

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. 11,166 |
| |) | |
| APPLICATION OF MANZANO OIL |) | |
| CORPORATION |) | |
| |) | |

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

December 15th, 1994

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Thursday, December 15th, 1994, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, before Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

I N D E X

December 15th, 1994
 Examiner Hearing
 CASE NO. 11,166

| | PAGE |
|---------------------------------|------|
| APPEARANCES | 3 |
| APPLICANT'S WITNESSES: | |
| <u>MIKE BROWN</u> | |
| Direct Examination by Mr. Carr | 4 |
| Examination by Examiner Stogner | 13 |
| REPORTER'S CERTIFICATE | 16 |

* * *

E X H I B I T S

| | Identified | Admitted |
|-----------|------------|----------|
| Exhibit 1 | 7 | 13 |
| Exhibit 2 | 8 | 13 |
| Exhibit 3 | 9 | 13 |
| Exhibit 4 | 10 | 13 |
| Exhibit 5 | 11 | 13 |

* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
Attorney at Law
Legal Counsel to the Division
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Santa Fe, New Mexico 87504

FOR THE APPLICANT:

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P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 1:51 p.m.:

3 EXAMINER STOGNER: Call next case, Number 11,166.

4 MR. CARROLL: Application of Manzano Oil
5 Corporation for an unorthodox oil well location, Chaves
6 County, New Mexico.

7 EXAMINER STOGNER: Call for appearances.

8 MR. CARR: May it please the Examiner, my name is
9 William F. Carr with the Santa Fe law firm Campbell, Carr,
10 Berge and Sheridan.

11 We represent Manzano Oil Corporation, and I have
12 one witness.

13 EXAMINER STOGNER: Are there any other
14 appearances?

15 Will the witness please stand to be sworn?

16 (Thereupon, the witness was sworn.)

17 EXAMINER STOGNER: Mr. Carr?

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

21 DIRECT EXAMINATION

22 BY MR. CARR:

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

24 A. Mike Brown.

25 Q. And where do you reside?

1 A. Roswell, New Mexico.

2 Q. By whom are you employed?

3 A. Manzano Oil Corporation.

4 Q. And what is your current position with Manzano
5 Oil Corporation?

6 A. I'm a petroleum geologist.

7 Q. Have you previously testified before this
8 Division?

9 A. Yes, I have.

10 Q. At the time of that prior testimony, were your
11 credentials as an expert witness in petroleum geology
12 accepted and made a matter of record?

13 A. Yes, they were.

14 Q. Are you familiar with the Application filed in
15 this case on behalf of Manzano Oil Corporation?

16 A. Yes, I am.

17 Q. And have you made a geological study of the area
18 involved in this matter and the proposed McClellan Federal
19 Number 1 well?

20 A. Yes, I have.

21 MR. CARR: Are the witness's qualifications
22 acceptable?

23 EXAMINER STOGNER: They are.

24 Q. (By Mr. Carr) Mr. Brown, would you briefly state
25 what Manzano seeks with this Application?

1 A. We seek approval of an unorthodox oil well
2 location for our proposed McClellan Federal Number 1 well,
3 to be drilled 182 feet from the north line, 507 feet from
4 the west line, Section 26 of 13 South, 29 East, Chaves
5 County, New Mexico.

6 Q. To what formation do you propose to drill this
7 well?

8 A. The Devonian.

9 Q. Are there any other secondary objectives in the
10 well?

11 A. We don't really -- We're not really anticipating
12 any secondary horizons. But, you know, we'll of course
13 look, and if it warrants we'll test.

14 Q. And under what Devonian Pool rules will this well
15 be placed?

16 A. It's in the Undesignated South Lone Wolf-Devonian
17 Pool.

18 Q. And what are the spacing requirements in that
19 pool?

20 A. It's 40-acre spacing, 330-foot setback.

21 Q. Could you just generally tell us why Manzano Oil
22 Corporation is proposing to drill this well at an
23 unorthodox location?

24 A. Both structural and stratigraphic conditions, as
25 we see them, dictate that we need this location.

1 Q. Let's go to what has been marked for
2 identification as Manzano Exhibit Number 1. Would you
3 identify this exhibit and then review it for Mr. Stogner?

4 A. This is a leasehold map of the general area
5 surrounding our proposed well. I've noted in red the
6 location for the Manzano Oil McClellan Federal Number 1.
7 Once again, it's 182 feet from the north line, 507 feet
8 from the west line, Section 26 of 13 South, 29 East.

