

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. 12,473

APPLICATION OF HARVEY E. YATES COMPANY )  
 FOR A NONSTANDARD GAS SPACING AND )  
 PRORATION UNIT AND AN UNORTHODOX GAS )  
 WELL LOCATION, EDDY COUNTY, NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MARK ASHLEY, Hearing Examiner

August 10th, 2000

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MARK ASHLEY, Hearing Examiner on Thursday, August 10th, 2000, 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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 OIL CONSERVATION DIV.

## I N D E X

August 10th, 2000  
Examiner Hearing  
CASE NO. 12,473

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## A P P E A R A N C E S

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## FOR POGO PRODUCING COMPANY:

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 Santa Fe, New Mexico 87504

\* \* \*

1                   WHEREUPON, the following proceedings were had at  
2   10:12 a.m.:

3  
4  
5  
6                   EXAMINER ASHLEY: At this time the Division calls  
7   Case 12,473, Application of Harvey E. Yates Company for a  
8   nonstandard gas spacing and proration unit and an  
9   unorthodox gas well location, Eddy County, New Mexico.

10                  Call for appearances.

11                  MR. FELDEWERT: Michael Feldewert with the law  
12   firm of Campbell, Carr, Berge and Sheridan for the  
13   Applicant.

14                  EXAMINER ASHLEY: Additional appearances?

15                  MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,  
16   representing Pogo Producing Company. I'm just appearing  
17   here today in support of Heyco's Application.

18                  MR. FELDEWERT: Mr. Examiner, it appears that our  
19   first witness has stepped out for one minute. So if you  
20   could give us a little time?

21                  EXAMINER ASHLEY: That would be fine.

22                  (Off the record)

23                  EXAMINER ASHLEY: Will the witnesses please rise  
24   to be sworn in?

25                  (Thereupon, the witnesses were sworn.)

1                                VERNON D. DYER,

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

4                                DIRECT EXAMINATION

5        BY MR. FELDEWERT:

6                Q.     Mr. Dyer, would you please state your full name  
7        for the record?

8                A.     Vernon Duane Dyer.

9                Q.     And where do you reside?

10              A.     Roswell, New Mexico.

11              Q.     And by whom are you employed and in what  
12        capacity?

13              A.     Harvey E. Yates Company, I'm the land manager.

14              Q.     Have you previously testified before this  
15        Division or one of its Examiners and had your credentials  
16        as a petroleum landman accepted and made a matter of  
17        record?

18              A.     Yes, I have.

19              Q.     And are you familiar with the Application that's  
20        been filed in this case?

21              A.     Yes.

22              Q.     And are you familiar with the status of the lands  
23        in the subject area?

24              A.     Yes, I am.

25                      MR. FELDEWERT:    Mr. Examiner, are Mr. Dyer's

1 qualifications acceptable?

2 EXAMINER ASHLEY: They are.

3 Q. (By Mr. Feldewert) Would you briefly state for  
4 the Examiner what Harvey E. Yates Company seeks with this  
5 Application?

6 A. We seek a nonstandard gas spacing and proration  
7 unit comprised of Lots 1 and 2, the east half of the  
8 northwest quarter and the northeast quarter, being the  
9 north-half equivalent of Section 7, 20 South, 27 East, Eddy  
10 County, New Mexico, and an order approving an unorthodox  
11 gas location for our proposed Turner Federal "7" Deep Well  
12 Number 1, to be drilled at an unorthodox gas well location  
13 1980 feet from the north line and 660 from the west line,  
14 being unit E of Section 7.

15 Q. Section 7 is an irregular section; is that right?

16 A. Yes, yes.

17 Q. And you're unorthodox because you're going to be  
18 closer to the west line than what the pool rules allow; is  
19 that correct?

20 A. That is correct.

21 Q. All right. What is the primary objective of the  
22 proposed well?

23 A. The Morrow formation.

24 Q. And which pool is that in?

25 A. It's the McMillan-Morrow Gas Pool.

1 Q. Are there special pool rules in effect for the  
2 McMillan-Morrow Gas Pool?

3 A. Yes, there are.

4 Q. Do you have exhibits in front of you?

5 A. I have 1 in front of me.

6 Q. Would you describe for the Examiner Heyco Exhibit  
7 Number 1?

8 A. It's a copy of the McMillan-Morrow Gas Pool  
9 rules. It provides for a 640-acre spacing and proration  
10 unit and that the wells will be located no closer than 1650  
11 feet from the outer boundary of the section and no nearer  
12 than 330 feet to any governmental quarter quarter section.

