

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date SEPTEMBER 21, 1995

Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
William F. [unclear]	Sampbell, Jan & [unclear]	Santa Fe
James Zuer	Hinkle Law Firm	"
[unclear]	Kelleher & [unclear]	Santa Fe
Jerry Hoover	Conoco	Midland TX
Robert E. Beamer	Conoco	Midland, TX
Bill Hardie	Conoco	Midland, TX
Jim Hughes	[unclear]	"
[unclear]	[unclear]	"
Bill Duncan	Exxon	Santa Fe
John Thane	Marathon	MIDLAND
Richard [unclear]	Marathon	Midland
Wm. [unclear]	Medallion Prod.	Midland
DAVID-A WALKER	SANTA FE ENERGY	(MIDLAND)
Curtis A. [unclear]	"	"
Mike Dilli	"	"
Steve Kerlick	Amerada Hess Corp.	Houston
SCOTT KIMBROTT	NEARBUCK PRODUCING CO	MIDLAND
MIKE GRAY	"	"

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date SEPTEMBER 21, 1995 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
Mike Gray	Neuburg Prod. Co.	Midland TX
Bill Owen	David P&T.	Roswell
Mike McMillan	"	"
ESSEL Noff	"	"
Bob Heimke	Texaco	Midland

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:)
APPLICATION OF D&J OIL COMPANY)
_____)

CASE NO. 11,321

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

BEFORE: DAVID R. CATANACH, Hearing Examiner

September 21, 1995

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, September 21st, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

September 21st, 1995
Examiner Hearing
CASE NO. 11,321

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APPLICANT'S WITNESS:

<u>CLINT CAGLE</u> (Geophysicist)	
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REPORTER'S CERTIFICATE	14
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* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	7	10
Exhibit 2	7	10
Exhibit 3	8	10
Exhibit 4	8	10

* * *

A P P E A R A N C E S

FOR THE APPLICANT:

CAMPBELL, CARR & BERGE, P.A.
Suite 1 - 110 N. Guadalupe
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 8:15 a.m.:

3 EXAMINER CATANACH: At this time we'll call Case
4 11,321, which is the Application of D&J Oil Company for an
5 unorthodox oil well location, Lea County, New Mexico.

6 Are there appearances in this case?

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

10 We represent D&J Oil Company, and I have one
11 witness.

12 EXAMINER CATANACH: Any additional appearances?
13 Will the witness please stand to be sworn in at this time?

14 (Thereupon, the witness was sworn.)

15 CLINT CAGLE,

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

18 DIRECT EXAMINATION

19 BY MR. CARR:

20 Q. Would you state your name for the record, please?

21 A. My name is Clint Cagle.

22 Q. And where do you reside?

23 A. I reside in Garland, Texas.

24 Q. Mr. Cagle, by whom are you employed?

25 A. I'm an exploration geophysicist for Brigham Oil

1 and Gas, L.P., Dallas, Texas.

2 Q. And what is the relationship between Brigham Oil
3 and Gas and D&J Oil Company?

4 A. We are a partner in this well.

5 Q. Have you previously testified before the New
6 Mexico Oil Conservation Division?

7 A. No, sir, I have not.

8 Q. Could you summarize for Mr. Catanach your
9 educational background?

10 A. I graduated in 1981 with a bachelor's from Texas
11 A&M University in marine science, and then in 1986 I
12 graduated from the University of Texas at Austin with a
13 degree in geological sciences.

14 Q. Since 1986, for whom have you worked?

15 A. I began in 1986 working for Sun Exploration and
16 Production and subsequently Oryx Energy Company, and
17 about -- I did that for about eight and a half years. And
18 then for the last year and a half I've worked for Brigham
19 Oil and Gas.

20 Q. At all times during your professional career have
21 you been employed as a petroleum geophysicist?

22 A. Yes, sir, I have.

23 Q. Are you familiar with the Application filed in
24 this case on behalf of D&J Oil Company?

25 A. Yes, sir, I am.

1 Q. And have you made a geophysical study of the
2 Devonian formation in the area which is the subject of this
3 case?

4 A. Yes, I have.

5 MR. CARR: Mr. Catanach, at this time we tender
6 Mr. Cagle as an expert witness in geophysical science.

7 EXAMINER CATANACH: Mr. Cagle is so qualified.

8 Q. (By Mr. Carr) Mr. Cagle, could you briefly state
9 what D&J Oil Company seeks with this application?

10 A. We seek an unorthodox well location for our Lowe
11 27 Well Number 1, to be drilled 642 feet from the south
12 line and 2431 feet from the east line of Section 27,
13 Township 12 South, Range 37 East. This well is to be
14 completed in the Southwest Gladiola-Devonian Pool, and we
15 ask that the west half of the southeast quarter of Section
16 27 be dedicated to the well.

