

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 ODYSSEY PARTNERS,)
 LTD.)

CASE NO. 10,980

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

May 26, 1994

Santa Fe, New Mexico

This matter came on for hearing before the Oil
 Conservation Division on Thursday, May 26, 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

May 26, 1994
 Examiner Hearing
 CASE NO. 10,980

PAGE

APPEARANCES

3

APPLICANT'S WITNESSES:

PHILIP R. RICE

Direct Examination by Mr. Carr

4

Examination by Examiner Catanach

10

JACK AHLEN

Direct Examination by Mr. Carr

11

Examination by Examiner Catanach

19

REPORTER'S CERTIFICATE

23

* * *

E X H I B I T S

	Identified	Admitted
Exhibit 1	7	10
Exhibit 2	7	10
Exhibit 3	9	10
Exhibit 4	12	19
Exhibit 5	13	19
Exhibit 6	14	19
Exhibit 7	15	19
Exhibit 8	18	19

* * *

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
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 9:45 a.m.:

3 EXAMINER CATANACH: At this time we'll call case
4 10,980.

5 MR. CARROLL: Application of Odyssey Partners,
6 Ltd., for a unit agreement and an unorthodox oil well
7 location, Lea County, New Mexico.

8 EXAMINER CATANACH: Are there appearances in this
9 case?

10 MR. CARR: May it please the Examiner, my name is
11 William F. Carr with the Santa Fe law firm Campbell, Carr,
12 Berge and Sheridan.

13 I represent Odyssey Partners, Ltd., and I have
14 two witnesses.

15 EXAMINER CATANACH: Are there any other
16 appearances?

17 Will the witnesses please stand to be sworn in?

18 (Thereupon, the witnesses were sworn.)

19 PHILIP R. RICE,
20 the witness herein, after having been first duly sworn upon
21 his oath, was examined and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. CARR:

24 Q. Will you state your name for the record, please?

25 A. My name is Philip R. Rice.

1 Q. Where do you reside?

2 A. Dallas, Texas.

3 Q. By whom are you employed and in what capacity?

4 A. I'm an independent landman and currently employed
5 by Odyssey Petroleum.

6 Q. Have you previously testified before this
7 Division?

8 A. No, I have not.

9 Q. Would you briefly review for Mr. Catanach your
10 educational background and then summarize your work
11 experience?

12 A. I was graduated at the University of Oklahoma in
13 petroleum land management. I'm a certified professional
14 landman. I have 14 years' experience.

15 Q. Mr. Rice, are you familiar with the Application
16 filed in this case on behalf of Odyssey Partners, Ltd.?

17 A. Yes, I am.

18 Q. And are you familiar with the proposed Marigold
19 Unit and the Kinsolving 7 Well Number 2?

20 A. Yes, I am.

21 MR. CARR: Mr. Catanach, at this time we tender
22 Mr. Rice as an expert witness in petroleum land matters.

23 EXAMINER CATANACH: Mr. Rich is so qualified.

24 Q. (By Mr. Carr) Would you briefly state what
25 Odyssey Partners seeks with this Application?

1 A. Odyssey is seeking the approval of the Marigold
2 Unit and approval of an unorthodox well location.

3 Q. And the well we're talking about is the
4 Kinsolving 7 Well Number 2?

5 A. That is correct.

6 Q. And what is the proposed unorthodox location for
7 that well?

8 A. The approximate location is 100 feet from the
9 south line of -- excuse me, from the north line of Section
10 7 and 2075 feet from the east line.

11 Q. And this is in Township 12 South, Range 38 East?

12 A. Correct.

13 Q. In fact, you're just 100 feet from the offsetting
14 tract to the north?

15 A. That is correct.

16 Q. Now, Mr. Rice, there are two 40-acre tracts that
17 are being included in the proposed unit; is that right?

18 A. That is correct.

19 Q. And so the proposed well, the Kinsolving 7 Number
20 2, is actually located just 100 feet off the center of the
21 unit?

22 A. Right.

23 Q. Have you prepared certain exhibits for
24 presentation here today?

25 A. Yes, sir.

1 Q. Let's go to what has been marked Odyssey Exhibit
2 Number 1. Would you identify this and review it for Mr.
3 Catanach?

