing 73 barrels of oil and 31 barrels of water.

Now we recently completed the LLL-2, which is making 9 barrels of oil and 9 barrels of water, and the remaining other two wells are producing 44 barrels of oil and 205 barrels of water and 26 barrels of oil and 276 barrels of water, respectively.

Q How -- how does that affect the risk of the proposed well?

A Well, it increases the risk considerably since we are looking at a considerable expense of getting rid of a lot of water.

Q You hope you don't have to produce water from that well, is that --

A That is correct.

Q Tell us something now about the wildcat wells outside the fields, as shown on Exhibit Number One.

A Now outside of the dashed line of the Twin Lakes Oil Field there's been 48 San Andres wildcats drilled. Now these are wells that are -- were strictly drilled to test the San Andres; there are 48 wells.

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2 Really only two of them have found any-  
3 thing of significance. The Ralph Nix Union Happy, which  
4 is the well colored in red in Section 1 of 8, 28, is prob-  
5 ably the most significant discovery out of the 48 wells  
6 which were drilled.

7 This field presently supports 19 oil pro-  
8 ducers and two dry holes. The cumulative production through  
9 1983 for those 19 wells is 149,894 barrels of oil; however,  
10 one of these wells in the field, one of the wells in the  
11 field has produced 57,467 of that total.

12 So if you take the remaining wells and  
13 you average the remaining production, you're talking about a  
14 cumulative through '83 of only 5135 barrels of oil per well.

15 Now when you get over into the -- I've  
16 briefly discussed the Red Lake Ridge, which to date certain-  
17 ly doesn't look like it's going to be near the field that  
18 the Bullseye Field is, primarily because of lower production  
19 rates and higher water percentages.

20 Q Mr. Wilson, do you have anything further  
21 to testify concerning Exhibit Number One?

22 A Well, I would like to point out that the  
23 Twin Lakes Field, which represents the major San Andres  
24 Field in the area, was not discovered by drilling the San  
25 Andres wildcat. It was discovered by a plugback of a deeper  
field in the old Twin Lakes Devonian Field, so the statis-  
tics of one or two discoveries out of 48 wildcats is exclud-  
ing the Twin Lakes development, which I feel does not belong

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2 in these statistics because it was not found by actually  
3 wildcat drilling for San Andres.

4 Q Is the proposed location a wildcat loca-  
5 tion?

6 A Yes, it is.

7 Q Let's move on to Exhibit Number Three and  
8 have you tell us what that is.

9 A Exhibit Number Three is the log on the  
10 east offset to the subject well. This is a compensated den-  
11 sity log on the Aztec Amoco State No. 1. I have marked on  
12 this the top of the P-1, and you'll note the -- the two foot  
13 interval in the lower part of the P-1, which is 7 percent  
14 porosity and 66 percent water, and you will also note that  
15 all of the porosity above that zone in the P-1 has about 3  
16 percent porosity above that zone in the P-1 has about 3 per-  
17 cent porosity, and assuming a 5 percent cutoff, you could  
18 consider that as being nonproductive.

19 Q Okay, let's go on to the Exhibit Number  
20 Four and tell us what that is and what it contains.

21 A The Exhibit Number Four is a compensated  
22 neutron litho density log on the Stevens Operating Corpora-  
23 tion Red Lake Ridge No. 1, which is the direct south offset  
24 to the Huber State. It shows the P-1 porosity zone, the P-2  
25 porosity zone, and the P-3 porosity zone.

Q In terms of potential, are the two  
wells shown by Exhibits Three and Four indicative?

A A log analysis of both of the wells would

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indicate that should we be successful in the Huber State, that we would probably be producing a considerable -- considerable amount of water along with any oil production that we might find.

Q Have you prepared a log analysis of the two logs?

A Yes, I have.

Q Is that what we have marked as Exhibit Number Five?

A Yes, sir, Exhibit Five is a well log analysis of the Red Lake Ridge Well.

Q Explain to the Examiner what Exhibit Number Five shows.

A Exhibit Number Five shows that the possibility exists at 2892 on that, if you'll look in the far right column under that PRI, let me briefly explain what that productive ratio index is and how it's arrived at.

It's a way of handling carbonate reservoirs when you have a secondary porosity, which we have here, and this is indicated by the difference in the porosities that the CNL-FDC determines from the sonic log. In other words, the -- it will show a higher porosity because it is measuring total porosity where the sonic log is only measuring matrix porosity.

The productivity ratio index is the product of the water saturation as determined using the CNL-FDC porosity times the porosity of the sonic log. That is --

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that's represented by the productivity ratio index.

