

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING)
CALLED BY THE OIL CONSERVATION)
DIVISION FOR THE PURPOSE OF)
CONSIDERING:) CASE NO. 10836

APPLICATION OF SANTA FE ENERGY
OPERATING PARTNERS, L.P.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: David R. Catanach, Hearing Examiner

October 7, 1993

Santa Fe, New Mexico

This matter came on for hearing before the
Oil Conservation Division on October 7, 1993, at
Morgan Hall, State Land Office Building, 310 Old Santa
Fe Trail, Santa Fe, New Mexico, before Deborah O'Bine,
RPR, Certified Court Reporter No. 63, for the State of
New Mexico.

ORIGINAL

I N D E X

October 7, 1993
 Examiner Hearing
 CASE NO. 10836

APPEARANCES PAGE
3

SANTA FE ENERGY OPERATING PARTNERS WITNESSES:

CURTIS SMITH

Examination by Mr. Bruce	4
Examination by Mr. Stovall	7
Examination by Examiner Catanach	7

GENE DAVIS

Examination by Mr. Bruce	8
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REPORTER'S CERTIFICATE 14

E X H I B I T S

	ID	ADMTD
Exhibit 1	5	6
Exhibit 2	6	6
Exhibit 3	6	6
Exhibit 4	10	13
Exhibit 5	11	13

A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
General Counsel
Oil Conservation Commission
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

FOR THE APPLICANT: HINKLE, COX, EATON, COFFIELD
& HENSLEY
P.O. Box 2068
Santa Fe, New Mexico 87504
BY: JAMES G. BRUCE, ESQ.

CUMBRE COURT REPORTING

P.O. BOX 9262

SANTA FE, NEW MEXICO 87504-9262

(505) 984-2244

1 EXAMINER CATANACH: We're going to go a
2 little bit out of order. We've got a Giant case
3 that's opposed that will be moved to the back of the
4 docket. We'll call the next case after that which is
5 10836.

6 MR. STOVALL: Application of Santa Fe
7 Energy Operating Partners L.P. for an unorthodox oil
8 well location, Lea County, New Mexico.

9 EXAMINER CATANACH: Are there appearances
10 in this case?

11 MR. BRUCE: Mr. Examiner, Jim Bruce from
12 the Hinkle law firm in Santa Fe representing the
13 Applicant. I have two witnesses to be sworn.

14 EXAMINER CATANACH: Additional
15 appearances? Will the witnesses please stand to be
16 sworn in?

17 (Witnesses sworn.)

18 CURTIS SMITH,
19 the witness herein, after having been first duly sworn
20 upon his oath, was examined and testified as follows:

21 EXAMINATION

22 BY MR. BRUCE:

23 Q. Would you please state your name for the
24 record.

25 A. My name is Curtis Smith.

1 Q. Who do you work for and in what capacity?

2 A. Santa Fe Energy as a landman.

3 Q. Have you previously testified before the
4 Division?

5 A. Yes, I have.

6 Q. Were your credentials as a landman accepted
7 as a matter of record?

8 A. Yes, they were.

9 Q. Are you familiar with the land matters
10 involved in this case?

11 A. Yes, I am.

12 MR. BRUCE: Mr. Examiner, I tender Mr.
13 Smith as an expert petroleum landman.

14 EXAMINER CATANACH: Mr. Smith is so
15 qualified.

16 Q. (BY MR. BRUCE) Briefly, Mr. Smith, what
17 does Santa Fe seek in this case?

18 A. Santa Fe seeks an order approving an
19 unorthodox location for the Kachina "5" Fed No. 5 to
20 be located at 660 feet from the south line, 990 feet
21 from the west line of Section 5, Township 18 South,
22 Range 33 East.

23 Q. Referring to Exhibit 1, could you identify
24 that for the examiner?

25 A. This is a land plat. It shows the

1 offsetting operators. Santa Fe Energy is the
2 offsetting operator to the south, the north half of
3 Section 8 and the north half of Section 7 to the
4 southwest, and Harvey E. Yates Company is the
5 offsetting operator to the west, being the south half
6 of the southeast quarter of Section 6.

