

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. 13,125

IN THE MATTER OF CASE NUMBER 13,125)
BEING REOPENED PURSUANT TO THE)
PROVISIONS OF DIVISION ORDER NO.)
R-12,069, WHICH ORDER PROMULGATED)
TEMPORARY SPECIAL POOL RULES FOR THE)
EAST DEAN-WOLFCAMP POOL IN LEA COUNTY,)
NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Hearing Examiner

March 3rd, 2005

Santa Fe, New Mexico

2005 MAR 17 AM 8

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Hearing Examiner, on Thursday, March 3rd, 2005, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

March 3rd, 2005
Examiner Hearing
CASE NO. 13,125

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A P P E A R A N C E S

FOR PECOS PRODUCTION COMPANY:

JAMES G. BRUCE
Attorney at Law
P.O. Box 1056
Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 9:05 a.m.:

3 EXAMINER EZEANYIM: At this time I call Case
4 Number 13,125. This is in the matter of Case Number 13,125
5 being reopened pursuant to the provisions of Division Order
6 No. R-12,069, which order promulgated temporary special
7 pool rules for the East Dean-Wolfcamp Pool in Lea County,
8 New Mexico. Call for appearances.

9 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
10 representing Pecos Production Company, and I have one
11 witness.

12 EXAMINER EZEANYIM: Any other appearances?

13 MR. BRUCE: Mr. Examiner, if the record could
14 reflect the witness is the same as in the prior hearing,
15 Mr. Dover. He's been previously sworn and qualified.

16 EXAMINER EZEANYIM: Okay, then you don't have to
17 be sworn. You may proceed. No other appearances in this
18 case? Go ahead.

19 AARON DOVER,
20 the witness herein, having been previously duly sworn upon
21 his oath, was examined and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. BRUCE:

24 Q. Mr. Dover, are you familiar with the engineering
25 matters involved in this Application?

1 A. Yes, I am.

2 Q. In the original case which was heard a year and a
3 half or more ago, was Pecos Production Company the
4 Applicant in that case?

5 A. Yes, we were.

6 Q. And is the only well in this pool operated by
7 Pecos Production Company?

8 A. That's correct.

9 Q. And at this time do you seek that the special
10 rules for the East Dean-Wolfcamp Oil Pool be made
11 permanent?

12 A. Yes, we do.

13 Q. What are the special rules in this pool?

14 A. The rules provide for 80-acre spacing for a
15 proration unit for each well and distances to be no more
16 than 330 feet from a quarter-quarter line.

17 Q. What acreage is currently in the pool? And I
18 refer you to Exhibit 1.

19 A. Exhibit 1 is a map indicating the --

20 EXAMINER EZEANYIM: Excuse me, do I have your
21 exhibits?

22 MR. BRUCE: Yeah, they were put on --

23 EXAMINER EZEANYIM: Maybe I have them mixed up
24 here.

25 MR. BRUCE: Yes, those.

1 EXAMINER EZEANYIM: This one?

2 MR. BRUCE: Not that one.

3 THE WITNESS: No.

4 EXAMINER EZEANYIM: Now you may continue.

5 THE WITNESS: Yes, Exhibit 1 is a map indicating
6 in red the location of the well and the 80-acre proration
7 unit surrounding that well in the -- I guess you'd describe
8 that as the southwest of the southerlymost -- of that long
9 section.

10 Q. (By Mr. Bruce) The southwest quarter of Section
11 2 is actually the acreage currently included with that
12 pool --

13 A. Okay, all right.

14 Q. -- is that correct?

15 A. Yes.

16 Q. And what township and range is this?

17 A. That would be in Township 16 South, Range 37
18 East.

19 Q. And what is the well name in the pool?

20 A. It's the Overland Number 1.

21 Q. Also on this map, to the southwest of the pool,
22 there is a little highlighted well. What is that well?

23 A. That is the Chesapeake Medlin well. It also
24 produces from the Wolfcamp, but not in the same pool.

25 Q. And that is not included within this pool; is

1 that correct?

2 A. That's correct.

3 Q. Looking at this map, it shows the tracts here.

4 Is the mineral ownership in the southwest quarter of
5 Section 2 uniform throughout that 160-acre --

6 A. Yes, it is, it's uniform.

7 Q. And so as a result, because of the uniform
8 mineral ownership, whether the spacing is 40 or 80 acres
9 has no effect on entitlement to production in this pool; is
10 that correct?

11 A. That's correct.

12 Q. What is the footage location of the Overland
13 well?

14 A. It's actually located 1276 feet from the south
15 line and 1724 feet from the west line.

16 Q. And that was and is an unorthodox location?

17 A. Yes, that makes it an unorthodox location.

18 Q. And before drilling the well, did Pecos obtain an
19 unorthodox location order?

20 A. Yes, we did.

21 Q. And that is submitted as Exhibit 2, is it not?

22 A. Exhibit 2 shows the approval of that unorthodox
23 location.

24 Q. And is Exhibit 3 simply a C-102 for the well?

25 A. That's correct.

1 Q. Now, the unorthodox location was based on geology
2 or geophysics, was it not?

3 A. Yes, it was. We had seismic shot in the area
4 that indicated where we needed to drill to catch the
5 pinnacle of the reef that we were attempting to complete
6 in.

7 Q. Could you identify Exhibit 4 for the Examiner and
8 just discuss that a little bit?

9 A. Exhibit 4 is a seismic map. Up in the northeast
10 corner of the map is the location of the Overland Number 1,
11 and as you can see, we drilled the well at the apex of that
12 reef feature, Wolfcamp reef feature, attempting to complete
13 in as high a position as possible, structurally.