4 A. The Exhibit Number 1 is a land plat that depicts
5 the 80-acre unit, 40 acres being in Section 6, which is a
6 federal lease -- Yates Petroleum is the lessee -- and 40
7 acres in Section 7, which is a fee tract.

8 Q. And the proposed location is also indicated on
9 this exhibit?

10 A. Yes, sir, in the middle of the exhibit, in the
11 middle of the tract.

12 Q. Let's go now to Exhibit Number 2. Will you
13 identify this for the Examiner?

14 A. Exhibit 2 is the unit agreement for the Marigold
15 Unit. Attached to that agreement as Exhibit B is an
16 ownership breakdown.

17 Q. And this ownership breakdown shows both the
18 working and royalty interests in the proposed unit?

19 A. Yes, sir, that is correct.

20 Q. Is this unit agreement on the recommended federal
21 form?

22 A. Yes, sir.

23 Q. Has the unit area been designated by the Minerals
24 Management Service as an area logically suited for
25 development under a unit plan?

1 A. We have been in touch with Mr. Lopez down there,
2 and he has given his graces subject to the outcome of this
3 hearing.

4 Q. And has he agreed to provide you with a letter
5 giving preliminary approval of the unit area?

6 A. Yes, sir, he has.

7 MR. CARR: Mr. Catanach, we were advised
8 yesterday by Mr. Lopez that BLM would approve the unit
9 area. The letter has been mailed to us, and we will
10 provide a copy to the Division as soon as it is received.

11 Q. (By Mr. Carr) Mr. Rice, what percentage of the
12 interest ownership in the unit area has been voluntarily
13 committed to this agreement?

14 A. The partners of the agreement, Yates and Odyssey,
15 Yates have executed it in all their capacities, the unit
16 agreement, and with Odyssey's it will be 100 percent.

17 Q. So there are no outstanding working interests
18 that haven't been voluntarily been committed to this
19 effort?

20 A. That is correct.

21 Q. Does Odyssey request to be designated unit
22 operator?

23 A. Yes, sir.

24 Q. And what is the primary objective in this unit?

25 A. The test will be a 12,000-foot Devonian.

1 Q. And what horizons are being unitized in this unit
2 agreement?

3 A. We are proposing to unitize all formations from
4 the surface to the base of the Devonian formation.

5 Q. How soon does Odyssey plan to drill the initial
6 test well, or actually the only well in the unit?

7 A. The only well will be drilled prior to August 1st
8 of this year.

9 Q. In your opinion, will approval of this
10 Application be in the best interests of conservation, the
11 prevention of waste and the protection of correlative
12 rights?

13 A. Yes, sir.

14 Q. And all interest owners have, in fact,
15 voluntarily committed to the development of the Devonian
16 under this unit plan?

17 A. That is correct.

18 Q. Is Exhibit Number 3 a copy of an affidavit
19 confirming that notice of this Application has been
20 provided, as required by Oil Conservation Division rules?

21 A. That is correct, and it has notified all current
22 record holders.

23 Q. Will Odyssey also call a geological witness to
24 review the technical aspects of this Application?

25 A. Yes, sir, we will.

1 Q. Were Exhibits 1, 2 and 3 prepared by you or
2 compiled under your direction?

3 A. They were.

4 MR. CARR: At this time, Mr. Catanach, I move the
5 admission of Odyssey Partners, Ltd., Exhibits 1 through 3.

6 EXAMINER CATANACH: Exhibits 1 through 3 will be
7 admitted as evidence.

8 MR. CARR: And that concludes my direct
9 examination of Mr. Rice.

10 EXAMINATION

11 BY EXAMINER CATANACH:

12 Q. Mr. Rice, who is Robert B. Byron?

13 A. Robert Byron was an agent of Odyssey's that
14 acquired farmout from Dwight Tipton, who's the current
15 operator of record of Section 7.

16 Subsequent to that, Robert assigned all of his
17 interests to Odyssey.

18 Q. What did you say the name of this well was?

19 A. This will be the Kinsolving 7.

20 Q. Can you spell that for me?

21 A. K-i-n-s-o-l-v-i-n-g.

22 Q. Okay.

23 A. It's my understanding is the current surface
24 owner.

25 Q. Okay, Number 1?

1 A. Number 2, 7-2 Well.

2 Q. 7-2 Well. And the surface location is proposed
3 to be 100 feet from the north line, 2075 feet from the east
4 line?

