

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. 10,898
)	
HEARING CALLED BY THE OIL)	
CONSERVATION DIVISION ON ITS OWN)	
MOTION (Reopened))	
)	

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

September 7th, 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, September 7th, 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.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

I N D E X

September 7th, 1995
 Examiner Hearing
 CASE NO. 10,898

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APPLICANT'S WITNESSES:	
<u>DAVID F. BONEAU</u> (Engineer)	
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* * *

A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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Artesia, New Mexico 88211-0239
By: ERNEST L. CARROLL

* * *

1 WHEREUPON, the following proceedings were had at
2 10:22 a.m.:

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5 EXAMINER STOGNER: At this time I will call
6 reopened Case 10,898.

7 MR. RAND CARROLL: In the matter of Case Number
8 10,898 being reopened pursuant to the provisions of
9 Division Order Number R-10,056, which promulgated special
10 pool rules and regulations for the Penasco Draw-Wolfcamp
11 Pool in Eddy County, New Mexico, including a provision for
12 160-acre spacing and proration units and designated well
13 location requirements.

14 EXAMINER STOGNER: At this time I'll call for
15 appearances.

16 MR. CARROLL: Mr. Examiner, my name is Ernest
17 Carroll of the Artesia law firm of Losee, Carson, Haas and
18 Carroll, and I'm here today on behalf of Yates Petroleum,
19 and I will have one witness.

20 EXAMINER STOGNER: Any other appearances in this
21 matter?

22 Will the witness please stand, which he is, to be
23 sworn?

24 (Thereupon, the witness was sworn.)

25 EXAMINER STOGNER: Mr. Carroll?

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DAVID F. BONEAU,

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

DIRECT EXAMINATION

BY MR. ERNEST CARROLL:

Q. Would you please state your name, residence and occupation for the record?

A. My name is David Francis Boneau. I live in Artesia, New Mexico, where I work as an engineer for Yates Petroleum Corporation.

Q. Mr. Boneau, this case, Number 10,898, were you present to testify and did you testify at the original hearing on this matter?

A. Yes, the original hearing was about 18 months ago, and I testified at that time.

Q. Have you had occasion, then, to review the matters contained -- or with which this case is concerned, and are you here today prepared to testify concerning those matters from an engineering standpoint?

A. Yes, sir.

Q. Mr. Examiner, I -- And I guess also, for the record, you have testified as a petroleum engineer before and had your credentials accepted by the Division, have you not, Mr. Boneau?

A. I have done that, yes, sir.

1 MR. ERNEST CARROLL: Mr. Examiner, I would tender
2 Mr. Boneau as an expert in the field of petroleum
3 engineering.

4 EXAMINER STOGNER: Mr. Dave Boneau is so
5 qualified.

6 Q. (By Mr. Ernest Carroll) Mr. Boneau, you've told
7 us that you previously testified in this matter
8 approximately 18 months ago. At that time, Yates Petroleum
9 was -- advocated the specific temporary rules that were
10 adopted, did they not?

11 A. We advocated the rules that were adopted. We
12 actually asked to make them permanent at that time, but
13 they were made temporary, and now we're back to talk about
14 it again.

15 Q. All right. Now, you have prepared certain
16 exhibits for presentation to the Examiner, have you not?

17 A. Yes, sir.

18 Q. All right, why don't you start with your Exhibit
19 Number 1, and if you would identify it for the record and
20 then explain its significance to Yates' position today.

21 A. Okay. We are here asking that the temporary
22 rules be made permanent. Basically, we have two things to
23 tell the Examiner. First is a little story about what's
24 happened in the pool since January of 1994 and, second, to
25 show him that the production data from the well with the

1 most history is consistent with that 160-acre spacing.

2 So our Exhibit Number 1 is a map that shows the
3 Penasco Draw-Wolfcamp Pool. It's spaced on 160 acres, and
4 the two spacing units colored in blue are the extent of the
5 Penasco Draw-Wolfcamp Pool.

6 There are five wells on the map in Section 34,
7 and those are the five wells where completions have been
8 attempted in this Wolfcamp pool. So the map locates the
9 area we're talking about.

10 I'd like to move on to Exhibit 2, which is a
11 listing of those wells, and it probably works best to look
12 at the map and the list together. But Exhibit 2 shows some
13 basic data about the five wells where completions have been
14 attempted, and they're all Yates wells, they're all in
15 Section 34 of 18 South, 25 East, Eddy County, New Mexico.

16 The initial well, the only well that existed when
17 we were here 18 months ago, is the Scout EH Number 5 in the
18 northwest quarter of the section. It was originally a
19 Morrow well that Yates recompleted to the Wolfcamp. At the
20 time we were here, it had about one month of production,
21 one month's worth of production, and to say it was going to
22 drain 160 acres was a prediction, but there wasn't a whole
23 lot of real data to back that up.

24 Now, the well has produced 28,000 barrels of oil
25 and is still producing 100 barrels a day, and it's a real

1 nice Wolfcamp producing well.

2 The rest of the story is not as wonderful.

3 The second well, the next well that Yates
4 attempted, is the one called Rio Penasco OJ 1, and that's
5 located in the southeast quarter of the section. It also
6 had been a Morrow well. Yates attempted a recompletion in
7 the Wolfcamp in 1994, and we eventually gave up on the zone
8 and made it a small Atoka well, but we were unsuccessful in
9 completing that well into the Wolfcamp.

10 The third well, chronologically, is the one
11 called Rio Penasco RT 2, which is in the southwest quarter
12 of the section, a newly drilled well, with the target of
13 this new Wolfcamp pool. That RT Number 2 well came up dry,
14 P-and-A'd it.

