

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date JANUARY 6, 1994 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
Maurice Trimmer	Bryann Co.	SF
James Bruce	Hinkle Law Firm	SF
Gene Dan	Santa Fe Energy	Midland, Tx.
JAMES STRICKLER	SANTA FE ENERGY	Midland, TX
Steve Brenner	Cumbre Court Reporting	SF.
W. Kellbain	Kellbain + Kellbain	Santa Fe
William F. Sam	Tamplin, Sam, Fox + Anderson	Santa Fe.
Jeff Stanchbury	Meridian Oil	Midland, TX
Rich Sauley	" "	" "
Marcus Thomson	" "	" "
Wesley Swere	" "	" "
Maurice Gados	" "	" "
GARY GREER	AMERADA HESS CORP.	MONUMENT, N.M.
Vic Lyon	Gas Co / N.M.	Santa Fe

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. 10,890

APPLICATION OF SANTA FE ENERGY)
OPERATING PARTNERS, L.P.)
_____)

ORIGINALREPORTER'S TRANSCRIPT OF PROCEEDINGSEXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

January 6th, 1994

Santa Fe, New Mexico JAN 28 1994

This matter came on for hearing before the Oil
Conservation Division on Thursday, January 6th, 1994, at
Morgan Hall, State Land Office Building, 310 Old Santa Fe
Trail, Santa Fe, New Mexico, before Steven T. Brenner,
Certified Court Reporter No. 7 for the State of New Mexico.

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I N D E X

January 6th, 1994
 Examiner Hearing
 CASE NO. 10,890

PAGE

APPEARANCES

3

APPLICANT'S WITNESSES:

JAMES STRICKLER

Direct Examination by Mr. Bruce
 Examination by Examiner Stogner

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GENE DAVIS

Direct Examination by Mr. Bruce
 Examination by Examiner Stogner

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REPORTER'S CERTIFICATE

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* * *

E X H I B I T S

	Identified	Admitted
Exhibit 1	6	10
Exhibit 2	8	10
Exhibit 3	12	13

* * *

A P P E A R A N C E S

FOR THE DIVISION:

ROBERT G. STOVALL
Attorney at Law
Legal Counsel to the Division
State Land Office Building
Santa Fe, New Mexico 87504

FOR THE APPLICANT:

HINKLE, COX, EATON, COFFIELD & HENSLEY
218 Montezuma
P.O. Box 2068
Santa Fe, New Mexico 87504-2068
By: JAMES G. BRUCE

* * *

1 WHEREUPON, the following proceedings were had at
2 8:23 a.m.:

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12 EXAMINER STOGNER: This hearing will come to
13 order for Docket Number 1-94. Please note today's date,
14 January 6th, 1994. I'm Michael E. Stogner, the appointed
15 Hearing Examiner for today's cases.

16 At this time I'll call Case Number 10,890.

17 MR. STOVALL: Application of Santa Fe Operating
18 Partners, L.P., for an unorthodox oil well location, Lea
19 County, New Mexico.

20 EXAMINER STOGNER: Call for appearances.

21 MR. BRUCE: Mr. Examiner, my name is Jim Bruce
22 from the Hinkle law firm in Santa Fe, representing the
23 Applicant.

24 I have two witnesses.

25 EXAMINER STOGNER: Are there any other

1 appearances?

2 Will the witnesses please stand at this time and
3 be sworn?

4 (Thereupon, the witnesses were sworn.)

5 EXAMINER STOGNER: Mr. Bruce?

6 JAMES STRICKLER,

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

9 DIRECT EXAMINATION

10 BY MR. BRUCE:

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

12 A. James Strickler.

13 Q. And where do you reside?

14 A. Midland, Texas.

15 Q. Who do you work for and in what capacity?

16 A. I work for Santa Fe Energy Resources, Inc. I'm a
17 senior staff landman for Santa Fe.

18 Q. Have you previously testified before the
19 Division?

20 A. No.

21 Q. Would you please outline your educational and
22 work background?

23 A. I have a bachelor's of business administration in
24 petroleum land management from the University of Texas at
25 Austin.

1 Q. And where have you worked since you graduated?

2 A. I worked seven and a half years for Union Oil
3 Company of California and the past nine and a half years
4 for Santa Fe Energy.