5 A. Yes, sir.

6 EXAMINER CATANACH: Okay. I have nothing
7 further. The witness may be excused.

8 MR. CARR: Mr. Catanach, at this time we call
9 Jack Ahlen.

10 JACK AHLEN,
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. CATANACH:

15 Q. Will you state your name for the record, please?

16 A. Jack Ahlen.

17 Q. And where do you reside?

18 A. Roswell, New Mexico.

19 Q. By whom are you employed and in what capacity?

20 A. Odyssey Partners, Ltd., in the capacity of
21 consulting geologist.

22 Q. Mr. Ahlen, have you previously testified before
23 this Division?

24 A. Yes, sir, I have.

25 Q. At the time of that testimony, were your

1 credentials as an expert witness in petroleum geology
2 accepted and made a matter of record?

3 A. Yes, sir, they were.

4 Q. Are you familiar with the Application filed in
5 this case on behalf of Odyssey Partners, Limited?

6 A. Yes, I am.

7 Q. And are you familiar with the area surrounding
8 the proposed unit and the proposed unorthodox well
9 location?

10 A. Yes, I am.

11 MR. CARR: Mr. Catanach, are the witness's
12 qualifications acceptable?

13 EXAMINER CATANACH: They are.

14 Q. (By Mr. Carr) Mr. Ahlen, have you prepared
15 exhibits for presentation here today?

16 A. Yes, sir.

17 Q. Could you refer to what has been marked Odyssey
18 Exhibit 4 and identify this and review it for the Examiner?

19 A. Exhibit Number 4 is a structure map on the top of
20 the Fusselman formation of the Gladiola field.

21 It extends through parts of Township 11 and 12
22 South, 37 and 38 East, runs approximately five miles north-
23 south and three miles east-west.

24 It shows the general structural configuration of
25 the Gladiola field. It also shows the proposed unorthodox

1 location, which is marked by the large black arrow.

2 Q. What is the relationship of the Fusselman to the
3 Devonian in this area?

4 A. I consider them to be synonyms.

5 Q. And so basically here what we're looking at is a
6 depiction of the top of the Devonian?

7 A. Yes, sir.

8 Q. Let's go to Odyssey Exhibit 5. Will you identify
9 this for Mr. Catanach?

10 A. Odyssey Exhibit Number 5 is two cross-sections,
11 A-A' and B-B'. They run -- Each of them run east-west,
12 immediately to the north of the proposed well and
13 immediately south of the proposed well. A-A' is the wells
14 to the north, and B-B' are the wells to the south.

15 The wells are named with the administrative
16 details shown on the caption above each well, and the well
17 name, location, elevation and such are noted on the top of
18 each of those well tags.

19 Shown on the electric logs themselves are the
20 formations which is called the top of the Mississippian
21 lime, the top of the Woodford shale and the top of the
22 Devonian formation.

23 These are structure cross-sections, and they are
24 datumized on the minus-8000-foot-below-sea-level datum.

25 Immediately below each well are shown the

1 perforated interval, the initial potential of each of the
2 wells, the completion date, the plugging date, and the
3 cumulative production for each of those wells from the
4 Devonian, and in one instance there's also some Wolfcamp
5 production.

6 Q. This exhibit -- These cross-sections provide a
7 general depiction of the Devonian in the subject area; is
8 that right?

9 A. That is correct.

10 Q. Let's go now to Odyssey Exhibit Number 6. Will
11 you identify and then review this exhibit for Mr. Catanach?

12 A. Odyssey Exhibit Number 6 is two illustrations as
13 well, illustrations of the 3-D seismic lines, the critical
14 ones that go through the well location. One is line 92 and
15 the other is line 73 of the seismic survey that was run
16 over a portion of the northern part of the Gladiola field.

17 We are looking at only a part of the record and
18 that part of the section that is critical to the prospect.
19 We're looking at the time interval 1.35 seconds to 1.65
20 seconds, which includes the lower part of the Pennsylvanian
21 formation, the Mississippian formation, and the top of the
22 Devonian/Fusselman formation.

23 If you will note -- Excuse me, the illustration
24 on the left is a north-south seismic line. The
25 illustration on the right is an east-west seismic line.

