

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION

4 IN THE MATTER OF THE HEARING)
5 CALLED BY THE OIL CONSERVATION)
6 DIVISION FOR THE PURPOSE OF)
7 CONSIDERING:) CASE NO. 10248
8 APPLICATION OF PITTS ENERGY)
9 COMPANY FOR AN UNORTHODOX WELL)
LOCATION, LEA COUNTY, NEW MEXICO)
)

10 REPORTER'S TRANSCRIPT OF PROCEEDINGS

11 EXAMINER HEARING

12 BEFORE: MICHAEL E. STOGNER, Hearing Examiner
13
14 March 21, 1991
15 9:50 a.m.
Santa Fe, New Mexico

16 This matter came on for hearing before the Oil
17 Conservation Division on March 21, 1991, at 9:50 a.m.
18 at Oil Conservation Division Conference Room, State Land
19 Office Building, 310 Old Santa Fe Trail, Santa Fe, New
20 Mexico, before Paula Wegeforth, Certified Court Reporter
21 No. 264, for the State of New Mexico.

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23

24 FOR: OIL CONSERVATION DIVISION BY: PAULA WEGEFORTH
25 Certified Court Reporter
CSR No. 264

I N D E X

March 21, 1991
Examiner Hearing

CASE NO. 10248

PAGE

APPEARANCES

3

OPENING STATEMENTS

By Mr. Kellahin

4

REPORTER'S CERTIFICATE

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A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
General Counsel
Oil Conservation Commission
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

FOR THE APPLICANT: KELLAHIN, KELLAHIN & AUBREY
Attorneys at Law
BY: W. THOMAS KELLAHIN, ESQ.
117 North Guadalupe Street
Santa Fe, New Mexico 87501

* * *

1 EXAMINER STOGNER: I'll call next case, No. 10248,
2 which is the application of Pitts Energy Company for an
3 unorthodox oil well location, Lea County, New Mexico.

4 This case was heard by Examiner Catanach on
5 February 21st, 1991. At this time I'll call for any
6 additional appearances or testimony.

7 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of the
8 law firm of Kellahin, Kellahin & Aubrey. I appeared at the
9 original hearing for Pitts Energy, and we have submitted
10 for your attention a proposed order in this case.

11 This is the case that was misadvertised with the
12 wrong county, and that was the change. We have an expiring
13 lease problem we'd like to deal with, if we could have you
14 take a look at that -- or our order at the appropriate
15 time, we'd appreciate it.

16 EXAMINER STOGNER: Do you have that with you today?

17 MR. KELLAHIN: I have another copy. I'd be happy to
18 give it to you.

19 EXAMINER STOGNER: Is this all you have, Mr. Kellahin?

20 MR. KELLAHIN: Yes, sir.

21 EXAMINER STOGNER: Does anybody else have anything
22 further?

23 At this time I'll take this case under
24 advisement.

25 Mr. Kellahin, if you could just do me a big

1 favor.

2 MR. KELLAHIN: Yes, sir.

3 EXAMINER STOGNER: This case will be taken under
4 advisement.

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6 (The foregoing hearing was concluded at the
7 approximate hour of 10:25 a.m.)

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I do hereby certify that the foregoing is
a correct and true report of the facts in
the Examiner hearing of Case No. 10248
heard by me on 21 March 1941.

Michael E. Stogner, Examiner
Oil Conservation Division

1
2 STATE OF NEW MEXICO)
3) ss.
4 COUNTY OF SANTA FE)


5 REPORTER'S CERTIFICATE

6
7
8 I, PAULA WEGEFORTH, a Certified Court Reporter and
9 Notary Public, DO HEREBY CERTIFY that I stenographically
10 reported these proceedings before the Oil Conservation
11 Division; and that the foregoing is a true, complete and
12 accurate transcript of the proceedings of said hearing as
13 appears from my stenographic notes so taken and transcribed
14 under my personal supervision.

15 I FURTHER CERTIFY that I am not related to nor
16 employed by any of the parties hereto, and have no interest
17 in the outcome hereof.

18 DATED at Santa Fe, New Mexico, this 20th day of April,
19 1991.

20
21
22 My Commission Expires:
23 September 27, 1993

21 
22 PAULA WEGEFORTH
23 Certified Court Reporter
24 CSR No. 264, Notary Public
25

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. 10248
APPLICATION OF PITTS ENERGY)
FOR AN UNORTHODOX WELL LOCATION,)
LEA COUNTY, NEW MEXICO)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

February 21, 1991
11:10 a.m.
Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on February 21, 1991, at 11:10 a.m. at Oil Conservation Division Conference Room, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Paula Wegeforth, Certified Court Reporter No. 264, for the State of New Mexico.