14 Also indicates a cross-section line running to
15 the southwest from our well.

16 Q. Why don't you move to Exhibit 5 and discuss that
17 cross-section and the separation of this reservoir from the
18 other wells which had tested this depth?

19 A. The cross-section, east-west on the -- or
20 northeast-southwest, the northeast is our Pecos Production
21 Overland well, indicating the -- the heavy line indicates
22 the base of the Wolfcamp shale, which is actually the top
23 of the beginning of our Wolfcamp pay, and shows the top of
24 the structure running down off of our structure to the
25 southwest, to the BHP Southeast Dean well, and then back up

1 structurally to the Chesapeake well.

2 Q. Do Exhibits 4 and 5 show that this Wolfcamp
3 reservoir is separate from the reservoir producing from the
4 Chesapeake well to the southwest?

5 A. Yes, they do, because there's a nose or a saddle
6 between us and them, and our structure is separate from the
7 rest of the production out there.

8 Q. And this structural feature covers roughly about
9 half of the southwest quarter of Section 2?

10 A. Yes, roughly.

11 Q. Could you identify Exhibit 6 and discuss what the
12 production has been from this well?

13 A. Exhibit 6 is a production table showing the
14 production history of the well since it was brought on
15 production in June of 2003 when we first completed it.

16 Originally, it was water-free at 186 barrels a
17 day. Since that time, water production has encroached,
18 we've had to put the well on pump, and today it's producing
19 around 30 barrels a day and 50 water. And it's cum'd
20 40,000 barrels of oil and about 50 million cubic feet of
21 gas.

22 Q. You did encounter the structural feature where
23 you'd hoped, had you not?

24 A. Yes, we did.

25 Q. Was the reservoir as good as you had hoped?

1 A. Unfortunately, the down side is that the feature
2 was not filled all the way to the top with oil. It wasn't
3 completely filled up. And so we tested down low first and
4 attempted some completions, and they were wet. So we had
5 to move up to the top of the feature, and that just caused
6 the volumetrics, the volume in the reservoir, to not be as
7 prolific as we had hoped.

8 Q. Because of the well's location and the shape of
9 the reservoir, do you believe that one well will adequately
10 drain this reservoir, 80 acres or so?

11 A. Yes, we do. The things typically are water
12 drive, and so they will push oil up to the top of the
13 feature, and we think that this well -- we did fortunately
14 catch what we think is the top of the structure, it just
15 wasn't filled up as much as we wanted it to be. But we
16 feel like the water drive will give us as high a recovery
17 factor as we could hope for.

18 Q. What is the approximate cost of a Wolfcamp well
19 in this area?

20 A. In this area, our estimate is about \$1.4 million.

21 Q. At this time, would it be economic or prudent to
22 drill another Wolfcamp well in this reservoir?

23 A. No.

24 Q. And therefore, you would request that spacing
25 remain as it is, 80 acres, just to maintain the status quo

1 in this pool?

2 A. Yes.

3 Q. Were Exhibits 1 through 6 prepared by you or
4 under your supervision or compiled from company business
5 records?

6 A. Yes, they were.

7 Q. In your opinion, is the granting of this
8 Application and the maintenance of 80-acre spacing in the
9 interests of conservation and the prevention of waste?

10 A. Yes.

11 MR. BRUCE: Mr. Examiner, I'd move the admission
12 of Exhibits 1 through 6.

13 EXAMINER EZEANYIM: Exhibits 1 through 6 will be
14 admitted into evidence.

15 EXAMINATION

16 BY EXAMINER EZEANYIM:

17 Q. I have a couple of questions. Did you calculate
18 the initial oil in place in the field?

19 A. Yes, I have.

20 Q. What is that?

21 A. The oil in place, as I remember -- I do remember
22 that our estimated recovery -- here it is. Oil in place of
23 about 100,000 barrels.

24 Q. The initial oil in place --

25 A. Yes.

1 Q. -- 100,000?

2 A. That's down to the tight streak at the bottom of
3 the pay.

4 Q. Uh-huh. And how much have you recovered so far,
5 do you know?

6 A. 40,000 barrels, so that's a fairly high recovery
7 factor, which would be typical of a water drive reservoir.

8 Q. Yeah, okay. And you figure that you want to make
9 these rules permanent. Did you consider, you know, making
10 sure that we continue with what it is, and then maybe in
11 the future we might go back to the statewide rules and
12 maybe do an infill well, or do you really want to make it
13 permanent?

14 A. Yes, we really do. We don't think that another
15 well would be economical.

16 Q. And the ownership there, you said, is common, in
17 that unit it is common. Is that what you said? Did you
18 have ownership in the unit common --

19 A. Yes, it is common in the 80-acre proration unit.

20 Q. So nobody is really objecting to you making that
21 rule permanent?

22 A. No.

23 Q. Okay. So to date you have 40,000 barrels and
24 what, 51 million cubic feet of gas?

25 A. Yes.

1 Q. And this was always a water drive reservoir?

2 A. Yes.

3 EXAMINER EZEANYIM: Okay. Anything further, Mr.
4 Bruce?

5 MR. BRUCE: I have nothing further, Mr. Examiner.

6 EXAMINER EZEANYIM: At this time, Case Number
7 13,125 will be taken under advisement.

8 THE WITNESS: Thank you.

9 (Thereupon, these proceedings were concluded at
10 9:19 a.m.)

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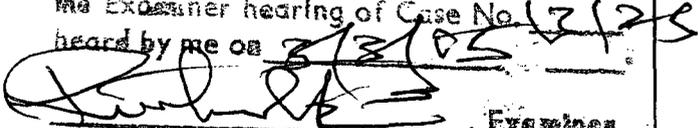
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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 13125
heard by me on 3/2/05


_____, Examiner
Oil Conservation Division

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

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 March 4th, 2005.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006