1 On the extreme right of each of those
2 illustrations, down near 1.600 seconds, are the letters
3 DAP1. That is the symbol for the top of the Devonian
4 formation.

5 The black cones that you see lined up there,
6 essentially is a depiction of the surface of the Devonian
7 formation on these two lines.

8 You'll note that there's -- On the right
9 illustration there's a relatively straight line with a
10 capital letter F at the top of that, and that means fault.
11 The configuration that you see there is essentially showing
12 a small pop-up fault block that causes the Devonian
13 formation to be higher at that particular location than
14 immediately adjacent to it.

15 Q. Mr. Ahlen, if we go to the top of this exhibit,
16 there's an arrow at the top of each of the seismic lines,
17 is there not?

18 A. Yes, that is the location of the proposed new
19 well.

20 Q. If we go to the next exhibit, Exhibit Number 7 on
21 the structure map, there also is a trace that shows the
22 location of each of these seismic lines; is that also true?

23 A. That is correct.

24 Q. All right. Let's stay with Exhibit Number 7, and
25 I'd ask you to first review the production history map on

1 the right-hand side of that exhibit, and then the structure
2 map.

3 A. Thank you. There are two illustrations on
4 Exhibit 7 as well.

5 The right-hand illustration is an administrative
6 map in which it shows the -- It shows well names, it shows
7 the locations of wells, it shows temporary or abandonment
8 dates, it also shows cumulative production for the various
9 formations that have produced in this area.

10 Dv. is an abbreviation for Devonian. Wc. is an
11 abbreviation for Wolfcamp. Ms. is an abbreviation for
12 Mississippian.

13 The previous exhibit cross-sections are shown on
14 this map as A-A' and B-B'. The proposed location is also
15 indicated on this map with the double circle.

16 On the left illustration of this exhibit is a 3-D
17 seismic map illustrating the reason for the proposed new
18 well.

19 The closing contour is the subsea datum of 8080,
20 located entirely within the recommended unit area. You
21 will note that the structural anomaly is divided
22 approximately in half by the common section line between
23 Section 6 and Section 7.

24 We propose that the income derived from
25 production be divided essentially 50-50 on the basis of

1 this -- that half of the volume of the new part of the
2 reservoir is in each section, and therefore appropriately
3 belongs to those individuals owning rights in each of those
4 two 40s in that proportion.

5 The proposed location is above the datum minus
6 8020. We expect that this well will be approximately 60 to
7 70 feet above or structurally higher than wells that have
8 been drilled in the immediate vicinity and that the oil
9 that was trapped in this small structure is still contained
10 within what some people call the attic portion of this
11 trap.

12 We feel as though a well drilled at that location
13 will adequately drain this particular structure.

14 Q. Now, Mr. Ahlen, you've been involved with other
15 efforts to develop the small Devonian pods?

16 A. Yes, sir.

17 Q. Do you have an opinion as to what the reservoir
18 drive mechanism may be?

19 A. In the Fusselman formation it's primarily water
20 drive.

21 Q. And is the proposed location at the highest
22 possible location on this structure?

23 A. It is very near the highest possible location,
24 within the quality of the data involved.

25 Q. And therefore, a well at this location would

1 enable Odyssey to produce the oil and not leave attic oil
2 behind?

3 A. Correct.

4 Q. In your opinion, will approval of this
5 Application result in the -- and the drilling of this well,
6 result in the recovery of hydrocarbons that otherwise would
7 not be recovered?

8 A. Yes, it is.

9 Q. Will the approval of the Application otherwise be
10 in the best interests of conservation and the prevention of
11 waste?

12 A. Yes, sir.

13 Q. Could you identify what has been marked as
14 Odyssey Exhibit Number 8?

15 A. Yes. Exhibit Number 8 is a letter that I mailed
16 to the Bureau of Land Management in reference to the
17 Marigold Unit area, requesting their approval of the unit
18 and specifying the details which we've just gone through.

19 Q. And this basically summarizes your geological
20 presentation?

21 A. Yes, sir, it does.

22 Q. Were Exhibits 4 through 8 either prepared by you
23 or compiled under your direction?

24 A. Yes, they were.

25 MR. CARR: At this time, Mr. Catanach, we move

1 the admission of Odyssey Exhibits 4 through 8.