Now what it means is that anything between -- up to -- or lower than, excuse, lower than .02 will be probably 100 percent oil productive. Between .02 and .04 will have a mixture of oil and water, and anything greater than .04 will probably be 100 percent water production.

So you'll note on that log analysis that there is really only one zone, the 2892, would be -- would indicate probably a 50/50 oil and water and everything below that would probably be 100 percent water.

Q In terms of the proposed location, what does the log analysis show us?

A The log analysis shows us that for one thing it's a high risk location, and that should it be successful we're probably going to be dealing with considerable water.

Q Do you have a recommendation as to the risk factor to be assessed by the Division should it decide to grant Stevens' application?

A Yes, I do. I think that the -- the statistics of the risk of wildcat drilling in the area in combination with the proximity of wells which have a very high water cut would indicate that the maximum penalty should be assigned to any nonjoinder parties that would be subject to this drilling of this well.

Q Do you believe to be -- that this application is in the best interest of conservation of oil and

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gas?

A Yes, I do.

Q Do you have anything further to add to your testimony?

A No, sir.

MR. PADILLA: Pass the witness for cross examination, Mr. Examiner.

MR. STOGNER: Mr. Kellahin, your witness.

MR. PADILLA: We'd offer Exhibits One through Five, Mr. Examiner.

MR. STOGNER: Yeah, I guess you should do that.

If there are no objections, Exhibits One through Five will be admitted into evidence at this time.

#### CROSS EXAMINATION

BY MR. KELLAHIN:

Q Mr. Wilson, if you'll use Exhibit Number One for me, sir.

A Yes, sir.

Q Can you identify for me what the newest producing San Andres well is that Stevens Operating Corporation has in the area?

A Yes, sir, it is in the -- in Section 21 of 8, 29. It is the northeast of the northwest. That is

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the LLL No. 2.

Q That's the one with the yellow circle?

A No, no. It's in the northeast of the southwest.

Q I'm sorry, northeast southwest.

A Yes, sir.

Q That's the LLL --

A LLL No. 2.

Q -- No. 2. All right. And when was that well completed?

A I don't have the completion date here. It's probably been in the last couple of weeks.

Q All right, sir, and what is that well potentialized for?

A It is presently making 9 barrels of oil and 9 barrels of water.

Q Is the proposed well that you intend to drill in 16 a well similar to the LLL No. 2 Well in 21 in terms of its costs and the methods for completion?

A Yes.

Q All right, and what were the costs on that well?

A Oh, those wells are running pretty close -- well, I would say, actually, the estimated completion costs that I have given you on the Huber State have been taken from our -- from that field right there.

Q All right, sir, and that was the \$91,000-

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plus dry hole cost.

A Yes, sir.

Q Do you have an itemized schedule of estimated well costs for the proposed well?

A I didn't see that as one of your exhibits.

A No. No, sir, we don't.

Q All right.

A We can sure get it for you.

Q Did the LLL No. 2 Well in Section 21 require that Stevens Operating Corporation have other working interest partners?

A Yes.

Q What were the overhead charges used in the drilling of that well, Mr. Wilson?

A They are the \$325 figure that we see here. We feel that is very --

Q All right, the \$325 figure --

A Yes.

Q -- in the proposed well is taken from the LLL No. 2 Well.

Q And what is the -- the \$325 is the producing well rate. What is the drilling well rate?

A \$2905.

Q Substantially all of your testimony, Mr. Wilson, at least gave me the impression as to why not to drill this location. Can you tell me why you propose to

1 drill this location in light of the magnitude of risk that  
2 you talked about?

3 A Well, we do feel that there is a consid-  
4 erable area in the north of the Red Lake Ridge Well, which  
5 the Huber State is one of them, there is an area of untested  
6 area.

7 Our experience in the San Andres has  
8 shown that in many cases we have offset wells that don't  
9 look too good and we get a pretty good well.

10 We would like to hope that this may be  
11 the possibility although you could say we may be flying in  
12 the face of some bad vibrations but we do feel that there is  
13 a possibility. As we go north here, we could possibly get  
14 into some better production.

15 Q Is there a structural reason to justify  
16 the location?

17 A We feel that the well is structurally  
18 higher to the wells down in the Red Lake Ridge Field, which  
19 could offer a better possibility for some better production.

20 Q How many wells, approximately, does Ste-  
21 vens Operating Corporation operate in the San Andres area?

22 A Presently the only wells that are oper-  
23 ating are those in the Red Lake Ridge Field now.

24 Q And you had four, I believe?

25 A Yes.

Q Of the wells in the Red Lake Ridge San  
Andres Field, how many of those wells were dry holes on

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drilling?