13 And Heyco in this deal is seeking a north-half  
14 proration unit and location of 660 from the outer  
15 boundaries.

16 Q. Has an Application recently been heard by the  
17 Division to amend the McMillan-Morrow Gas Pool Rules?

18 A. Yes, it has, and it's subject to Case 12,463,  
19 heard on July the 13th, in which Pogo Producing Company  
20 seeks amendment of the special pool rules to provide for a  
21 four-well or 640-acre spacing unit with wells located no  
22 closer than 660 from the quarter-section line, nor closer  
23 than 10 feet from the quarter-quarter section line.

24 Q. Does Heyco's proposed well in this case comply  
25 with the special pool rules proposed by Pogo?

1           A.   Yes, if granted, the Heyco Application will not  
2 be necessary.

3           Q.   Okay, why don't you move to Heyco Exhibit Number  
4 2, and please describe that for the Examiner?

5           A.   It's a land plat showing the McMillan-Morrow Gas  
6 Pool, the five sections there, and then it's showing the  
7 nonstandard 320 in the south half of Number 7 that Pogo has  
8 for the Davis well, and then the nonstandard north half of  
9 Section 7 that we propose, and it shows the proposed Turner  
10 "7" Federal Deep Number 1 location in the north half of  
11 Section 7.

12          Q.   Is the north half of Section 7 the only acreage  
13 available in that section for a Morrow well?

14          A.   Yes, that's the reason for the request of the  
15 north nonstandard location.

16          Q.   Okay. What is the status of the development in  
17 the south half of Section 7?

18          A.   Section 7 is subject to Order Number R-11,308,  
19 which approved a nonstandard unit and unorthodox location  
20 in the south half of Section 7.

21          Q.   Okay, do you have Heyco Exhibit Number 3 in front  
22 of you?

23          A.   Yes.

24          Q.   Is that the order --

25          A.   That's the order, showing it entered January the



1 13th of 2000, Pogo is the operator, approved nonstandard  
2 320 gas spacing and proration unit comprising the south  
3 half of Section 7, dedicated to the Davis "7" Number 1  
4 well, which was drilled 660 from the south line and 660  
5 from the west line.

6 Q. Did Heyco have any objection to Pogo's proposed  
7 well?

8 A. No, Heyco waived all objection to this location  
9 and nonstandard unit.

10 Q. Where is the well that was approved by Pogo shown  
11 on Exhibit Number 2?

12 A. Number 2? It's in the southwest of the southwest  
13 quarter of Section 6.

14 Q. Okay. How does that compare to your proposed  
15 location in the north half of Section 7?

16 A. It's virtually identical to ours in Section 7.  
17 We were 660 and 330 from the quarter-section line. Same  
18 distance from the west line.

19 Q. Okay. What percentage of the working interest  
20 does Heyco own or represent in the north half of Section 7?

21 A. 100 percent.

22 Q. Do you have Exhibit Number 4 in front of you? Is  
23 Heyco Exhibit Number --

24 A. Yes, I do.

25 Q. Is Heyco Exhibit Number 4 an affidavit

1 establishing that notice of this Application was provided  
2 in accordance with the rules of the Oil Conservation  
3 Division?

4 A. Yes, it is.

5 Q. Have you received a response to these notice  
6 letters that went out? Let me have you turn to Heyco  
7 Exhibit Number 5.

8 A. Turn to Heyco Exhibit Number 5.

9 Q. Yes, it would be the next exhibit.

10 A. Oh, okay. Yes, I have. I get lost here in my --

11 Q. That's all right.

12 A. -- paperwork. I'll stay with you.

13 Q. Would you explain what Exhibit Number 5 is?

14 A. It's a letter from Jim Bruce, an attorney  
15 representing Pogo, stating that Pogo has no objection to  
16 the nonstandard location and...

17 Q. They have no objection to your Application?

18 A. They have no objection. I was taking a quick  
19 read to make sure I didn't leave anything out.

20 Q. Were Heyco Exhibits 1 through 5 prepared for you  
21 or compiled at your direction?

22 A. Yes, they were.

23 Q. Does Heyco request an expedited order on this  
24 Application?

25 A. Yes, we do. We have a rig ready to move on

1 location immediately.

2 MR. FELDEWERT: All right. Mr. Examiner, at this  
3 time I would move the admission into evidence of Heyco  
4 Exhibits 1 through 5.