5 Q. And in both companies you were a landman?

6 A. Yes, sir.

7 Q. And does your area of responsibility include
8 southeast New Mexico?

9 A. Yes, it does.

10 Q. And are you familiar with the land matters
11 involved in this case?

12 A. Yes, I am.

13 MR. BRUCE: Mr. Examiner, I tender Mr. Strickler
14 as an expert petroleum landman.

15 EXAMINER STOGNER: Mr. Strickler is so qualified.

16 Q. (By Mr. Bruce) Briefly, Mr. Strickler, what does
17 Santa Fe Energy seek in this case?

18 A. We seek an unorthodox well location for a well to
19 be drilled in the South Corbin-Wolfcamp Pool.

20 Q. Would you identify Exhibit 1, the land plat, and
21 describe its contents for the Examiner?

22 A. Exhibit 1 is a land plat of the area, which
23 outlines the south half of the northwest quarter well unit,
24 and the proposed well location being 2130 from the north
25 line and 990 from the west line of Section 5.

1 Q. What are the well-location requirements in this
2 pool, the South Corbin-Wolfcamp Pool?

3 A. Under Order Number R-8181-B, wells are spaced on
4 80-acres and a well must be within 150 feet of the center
5 of the quarter quarter section.

6 Q. Why did Santa Fe move its well to its proposed
7 location?

8 A. There's a well at 1980 from the north line and
9 660 from the west line. Santa Fe does not want to move to
10 the southeast quarter of the northwest quarter, for reasons
11 to be described by our geologist.

12 Q. Now, referring to Exhibit 1, you're moving to the
13 south and to the east. Who is the offset operator in the
14 north half, southwest quarter of Section 5?

15 A. James H. Yates, Inc.

16 Q. No, just the operator.

17 A. Oh, the operator would be -- It's Santa Fe.

18 Q. Okay. Santa Fe is the --

19 A. We're the operator in the north half of the
20 southwest quarter.

21 Q. Okay. On this land plat it's marked Santa Fe
22 interest acreage. Who are the interest owners in that
23 acreage, other than Santa Fe?

24 A. Okay, James H. Yates, Inc.; Colkelan, or --
25 excuse me, correction -- C-o-l-k-e-l-a-n Corporation;

1 Harvey E. Yates Company; Heyco Development Company; Spiral,
2 Inc.; Explorers Petroleum Corporation; Heyco Employees,
3 LTD. Those are the working interest owners in the north
4 half of the southwest quarter.

5 Q. And did you notify those working interest owners
6 of this Application?

7 A. Yes, we did.

8 Q. And is Exhibit 2 your affidavit of notice?

9 A. Yes.

10 MR. BRUCE: Mr. Examiner, for your information,
11 we -- The letters were sent by certified mail. We forgot
12 to bring the green cards with us. We would ask permission
13 to submit those to you later today or tomorrow.

14 EXAMINER STOGNER: That should be acceptable.

15 THE WITNESS: May I say something?

16 MR. BRUCE: Sure.

17 THE WITNESS: In addition to sending notices to
18 our working interest owners in the north half of the
19 north -- Excuse me, the north half of the southwest
20 quarter, we also sent notices to Zachary Oil Operating
21 Company, Cross Timbers Operating Company and OXY USA, Inc,
22 as a courtesy.

23 Q. (By Mr. Bruce) Okay. OXY owns -- is actually
24 the owner of the acreage in the subject well?

25 A. That is correct.

1 Q. Owner of record?

2 A. That's right. We have a farmout from OXY.

3 Q. Okay. And what is the relationship of those
4 other two companies, Zachary and -- ?

5 A. They're in the north section, the offsetting
6 section to the north and to the west.

7 Q. Okay. Now, Santa Fe has this acreage under a
8 farmout with OXY. Is there a drilling deadline you have to
9 meet?

10 A. Yes, sir, we have a deadline of January 22nd of
11 this month.

12 Q. Okay. So if possible, you would like an order to
13 be issued by that time?

14 A. Yes, please.

15 Q. Is this federal acreage?

16 A. Yes, it is.

17 Q. And has Santa Fe applied for an APD with the
18 Bureau of Land Management?

19 A. Yes, we have, and we have approval, yesterday,
20 January 5th.

21 Q. Were Exhibits 1 and 2 prepared by you or under
22 your direction?

23 A. Yes, it was prepared by me.

24 Q. And in your opinion is the granting of this
25 Application in the interest of conservation and the

1 prevention of waste?

2 A. Yes.

3 MR. BRUCE: Mr. Examiner, at this time I move the
4 admission of Santa Fe Exhibits 1 and 2.

5 EXAMINER STOGNER: Exhibits 1 and 2 will be
6 admitted into evidence.

7 EXAMINATION

8 BY EXAMINER STOGNER:

9 Q. Mr. Strickler, you seem to have knowledge about
10 the South Corbin -- I'm sorry, the -- yeah, the South
11 Corbin-Wolfcamp Pool. Do you know what the pool boundaries
12 are?