9 The area surrounding our well is all federal
10 acreage. I have shown in yellow acreage that was acquired
11 by Sun Valley Energy of Roswell, New Mexico, and on behalf
12 of Manzano and others, Manzano is the operator on these
13 tracts.

14 The proposed tract that we want to drill on is
15 Section 26. It is a two-part lease. It holds -- It's the
16 north half of the lease. It's also the south half of the
17 southwest quarter.

18 This lease is in its extended term, and we have
19 to have oil production established by February 25th of
20 1995. That's been suspended until the APD is approved, and
21 we're hoping that approval will come in the next 30 days
22 after we do some additional archeological studies.

23 Q. And that's the lease in the north half of Section
24 26?

25 A. That's correct.

1 Q. You're going to dedicate a standard 40-acre tract
2 to the well, being the northwest of the northwest of 26?

3 A. That is correct.

4 Q. The offsetting operators are indicated -- who --
5 Does McClellan operate all tracts to the west of the
6 proposed location?

7 A. That is correct, both Section 22 and Section 27.

8 Q. What is the status of Manzano's interest in the
9 south half of Section 23?

10 A. Manzano and Sun Valley earned, through acreage
11 contribution as a result of shooting a 3-D survey, 50
12 percent of the rights and operations in that tract.
13 Marathon has the remaining 50 percent.

14 Q. And you've received a waiver to this proposed
15 location from Marathon?

16 A. Yes, we have.

17 Q. Let's go now to what has been marked as Manzano
18 Exhibit Number 2.

19 A. This exhibit is a structure map on the top of the
20 Mississippian lime. I have shown three well locations.

21 These are -- The red location with the arrow is
22 the proposed location for the Manzano McClellan Federal
23 Number 1 A.

24 I've shown a brown location, which is a 330-foot
25 setback from that, from the lease line.

1 And then a green location would be a standard
2 330-330 location.

3 And I'm going to show two lines of seismic
4 sections running through all three of those wells.

5 Other thing to note. One, our scale here is 1
6 inch to 500 feet. It's a very large scale and a very small
7 feature. We believe the productive limits are within the
8 blue contour map. And so once again, we have a very small
9 Devonian feature that we're looking for.

10 Q. And so what we have here is a structure map
11 that's constructed from the seismic information that you're
12 now going to review?

13 A. On seismic and other subsurface data.

14 Q. All right. Let's go now to Manzano Exhibit
15 Number 3. Identify and review this.

16 A. Okay, this is line A, and if you refer back to
17 Exhibit 2, you'll see that it runs from the southern part
18 of the map up through a regular location, through the
19 proposed location, and then off north.

20 Looking at this line, I've noted the top of the
21 Mississippian, and that's really the best reflector we have
22 in this area in which to do structure maps. We've shown a
23 lower Miss reflector and then the Devonian reflector.

24 If you'll note, the little oil well symbol is our
25 proposed location. On the Mississippian, it's one of the

1 structural crests, it's high. Lower Miss, once again, it's
2 close to the top of the crest of the structure.

3 And critical on the Devonian, we see two
4 reflectors within the Devonian. We're not sure it's
5 significant, but our geophysicist -- and I a hundred
6 percent agree with him -- feel we need to be within areas
7 that have that second reflector. We think that may
8 actually be the Devonian here.

9 If you look at a regular location -- and that's
10 noted in the blue line on the Devonian, down at the very
11 bottom -- we're structurally low. We also lose that
12 reflector, the peak reflector. We feel that may be
13 indicating that we lose the Devonian structure there.

14 On the lower Miss and the Mississippian, that
15 location is also low.

16 Q. Basically, this shows you're as far south as you
17 can be?

18 A. Yes, as far south as we can go.

19 Q. The best reflector is in the Mississippian.
20 You're not anticipating any potential for production from
21 the Mississippian?

22 A. No, it's a tight lime here.

23 Q. Let's go to Exhibit Number 4, your line B. Would
24 you review that?

25 A. Okay, line B's line of section runs just due

1 south to north, through the proposed location and also
2 through a 330 setback off the north lines.

3 Once again, I've noted the Mississippian, the
4 lower Mississippian and the Devonian reflectors.

5 Our proposed location on the Devonian, you can
6 see we're in a good structural location. You really can't
7 gain significant structure from there, but you're within a
8 strong peak. So we feel in the Devonian it's one of our
9 best locations.

10 If you look to the south at the 330 location,
11 once again on the Devonian, you're going to be down-
12 structure. You also lose the reflector that we feel is
13 important, so...

