

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 TEXACO EXPLORATION)
 AND PRODUCTION, INC.)
 _____)

CASE NO. 11,325

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

July 13th, 1995

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, July 13th, 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.

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 Examiner Hearing
 CASE NO. 11,325

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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
2040 South Pacheco
Santa Fe, New Mexico 87505

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 1:45 p.m.:

3

4 EXAMINER STOGNER: We can move on to Case Number
5 11,325.

6 MR. CARR: Mr. Stogner, should we call the case?

7 EXAMINER STOGNER: I thought we already had. Do
8 you --

9 MR. CARR: I don't know if we have or not.

10 EXAMINER STOGNER: -- Mr. Carroll?

11 MR. CARROLL: No.

12 EXAMINER STOGNER: Well, in that case I'll call
13 11,325.

14 MR. CARROLL: Application of Texaco Exploration
15 and Production, Inc., for a high-angle/horizontal
16 directional drilling pilot project, special operating rules
17 therefor, a nonstandard oil proration unit, and a special
18 project allowable, Rio Arriba County, New Mexico.

19 EXAMINER STOGNER: Call for appearances.

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

23 We represent Texaco Exploration and Production,
24 Inc., in this matter.

25 In this case I will be calling three witnesses.

1 They're the three witnesses who testified in the preceding
2 case. I would request that the record reflect that they
3 remain under oath and that their qualifications as a
4 landman, a geologist and a petroleum engineer be accepted.

5 EXAMINER STOGNER: Let the record show that the
6 three witnesses who appeared in Case Number 11,324 still
7 remain under oath and are considered acceptable as expert
8 witnesses.

9 MR. CARR: And we would call again Mr. Snure.

10 EXAMINER STOGNER: Will any other portion of the
11 previous case be taken on the record or --

12 MR. CARR: It might be wise, Mr. Stogner, to
13 incorporate by reference the testimony in Case 11,324. The
14 locations are different, the ownership is different, but
15 we're dealing with the same formations. We can then just
16 reference that as we go forward, and it will shorten the
17 presentation.

18 EXAMINER STOGNER: Okay. Thank you, Mr. Carr.
19 You may proceed.

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

23 DIRECT EXAMINATION

24 BY MR. CARR:

25 Q. Mr. Snure, are you familiar with the Application

1 filed in this case on behalf of Texaco?

2 A. Yes, I am.

3 Q. And are you familiar with the status of the lands
4 in the subject area?

5 A. Yes, I am.

6 Q. Would you briefly state what Texaco seeks with
7 this Application?

8 A. With this Application we are seeking approval of
9 a directional drilling pilot project in the Township 25
10 North, 3 West, and this is going to be in the south half of
11 Section 17.

12 Q. That's a standard 320-acre unit; is that right?

13 A. Yes, that's correct.

14 Q. What are you seeking to do, or what authority are
15 you requesting?

16 A. Well, we're seeking authority to recomplete the
17 C.W. Roberts Number 4 well, located in the southwest
18 quarter of Section 17.

19 The surface location is 660 feet from the south
20 line and 660 feet from the west line.

21 Q. That's in Unit M of that section?

22 A. That is correct.

23 Q. Has that location previously been the subject of
24 an OCD proceeding?

25 A. Yes.

1 Q. And that location was approved as an unorthodox
2 oil well location by Administrative Order NSL-626?

3 A. Yes, that's correct.

4 Q. Does Texaco in this case seek special drilling
5 provisions?

6 A. Yes, what we're seeking is, again, to traverse
7 quarter and quarter-quarter section lines with the
8 horizontal wellbore, within the project area, which is the
9 south half.

10 Q. Now, within this project area, you're requesting
11 authority to drill within a drilling window, correct?

12 A. That is correct.

13 Q. And unlike the preceding case, in this case the
14 request is to be able to drill the well within 660 feet of
15 the outer boundary of the project area?

16 A. That's correct.

17 Q. And that is because the original well is 660 feet
18 from the boundary?

19 A. That is correct.

20 Q. Again, you're requesting special operating rules
21 for the pool?

22 A. Yes, the formation of a nonstandard regular-size
23 spacing unit, and also to receive a project allowable based
24 on the two 160-acre spacing units within the project area.

25 Q. All right, let's go to the exhibit book, and I

1 would direct your attention to Exhibit A. Would you
2 identify this for Mr. Stogner?