A Two -- or one, excuse me, one dry hole.

Q How many attempted wells have you drilled in that field? Would it be five?

A No, there's eight.

Q Eight, all right, you've got four producing wells, one dry hole, and what are the --

A We have four producers, one dry hole, and two temporarily abandoned.

Q Why are the two wells temporarily abandoned?

A There was very low oil production and very high water production.

Q What do you do with your produced water?

A There is a rancher, A. L. Dougherty, out there. He has a salt water disposal --

We are paying him to dispose of the water.

Q Can you tell me approximately where the disposal well is?

A He has a disposal system and the water is put in a lake out there.

Q All right. Have you had any conversations or contacts with any of TXO Production Corporation's personnel?

A Myself, no, sir, I have not.

1  
2 Q All right, sir. No further questions.  
3 Thank you.

4 CROSS EXAMINATION

5 BY MR. STOGNER:

6 Q Mr. Wilson, did you give a figure for the  
7 monthly drilling cost?

8 A Yes.

9 Q What was that?

10 A I gave a rate of \$2905 per day.

11 Q Is that what you're proposing for the Hu-  
12 ber State No. 1?

13 A Yes, sir.

14 Q Mr. Wilson, is the Red Lake Ridge a  
15 designated pool?

16 A Yes, sir.

17 Q And do you know the areal extent of that,  
18 by chance?

19 A No, sir, I do not.

20 Q Do you know if this well, your Huber  
21 State No. 1, is within a mile of that particular designated  
22 pool?

23 A No, sir, I do not. I do not know the  
24 north limits of the Red Lake Ridge designated pool.

25 MR. STOGNER: I have no other  
questions of Mr. Wilson.

Are there any other questions

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of this witness?

MR. PADILLA: No, sir.

MR. STOGNER: If not, he may be excused.

MR. PADILLA: Call Ms. Camacho.

VICTORIA E. CAMACHO,

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

DIRECT EXAMINATION

BY MR. PADILLA:

Q Would you state your full name and occupation, please?

A Victoria E. Camacho, and I work for Stevens Operating Corporation.

Q What is your position of Stevens Operating Corporation?

A I am currently manager of the Land Department and Manager of the Division Order Department.

Q Can you briefly tell us what your experience in the oil and gas industry has been?

A Initially I began working for Exxon Corporation in Central America in 1975, and worked with ESSO SANTAM. It's a division of Exxon, in San Salvador, and worked with them until 1978, and then moved to the United States in 1979, December of 1979; permanently in March of

1  
2 1980.

3 Went to work the first week of April for  
4 Harvey Yates Company, an independent producer, in Foswell,  
5 and worked with them until March of 1982, when I went to  
6 work for Stevens Operating Corporation.

7 Q What were your duties with Harvey E.  
8 Yates Company?

9 A I was a landman and Division Order Ana-  
10 lyst.

11 Q And your duties now with Stevens Oper-  
12 ating Corporation?

13 A The same, only at a higher level.

14 Q Are you familiar with the application to-  
15 day for compulsory pooling?

16 A Yes.

17 Q Are you familiar with the negotiations  
18 that have been carried on trying to get voluntary joinder in  
19 this well?

20 A Yes.

21 MR. PADILLA: Are the witness'  
22 qualificaitons acceptable, Mr. Examiner?

23 MR. STOGNER: Do you have any  
24 educational experience or courses behind you to qualify you  
25 as a --

A Yes, I have a university education and I  
have taken several additional seminars and college courses.

MR. STOGNER: What was the ad-

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ditional college courses? Where were they at and what did they consist of?

A Roswell, at the Oil Field Training Center, additional seminars on land in different places, Midland and Roswell, seminars at the National Association of Divisional (not clearly understood) on a yearly basis.

MR. STOGNER: And what's your university degree in?

A I do not have a degree.

MR. STOGNER: Okay.

Are there any objections?

I find this witness so qualified.

Q Ms. Camacho, who has not agreed to participate in the drilling of the Huber State No. 1 Well?

A TXO.

Q What is their percentage of the well?

A 25 percent.

Q When did you first begin communication with TXO concerning voluntary joinder?

A The 4th of October of 1984.

Q And what was the nature of that communication?

A It was a letter proposal requesting or proposing the location of the well.

Q Did you at that time submit an AFE and a joint operating agreement to TXO?

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2           A           No, we did not. That was a simple letter  
3 proposal to get a response from them as to what their intent  
4 would be if we decided to drill the well.