13 A. No, sir, I don't.

14 Q. Is it inside the pool boundary?

15 A. Yes, sir, this Section 5 is inside the pool
16 boundary, but I don't know the entire pool configuration or
17 how many sections it includes. I know it includes Section
18 5, all of Section 5. I was focusing my attention on
19 Section 5.

20 Q. Are there -- Is there any other Wolfcamp well in
21 that -- in the proposed proration unit?

22 A. No, sir.

23 EXAMINER STOGNER: At this time I have no other
24 questions of Mr. Strickler.

25 MR. BRUCE: Call Mr. Davis to the stand.

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GENE DAVIS,

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

DIRECT EXAMINATION

BY MR BRUCE:

Q. Would you please state your name and city of
residence?

A. My name is Gene Davis, and I live in Midland,
Texas.

Q. And who do you work for and in what capacity?

A. I work for Santa Fe Energy Resources. I'm their
geological/geophysical manager.

Q. Have you previously testified before the
Division?

A. Yes, I have.

Q. And were your credentials as an expert geologist
accepted as a matter of record?

A. Yes, they were.

Q. And are you familiar with the geology in this
pool?

A. Yes, I am.

MR. BRUCE: Mr. Examiner, I tender Mr. Davis as
an expert petroleum geologist.

EXAMINER STOGNER: Mr. Davis is so qualified.

Q. (By Mr. Bruce) Mr. DAVIS, would you please refer

1 to Exhibit 3 and discuss the geological reason for the
2 location of this well?

3 A. Exhibit 3 is an isopach map of the Wolfcamp "AF"
4 clean carbonate zone. It is the zone that is productive in
5 the wells that are shown to have hexagons around them.
6 You'll notice that there are eight of those in Section 5
7 and the north half of Section 8, total wells that are
8 producing from that zone.

9 This isopach map of the clean carbonate interval,
10 you can see that the thickness, or the greatest thickness,
11 of that interval basically trends in a direction of
12 northwest to southeast across the subject acreage, and the
13 well that we are wishing to drill is going to be drilling
14 right in the heart of that thick interval.

15 Q. So geologically, the southwest quarter of the
16 northwest quarter is -- appears to be somewhat better than
17 the southeast quarter of the northwest quarter?

18 A. That's correct, it does.

19 Q. And also there appears to be a well drilling
20 pattern here. Could you discuss that?

21 A. The rules for the South Corbin-Wolfcamp field are
22 80-acre proration units, and they have approximate 80-acre
23 drainage.

24 We have basically been drilling this pool on a
25 diagonal well pattern, and the subject well that we wish to

1 drill, we'll be maintaining that pattern in that field.

2 Q. Was Exhibit 3 prepared by you or under your
3 direction?

4 A. Yes, it was.

5 Q. And in your opinion, is the granting of this
6 Application in the interests of conservation and the
7 prevention of waste?

8 A. Yes, it is.

9 MR. BRUCE: Mr. Examiner, I move the admission of
10 Exhibit 3.

11 EXAMINER STOGNER: Exhibit 3 will be admitted
12 into evidence.

13 EXAMINATION

14 BY EXAMINER STOGNER:

15 Q. On your Exhibit Number 3, there show some other
16 black dots back to the west and up to the north, one up to
17 the north, of the proposed proration unit. Are those
18 Wolfcamp wells, or are those deeper or shallower
19 production?

20 A. Mr. Examiner, the wells that show there in the
21 northwest quarter, one is labeled Number 1, and the other
22 is labeled Number 6 -- the 6 is kind of hard to read --
23 those are both Queen wells.

24 Q. And --

25 A. And the wells -- Excuse me, the wells in

1 section -- the section that you asked about, Section 6,
2 those are also Queen wells, save and except the one well
3 that would be in the -- Let's see if I can get the location
4 for you.

5 It would be 1980 from the south and 660 off the
6 east line. It has a dryhole symbol around it, and it has a
7 black dot in the center; it's labeled Number 1. That's a
8 recent well that's been drilled by the Harvey E. Yates
9 Corporation to the Wolfcamp.

10 Q. Now, did that well test dry, or --

11 A. To the best of my knowledge, they are having
12 problems completing the well in the subject zone, which is
13 this "AF" carbonate zone. They evidently have some cement
14 problems, and I don't know the current status of that
15 completion.

16 Q. Do you know if it had any production?

17 A. To the best of my knowledge, it has had no
18 production to date.

19 But I believe there was a shallow well at that
20 location at one time, and that well must have been plugged,
21 because they drilled very close to that location.