14 Q. Is Exhibit Number 5 an affidavit confirming that
15 notice of today's hearing has been provided to affected
16 offsetting operators?

17 A. Yes, it is.

18 Q. Mr. Brown, in your opinion will approval of this
19 Application and the drilling of the proposed well at the
20 unorthodox location result in the recovery of hydrocarbons
21 that otherwise would be left in the ground in the Devonian
22 formation?

23 A. Yes, I do. Currently, this feature does not
24 produce, and we need a location far enough north to recover
25 a representative share of this figure.

1 Q. Will approval of the Application otherwise be in
2 the best interests of conservation, the prevention of waste
3 and the protection of correlative rights?

4 A. Yes, it is.

5 Q. What are the time frames within which you must
6 drill this well?

7 A. We're under some fairly critical time frames.

8 Once again, this lease is an extended term.
9 We've been attempting to get an APD for two months now, and
10 we hear it's forthcoming if we do some additional
11 archeological work.

12 Once it's approved, we have a set time to do
13 operations, establish production. One of the critical
14 factors here --

15 Q. Is that approximately 60 days?

16 A. It's either going to be 60 or 90. That's yet to
17 be determined.

18 Q. Okay.

19 A. But in this area, we have prairie chickens, and
20 we need to be off location by April 1st, and this is a
21 10,000-foot well with the completion, so we really need to
22 get this going very shortly, as quick as possible.

23 Q. So you have to drill this between the time when
24 you're looking for arrowheads and the time the prairie
25 chickens start booming?

1 A. Yes.

2 Q. Were Exhibits 1 through 5 prepared by you?

3 A. Yes, they were.

4 MR. CARR: At this time, Mr. Stogner, we move the
5 admission of Manzano Exhibits 1 through 5.

6 EXAMINER STOGNER: Exhibits 1 through 5 will be
7 admitted into evidence.

8 MR. CARR: And that concludes my direct
9 examination of Mr. Brown.

10 EXAMINATION

11 BY EXAMINER STOGNER:

12 Q. Mr. Brown, on the preparation of Exhibit Number
13 2, did you have any other information besides your two
14 seismic lines?

15 A. We have a 3-D, 3-D survey, yes, sir.

16 Q. Okay. Where's the bulk of the present Devonian
17 production in this area?

18 A. You have production to the west of Lone Wolf, you
19 have Lone Wolf south.

20 Let's see, there's another -- Lone Wolf
21 southwest, and North King Camp. So it's all west of here.

22 Q. All west of there?

23 A. Uh-huh.

24 Q. Now, in looking at Exhibit Number 1, that's a
25 federal lease in the south half of 23, right?

1 A. Yes, sir.

2 Q. Now, is that the same lease as your north half of
3 26, or are those two separate federal leases?

4 A. It's two separate federal leases.

5 Section 23 expires September 1st of 1995, so we
6 will have to drill a well next year on that lease to hold
7 its wells.

8 Q. And through interpretation from this well, you
9 can better determine the structure?

10 A. Yes, sir.

11 Well, we had no wells within this map for
12 velocity surveys or anything, so there's a lot of
13 speculation as far as velocity.

14 Q. Now, who else owns interest in that west -- I'm
15 sorry, in the south half of 23?

16 A. It is 50-percent Marathon and 50-percent Manzano,
17 Sun Valley and others.

18 Q. But Marathon was one of the parties to be
19 contacted; is that correct?

20 A. Yes, they've been contacted.

21 EXAMINER STOGNER: Any further questions of this
22 witness?

23 MR. CARR: I have no further questions, Mr.
24 Stogner.

25 EXAMINER STOGNER: You may be excused.

1 Anything further in this case?

2 MR. CARR: Nothing further.

3 EXAMINER STOGNER: Case 11,166 will be taken
4 under advisement at this time.

5 (Thereupon, these proceedings were concluded at
6 2:06 p.m.)

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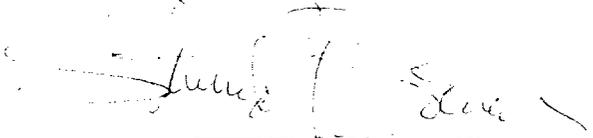
CERTIFICATE OF REPORTER

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.

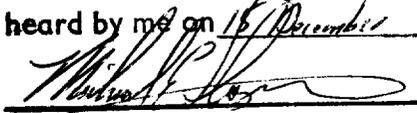
I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL December 20th, 1994.


 STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 11166 heard by me on 16 December 1994.


 _____, Examiner
 Oil Conservation Division