5                       We sent them an AFE -- we prepared a  
6 joint operating agreement and sent them an AFE in December,  
7 the first week of December, the 7th of December, 1984.

8           Q           Did they sign an AFE or sign a joint  
9 operating agreement?

10           A           No, sir.

11           Q           Tell us briefly what other communications  
12 you had with TXO concerning voluntary joinder.

13           A           We have had several correspondence  
14 through the mail; we've written back and forth to each  
15 other, and several telephone conversations with two of their  
16 landmen, between the 4th of October and the present date.

17           Q           On -- let me show you what we have marked  
18 as Exhibit Number Eight and have you tell us what that is.

19           A           Exhibit Number Six.

20           Q           Number Six, I'm sorry.

21           A           This is a letter that you sent to TXO ad-  
22 vising them that we were going to go ahead with forced pool-  
23 ing application.

24           Q           Did you direct me to write that letter?

25           A           Yes, I did.

          Q           And why did you direct me to write that  
letter?

          A           After a conversation that we had on that

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same date with TXO, it was evident that they were not going to join and that we had not reached an agreement, and we had an expiration date coming up right away, and we needed to do something about it.

Q When you say "expiration date", what do you mean?

A Expiration date of the lease the first day of February of this year.

Q And you timely spudded that well?

A Yes, sir.

Q Let me show you what we have marked as Exhibit Number Seven and have you tell us what that is.

A This is a letter written a couple of weeks after the first letter, wherein it's just you're confirming that you have filed the application, basically.

Q In your opinion TXO has had notice of this hearing, then.

A Yes.

MR. PADILLA: I have no further questions, Mr. Examiner.

MR. STOGNER: Do you wish to offer Exhibits Six and Seven?

MR. PADILLA: I sure do. I offer Exhibits Six and Seven.

MR. STOGNER: If there are no objections, Exhibits Six and Seven will be admitted into evidence at this time.

1  
2 Mr. Kellahin, your witness.

3 MR. KELLAHIN: Thank you, Mr.  
4 Examiner.

5 CROSS EXAMINATION

6 BY MR. KELLAHIN:

7 Q Ms. Camacho, you said the well was com-  
8 menced on February 1st of this year?

9 A It was actually commenced January 31st  
10 before midnight in order to meet the required drilling.

11 Q And what is the status of drilling of the  
12 well now?

13 A 70 --

14 MR. WILSON: About 74 feet;  
15 cable tool.

16 A Yeah, it's on a cable tool.

17 Q So you just put a cable tool rig on it to  
18 hold your lease --

19 A To hold the lease.

20 Q -- until you get a -- what type of unit  
21 are you going to use to complete the well?

22 A That's out of my area altogether.

23 Q Were you able to negotiate successfully  
24 farmout agreements from other working interest owners in or-  
25 der to form the 40-acre spacing and proration unit?

A Yes, sir.

Q And those parties included J. M. Huber

1 Corporation and Columbia Gas Development Corporation?

2 A Yes, sir.

3 Q Would you describe for us what the essen-  
4 tial terms of those farmout agreements with your company  
5 were?

6 A Okay. We asked them to farm out to us  
7 with granting them a 1/16th royalty with a 25 percent back-  
8 in after payout, and a continuous drilling provision of 120  
9 days between wells.

10 Q Now, as to those elements that are to those essen-  
11 tial terms of a farmout, as to each of those elements did  
12 TXO Production Corporation agree to any of those?

13 A Yes, they did. They agreed --

14 Q And which ones?

15 A -- to the 1/16th royalty and they agreed  
16 to the 25 percent back-in.

17 Q And those were similar terms, then, ac-  
18 cepted by you in terms of dealing with the Huber Corporation  
19 and the Columbia Gas Development, except for the continuous  
20 drilling condition.

21 A Yes.

22 Q Would you describe for us what the condi-  
23 tional continuous drilling obligation was that you reached  
24 with Huber and Columbia?

25 A Okay. Columbia and Huber have farmed out  
the total of Section 16 for development.

Q All right.

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A And we will drill an initial test well and then have 120 days between wells to continue development of the whole section.

Q Does TXO's interest in that Section 16 represent a 25 percent interest?

A It does.

Q So the only reason to pool TXO is the disagreement over the continuous development provision.

A That is correct.

Q All right.

MR. KELLAHIN: I have no further questions at this time.

#### CROSS EXAMINATION

BY MR. STOGNER:

Q I'm interested now to find out what the status of this well is.

Ms. Camacho, do you know what that is?

A The status of the well at --

Q Yes.

A -- this point is 74 feet deep, drilling with a cable tool rig.

Q You've drilled 74 feet in the last 13 days?