3 A. Yes, Exhibit A represents the land map -- the
4 location of the well for the C.W. Roberts Number 4.

5 Q. This is the same base map that was presented in
6 the prior hearing?

7 A. That's correct.

8 Q. Let's go to Exhibit B. Will you identify this,
9 please?

10 A. Exhibit B is the Form C-102, which is the well
11 location acreage dedication plat.

12 Q. And the drilling unit for the original vertical
13 well was the southwest quarter of Section 17?

14 A. That is correct.

15 Q. And the drilling window for the horizontal well
16 will be the south half of this section within -- but no
17 closer than 660 feet to the outer boundary?

18 A. Yes, sir, that's correct.

19 Q. What is the current status of the C.W. Roberts
20 Number 4 well?

21 A. C.W. Roberts Number 4 well is currently producing
22 from the Pictured Cliffs formation. Again, this is a
23 marginal producer.

24 Q. Is the ownership of the acreage Texaco proposes
25 to dedicate to this well common throughout the project --

1 proposed project area?

2 A. Yes, it is.

3 Texaco owns 100 percent of the working interest,
4 the royalty interest -- It is a federal lease, SF-079600,
5 common royalty, federal royalty.

6 Q. And you have reviewed this proposed horizontal
7 well with the BLM?

8 A. That is correct.

9 Q. And they have approved your sundry notice?

10 A. Yes, they have.

11 Q. Is there any other Gallup Dakota development in
12 the south half of Section 17, other than the C.W. Roberts
13 Number 4 well?

14 A. No, there's not.

15 Q. Let's go to Exhibit C. Can you identify this?

16 A. Yes, Exhibit C represents an offset operator plat
17 in a little more detail.

18 Q. Okay, this shows the tract in which each
19 individual has an interest.

20 Do you know who is the operator of the southwest
21 quarter of Section 16?

22 A. No, we do not.

23 Q. Is there an operator at this time?

24 A. No, there is not an operator at this time.

25 Q. Can you identify what is marked Exhibit D?

1 A. Yes, Exhibit D is a list of the offset operators.

2 Q. There are only two of them here, other than that
3 open tract in Section --

4 A. Yes, sir, that's correct.

5 Q. And behind that are the return receipts as
6 Exhibit E, showing that notice was provided of this
7 Application?

8 A. Yes, sir, that's correct.

9 Q. And what is Exhibit F?

10 A. Exhibit F is the waiver -- a copy of the executed
11 waiver letters from Little Oil and Gas Company and Elliott
12 Oil and Gas Company.

13 Q. And Mr. Snure, in addition to the new letters
14 that will be sent to Curtis Little and Elliott, it is also
15 going to be necessary to send notice letters to the working
16 interest owners in that tract in Section 16, on which there
17 is no well?

18 A. That is correct.

19 Q. And Texaco will do that before August the 10th?

20 A. Yes, we will have that prepared and sent out.

21 Q. Were Exhibits A through F prepared by you?

22 A. Yes, sir.

23 Q. And compiled under your direction?

24 A. Yes, they were.

25 MR. CARR: At this time, Mr. Stogner, we would

1 move the admission into evidence of Texaco Exhibits A
2 through F.

3 EXAMINER STOGNER: Exhibits A through F in this
4 case will be admitted into evidence.

5 MR. CARR: And that concludes my direct
6 examination of Mr. Snure.

7 EXAMINATION

8 BY EXAMINER STOGNER:

9 Q. Let's see, that federal lease, that's SF-079600?

10 A. Yes, sir.

11 Q. And that takes in Sections 17 and 18?

12 A. Seventeen and 18, yes, sir.

13 Q. That Section 16 to the east, is that state or fee
14 or federal lease?

15 A. The -- It's either state or federal. I'm not
16 sure.

17 We're having that determined right now by a
18 federal abstract company.

19 Q. And once that's determined, then notice will go
20 out?

21 A. Yes, sir, that's correct.

22 EXAMINER STOGNER: Okay, nothing further.

23 MR. CARR: That concludes my direct examination
24 -- or my examination of this witness, and we would now call
25 Mr. Oberhansley.

