

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date JANUARY 20, 1994 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
Maurice Guinner	Byram Co.	SF
Jerry Hoover	Conoco Inc.	Midland TX
David Nelson	Conoco Inc.	Midland
Joe Miller	Conoco Inc.	Midland
DAMIAN BARRETT	CONOCO INC	MIDLAND
Ernie & Carol	Lone Law Firm	Artesia
Steve Summer	Cumbre Consulting	SF
Curtis Anderson	Collins & Moore, Inc.	Midland
W. J. Kellahan	Kellahan & Kellahan	Schroder
James Bruce	Hinkle Law Firm	"
MIKE BURCH	YATES PETRO. CORP.	ARTESIA
Jim Wakefield	Keiser - Francis	Tulsa, OK
Alan Bence	✓	✓
DAVE BONEAU	YATES PETROLEUM CORP	ARTESIA
DAVE SMITH / DIANNE PERSALL	SAMEDAN OIL CORP.	HOUSTON, TX
GARY HOOSE	POGO PRODUCING COMPANY	MIDLAND
Mark Stortfer	Pogo Producing	Houston, TX
CHARLES VANDERDALE	T. SCOTT HICKMAN & ASSOCIATES	MIDLAND
Richard L. Christ	Pogo Producing Co	Midland, TX

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. 10,892
)	
APPLICATION OF COLLINS & WARE,)	
INC.)	
_____)	

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

January 20th, 1994

Santa Fe, New Mexico

FEB 22 1994

This matter came on for hearing before the Oil Conservation Division on Thursday, January 20th, 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.

* * *

I N D E X

January 20, 1994
 Examiner Hearing
 CASE NO. 10,892

PAGE
 3

APPEARANCES

APPLICANT'S WITNESSES:

CURTIS A. ANDERSON

Direct Examination by Mr. Carr

Examination by Examiner Catanach

4
 11

REPORTER'S CERTIFICATE

15

* * *

E X H I B I T S

	Identified	Admitted
Exhibit 1	6	11
Exhibit 2	7	11
Exhibit 3	8	11
Exhibit 4	9	11
Exhibit 5	10	11

* * *

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:

CAMPBELL, CARR, BERGE & SHERIDAN, 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: We'll go ahead and call the
4 first case, 10,892, this morning, which is the Application
5 of Collins and Ware, Inc., for an unorthodox gas well
6 location, Eddy County, New Mexico.

7 Are there appearances in this case?

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 I represent Collins and Ware, Inc., and I have
12 one witness.

13 EXAMINER CATANACH: Any additional appearances?
14 Will the witness please stand and be sworn in?

15 CURTIS A. ANDERSON,
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. Will you state your name for the record, please?

21 A. My name is Curtis Anderson.

22 Q. And where do you reside?

23 A. In Midland, Texas.

24 Q. By whom are you employed?

25 A. Collins and Ware, Inc.

1 Q. And what is your current position with Collins
2 and Ware?

3 A. I'm a geologist.

4 Q. Mr. Anderson, have you previously testified
5 before the Oil Conservation Division?

6 A. Yes, I have.

7 Q. And at the time of that testimony were your
8 credentials as a petroleum geologist accepted and made a
9 matter of record?

10 A. Yes.

11 Q. Are you familiar with the Application filed on
12 behalf of Collins and Ware in this case?

13 A. Yes, I am.

14 Q. And are you familiar with the proposed Butch
15 Federal Well Number 1?

16 A. Yes.

17 MR. CARR: Are Mr. Anderson's qualifications
18 acceptable?

19 EXAMINER CATANACH: They are.

20 Q. (By Mr. Carr) Would you briefly state what
21 Collins and Ware seeks with this Application?

22 A. We seek to gain approval for an unorthodox gas
23 well location for the Yates formation, located 360 feet
24 from the north line, 660 feet from the east line, in
25 Section 29 of 20 South, 28 East, Eddy County, New Mexico.

1 Q. And you're proposing to drill to the Yates Seven
2 Rivers formation?

3 A. That's correct.

4 Q. Would you be testing any other formations?

5 A. No.

6 Q. Will this well be wildcat in the Yates?

7 A. Yes.

8 Q. And to what depth are you proposing to drill?

9 A. 800 feet.

10 Q. Mr. Anderson, why is Collins and Ware proposing
11 to locate this well at this particular location?

12 A. Because of the topographic and geological
13 situation.

14 Q. And the geologic considerations are what has
15 caused this matter to come before the Division for hearing?

16 A. That's correct.

17 Q. All right. Let's go through what has been marked
18 Collins and Ware Exhibit Number 1. Would you identify this
19 for Mr. Catanach and then review it, please?

