

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 25, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of C&K Petroleum, Inc.,) CASE
for compulsory pooling and an unorthodox) 5939
location, Eddy County, New Mexico.)

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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For the Applicant: W. Thomas Kellahin, Esq.
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1 MR. STAMETS: We will call next Case 5939.

2 MS. TESCHENDORF: Case 5939, application of C&K
3 Petroleum, Inc., for compulsory pooling and an unorthodox
4 location, Eddy County, New Mexico.

5 MR. KELLAHIN: Tom Kellahin of Kellahin & Fox,
6 Santa Fe, New Mexico appearing on behalf of the applicant
7 and I have one witness to be sworn.

8 (THEREUPON, the witness was duly sworn.)

9
10 EARL CAERTNER

11 called as a witness, having been first duly sworn, was examined
12 and testified as follows:

13
14 DIRECT EXAMINATION

15 BY MR. KELLAHIN:

16 Q Please state your name, by whom you are employed
17 and in what capacity?

18 A My name is Earl Gaertner, I'm employed as a
19 consultant for C&K Petroleum in Midland, Texas.

20 Q Have you previously testified, Mr. Gaertner, before
21 the Oil Conservation Commission and had your qualifications
22 as an expert witness accepted and made a matter of record?

23 A Yes.

24 MR. KELLAHIN: If the Examiner please, are the
25 witness' qualifications acceptable?

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1 MR. STAMETS: Mr. Gaertner, what kind of a consultant

2 MR. GAERTNER: Geological consultant.

3 MR. STAMETS: Okay, the witness is considered
4 qualified.

5 Q (Mr. Kellahin continuing.) Would you refer to what
6 has been marked as Exhibit Number One, identify it and tell
7 us what C&K Petroleum is seeking?

8 A Exhibit Number One is a land plat of the Carlsbad
9 area showing the location of a three hundred and twenty acre
10 unit, being the west half of Section 7, Township 22 South,
11 Range 27 East that we are presently communitizing for the
12 purpose of drilling an eleven thousand six hundred foot Morrow
13 sand test.

14 Q Do you propose to dedicate the west half of this
15 section to the well?

16 A That is correct.

17 Q And C&K Petroleum requests to be designated the
18 operator?

19 A That is correct.

20 Q Would you please refer to Exhibit Number Two and
21 identify it?

22 A Exhibit Number Two is a plat map showing the various
23 subdivisions in the west half of Section 7 and showing the
24 various interests that we are asking to be force pooled.
25 If you will look at the legend at the bottom you will see a

1 series of boxes. The purple, of course, is Michael P. Grace's
2 acreage and is spread throughout the west half. The City of
3 Carlsbad is in green and, incidentally, the City of Carlsbad
4 asked to be force pooled. We talked to them and they felt
5 that this would be the best procedure as far as they are con-
6 cerned. Michael Grace, we have never been able to establish
7 any communication with him at all. All of our telephone calls
8 and correspondence goes unanswered.

9 Q What is the red color code?

10 A The red is various individual tract owners, in most
11 cases one individual or perhaps a series of individuals many of
12 whom we have contacted and are still in the process of attempting
13 to lease. Now, some of these individuals had already expressed
14 the fact that they will not lease and they desire to be
15 force pooled but we are going to continue to work with these
16 other individuals until the time we commence or even after we
17 commence the well to lease some of these people. Many of
18 these interests are out-of-state and difficult to get in
19 contact with or establish a working relationship with.

20 Q How many acres in this half section are owned by
21 Mr. Grace?

22 A Mr. Grace has, according to our compilation, twenty-
23 two point three acres. The City of Carlsbad ten point three
24 acres and these various individual tracts eleven point nine
25 acres.

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1 Q The application of C&K Petroleum in this case
 2 indicates the names and addresses of all of these individuals.
 3 Have you examined those names and addresses, Mr. Gaertner?

4 A Yes, sir.

5 Q And are they correct and current to the best of
 6 your knowledge, information and belief?

7 A Yes, they are.

8 Q Please refer to Exhibit Number Three and identify
 9 it?

10 A Exhibit Number Three is a location plat. Mr. John
 11 Lewis, a professional surveyor located in Carlsbad, surveyed
 12 this location in. It is an unorthodox location.