A That's right.

Q How many hours a day is this rig working?

MR. WILSON: I can't tell you

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that.

A And they had rig breakdown this week.

MR. WILSON: Yeah. Oh, for one thing, they don't work on weekends.

MR. PADILLA: Mr. Examiner, I believe the lessor of this property is well aware of cable rig -- a cable tool rig being there.

MR. STOGNER: Let's call -- let's recall Mr. Wilson to the stand.

MR. PADILLA: Okay.

WILBUR WILSON,

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

RE CROSS EXAMINATION

BY MR. STOGNER:

Q Mr. Wilson, I believe this rig was spudded -- I mean this well was spudded on January 31st, 1985?

A That is correct.

Q About what time?

A As I recall, it was ten something p. m..  
I just --

Q Oh, so this rig does work at night.

A Huh?

Q This rig does work at night.

A No, I said it don't work on weekends.

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Q Okay. When do you propose to move a rotary rig out there or do you propose to still drill 74 feet in 13 days with this cable tool --

A When we find out --

Q -- (not clearly understood.)

A When we find out from you what the ruling is going to be on the forced pooling.

Q Why wasn't I notified when you were testifying awhile ago that this rig had been spudded?

A I've got it written right down here.

MR. PADILLA: Mr. Examiner, I believe that I --

Q No, sir, you do not have it written. I do not see it written anywhere that this rig was spudded on January 31st, 1985.

On Exhibit One you show proposed location.

A Well, I'm sorry, then, because I have it written right down here, the SOC Huber State, located 660 from the south and 1980 from the west in Section 16, Township 8 South, Range 29 East --

Q Where are you reading this from?

A From my notes.

Q Oh, I don't have your notes, then.

A Was spudded 1-31-85, and is presently drilling at 74 feet.

I'm sorry, I just --

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Q Okay.

MR. STOGNER: I have no further questions of this witness.

Are there any other questions of Mr. Wilson?

If not, he may be excused.

I believe we're now at the point where we --

MR. KELLAHIN: Excuse me.

MR. STOGNER: I'm sorry, Mr. Kellahin?

MR. KELLAHIN: Excuse me, Mr. Examiner.

RE CROSS EXAMINATION

BY MR. KELLAHIN:

Q Mr. Wilson, let me ask you, sir, when you drilled the LLL No. 2 Well, what was the approximate total drilling time for that well?

A I'm going to say about six days.

Q Is that customary drilling time for a San Andres Well --

A With a rotary.

Q -- with a rotary rig, is about six days?

A Yeah.

Q All right, sir, thank you very much.

MR. STOGNER: Are there any

1  
2 other questions of Mr. Wilson? Mr. Padilla?

3 MR. PADILLA: Yes, sir.

4 REDIRECT EXAMINATION

5 BY MR. PADILLA:

6 Q Mr. Wilson, is it customary on occasion  
7 to put a cable tool rig on a drilling location temporarily  
8 prior to putting on a rotary rig?

9 A Yes, sir.

10 Q And is that also customary where you may  
11 have lease expiration problems?

12 A Yes, sir.

13 MR. PADILLA: No further ques-  
14 tions.

15 MR. STOGNER: Is there any  
16 other questions of this witness?

17 MR. PADILLA: No, sir.

18 MR. STOGNER: He may be ex-  
19 cused.

20 Ready for closing statements.  
21 Mr. Kellahin, you may go first.

22 Mr. Padilla you may go last.

23 MR. KELLAHIN: I have no clos-  
24 ing statement, Mr. Examiner, thank you.

25 MR. STOGNER: Thank you, Mr.  
Kellahin.

Mr. Padilla, do you have any-

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thing further?

MR. PADILLA: Mr. Examiner, I think that testimony shows that there has been no agreement on drilling the well. No AFE has been signed by TXO, and has not otherwise agreed to participate in the well under terms acceptable to Stevens Operating Corporation, and so, consequently, under the statute 70-2-17, a compulsory pooling order should be granted in this case.

MR. STOGNER: Thank you, Mr. Padilla.

Mr. Padilla, Miss Camacho referred to a letter written to TXO on October the 4th and an AFE sent on December 7th.

Would you please furnish this case file with a copy of those two --

MR. PADILLA: I would be glad to, Mr. Examiner. We -- they simply forgot to bring the AFE and that's why we have not.

MR. STOGNER: Thank you, sir. I'll make that part of the record and I don't believe it's necessary to make them exhibits.

Is there anything further in Case Number 8475?

If not, this case 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 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. 8475, heard by me on 13 February 1985.

Michael Estep, Examiner  
Oil Conservation Division