5 EXAMINER ASHLEY: Exhibits 1 through 5 will be  
6 admitted as evidence.

7 MR. FELDEWERT: That concludes my direct  
8 examination of this witness.

9 EXAMINATION

10 BY EXAMINER ASHLEY:

11 Q. Mr. Dyer, who operates -- or who owns the  
12 interest in Section 12?

13 A. It is a combination of people that own the  
14 interest in it. We own some of it, but it's a split-up  
15 among quite a few parties.

16 Q. And they've all been notified?

17 A. And they were notified, yes.

18 Q. And that's part of Exhibit --

19 A. Part of the Application, or the affidavit.

20 Q. Okay.

21 A. They were listed there.

22 Q. Exhibit Number 4?

23 A. Yes.

24 Q. In the south half of Section 7, there's two other  
25 wells in that south half. Those have been abandoned?

1 A. Plugged.

2 Q. Plugged?

3 A. Yes.

4 Q. Were those also Morrow producers?

5 A. The one in the northeast of the southwest was a  
6 Morrow producer, because as the Heyco Davis "A" --

7 MR. YAHNEY: Heyco Davis -- Singer Davis.

8 THE WITNESS: Singer Davis "A" --

9 MR. YAHNEY: No "A".

10 THE WITNESS: Heyco Singer Davis Number 1 --

11 MR. YAHNEY: And the one in the southeast  
12 southeast is also a Morrow gas well.

13 THE WITNESS: Yes, and both are plugged at this  
14 time. Neither one of them made a lot of gas. I think that  
15 will be covered by the next witness.

16 Q. (By Examiner Ashley) Okay, what is this in  
17 Section 18, in the northwest northwest, there's a proposed  
18 Davis "18" Number 1?

19 A. That is a -- Pogo proposed well.

20 Q. Okay.

21 MR. FELDEWERT: Mr. Examiner, I would note for  
22 the record, I think this was an exhibit that Pogo used in  
23 an application.

24 EXAMINER ASHLEY: Okay.

25 MR. FELDEWERT: I'm looking at the legend at the

1 bottom.

2 EXAMINER ASHLEY: Okay, I see that.

3 THE WITNESS: Yes, this is the one they proposed.

4 EXAMINER ASHLEY: Okay, thank you. I have  
5 nothing further.

6 MR. FELDEWERT: Mr. Examiner, at this time then,  
7 we would call Mr. Gordon Yahney.

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

11 DIRECT EXAMINATION

12 BY MR. FELDEWERT:

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

14 A. My name is Gordon Yahney.

15 Q. Where do you reside, Mr. Yahney?

16 A. I reside in Roswell, New Mexico.

17 Q. And by whom are you employed?

18 A. I'm employed by Harvey E. Yates Company as chief  
19 geologist.

20 Q. Have you previously testified before this  
21 Division?

22 A. Yes, I have.

23 Q. At the time of that testimony, were your  
24 credentials as a geologist accepted and made a matter of  
25 public record?

1 A. Yes, sir, they were.

2 Q. Are you familiar with the Application filed in  
3 this case on behalf of Heyco?

4 A. Yes, sir.

5 Q. And have you made a technical study of the area  
6 surrounding the proposed well?

7 A. Yes, I have.

8 Q. And are you prepared to share the results of that  
9 study with the Examiner?

10 A. Yes.

11 MR. FELDEWERT: Mr. Examiner, are the witness's  
12 qualifications acceptable?

13 EXAMINER ASHLEY: They are.

14 Q. (By Mr. Feldewert) What is the primary objective  
15 of this proposed well?

16 A. The primary objective of the proposed well is the  
17 Morrow formation.

18 Q. And have you prepared exhibits for presentation  
19 which show this objective?

20 A. Yes, I have.

21 Q. Why don't you turn to what has been marked as  
22 Heyco Exhibit Number 6? Explain that for the Examiner,  
23 please.

24 A. Okay. Heyco Exhibit Number 6 is a middle Morrow  
25 net sand map, isolith map. The middle Morrow is the upper

1 of two clastic producing zones in southeastern New Mexico.  
2 The pay zone for the McMillan-Morrow Pool is in the middle  
3 Morrow part of the Morrow section, and the map here shows  
4 our proposed Turner "7" Federal Deep Number 1 location in  
5 the southwest of the northwest of Section 7. It also shows  
6 the Pogo Davis well, which was completed earlier this year  
7 in the southwest of the southwest of Section 7.