FOR: OIL CONSERVATION BY: PAULA WEGEFORTH
DIVISION Certified Court Reporter
CSR No. 264

I N D E X

February 21, 1991
Examiner Hearing

CASE NO. 10248

APPEARANCES

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APPLICANT'S WITNESS

GERALD S. PITTS

Direct Examination by Mr. Kellahin

Examination by Examiner Catanach

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REPORTER'S CERTIFICATE

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* * *

E X H I B I T S

APPLICANT'S EXHIBIT

ADMTD

1 through 5

12

A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALI, ESQ.
General Counsel
Oil Conservation Commission
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

FOR THE APPLICANT: KELLAHIN, KELLAHIN & AUBREY
Attorneys at Law
BY: W. THOMAS KELLAHIN, ESQ.
117 North Guadalupe
Santa Fe, New Mexico 87501

* * *

1 EXAMINER CATANACH: We will call the hearing back to
2 order and call Case 10248.

3 MR. STOVALL: Application of Pitts Energy Company for
4 an unorthodox oil well location, Eddy County, New Mexico.

5 EXAMINER CATANACH: Are there appearances in this
6 case?

7 MR. KELLAHIN: Yes, Mr. Examiner. I'm Tom Kellahin of
8 the Santa Fe law firm Kellahin, Kellahin & Aubrey,
9 appearing on behalf of the applicant, and I have one
10 witness.

11 EXAMINER CATANACH: Any other appearances?

12 Will the witness please stand and be sworn in?

13 (Whereupon the witness was duly sworn.)

14 GERALD S. PITTS

15 the Witness herein, having been first duly sworn, was
16 examined and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. KELLAHIN:

19 Q. Mr. Pitts, for the record, would you please
20 state your name and occupation?

21 A. Gerald S. Pitts. I'm a petroleum geologist, and
22 I am president of Pitts Energy Company.

23 Q. Mr. Pitts, on a prior occasion, have you
24 testified before this division as a geologist?

25 A. I have not.

1 Q. Summarize your educational background, please.

2 A. I have a bachelor of science in geology from the
3 University of Texas at Austin, 1954. I was employed by the
4 Humble Oil and Refining Company for ten years as an
5 exploration geologist, production geologist, core drill
6 geologist, surface etc., etc., and I quit in 1966. For the
7 next 16 years I was an independent geologist, working out
8 of Midland, Texas.

9 Since 1982, I've had Pitts Energy Company, and
10 we're active in oil and gas exploration.

11 Q. Where do you reside?

12 A. Midland, Texas.

13 Q. Describe for us what your personal activity has
14 been and your company's activity in Eddy County, New
15 Mexico, in this Gladiola Pool for the development of oil
16 production.

17 A. Lea County, New Mexico.

18 Q. Well, the docket here says Eddy County, so maybe
19 we got the wrong place.

20 A. It's Lea County, New Mexico.

21 Q. Okay. Let's double-check while we're thinking
22 about this.

23 MR. STOVALL: Let's check the description here and see
24 if we're talking about the same well.

25 EXAMINER CATANACH: This is definitely in Lea County.

1 MR. KELLAHIN: We've got a typo in the ad,
2 Mr. Examiner. The rest of the description is correct.

3 Q. (By Mr. Kellahin) Okay. Let's talk about --

4 MR. STOVALL: Five miles north of Gladiola?

5 MR. KELLAHIN: That's right.

6 Q. (By Mr. Kellahin) Let's talk about Lea County.

7 In the Gladiola Pool here, describe for us what
8 has been your involvement.

9 A. We got involved in this prospect last year
10 and -- in light of trying to create an active drill
11 prospect, one that would be commercial for our company and
12 our participants.

13 Q. Does part of your drilling activity include the
14 proposed unorthodox well location for this particular
15 40-acre tract today?

16 A. Yes, it does.

17 Q. Pursuant to that study, have you reached certain
18 conclusions about that location?

19 A. Yes, we have.

20 MR. KELLAHIN: I tender Mr. Pitts as an expert
21 petroleum geologist.

22 EXAMINER CATANACH: He is so qualified.

23 Q. (By Mr. Kellahin) Let me have you commence by
24 taking what is marked Exhibit No. 1, this land plat, and
25 identify for the examiner the acreage that's under your

1 direction and control.