13 Q Exhibit Number Four.

14 A Exhibit Number Four is a series of letters sent to
 15 offset operators indicating to them, of course, that we were
 16 filing an unorthodox location and asking for an acceptance
 17 from them. We have replies from all of the offset operators
 18 except Mr. Grace. All were favorable.

19 Q Would you run through those offset operators for
 20 me quickly, tell me who they are?

21 A All right. The first operator, of course, is Mr.
 22 Grace; the second offset operator is Cities Service; the third
 23 is Mr. P. C. Bennett, a local oil man there in Midland; Belco
 24 Petroleum and Allen J. Antweil.

25 Q All right, sir. Would you refer to Exhibit Number

1 Five and identify that for us?

2 A Exhibit Number Five is a copy of an aerial photograph
3 showing the west half of Section 7. I don't know, it is a
4 little hard perhaps to discern exactly what we are looking at
5 here but we attempted to stake an orthodox location. The
6 orthodox location would fall approximately where the Rose
7 Gravel Company is located so there is a tract of land that
8 appears black or dark gray on the photograph just to the
9 southwest of the Rose Gravel Company. We thought that we could
10 possibly get a location in at that point but when we went and
11 investigated the location we found that this was currently
12 being worked for the gravel and there was a road across there
13 and they were also using this as a backfill area so we were
14 not able to place the location.

15 Now, we've got the Dark Canyon drainage, of course,
16 facing us and although the Dark Canyon is dry most of the time,
17 maybe for years at a time, occasionally there is a severe
18 flood so we didn't want to go down in the bottom of the drain.

19 Q How have you located your proposed unorthodox
20 location on this plat?

21 A This was by on-site inspection and picking the best
22 feasible spot other than one that we had otherwise selected.
23 It is a flat area, it is above any possible flood area. It is
24 adjacent to a cemetery and well away from any houses.

25 Q How was that location identified on the plat?

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1 A The footage on -- well, the location is, of course,
 2 just below --

3 Q The word "location" where it has the red X?

4 A Where it has the red X or the red cross.

5 Q What is the footage location?

6 A The footage, I believe is seven sixty from the south
 7 line and six ninety from the west line of the section.

8 Q Please refer to Exhibit Number Six and identify it?

9 A Exhibit Number Six is a production map showing the
 10 production to 1-1-77. The upper figure is the average monthly
 11 production during the 1976 production year. The lower figures,
 12 the first figure in parenthesis is the number of producing
 13 months, total producing months and the second figure is the
 14 cumulative production from the various wells in here.

15 Production, of course, varies all of the way from
 16 marginal to good to very good with a number of dry holes
 17 spotted over the map.

18 Q C&K recently had an application for a forced pooling
 19 case approved by this Commission, where is that acreage?

20 A That would be the south half of Section 12.

21 Q What was the risk factor assigned to that well in
 22 the south half of Section 12?

23 A Two hundred percent.

24 Q Continue with your testimony?

25 A The reason for showing the production map, upon close

1 inspection, of course, you will see that the production does
2 vary greatly. We feel reasonably secure in drilling this
3 location but our experience has been up in this area that some
4 of the best locations turn out to be the dry holes and some
5 that we think are the worst are the best and vice versa so we
6 feel like there is a certain amount of risk involved.

7 Q In your opinion, Mr. Gaertner, what is the percentage
8 risk involved in drilling a well at this location?

9 A Two hundred percent.

10 Q Upon what do you base that?

11 A Well, again, based on Morrow experience, and area
12 experience.

13 Q Is this the same exhibit that was presented in the
14 previous C&K Petroleum case where the south half of Section 12

15 A It has been revised since then. I think the previous
16 exhibit extended through the first five months of 1976 and
17 the first six months, this has been revised up to 1-1-77 now.

18 Q All right, sir, Exhibit Number Seven?

19 A Exhibit Number Seven is simply a structural map
20 based on a unit that I map on in the middle Morrow to just show
21 the structural configurations. I don't really think it has
22 much significance in that the Morrow is a stratigraphic play
23 anyway.