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GARY OBERHANSLEY,

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

DIRECT EXAMINATION

BY MR. CARR:

Q. Mr. Oberhansley, have you made a geological study of the area surrounding the C.W. Roberts Well Number 4?

A. Yes, I have.

Q. Let's go to what has been marked Exhibit G.

A. Okay.

Q. Can you identify and review that briefly for Mr. Stogner?

A. This is a Gallup structure map. It's based on the top of the Gallup formation. Made reference --

Q. This is the same map that was presented in the previous case?

A. Yes.

Q. What is the structure -- How does it relate to the proposed C.W. Roberts Number 4 well?

A. The structure shows a -- again, a gentle north-to-northeast direction of dip, and -- as shown in the southwest quarter section, Section 17.

Q. Again, will you be drilling in a downdip as you go with the horizontal well?

A. We'll be drilling in a very slight downdip.

1 We're anticipating between 10 to 15 feet downdip.

2 Q. Let's go to Exhibit H, the first isopach. Can
3 you review this exhibit as it relates to the C.W. Roberts
4 Number 4 well?

5 A. This is the Upper and Lower Perforated Zone, the
6 total thickness of the Gallup formation.

7 Q. And what is the thickness you anticipate in this
8 area?

9 A. We anticipate between 300 and 340 feet.

10 Q. Based on your mapping of this area, do you have a
11 formation which in your opinion is a suitable formation for
12 a horizontal drilling project?

13 A. Yes.

14 Q. Do you foresee any problems with being able to
15 keep the wellbore within the subject formation?

16 A. No.

17 Q. All right, let's go to Exhibit I. Would you
18 again review this exhibit as it relates to the C.W. Roberts
19 Number 4 well?

20 A. This is an isopach on the Upper Perforated Zone
21 of the Gallup formation.

22 Q. What's the thickness of this upper interval in
23 this area?

24 A. We anticipate between 115 feet to 120 feet.

25 Q. Let's move to the cross-section, the following

1 exhibit. Start with the orientation map. Show the
2 location of the well and the trace for the cross-section,
3 and then review the data on the cross-section itself.

4 A. Okay. The index map shows the -- that we will be
5 entering into the Roberts Number 4 well, drilling in an
6 eastern direction.

7 The cross-section itself is tied to a well in
8 Section 18, which is the Roberts Number 3 well, and to the
9 well that we were referring to, the Roberts Number 4 well
10 in Section 17.

11 And then on the index map, again, we're showing a
12 target zone that is in an eastern direction, 2500 feet.

13 Q. If you were to pick one of these wells to be used
14 as a type log for the project area, which one would it be?

15 A. I would choose the Roberts Number 4 well.

16 Q. And is that entire log on file with the Oil
17 Conservation Division?

18 A. Yes, it is.

19 Q. What geologic conclusion have you reached from
20 your study of the area surrounding this well?

21 A. The conclusion is that we will be again drilling
22 in an adequately thick upper zone, zone of interest.
23 Structurally we will have no problem drilling a horizontal
24 leg.

25 Q. Were Exhibits G through I prepared by you?

1 A. Yes.

2 MR. CARR: At this time, Mr. Stogner, we move the
3 admission of Texaco Exhibits G through I.

4 EXAMINER STOGNER: Exhibits G through I will be
5 admitted into evidence.

6 MR. CARR: And that concludes my direct
7 examination of Mr. Oberhansley.

8 EXAMINER STOGNER: No questions.

9 MR. CARR: At this time we would call Mr. Smith.

10 PHILLIP W. SMITH,
11 the witness herein, after having been first duly sworn upon
12 his oath, was examined and testified as follows:

13 DIRECT EXAMINATION

14 BY MR. CARR:

15 Q. Mr. Smith, are you familiar with the proposed
16 Texaco C.W. Roberts Well Number 4?

17 A. Yes.

18 Q. Let's go to what has been marked Texaco Exhibit
19 K. Can you just identify and briefly review that for Mr.
20 Stogner?

21 A. Exhibit K is a wellbore schematic showing casing
22 and existing wellbore as it is right now.

23 We have 13 3/8 casing set at 323 feet. Cement
24 was circulated on it. We have 5-1/2-inch casing set at
25 8201, and it was cemented with 375 sacks of cement. The

1 estimated top of cement by temperature survey was 4970
2 feet. We also have a couple of retainers in there, and we
3 have plugged back and we are now producing out of the
4 Pictured Cliffs.

5 Q. Let's go to the next exhibit, Exhibit L. I would
6 ask you to use this exhibit and review for Mr. Stogner how
7 you propose to horizontally drill this well.