22 Q. Do you want to go into a little more detail why
23 you feel it's important to keep that diagonal pattern like
24 you do, like you have --

25 A. Certainly.

1 Q. -- as opposed to breaking it by drilling a well
2 at a standard location back to the east?

3 A. Certainly. Basically, the isopach map is just of
4 the clean carbonate interval that's present in that
5 particular horizon in the Wolfcamp formation. It's a
6 detrital formation here, and that detrital lens is
7 basically filling a subsea channel that was carved out by
8 turbidity currents basically being derived from a reef to
9 the north. These detrital sediments filled that submarine
10 canyon.

11 And the porosity trends that we see basically
12 mirror the thickness trends. And it's very important,
13 obviously, to have porosity in order to have a productive
14 well.

15 And we have found the best wells that are in the
16 field currently are the wells that are the thickest, where
17 we encounter the thickest section of the Wolfcamp "AF"
18 clean carbonate. And we feel that it's very important to
19 drill the well in the particular location that we have
20 staked, because we will be able to encounter the thickest
21 amount of section, therefore having the best chance of
22 making a significantly good producer.

23 Q. I was asking more about the pattern, as opposed
24 to the --

25 A. Well, the pattern, we've basically set up that

1 pattern as we've drilled along, and we've been able to
2 maintain that pattern even though that -- you know, we've
3 drilled a couple wells that were a little tighter, wells
4 that have values of 56 and 66 to the east of the location.

5 But we feel that this location here will give us
6 the best chance of actually encountering the zone that we
7 wish to encounter.

8 Q. You brought up the pattern, I didn't, and so far
9 you haven't answered that question.

10 A. Well, maybe I don't quite understand the
11 question.

12 Q. Well, you mentioned about the pattern already
13 existing.

14 A. Yes, sir.

15 Q. Why do you want to keep the pattern going? Why
16 is it important to any other future wells to keep the
17 pattern going? I'm asking a simple question --

18 A. I understand --

19 Q. -- but you just seem to be avoiding it; I don't
20 know why.

21 A. Well, I don't quite understand the question, but
22 I --

23 Q. Okay, well, I don't know why you brought the
24 pattern up if it's not an issue, which it appears it is
25 not.

1 On this map there shows to be an aqueduct --

2 A. Yes, sir.

3 Q. -- that's the same distance between A and C.

4 What is the aqueduct?

5 A. My understanding is, that is a freshwater
6 aqueduct that is coming from the caprock area, and it runs
7 to Carlsbad. It's their freshwater drinking supply.

8 Q. And how far is this well from that?

9 A. I don't know the exact distance, but my guess is,
10 it's about a hundred feet, maybe a little less than that.

11 Q. The old well that is being avoided, do you know
12 what formation that was completed in?

13 A. My understanding, it was completed from the Queen
14 formation in 1956.

15 Q. Is it still producing?

16 A. Yes, it is. It's being operated by OXY.

17 Q. Was it important to Southland to keep a minimum
18 distance from that well?

19 A. I'm sorry, Southland?

20 Q. Yeah -- I'm sorry, was it important for Santa Fe
21 to keep a minimum distance from that well?

22 A. We elected to drill it as close as possible to
23 the actual -- what would be the legal location in the 80-
24 acre proration unit.

25 But we also wanted to keep it as close as

1 possible to being the heart of the thick zone of the "AF"
2 carbonate zone as mapped.

3 Q. I'm sorry, you said as close -- closest to a
4 legal location?

5 A. Well, within reason, obviously. We want to stay
6 within a distance to that particular legal location, but we
7 also want to stay in the heart of the thick zone that we
8 have there.

9 We want -- Obviously, we had to avoid the
10 aqueduct, so we moved to the south and east.

11 Q. So the 150-foot radius really wasn't enough to
12 avoid the aqueduct?

13 A. To the best of my knowledge, no, it was not.

14 EXAMINER STOGNER: Okay. Any other questions of
15 this witness?

16 MR. BRUCE: Just one, Mr. Examiner.

17 On the diagonal, Mr. Davis, I think you --

18 EXAMINER STOGNER: Well, I think he answered that
19 question, quite adequate for me. That wasn't an issue.

20 MR. BRUCE: Okay. Well, I was just going to have
21 him reiterate that there was 80-acre drainage.

22 EXAMINER STOGNER: Oh, I heard what he said.
23 There wasn't any issue to keep the pattern.

24 Anything further of Mr. Davis?

25 If not, he may be excused.

1 Mr. Bruce, do you have anything further?

2 MR. BRUCE: No.

3 EXAMINER STOGNER: Does anybody else have
4 anything further in Case 10,890?

5 This case will be taken under advisement.

6 (Thereupon, these proceedings were concluded at
7 8:40 a.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 January 16th, 1994.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1994

I do hereby certify that the foregoing is
 a complete record of the proceedings before
 the Examiner hearing of Case No. 10890
 heard by me on 16 January 1994

Steven T. Brenner, Examiner
 Oil Conservation Division