7 Q. And the offset operators are listed on
8 Exhibit 2?

9 A. Yes, they are.

10 Q. Was Harvey E. Yates Company notified of
11 this application?

12 A. Yes, they were. I refer to Exhibit 3, my
13 affidavit, with the letters attached -- letter
14 attached.

15 Q. Were Exhibits 1 through 3 prepared by you
16 or under your direction?

17 A. Yes, they were.

18 Q. In your opinion, is the granting of
19 application in the interest of conservation and the
20 prevention of waste?

21 A. Yes, it is.

22 MR. BRUCE: Mr. Examiner, I tender Exhibits
23 1 through 3.

24 EXAMINER CATANACH: Exhibits 1 through 3
25 will be admitted as evidence.

EXAMINATION

BY MR. STOVALL:

Q. Mr. Smith, what is the source of your information for the identification of the offset operators?

A. The county records.

MR. STOVALL: Okay. That's all I have.

THE WITNESS: And also, of course, our lease follows -- Section 5 is a farmout we took from Oxy. Section 8 is a lease that we own. Section 7 is a farmout we have from Amoco where we're the operator.

EXAMINATION

BY EXAMINER CATANACH:

Q. You've got all of Section 5?

A. That's correct -- well, with the exception of lots 3 and 4.

Q. And the north half of Section 8?

A. That's correct, all of the north half of Section 8.

Q. And Section 7?

A. That's correct.

Q. All of Section 7?

A. All of Section 7. We have a farmout from Amoco.

Q. And in Section 6, what's the situation

1 there?

2 A. There is a Harvey E. Yates well located in
3 the southwest of the southeast, and our records
4 indicate that they have a lease on the southeast
5 southeast.

6 Q. The unorthodox location is actually moving
7 further away from that offset acreage?

8 A. That's correct. We had archeological
9 problems. We had to move the location twice, and we
10 settled on the 660 from the south, 990 from the west.
11 And our geologist will testify as to those reasons.

12 Q. Harvey Yates was notified of this
13 application?

14 A. That's correct.

15 EXAMINER CATANACH: That's all I have. The
16 witness may be excused.

17 MR. BRUCE: Call Mr. Davis to the stand

18 GENE DAVIS,

19 the witness herein, after having been first duly sworn
20 upon his oath, was examined and testified as follows:

21 EXAMINATION

22 BY MR. BRUCE:

23 Q. Will you please state your name for the
24 record.

25 A. Gene Davis.

1 Q. Who do you work for?

2 A. I work for Santa Fe Energy.

3 Q. And in what capacity?

4 A. I'm a geologist.

5 Q. Have you previously testified before the
6 Division as a geologist?

7 A. Yes, I have.

8 Q. Were your credentials accepted as a matter
9 of record?

10 A. Yes, they were.

11 Q. Are you familiar with the geological
12 matters involved in this application?

13 A. Yes, I am.

14 Q. Does your area of responsibility include
15 southeast New Mexico?

16 A. Yes, it does.

17 MR. BRUCE: Mr. Examiner, I tender Mr.
18 Davis as an expert petroleum geologist.

19 EXAMINER CATANACH: Mr. Davis is so
20 qualified.

21 Q. (BY MR. BRUCE) Mr. Davis, what was the
22 original proposed location for this well?

23 A. The original proposed location was at 660
24 feet from the south line and 660 feet from the west
25 line of Section 5.

1 Q. Referring to your Exhibit 4, why was the
2 location moved?

3 A. The location was moved because of an
4 archeological site that was found to be located within
5 close proximity to that location. You can see by this
6 document, that's what it shows.

7 Q. Exhibit 4 is a copy of the archeological
8 report?

9 A. Yes, it is. If the examiner turns to the
10 last page of that, you will see a plat that shows the
11 location of the original well location which is
12 labeled A at 660 and 660. And you will also see that
13 there is an archeological site as indicated as NMAS
14 6059. It's roughly a circular site of about 200 foot
15 in diameter.