24 Q All right, Exhibit Number Eight?

25 A Exhibit Number Eight is a cross section along those

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1 lines we depicted on both of my structural maps and my produc-
2 tion map with the various producing sands colored in yellow.
3 The non-productive are the tight sands colored in green and I
4 have colored a few limestone units in in the blue. This is
5 simply to give you a visual presentation of how the productive
6 sands can vary from one well to another and how prevalent
7 some of the non-productive sands are also.

8 Q So would you identify Exhibit Number Nine for us?

9 A Exhibit Number Nine is an AFE prepared by Mr.
10 Thompson with C&K Petroleum. He estimates the cost of a dry
11 hole to be four hundred and thirty-two thousand dollars, a
12 completed well approximately six hundred and thirty-eight
13 thousand dollars. We feel that these are very realistic
14 figures, they are based on experience in the area.

15 In addition to that we are asking for seventeen
16 hundred and fifty dollars per month charges while drilling and
17 two hundred dollars a month on production.

18 Q What were those figures again, Mr. Gaertner?

19 A Seventeen hundred and fifty dollars per month and
20 two hundred dollars a month.

21 Q Seventeen fifty being the charges while drilling and
22 two hundred dollars a month after completion of the well?

23 A Right, on production and the production phase.

24 Q Were Exhibits One through Nine prepared by you
25 directly or under your direction and supervision?

1 A Yes, they were, either directly or under my
2 supervision.

3 Q In your opinion, Mr. Gaertner, will approval of this
4 application be in the best interests of conservation,
5 prevention of waste and the protection of correlative rights?

6 A Yes, it will.

7 MR. KELLAHIN: If the Examiner please, we move the
8 introduction of Exhibits One through Nine.

9 MR. STAMETS: The exhibits will be admitted.

10 (THEREUPON, Applicant Exhibits One through
11 Nine were admitted into evidence.)

12 MR. KELLAHIN: That concludes our direct examination

13 CROSS EXAMINATION

14 BY MR. STAMETS:

15 Q Mr. Gaertner, what efforts have been made to contact
16 all of these various individual owners that you show on
17 Exhibit Number Two and in the application in this case?

18 A We have had a landman on the ground up there off and
19 on, not continuously, for the last three months and he has
20 contacted all of the resident people that live there in
21 Carlsbad and has corresponded with quite a number of people
22 that live in California, some of which we have been able to
23 lease, most of which we have not been able to but there has
24 been constant correspondence or contact going on, well, for
25 the last two and a half months. What we intend to do, of

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1 course, is make one last big push or effort to get some of
2 these interests in.

3 MR. KELLAHIN: If the Examiner please, may we
4 provide you with copies of letters showing that we have made
5 at least one effort to communicate with all of the people
6 listed on the application. We have neglected to bring that
7 today but it's available.

8 A. A lot of these have been personal contacts too that
9 we couldn't really substantiate except for me to tell you that
10 we have made these contacts and are continuing to make contacts.

11 MR. STAMETS: Yes, the additions you suggested, Tom,
12 would be helpful for the record.

13 MR. KELLAHIN: Okay.

14 A. We would like to have the acreage in because, of
15 course, it would add to our interest.

16 Q (Mr. Stamets continuing.) Okay, your target is all
17 in Pennsylvanian in this area, is that correct?

18 A. Yes, of course, with the primary target being the
19 Morrow.

20 MR. STAMETS: Are there any other questions of the
21 witness? He may be excused.

22 (THEREUPON, the witness was excused.)

23 MR. STAMETS: Is there anything further in this case?

24 MR. KELLAHIN: No, sir.

25 MR. STAMETS: The case will be taken under advisement.

REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
do hereby certify that the foregoing and attached Transcript
of Hearing before the New Mexico Oil Conservation Commission
was reported by me, and the same is a true and correct record
of the said proceedings to the best of my knowledge, skill and
ability.

Sidney F. Morrish

Sidney F. Morrish, C.S.R.

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I hereby certify that the foregoing is
a true and correct report of the proceedings in
the case of Case No. 5939
dated May 5, 1972
Richard L. Lamm Examiner
New Mexico Oil Conservation Commission