8 Q. Is that the well that was the subject of the  
9 order which has been marked as an exhibit in this case?

10 A. That is correct.

11 Q. Okay. The middle Morrow is shown how here? Is  
12 that the dark yellow, deep yellow?

13 A. The middle Morrow sand thickness is marked in  
14 yellow. The deeper yellow colors are greater thicknesses  
15 of middle Morrow sands. The middle Morrow is picked here  
16 basically on a gamma-ray cutoff from the electric logs.

17 Q. There's a well that is shown in Section 7, about  
18 in the middle of that. Do you know what well that is?

19 A. That well is the Heyco Singer Davis well. It's  
20 currently in the south-half proration unit which is  
21 operated by Pogo.

22 Q. Is that well producing at this time?

23 A. That well is not producing at this time. It was  
24 productive from the middle Morrow section, and it cum'd  
25 roughly about 125 million.

1 Q. Was that an orthodox well?

2 A. That well was an orthodox well for the McMillan  
3 field pool rules at the time. It was drilled in about  
4 1976.

5 Q. Does this map show it right at the edge of the  
6 pay zone in the deep yellow; is that right?

7 A. That's correct.

8 Q. Why don't you turn to Exhibit Number 7 and  
9 explain that for the Examiner, please?

10 A. Okay. Exhibit Number 7 is a Morrow structure  
11 map. It was prepared by a gentleman by the name of Turner  
12 Wynn. He was chief geologist for Heyco in the late 1960s  
13 and middle 1970s. I have attached to that particular map a  
14 type log to show you the section that was in the Hondo  
15 Singer "C". That well was in Section 18, in the southeast  
16 of the northwest quarter.

17 Superimposed on top of the structure map for the  
18 Morrow formation there is the -- what has been identified  
19 as the M-3 or Morrow 3 channel sand map, and it shows a  
20 black line depicting what Turner thought was to be the axis  
21 of the channel, and a red dashed line out on the edge which  
22 showed pretty much the depositional limit of that  
23 particular sand channel.

24 The M-3 designation of his roughly corresponds to  
25 what Pogo calls the Singer sand that was mentioned in some



1 of the previous hearings.

2 Q. Okay, it shows your well on here; is that  
3 correct?

4 A. The map has been annotated to show the Pogo Davis  
5 well in the southwest of the southwest of Section 7. It's  
6 also been annotated to show the proposed location for the  
7 Heyco Turner "7" Federal Deep in the southwest of the  
8 northwest.

9 If you notice also on this map, there is a  
10 location up in 6. This was a standard location for the  
11 McMillan field pool rules, and it was something that Turner  
12 thought might be done in 1976. This map was constructed at  
13 that point for the drilling of the Heyco Singer Davis well.

14 When the Heyco Singer Davis well came in with  
15 roughly 20 foot of net sand in that particular interval,  
16 and it was broken up, and the production turned out to  
17 decline quite rapidly, and it only cum'd 125 million, we  
18 did not proceed with the further development of the  
19 McMillan-Morrow Pool at that time.

20 And we thought that probably from this map --  
21 Turner probably thought that the channel was to the west of  
22 the Singer Davis well, and the subsequent drilling now of  
23 the Pogo Davis well has shown that the thick channel sand  
24 is to the west of that particular location.

25 Q. Would you turn now to Exhibit Number 8 and

1 identify that for the Examiner, please?

2 A. Exhibit Number 8 is a southwest-to-northeast  
3 cross-section. It's an Atoka-Morrow cross-section for  
4 the -- It runs from the Pogo Davis well on the left,  
5 through the Heyco Turner location, to the Yates Federal  
6 Deep well in Section 5 and then over to the OXY Fig Newton  
7 well in Section 4.

8 It's annotated with the Atoka and Morrow tops, as  
9 well as the -- it's highlighted to show neutron density  
10 crossover gas effect or potential gas pay in the Morrow  
11 section, and the extent of the lower middle Morrow or  
12 Singer sand, M-3 channel section, has been marked in there  
13 in yellow.

14 Q. Now, the Pogo Davis "7" well is, again, the well  
15 that was the subject of the unorthodox location order  
16 that's been marked as Exhibit 3?

17 A. That's correct.

18 Q. Okay. What conclusions have you reached from  
19 your geologic study?

20 A. The conclusions, that our unorthodox location for  
21 the current McMillan field pools would be the best possible  
22 location from which to produce the remaining Morrow  
23 reserves in the north half of Section 7.