20 A. Yes, this is an orientation plat or ownership map
21 of the subject area. It's at a scale of 1 to 4000.

22 Indicated in red is the location for the proposed
23 well. Indicated in yellow is the proration unit for the
24 said well, located in Section 29 of 20 south, 28 east.

25 Q. And who offsets this location to the north?

1 A. To the north is -- There's a well located in the
2 southeast of the southwest that's operated by Yates
3 Petroleum in Artesia, communitized south half.

4 Q. And what about to the northeast?

5 A. Northeast is Vision Energy.

6 Q. And those are the only two offset operators
7 toward whom you are moving this location?

8 A. That's correct.

9 Q. All right. Let's move to Collins and Ware
10 Exhibit 2. Would you identify and review that?

11 A. Exhibit Number 2 is a topographic map of the
12 subject area. Again, the proration unit and Collins and
13 Ware acreage is indicated in yellow, and the proposed
14 location for the Butch Federal Number 1, both the original
15 location, which you can see is located within an area of
16 sinkholes, as designated by the BLM, and the new location
17 as proposed by the BLM, which is located 300 feet to the
18 north.

19 Q. Now, this area that you've indicated being --
20 this circle in which you're written "sink holes", that is
21 in fact an area that was defined for you by the Bureau of
22 Land Management?

23 A. That's correct.

24 Q. All right. Let's go to Exhibit Number 3. What
25 is this?

1 A. Exhibit Number 3 is a structure map that is drawn
2 on top of the Yates formation. It is at a scale of 1 to
3 1000.

4 Indicated acreage on here, the proration unit is
5 stippled, proposed locations are indicated in red, Yates
6 producers in this area are colored solid brown, wells that
7 had significant shows from the Yates formation are colored
8 in half brown, and the current industry location is --
9 proposed location to be drilled by Vision Energy, colored
10 in yellow.

11 This map demonstrates an east-west trending nose
12 as contoured on top of the Yates formation.

13 The original location at 660 from the north and
14 east in Section 29, as we showed before, was unacceptable
15 due to topographic reasons. BLM requested that we move the
16 location. We selected moving it to the north, because that
17 is in an updip direction. By moving updip in this
18 formation, I feel like that we can efficiently drain the
19 proration unit.

20 Q. Now, this exhibit also shows a porosity pinchout,
21 does it not?

22 A. That's correct, a porosity pinchout as
23 demonstrated by subsurface information in the area shows
24 that the producing reservoir terminates to the north and to
25 the west.

1 Q. All right, let's just identify what has been
2 marked Collins and Ware Exhibit Number 4.

3 A. Number 4 is just a type log of a nearby well
4 located in the southwest of the southwest of Section 21,
5 and it shows the objective formation, which is the Yates
6 formation. It shows the top of that formation, which the
7 structure map is contoured on, and the productive interval
8 for this particular area.

9 Q. Okay, Mr. Anderson, let's go back to Exhibit
10 Number 3 for a minute.

11 If you were -- If you attempted to drill a Yates
12 well on this spacing unit at a standard location in the
13 southeast of the northeast of 29, what would that do, in
14 your opinion, to the chances of making a successful well in
15 the area?

16 A. I think you would be seriously affecting your
17 success in that you would be moving in a downdip or
18 downstructure direction. I also feel like it would not
19 efficiently drain this particular proration unit.

20 Q. Is there an oil leg that also is a concern in
21 this area?

22 A. Yes, sir. At approximately the plus 2500-foot
23 contour, located in section 28 in the southeast quarter of
24 the northwest quarter, there's a little dryhole symbol
25 there. That's a well that was drilled for the Yates

1 formation and encountered it to be oil-productive but did
2 not make a well because of either the completion or that it
3 was just too tight to produce the very viscous fluid.

4 Q. So based on your geological interpretation, it is
5 not prudent to develop this tract with a well in the
6 southeast of the northeast?

7 A. That's correct.

8 Q. What about the west half of the northeast?

9 A. As you move west from our location, you increase
10 the risk of not encountering your sand altogether.

11 Q. So at a standard location you might be beyond the
12 porosity pinchout?

13 A. That's correct.

14 Q. Is Exhibit Number 5 a notice affidavit confirming
15 that notice of this Application has been provided as
16 required by OCD rules?

17 A. Yes, it is.

18 Q. And has notice been given to both of the
19 offsetting operators toward whom this well location is
20 being moved?

21 A. Yes.

22 Q. Were Exhibits 1 through 4 prepared by you?

23 A. That's correct.

24 Q. And Exhibit 5 is the notice affidavit?

25 A. That's correct.

1 MR. CARR: At this time, Mr. Catanach, we would
2 move the admission of Collins and Ware Exhibits 1 through
3 5.

4 EXAMINER CATANACH: Exhibits 1 through 5 will be
5 admitted as evidence.

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

8 EXAMINATION

9 BY EXAMINER CATANACH:

10 Q. Mr. Anderson, Exxon and Pennzoil are also offset
11 operators?

12 A. Pennzoil has an interest underneath the well that
13 Yates operates in the south half of Section 20, so they
14 were notified. Exxon was an interest owner over in Section
15 28. In effect, we notified them in error. We are not
16 encroaching upon their interest, nor do they own an
17 interest over there anymore.