2 EXAMINER CATANACH: Exhibits 4 through 8 will be
3 admitted as evidence.

4 MR. CARR: That concludes my direct examination
5 of Mr. Ahlen.

6 EXAMINATION

7 BY EXAMINER CATANACH:

8 Q. Mr. Ahlen, is that a north-south-running fault in
9 that --

10 A. Yes.

11 Q. -- block?

12 Does that have any effect on the -- or influence
13 on the proposed location? Is that a factor in choosing --

14 A. Well, the well is located sufficiently west of
15 the location so that we don't actually penetrate the fault.
16 Some people feel that if you actually penetrate the fault
17 itself, it might be a little bit more tight there than
18 otherwise.

19 Q. Basically, you're just trying to get at the
20 highest position on the structure?

21 A. Yes, sir. You'll note that this -- All of the
22 wells in this immediate vicinity have been plugged out in
23 the Devonian formation, and there is no production
24 offsetting this particular well at the present time from
25 the Devonian Fusselman formation.

1 So this would be additional oil that would not be
2 recovered any other way.

3 Q. Is this structure map based solely on the 3-D
4 seismic, or did that have other factors utilized, well
5 control, well logs?

6 A. Well, well logs were used to establish the basis
7 for the 3-D survey. In other words, the 3-D survey is
8 standardized based on the subsurface data that you see in
9 the wells immediately adjacent.

10 The 3-D survey itself was conducted over
11 approximately four and a half miles in the northern part of
12 the Gladiola field. And of course I am presenting only two
13 of those lines. In a 3-D survey you run significantly more
14 seismic lines than I have shown here. You essentially run
15 them on a spacing of about 110 feet between lines. So you
16 attempt to get a 3-D picture of the structure.

17 So this structure is based on significantly more
18 seismic lines than I have presented here at this hearing,
19 and we have selected only the ones that illustrate the
20 critical part of the structure. There were some lines that
21 had -- were no help whatsoever to present this structure.

22 Q. Are you pretty confident that the 3-D seismic
23 tells you where the highest point on that structure is?

24 A. Yes, sir.

25 Q. Have you utilized it in a Devonian situation

1 before?

2 A. In other areas of southeastern New Mexico it has
3 been used successfully, yes, sir.

4 Q. Do you know if there's much drift, drilling that
5 deep in this area, wellbore drift?

6 A. Oh, yes, if you're not careful you will drift
7 significantly in some areas.

8 We will limit the drift on this particular well,
9 such that we are within a very small area of risk, or area
10 of error.

11 Q. Is there any estimate of what kind of reserves
12 you guys are looking at to recover from this well?

13 A. Yes, on the letter that -- On Exhibit 8 that I
14 have written to the Bureau of Land Management, in the last
15 paragraph I suggest that there might be as much as 650,000
16 barrels of oil remaining to be recovered.

17 Q. This is essentially in a part of the pool that's
18 already been depleted, wells have been plugged out; is that
19 correct?

20 A. Yes.

21 Q. Which part of the Gladiola pool is still active,
22 is --

23 A. Exhibit Number 4, the extreme southern part of
24 the field, the highest part of the structure in the extreme
25 southern part of the field, where the original discovery

1 wells were drilled back in the Fifties.

2 EXAMINER CATANACH: Okay. I have nothing of the
3 witness.

4 MR. CARR: That concludes our presentation in
5 this case, Mr. Examiner.

6 EXAMINER CATANACH: There being nothing further,
7 Case 10,980 will be taken under advisement.

8 (Thereupon, these proceedings were concluded at
9 10:13 a.m.)

10 * * *

11
12
13
14 I do hereby certify that the foregoing is
15 a complete record of the proceedings in
16 the Examiner hearing of Case No. 10980.
17 heard by me on May 26 1990.
18 David K. Catanach, Examiner
19 Oil Conservation Division
20
21
22
23
24
25

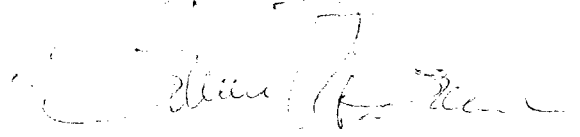
1 CERTIFICATE OF REPORTER

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 May 30, 1994.

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

21 My commission expires: October 14, 1994
22
23
24
25