24 Q. In your opinion, will the granting of this  
25 Application and the drilling of the proposed well be in the

1 best interests of conservation, the prevention of waste and  
2 the protection of correlative rights?

3 A. Yes, it will.

4 Q. Were Exhibits Number 6 through 8 prepared by you  
5 or at your direction?

6 A. Yes, they were.

7 MR. FELDEWERT: Mr. Examiner, I would at this  
8 point move the admission into evidence of Heyco Exhibit  
9 Numbers 6 through 8.

10 EXAMINER ASHLEY: Exhibits 6 through 8 will be  
11 admitted as evidence.

12 MR. FELDEWERT: And that concludes my  
13 presentation at this time.

14 EXAMINATION

15 BY EXAMINER ASHLEY:

16 Q. Mr. Yahney, on Exhibit Number 6 --

17 A. Uh-huh.

18 Q. -- the well symbols that you have in there --

19 A. Yes, sir.

20 Q. -- there's one in Section 18 that's a little  
21 bigger than the rest of them. Is there any significance to  
22 that?

23 A. That well is the Hondo Singer "C" or Heyco Hondo  
24 Singer "C". The size of it -- It is the type log that's on  
25 the Exhibit Number 7, but the size of that particular well

1 is bigger because of the -- in this particular map the  
2 production was bubbled, so a bigger producing well has a  
3 bigger well symbol. That well has produced over 6 BCF of  
4 gas.

5 Q. That well is not on the cross-section, is it?

6 A. That well is not on the cross-section that I have  
7 provided you. If you -- Let me see here. That well is on  
8 the cross-section that was provided to you by Pogo, I  
9 think. Let me look real quick.

10 Q. Are you talking about presented in the case --

11 A. I guess it was not. It was not, excuse me. It  
12 was not either on that cross-section. But that is the log  
13 that's on the Exhibit 7 as your type log for the section.

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

15 A. As far as I know, Pogo has gone back into that  
16 particular well and done some sort of investigative work,  
17 and I do not know how they have left it. You know, it was  
18 plugged by us in the mid-1980s, and they have gone back in  
19 there for information or to try to re-establish production.  
20 I do not know what they found.

21 Q. And that's production from this middle Morrow  
22 sand?

23 A. That's correct. The 6 BCF was from a correlative  
24 interval to the expected pay.

25 Q. How much pay do you need to encounter in order

1 for this well to be successful?

2 A. I would think that we would want to see something  
3 in the neighborhood of 30 feet. And it's kind of more  
4 important that we see that package of sand as pretty much  
5 one sand, instead of an interfingered edge-type of a  
6 situation of the channel.

7 Q. And what porosity cutoff would you use?

8 A. Generally for Morrow sands, I use about an  
9 8-percent cutoff. The original Hondo Singer well that  
10 you've got there as a type log, that's a sonic log, and I  
11 have not -- It's rather difficult to calculate the porosity  
12 there to give a good, accurate thickness for that.

13 But according to the documentation that was  
14 submitted by Pogo, they expect the Pogo Davis "7", which  
15 encountered 30-some feet of sand, to have an EUR in the  
16 neighborhood of 2 BCF of gas, which is quite economical  
17 with current gas prices.

18 Q. Now, can you tell me again which wells in this  
19 area are currently producing from the McMillan-Morrow Gas  
20 Pool? I'm looking at Exhibit Number 6. If you have a  
21 better exhibit --

22 A. I do not particularly have a better exhibit to  
23 show that. Currently producing from this pool, I believe,  
24 are the well in Section 13 and the well in Section 19. And  
25 the posting that I'm using for this map does not

1 necessarily show that a well was plugged when it has been.

2 It shows that it has cum'd gas, and the gas symbol reflects  
3 that, but it doesn't show that it's been plugged.

4 EXAMINER ASHLEY: I have nothing further, thank  
5 you.

6 MR. FELDEWERT: Thank you, Mr. Examiner.

7 EXAMINER ASHLEY: There being nothing further in  
8 this case, Case 12,473 will be taken under advisement.

9 (Thereupon, these proceedings were concluded at  
10 10:41 a.m.)

11 \* \* \*

12  
13  
14  
15  
16 I ~~do~~ hereby certify that the foregoing is  
17 a complete record of the proceedings in  
18 the Examiner hearing of Case No. 12473.  
19 heard by me on 8-10-00 at 10.  
20 Hank Ashley, Examiner  
21 Of Conservation Division  
22  
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 August 12th, 2000.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 14, 2002