2 A. The acreage in question is the southeast quarter
3 Section 5 12 38, Lea County, New Mexico.

4 Q. The proposed unorthodox location is in what
5 quarter, quarter section, Mr. Pitts?

6 A. That would be location J.

7 Q. Within that 40-acre tract, you're moving to the
8 southeast corner of that tract?

9 A. That is correct.

10 Q. You're moving, then, towards the other three
11 40-acre tracts that are included in the same ownership with
12 the 40-acre tract in which the well will be drilled?

13 A. That is correct.

14 Q. Are there any differences in interest owners
15 between working royalty or overrides within the southeast
16 quarter of that Section?

17 A. No, there are not.

18 Q. Let's turn now to Exhibit No. 2. That's your
19 form C-101.

20 This identifies and describes the permit for
21 drill and the aspects of the drilling of the well?

22 A. Yes. Yes, it does.

23 Q. All right. Exhibit No. 3 is your C-102 that
24 specifically locates the well?

25 A. Yes, it does.

1 Q. And that has been surveyed in and you're
2 satisfied it's been accurately stated?

3 A. Yes, that's correct.

4 MR. KELLAHIN: Mr. Examiner, Exhibit No. 4 is the
5 notice of hearing. We extended the notice and sent notice
6 to other operators in the immediate area. I think the
7 notice rules would have allowed us not to send notices at
8 all, quite frankly. He's encroaching upon himself.

9 Q. (By Mr. Kellahin) Let's turn now to the main
10 topic of discussion, Mr. Pitts. It's Exhibit No. 5.

11 Identify that for us.

12 A. This is a portion of a structure map contoured
13 on top of the Devonian of the western -- excuse me -- the
14 eastern edge of the Gladiola field.

15 Q. Is the Devonian structure a good, reliable
16 marker to identify structure for the Gladiola field?

17 A. Yes, it is. It's my understanding the Gladiola
18 field, per se, is the first reservoir found, and that would
19 be the -- actually, the Gladiola-Devonian. But I believe
20 New Mexico prorates it as the Gladiola field, if I'm not
21 mistaken.

22 Q. Give us a short summary of the development of
23 the pool.

24 A. The field was discovered in 1950, and since 1950
25 the Devonian field had, through its development, which

1 would have been about 1958, 101 wells completed out of the
2 Devonian. 52 million barrels of oil was produced. At the
3 present time, the Devonian is depleted and no wells are
4 productive.

5 There are two additional -- in fact, three
6 additional pays, one a marginal canyon reservoir that was
7 found. Two Mississippian wells were productive. One was
8 very good. One was very marginal.

9 The Wolf Camp zone is productive in the field.
10 Out of 39 wells, it has a cumulative of 91,000 barrels per
11 location.

12 Q. What are you trying to accomplish with the
13 proposed unorthodox-located well within the southeast
14 quarter of Section 5?

15 A. Our goal is to drill a high seismic shock point.
16 We did a subsurface analysis of this particular area, and
17 if you'll look at your subsurface interpretation, the well
18 located in J, in relationship to the well in K, the well in
19 O in relationship to N, you'll notice an anomaly of west
20 dip, which is not what you would normally expect on this
21 particular portion of the field. You should expect east
22 dip coming off this field.

23 Gladiola field is the large north-south
24 anticline faulted -- down-faulted on the west side with
25 gentle dip coming off to the east. This establishes a very

1 distinct anomaly, and, if you'll notice, even dip to the
2 south. From Section 5 down to Section 8 you have south
3 dip. You also have dip from -- in Section 5 from Quarter
4 Section J to G. That's north dip. And also J back to F,
5 which would be northwest dip. All are anomalous.

6 Now, this was not sufficient for us because we
7 felt like we had to substantiate that from a seismic
8 standpoint with the expenditure of this amount of money,
9 which we have done, and you'll notice the high shock point
10 220 is the actual proposed location. That location that we
11 staked is right on shock point 220.

12 Q. Where would be the closest standard location in
13 relation structurally to the unorthodox location?

14 A. It would be to the north. I believe it would be
15 180 -- let's see, be 140 feet, I believe. 140 feet,
16 thereabouts, to the north.

17 Q. In terms of structural position, how many feet
18 do you lose structurally, approximately?

19 A. We would anticipate losing anywhere from ten to
20 20 feet of structure as you move to the north, based on the
21 seismic which we have at our disposal.

22 Q. Do you have a geologic opinion as to whether or
23 not there are recoverable oil reserves to be recovered in
24 the northwest of the southeast of Section 5?

25 A. We -- the original oil-water contact in the

1 field was -- and there are multiple oil-water contacts, but
2 in this immediate area we think the oil-water contact was
3 minus 8140.