8 A. In Exhibit L, we've squeezed off the Pictured
9 Cliffs perforations and drilled out the retainers, we've
10 milled a hole in 40-foot section in the casing and kicked
11 off and drilled a 2500-foot lateral.

12 Q. What degree of angle do you intend to build in
13 this well?

14 A. Approximately 88 feet, 88.5 feet.

15 Q. And what is the depth to the kickoff point?

16 A. 6900 feet.

17 Q. And then the depth to the point at which you
18 would penetrate the Gallup oilfield, what would that be?

19 A. Estimated penetration point would be 6950 true
20 vertical depth.

21 Q. And again, you would be drilling a -- hopefully,
22 a horizontal hole of approximately 2500 feet?

23 A. That's correct.

24 Q. Is Exhibit Number M, or Letter M, a summary of
25 the methods to be applied by Texaco in drilling the

1 horizontal portion of this well?

2 A. Yes, it is.

3 Q. And are these the same procedures that Texaco
4 proposed in the preceding case to utilize in drilling the
5 McCulloch [sic] well?

6 A. Yes, it is.

7 Q. In your opinion, will the acreage dedicated to
8 the C.W. Roberts well in fact be drained by that well?

9 A. Yes, it will.

10 Q. Can you see a potential for any excess drainage
11 from any offsetting property?

12 A. No.

13 Q. Again, what is the estimated producing life of
14 this well if, in fact, it is successful?

15 A. Nineteen years.

16 Q. You'll again run a directional survey on the well
17 and make that available to the Oil Conservation Division as
18 soon as it is obtained?

19 A. Yes, we will.

20 Q. And when do you intend to commence this project?

21 A. This one should be ready to go late September or
22 early October.

23 Q. Is this the second well of the three that are
24 before the Division today?

25 A. Yes, it is.

1 Q. In your opinion, will approval of this
2 Application be in the best interests of conservation, the
3 prevention of waste and the protection of correlative
4 rights?

5 A. Yes, it will.

6 Q. Were Exhibits K through M prepared by you?

7 A. Yes.

8 MR. CARR: At this time, Mr. Stogner, we move the
9 admission of Texaco Exhibits K through M.

10 EXAMINER STOGNER: Exhibits K through M will be
11 admitted into evidence at this time.

12 MR. CARR: That concludes my direct examination
13 of Mr. Smith.

14 EXAMINATION

15 BY EXAMINER STOGNER:

16 Q. Is there any differences between the directional
17 drilling of this well, as opposed to the one in the
18 previous case?

19 A. No, there shouldn't be. I believe I noticed a
20 typographical error, though. There was -- It should say to
21 the east direction. I just noticed now that it was saying
22 to the west direction. Other than that, everything should
23 be the same.

24 MR. CARR: Is that in Exhibit M?

25 THE WITNESS: Yes, it would be.

1 Q. (By Examiner Stogner) Has there been any thought
2 on this well and perhaps the other two, when production is
3 depleted from this reservoir, how these wells will be
4 plugged and abandoned?

5 A. If it is depleted?

6 Q. Or when it's --

7 A. Oh, when it is depleted?

8 Q. Yeah, when the well becomes depleted?

9 A. I'm sure that we would call the Commission and
10 get their recommendation and then proceed as they would
11 suggest.

12 Q. Okay. Do you have any ideas at this point?

13 A. No, sir.

14 EXAMINER STOGNER: No other questions, Mr. Carr.

15 MR. CARR: That concludes our presentation in
16 this case, Mr. Stogner.

17 EXAMINER STOGNER: As with the other one, this
18 case will be continued to the August hearing, pending
19 notification requirements.

20 Please keep me posted and send copies of any --

21 MR. CARR: Yes, sir, we will.

22 EXAMINER STOGNER: -- letters.

23 (Thereupon, these proceedings were concluded at
24 2:05 p.m.)

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.

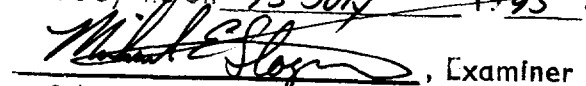
WITNESS MY HAND AND SEAL July 21st, 1995.



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 Examining Boarding of Case No. 11325,
record by me on 13 July 1995.


Michael S. Sloan, Examiner
Oil Conservation Division