15 The fourth well in the story is the one at the
16 top of the page, the Scout EH Number 3. It had been a
17 shallow -- Well, it was drilled as a Morrow well, a
18 dryhole, it had been made a Yeso well back in the 1970s,
19 and then in late 1994 Yates deepened it and ran casing
20 across this Wolfcamp zone. And in October of 1994, we
21 completed it. It's been on line and has a cum of -- Well,
22 a small cum, but it's really a new well, 7000 barrels. But
23 it's making about 60 barrels a day, and it's going to be a
24 decent well.

25 The fifth well in the story is in the middle of

1 the page, the Scout EH Number 6, and in the spring of this
2 year, Yates drilled that well as a new well to test this
3 Wolfcamp zone. Both these last wells are in the northeast
4 quarter. And this new well, the Scout EH 6, is making
5 about 20 or 25 barrels a day. It's a small well, not a
6 really great well.

7 So there's been -- When we were here last time,
8 there was one well. That well has turned out to be by far
9 the best well. We have attempted this Wolfcamp zone in
10 four other wells. We have three producers, and we have two
11 failures.

12 So that's pretty much the story of what's
13 happened in this pool in the time since the first
14 reincarnation of this case.

15 The other thing I'd like to show is more in
16 detail how the original well, the well we have a lot of
17 history on, is doing, and so Exhibit Number 3 is a
18 production plot of the oil from the Scout EH Number 5.

19 It originally made close to 300 barrels a day.
20 It's still flowing 100 barrels a day. It has cumulated
21 82,102 barrels of oil, and our projection and our forecast
22 is that it will produce another 170,000 barrels of oil for
23 ultimate recovery of 252,000 barrels of oil.

24 Exhibit Number 4, then, is a calculation of the
25 drainage area that you need to recover 252,000 barrels of

1 oil, and the answer is at the bottom of the page on page 1
2 of Exhibit 4, and that area is 150 acres.

3 Exhibit 4 also includes pictures of the logs and
4 the log analysis and some other things to back up the
5 calculation.

6 But the calculated drainage area of that original
7 well, the Scout EH Number 5, is 150 acres, and we submit
8 that's representative of allowing 160 acres as a spacing
9 unit for this pool and really quite strong support for
10 keeping the temporary pool rules and making them permanent.

11 Q. Right. Mr. Boneau, with respect to the issues
12 that the Oil Conservation Commission must concern
13 themselves with, and that being the prevention of waste and
14 the protection of correlative rights, do you feel that if
15 the Commission made permanent the temporary rules, which
16 the major deviation from the normal is the adoption of the
17 160-acre spacing and proration unit -- do you feel that
18 making these rules permanent with that inclusion of the
19 160-acre unit -- do you feel that that is consistent with
20 the prevention of waste and the protection of correlative
21 rights?

22 A. Yes, I do, very definitely do. This Scout 5 well
23 is draining -- It's draining 160 acres. It's draining way
24 more than 40 acres, for sure.

25 Q. All right. Mr. Boneau, is there anything further

1 that you would like to present to the Commission with
2 respect to the exhibits that you have here?

3 A. No, sir, I think this tells the story pretty
4 straightforward and pretty simply, pretty quickly, I hope.

5 MR. ERNEST CARROLL: All right. Mr. Examiner, at
6 this time I would move admission of Yates Exhibits 1
7 through 4.

8 EXAMINER STOGNER: Exhibits 1 through 4 will be
9 admitted into evidence at this time.

10 MR. ERNEST CARROLL: And I have no further
11 questions of this witness.

12 EXAMINATION

13 BY EXAMINER STOGNER:

14 Q. Mr. Boneau, I wasn't the original hearing
15 examiner, but on that first well, the Scout EH Number 5,
16 how was that completed? Did that have any stimulation, or
17 how did Yates complete that well?

18 A. It has a -- I wouldn't call it small, but a
19 medium-size acid job, something -- 5000 barrels of acid or
20 2000 barrels of -- not barrels, gallons. Obviously, I
21 don't remember exactly, but something like 2000 gallons,
22 5000 gallons of acid. It's not fractured. This is a
23 limestone reservoir, this is a limestone reservoir. It has
24 a relatively small acid job. That's all that was done to
25 it.

1 Q. How about the other wells? Were they completed
2 essentially the same way, with a small acid job?

3 A. Essentially. Some of the ones are tighter on the
4 -- or, you know, have lower poro- -- The reason the other
5 wells aren't as good is not that the zone isn't there; it's
6 that the porosity tends to go away or is less wonderful.
7 And some of the newer wells have had bigger acid jobs in an
8 attempt to, you know, communicate with more of the
9 reservoir.

10 The good well, the Scout 5, has porosity like 20
11 percent. And the other wells don't, they have maybe a
12 maximum porosity around 10 percent. So again, this is a
13 story where the first well hit the wonderful spot, and we
14 haven't found any other wonderful spot around it.

15 Q. Is there any natural fracturing in this
16 limestone?

17 A. There's not evidence in what we have of natural
18 fracturing, no.

19 Q. Are there any other plans for additional offsets
20 in the near future?

21 A. I think not. I think that we have tried about as
22 hard and as long as seems prudent to do. It looks like we
23 have a three-well field.

24 EXAMINER STOGNER: Are there any other questions
25 of Dr. Boneau?

1 MR. ERNEST CARROLL: Nothing else.

2 EXAMINER STOGNER: You may be excused.

3 Does anybody else have anything further in
4 reopened Case 10,898?

5 Then this case will be taken under advisement.

6 (Thereupon, these proceedings were concluded at
7 10:35 a.m.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 10898 (Reopened)
heard by me on 2 September 1985.
Michael E. Stogner, Examiner
Oil Conservation Division

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 11th, 1995.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998