17 Q. What is the current status of this proposed well?

18 A. We're in the process of building location and
19 need to commence drilling by September 25th to meet
20 contractual obligations.

21 Q. Has a Form C-101 application for permit to
22 drill --

23 A. Yes.

24 Q. -- been approved by the Oil Conservation
25 Division?

1 A. Yes, it has.

2 Q. And that was approved by Mr. Sexton?

3 A. Yes, sir.

4 Q. And you will, however, need to have an order
5 approving the unorthodox location prior to actually
6 producing the well; is that correct?

7 A. That is correct.

8 Q. Could you review for Mr. Catanach the history of
9 this prospect?

10 A. Originally, this well was proposed by Coastal
11 Management Corporation as being the operator. D&J assumed
12 operations in July, 1995. The OCD was contacted on August
13 15th about the location, and the OCD set this date for
14 hearing.

15 Q. Actually, the Application was originally filed
16 for administrative approval, was it not?

17 A. Yes, that's correct.

18 Q. And then you were advised by Mr. Stogner that you
19 would have to come to hearing?

20 A. Yes, that is correct.

21 Q. What are the well-location and spacing
22 requirements for the Southwest Gladiola-Devonian Pool?

23 A. Wells are drilled on an 80-acre spacing, and
24 wells need to be within 150 feet of the center of the
25 quarter-quarter section.

1 Q. So what we actually have here is a well that is
2 too close to the west line of the spacing unit?

3 A. That is correct.

4 Q. Is D&J Exhibit Number 1 a copy of the pool rules
5 of the Southwest Gladiola-Devonian Pool?

6 A. Yes, it is.

7 Q. Could you describe for the Examiner generally the
8 characteristics of this Devonian pool?

9 A. Southwest Gladiola field is a large four-way
10 structural closure that has produced in excess of 4.8
11 million barrels of oil from the Devonian, and there's some
12 additional production from the shallower Wolfcamp
13 formation.

14 Q. Could you refer to what has been marked as
15 Exhibit Number 2 and identify that, please?

16 A. This is a land plat of the area.

17 Q. The spacing unit is highlighted in yellow?

18 A. Yes, sir.

19 Q. The well location is not shown on the first page
20 of this exhibit, is it?

21 A. That's correct.

22 Q. Let's go to the second page. Could you explain
23 what this is?

24 A. That is a blow-up of the quarter section showing
25 the well location and its footage calls from the south and

1 east line.

2 Q. And it shows the actual surveyed location of the
3 wellbore?

4 A. Yes, sir.

5 Q. Is Exhibit Number 3 a listing of the mineral
6 owners who offset this location to the west?

7 A. Yes, sir, it is.

8 Q. Following notification that this case would have
9 to come to hearing, D&J has provided notice of this
10 Application to each of these individuals; isn't that
11 correct?

12 A. That is correct.

13 MR. CARR: The 20-day time period, Mr. Catanach,
14 has not yet run, and for that reason at the conclusion of
15 this case we are going to ask that it be continued to the
16 Examiner Hearing scheduled for the 19th of October.

17 Q. (By Mr. Carr) Mr. Cagle, let's go to what has
18 been marked as D&J Oil Company Exhibit Number 4. Was this
19 exhibit prepared by you?

20 A. Yes, it was.

21 Q. Could you identify it and then review the
22 information on the exhibit for the Examiner?

23 A. Okay, this is a structure map of the Devonian
24 formation of the Southwest Gladiola field. The contour
25 interval is a 50-foot contour interval. This map was

1 prepared from 3-D seismic data. It shows the location to
2 be a small closure off to the west of the field, fault-
3 bounded, and --

4 Q. How many feet of pay do you anticipate
5 encountering at this location?

6 A. We anticipate to gain about 75 feet of structure
7 from a plugged Devonian well.

8 Q. What is the reservoir drive mechanism in this
9 pool?

10 A. It's a strong water drive.

11 Q. A bottom water drive?

12 A. Yes, sir.

13 Q. Is it therefore necessary to achieve the highest
14 possible structural position to effectively drain the
15 reserves in this feature?

16 A. Yes, sir, it is.

17 Q. If you were required to move this well to a
18 standard location, what impact would that have on Brigham's
19 and D&J's effort to develop this particular pool?