4 This with -- you have an extremely active
5 water-drive reservoir in this Devonian, and with the
6 extraction of 52 million barrels of oil, this water has
7 encroached and moved up as evidenced by the well drilled in
8 the northeast northeast of Section 8 by -- in 1981 by
9 Anadarco. Anadarco drilled that well and encountered a
10 situation in which we think the current oil-water contact
11 is somewhere in the neighborhood of minus 8100 to minus
12 8110.

13 So we would anticipate, based on our seismic
14 interpretation, that we can get 60 feet high to the current
15 oil-water contact.

16 Q. And that should put you at a place in the
17 reservoir where you'll have the maximum opportunity to
18 capture the recoverable oil that might remain in the
19 southeast quarter of 5?

20 A. Yes, that's correct. In our interpretation,
21 that is definitely correct.

22 Q. And you would not have that opportunity if you
23 were required to drill at the closest standard location in
24 any one of the four of those 40-acre tracts?

25 A. That is correct. We would be drilling off

1 structure, according to our seismic.

2 MR. KELLAHIN: That concludes my examination of
3 Mr. Pitts, Mr. Catanach. We would move the introduction of
4 Exhibits 1 through 5.

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

7 (Whereupon Applicant's Exhibits 1 through 5 were
8 admitted into evidence.)

9 EXAMINATION
10 BY EXAMINER CATANACH:

11 Q. Mr. Pitts, the structure that you've mapped in
12 that southeast quarter -- that was entirely based on
13 seismic information?

14 A. The high apex that you see, that's correct.

15 Q. Have you used seismic in this area before
16 successfully to map these structures?

17 A. I have not, no, sir.

18 Q. How much faith do you have in the seismic
19 information?

20 A. Well, quite a bit to risk the type of dollars
21 we're going to spend.

22 Q. Okay.

23 A. We're going to spend about a million dollars out
24 there on the venture, so I guess you'd say we've got quite
25 a bit of faith in it.

1 Q. Now, as I understand it, this is about a
2 12,000-foot test?

3 A. Yes, sir, that's correct.

4 Q. Do any of the wells in the field tend to drift
5 in any one direction during drilling operations?

6 A. Normally -- it's the pretty standard oil field
7 explanation that the bit drifts uphill. It goes to the
8 apex.

9 Q. So you don't expect any significant difference
10 between the standard and the bottom-hole location?

11 A. No, we do not. We have certain restrictions on
12 the contractors which prevent them from allowing the hole
13 to drift too far on each drilling contract we enter into,
14 and these deviation surveys are taken periodically as we go
15 down the hole.

16 Q. But it wouldn't take much to throw that hole off
17 for that depth?

18 A. Should this -- should we notice any type of
19 drift as far as moving out away, the standard procedure is
20 to pull up on the weight and just, you know, sit there and
21 dust on it a while and straighten that hole back up.

22 Q. Now, as I understand it, one of the basic
23 reasons for drilling high up on the structure is to avoid
24 the current oil-water content?

25 A. That's correct.

1 Q. Is there any other significant reason why you
2 would drill up structure?

3 A. What do you mean by that, sir?

4 Q. Well, is there any other -- do you notice any
5 changes in permeability or porosity on top of the
6 structure?

7 A. No. Every well located in this immediate
8 vicinity, as you come out of the Woodford, you're in the
9 Devonian porosity. There is no cap.

10 You have to move off structure. This well that
11 has a sub-C of minus 8157 in Section 8, that would be in --
12 let's see -- Section G. It does have about ten to 15 feet
13 of tight Devonian beneath the Woodford.

14 But in this immediate area where we are, where
15 our quarter section is located, the type of the Devonian is
16 porous, as indicated by logs.

17 Q. There are two other wells in that southeast
18 quarter of Section 5?

19 A. That's correct.

20 Q. What's the status of those wells?

21 A. They are plugged.

22 Q. They are plugged?

23 A. Yes, sir.

24 Q. Do they both produce from the Devonian?

25 A. Yes, sir, they do.

1 Q. So you believe there are still sufficient
2 reserves to drill your proposed well?

3 A. Yes, sir. We -- the Anadarco well, which would
4 be located in A of Section 8, drill-stem tested to minus
5 8116 and was waterfree. However, when they went in and ran
6 their production string, they only made 1500 barrels of oil
7 before it went to water.

8 In fact, they made water from the very
9 beginning, and they weren't prepared to go ahead and handle
10 it. I would assume they could have produced quite a bit of
11 oil had they handled the water.

12 We think there is a good indication that that
13 oil-water contact has encroached 35 to 40 feet.

14 Q. Now, the oil-water contact you're referring
15 to -- how large an area would that encompass or how far out
16 would that extend from your proposed location?