16 And then there is a second location,
17 location lettered C, and that is the alternate
18 location that has been drilled as the unorthodox
19 location. The square that is around that location is
20 a 400-foot drilling pad.

21 Q. There appears to have been other
22 alternative locations that might have been used. Why
23 were no other locations chosen?

24 A. The other locations were basically that we
25 could have moved a number of different locations. If

1 you would refer to Exhibit No. 5, that is an isopach
2 map of Wolfcamp AF, clean carbonate zone, which is the
3 target formation for the well.

4 We show you the proration unit there, the
5 80-acre proration unit located in the southwest
6 quarter of Section 5. Again, there is location A,
7 which is the 660-660 location.

8 The other orthodox location would have been
9 location B, which is at 1980 from the west line and
10 660 from the south. We did not choose that location
11 because the field is being developed on 80-acre
12 spacing. And the current belief engineering wise is
13 that these wells drain more or less 80 acres. By
14 moving to location B, we would have moved to a 40-acre
15 pattern, and we did not choose to do that. We felt
16 that was getting too close to other wells that were
17 producing from the AF zone.

18 In order to stay on pattern, we wanted to
19 drill in the southwest of the southwest quarter, and
20 we choose the location at C, which was a better
21 location geologically. We were moving towards a
22 thickening of the target formation.

23 Q. It's a better location than moving west or
24 south from Point A?

25 A. Yes, it is. In addition, if we had chose

1 to go to the west or to the south, we would have had a
2 legal location that would have been 100 feet off of
3 the lease lines, and that would have been highly
4 unorthodox. We felt it better to go the other
5 direction. We could have moved north, but we felt
6 like the location at C which was moving east would
7 give us a little better advantage geologically.

8 Q. What is the status of this well?

9 A. This well is now producing. The district
10 office is aware of our need to get an unorthodox
11 location approved, and they have given us a temporary
12 allowable until we get that done.

13 Q. Why didn't you obtain approval before
14 drilling the well?

15 A. We had an approval from the BLM for the
16 location, and I did not recall the special rules for
17 the 80-acre spacing; that we had to be within 150 feet
18 of the center of the quarter quarter. And that was an
19 error on my part.

20 Q. In your opinion, is the granting of this
21 application in the interest of conservation and the
22 prevention of waste?

23 A. Yes, it is.

24 Q. And was Exhibit 5 prepared by you?

25 A. Yes, it was.

1 Q. And is Exhibit 4 compiled from company
2 records?

3 A. Yes, it is.

4 MR. BRUCE: Mr. Examiner, I move the
5 admission of Santa Fe Exhibits 4 and 5.

6 EXAMINER CATANACH: Exhibits 4 and 5 will
7 be admitted as evidence.

8 I don't have any questions.

9 MR. STOVALL: Me either.

10 EXAMINER CATANACH: The witness may be
11 excused.

12 Anything further, Mr. Bruce?

13 MR. BRUCE: No, sir.

14 EXAMINER CATANACH: There being nothing
15 further, Case 10836 will be taken under advisement.

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CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)

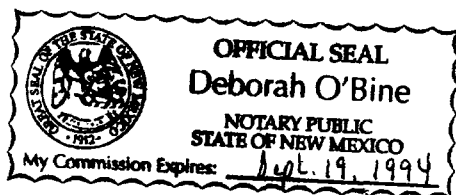
) ss.

COUNTY OF SANTA FE)

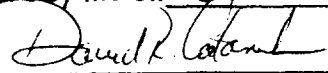
I, Deborah O'Bine, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that I caused my notes to be transcribed under my personal supervision, and that the foregoing transcript is a true and accurate record of the proceedings of said hearing.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL, October 16, 1993.

DEBORAH O'BINE
CCR No. 63

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7436, heard by me on October 7, 1993.


_____, Examiner
Oil Conservation Division