18 Q. The offset operator in Section 21 is Vision
19 Energy?

20 A. That is correct.

21 Q. They actually -- Do they operate those Yates
22 wells in that --

23 A. They operate the Yates well located in the
24 southwest of the southwest, and they also are proposing to
25 drill the well -- or proposed location indicated in yellow

1 on Exhibit 3.

2 Q. This, the well you're proposing, really isn't a
3 wildcat, right? It's within a mile of an existing Yates
4 well?

5 A. According to the information that we had up till
6 now, if it has been placed in a pool it's been very recent
7 information. The information that we've got, production
8 history up till when I had it checked was -- it's still
9 indicated as a wildcat location.

10 Q. Exhibit Number 2, the sinkhole area that you've
11 got mapped out there by the dashed line --

12 A. Yes, sir.

13 Q. -- where did that come from, or how was that
14 drawn into that map or located?

15 A. This came from a document that the Bureau of Land
16 Management provided us with, indicating an area of
17 sinkholes. This just further clarifies and makes plainer
18 the area of existence of these sinkholes. The original
19 exhibit was very cluttered.

20 Q. Was your well actually staked at a standard
21 location?

22 A. That's correct.

23 Q. And BLM would not approve it?

24 A. That is correct. BLM representatives came out to
25 that location and said we're going to have to move it

1 somewhere. So we directed them north.

2 Q. That was the 660/660 location?

3 A. That's correct, and that's standard.

4 Q. How did you determine the Yates sand porosity
5 pinchout line?

6 A. That was from the subsurface information gathered
7 from the existing wells in the area. Generally from
8 southeast to northwest across this mapped area, you have an
9 abundance of sand to the southeast, which shrinks by at
10 least three-fourths, which means you've lost 75 percent of
11 your sand package by the time you go from Section 28 up to
12 Section 20. And that includes the productive sand.

13 Q. Is the Yates the predominant producing formation,
14 or does the Seven Rivers contribute some to it?

15 A. In this case, I think it's just the Yates. Now,
16 it's slang to call it Yates Seven Rivers.

17 Q. If you move south, you lose structure?

18 A. Structural advantage, that's correct.

19 Q. Do you think structure is important?

20 A. Well, I think it is inefficiently draining this
21 160. I think you could make a well to the south, but I
22 think your area of drainage -- you would encourage, I
23 think, waste, especially to the north half of your
24 proration unit.

25 Q. And a move to the west, you testified, you would

1 begin to lose sand thickness?

2 A. You would lose sand thickness. Somewhere between
3 the proposed locations and the wells -- the gas wells
4 indicated over to the west and southwest -- the one to the
5 west, located in the southeast of the northwest, somewhere
6 between our proposed location and that well, you've lost
7 your sand, and I've dashed it in at the point where I have
8 it. In fact, it could be within 600 feet, versus the
9 roughly 1200 feet that -- It just adds risk to the venture.

10 Q. Uh-huh. You haven't had any contact with any of
11 the offset operators? You don't know if anybody has any
12 problem with your location?

13 A. We have received no opposition to it. I have
14 talked with representatives at Vision Energy, because we
15 are cooperating in this manner, and they're going to give
16 us information from their well, we will give them from our
17 well, et cetera.

18 EXAMINER CATANACH: I have nothing further.

19 MR. CARR: We have nothing further in this case,
20 Mr. Catanach.

21 EXAMINER CATANACH: There being nothing further,
22 Case 10,892 will be taken under advisement.

23 (Thereupon, these proceedings were concluded at
24 8:30 a.m.)

25 * * *


1 CERTIFICATE OF REPORTER

2
3 STATE OF NEW MEXICO)
4) SS.
5 COUNTY OF SANTA FE)

6 I, Steven T. Brenner, Certified Court Reporter
7 and Notary Public, HEREBY CERTIFY that the foregoing
8 transcript of proceedings before the Oil Conservation
9 Division was reported by me; that I transcribed my notes;
10 and that the foregoing is a true and accurate record of the
11 proceedings.

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

16 WITNESS MY HAND AND SEAL February 7th, 1994.

17 
18 _____
19 STEVEN T. BRENNER
20 CCR No. 7

21 My commission expires: October 14, 1994

22
23 I do hereby certify that the foregoing is
24 a complete record of the proceedings in
the Examiner hearing of Case No. 10812,
heard by me on January 2 1994.

25 
_____, Examiner
Oil Conservation Division