20 A. We could miss the pool, and we most certainly
21 would not be in the most optimum structural location.

22 Q. And if you were not in the best structural
23 location, would that result in reserves ultimately being
24 left in the ground?

25 A. Yes, sir, it would.

1 Q. And that would cause waste?

2 A. Yes, sir.

3 Q. In your opinion, will approval of the Application
4 result in the recovery of hydrocarbons that otherwise will
5 not be produced?

6 A. Yes, sir.

7 Q. Will approval of the Application otherwise be in
8 the best interest of conservation and the protection of
9 correlative rights?

10 A. Yes.

11 Q. Were Exhibits 1 through 4 either prepared by you
12 or have you reviewed them and can you testify as to their
13 accuracy?

14 A. Yes, sir.

15 MR. CARR: Mr. Catanach, at this time we would
16 move the admission into evidence of D&J Oil Company
17 Exhibits 1 through 4.

18 EXAMINER CATANACH: Exhibits 1 through 4 will be
19 admitted as evidence.

20 MR. CARR: And that concludes my direct
21 examination of Mr. Cagle.

22 EXAMINATION

23 BY EXAMINER CATANACH:

24 Q. Mr. Cagle, your Exhibit Number 2 does reflect the
25 correct well location as being 2434 feet from the east; is

1 that correct? I believe you -- The reason I'm asking, I
2 think you said 2431 when you spoke.

3 A. The Exhibit Number 3 -- Exhibit Number 2, excuse
4 me, represents the surveyed location, that's correct.

5 Q. The list of mineral owners, Exhibit Number 3,
6 where do those people have their interest?

7 MR. CARR: Mr. Catanach, I have a separate
8 breakdown that shows who is in the southeast quarter of the
9 southwest quarter and those that are in the northeast
10 quarter of the southwest quarter. They're almost
11 identical. There's a slight difference.

12 And I can provide that to you later today. I
13 don't have that with me. We used that to prepare this
14 exhibit yesterday. But I can provide that so you know
15 exactly the quarter-quarter section in which each interest
16 owner holds an interest.

17 EXAMINER CATANACH: Okay, yeah, that would be
18 fine if you could submit that.

19 Q. (By Examiner Catanach) Mr. Cagle, the -- is that
20 a well, the Walker MF, shown on your Exhibit Number 4?

21 A. Yes, sir, it is. It has been plugged in the
22 Devonian.

23 Q. Did that produce from the Devonian?

24 A. That produced about 60,000 barrels.

25 Q. And would that well be more or less at a standard

1 location in that quarter-quarter section, do you know?

2 A. I don't know offhand, no, sir. It looks as
3 though it is, though.

4 Q. What information did you use to generate your
5 structure map?

6 A. We acquired 3-D data over Southwest Gladiola
7 field in April of 1994.

8 Q. Does that give you a pretty good indication where
9 the faults are located?

10 A. Yes, sir, it does.

11 Q. The well to the -- Is that another well to the
12 west there, the Turner D?

13 A. Yes, sir, it is.

14 Q. What's the status of that well?

15 A. That well is also plugged in the Devonian.

16 Q. Did that produce from the pool?

17 A. Yes, sir, it did.

18 Q. Do you know how much that well produced?

19 A. That well made about a half a million barrels.

20 Q. Do you believe there's still some oil in the
21 upper portion of that reservoir that can be drained by your
22 proposed well?

23 A. Yes, sir, we do. We base that both on the 3-D
24 seismic and the fact that the Walker MF well was plugged
25 about a year prior to the Cities Service well to the west,

1 sir. So we think they're in separate reservoirs.

2 Q. The Walker and the proposed well?

3 A. Yes.

4 Q. Okay. How about the Turner D? Is that sort of
5 in the same --

6 A. That would be in the same reservoir, we would be
7 up to that.

8 Q. Is that the well that you said you would gain 75
9 feet of structure on?

10 A. Yes, sir.

11 Q. Have you made any estimates of how much you might
12 recover?

13 A. We anticipate about 400,000 barrels.

14 EXAMINER CATANACH: I have nothing further of
15 this witness.

16 MR. CARR: That concludes our presentation in
17 this case.

18 EXAMINER CATANACH: Okay, there being nothing
19 further, this case, 11,321, will be continued to October
20 19th for notice.

21 (Thereupon, these proceedings were concluded at
22 8:32 a.m.)

23 * * *

24

25

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 September 24th, 1995.

Steven T. Brenner

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 Exam. Div. records of Case No. 11301, heard by me on 9/21/1995

David R. Catant
_____, Examiner
Oil Conservation Division