17 A. As our seismic has it mapped, you'll see we
18 could have a sizable area of -- what? -- 80 acres or
19 something of that nature. Something like that.

20 Q. And all of the interest is common in the
21 southeast quarter?

22 A. Yes, sir, that's correct.

23 Q. Is that one single lease?

24 A. It's one single lease. There are numerous
25 owners, but it's a family of people, but they all sign on

1 the same lease. But -- yes, it's undivided. They are all
2 undivided on the quarter section. It is one instrument.

3 EXAMINER CATANACH: I have no further questions of the
4 witness. He may be excused.

5 MR. STOVALL: Mr. Examiner, I've looked at the
6 advertisement for this case and checked the publication.
7 It is indeed advertised as Eddy County and was published in
8 the Artesia paper, so that is the error of the division.

9 I apologize to Mr. Pitts for that, but we will
10 have to readvertise the case.

11 EXAMINER CATANACH: And it will have to be for
12 March 21st.

13 MR. STOVALL: 21st, right.

14 EXAMINER CATANACH: So --

15 MR. STOVALL: Do you have a lease problem out there,
16 Mr. Pitts?

17 THE WITNESS: Yes, we do.

18 MR. STOVALL: What's your lease expiration?

19 THE WITNESS: April 2nd.

20 MR. STOVALL: When did you plan to commence drilling?

21 THE WITNESS: As soon as we got permission.

22 What would this require me --

23 MR. STOVALL: You don't have to do anything. We just
24 have to readvertise the case in Lea County, the Lovington
25 paper in Lea County. That requires a 20-day notice, and we

1 can't do that before the hearing docketed for the 7th.

2 THE WITNESS: Would I be required to come back up
3 here?

4 MR. STOVALL: No.

5 THE WITNESS: And the next hearing is when? What are
6 you talking about?

7 EXAMINER CATANACH: It would be for March 21st.

8 THE WITNESS: March 21, and then what's the time
9 period after that?

10 MR. STOVALL: An order could be issued -- depending on
11 the examiner, an order could be issued fairly immediately
12 after that.

13 THE WITNESS: Okay.

14 MR. STOVALL: There won't be any additional --
15 assuming nobody appears and objects to your location, which
16 is probably a safe assumption in this case, an order could
17 be issued.

18 THE WITNESS: We can handle the expiration. We can --

19 MR. KELLAHIN: An alternative suggestion,
20 Mr. Catanach, would be -- I can't imagine there being
21 any problem with this kind of an unorthodox location where
22 he's moving towards himself and there is a common ownership
23 involved. If we could have verbal approval so that the
24 district office would let him commence his well, the order
25 can catch up with the well itself and let him go ahead and

1 start his well.

2 THE WITNESS: We'll wait.

3 MR. STOVALL: You do so at your own risk.

4 THE WITNESS: Yeah.

5 MR. STOVALL: You may be -- you know, if you think you
6 can get your rig lined up in time to actually get your
7 drilling started between the 21st and the end of the month.

8 EXAMINER CATANACH: Mr. Kellahin, what I would suggest
9 is, if you determine in the interim period that you need to
10 start drilling the well, come see us and we'll -- we'll
11 talk to the director and we'll get something verbal for
12 you.

13 MR. KELLAHIN: All right.

14 EXAMINER CATANACH: Okay. That being the case, we'll
15 go ahead and continue and readvertise this case to the
16 March 21st hearing.

17 THE WITNESS: Thank you, gentlemen.

18 EXAMINER CATANACH: Thank you, sir.

19

20 (The foregoing hearing was concluded at the
21 approximate hour of 11:30 a.m.)

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

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8 REPORTER'S CERTIFICATE

9 I, PAULA WEGEFORTH, a Certified Court Reporter and
10 Notary Public, DO HEREBY CERTIFY that I stenographically
11 reported these proceedings before the Oil Conservation
12 Division; and that the foregoing is a true, complete and
13 accurate transcript of the proceedings of said hearing as
14 appears from my stenographic notes so taken and transcribed
15 under my personal supervision.

16 I FURTHER CERTIFY that I am not related to nor
17 employed by any of the parties hereto, and have no interest
18 in the outcome hereof.

19 DATED at Santa Fe, New Mexico, this 20th day of March,
20 1991.

21
22 My Commission Expires:
23 September 27, 1993

24 Paula Wegforth
25 PAULA WEGEFORTH
Certified Court Reporter
CSR No. 264, Notary Public

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 10248,
heard by me on February 21 1991.

David L. Catamb, Examiner
Oil Conservation Division