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E X H I B I T S

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MR. QUINTANA: We'll call next

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Case 8590.

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MR. TAYLOR: The application of Earle M. Craig, Junior, Corporation for an unorthodox gas well location, Eddy County, New Mexico.

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MR. DAVENPORT: Mr. Hearing Examiner, I'm Dave Davenport of the Rodey Law Firm here in Santa Fe, and we're representing Earle M. Craig, Jr., Corporation.

10

11

I have two witnesses today.

12

13

MR. QUINTANA: Are there other appearances in Case 8590?

14

15

If not, gentlemen, please be sworn in at this time.

16

17

(Witnesses sworn.)

18

19

STEVEN FOY,

20

being called as a witness and being duly sworn upon his oath, testified as follow, to-wit:

22

23

DIRECT EXAMINATION

24

BY MR. DAVENPORT:

25

Q

Will you state your name, sir?

1 A Steven Foy; Earle Craig, Junior, Corpora-
2 tion.

3 I'm a landman for that company.

4 Q Have you previously testified before this
5 Commission?

6 A Yes, I have.

7 Q And for the benefit of the examiner would
8 you briefly relate your educational and your professional
9 experience?

10 A I graduated in 1979 from the University
11 of Texas with a BBA in petroleum land management; have been
12 employed since then by Mobil Oil Corporation, Hinkle Explor-
13 ation, Limited.

14 I was an independent and then I -- it
15 would bring me to my present employment with Earle Craig
16 Corporation.

17 Q Would you state, sir, what is sought by
18 your application today, the company's application today?

19 A We are seeking a nonstandard location.

20 Q Where is that?

21 A It is 1970 from the north and 670 from
22 the east line of Section 19, Township 26 South, Range 31
23 East, Eddy County.

24 Q In front of you is a document we've
25 marked as Exhibit Number One. The third page of that con-

1 tains a map. Does that map reflect the proposed proration
2 unit and any allowable?

3 A Yes, it does.

4 Q Okay. What is your proposed objective in
5 this unit, both the formation and the depth you are planning
6 to drill to?

7 A The Wolfcamp formation at the approximate
8 depth of 12,800 feet.

9 MR. QUINTANA: Excuse me for a
10 second, counselor. Are the exhibits in the case file the
11 same as we're talking about there?

12 MR. DAVENPORT: I will hand you
13 a set of them, Mr. Examiner. This is Number One.

14 The other witness will bring
15 the other exhibits.

16 MR. QUINTANA: This is Exhibit
17 Number One?

18 MR. DAVENPORT: That's correct.

19 Q Have you determined the ownership of the
20 offsetting leases?

21 A Yes, we have.

22 Q And have you prepared or is there at-
23 tached as part of Exhibit Number One a document which re-
24 flects that ownership?

25 A Yes, there is. Attached to our applica-

1 tion of 14 March to the State of New Mexico is this plat
2 showing the offsetting tracts, and attached to that is a
3 key, a numbered key, which shows for each tract who is the
4 offset operator.

5 Q Does the proposed unit offset an existing
6 unit?

7 A Yes, it does.

8 Q And who is the operator of that unit?

9 A Craig is now the operator of the Phantom
10 Draw Unit.

11 Q Who are the other interest owners?

12 A The other working interest owners in the
13 unit are Sun, Union Oil of California, Southland Royalty,
14 Hamilton Brothers, and HNG. I believe that's everyone.
15 That is everyone.

16 Q Let me ask you, sir, have you contacted
17 or notified all of the offsetting operators to the proposed
18 unorthodox location?

19 A Yes, we have.

20 Q And how did you go about doing that?

21 A We sent them notice, certified mail,
22 simultaneously with submission of this application to the
23 Oil Conservation Division.

24 Q So you sent them a copy of what is marked
25 Exhibit Number One?

1 A Yes, we -- we did.

2 Q Okay, and in addition to sending letters
3 to these folks, did you -- did you contact some of them by
4 telephone?

5 A Yes, we did. We -- we also requested
6 written waivers in addition to giving them notice, even
7 though we knew that we're not required to do so, and we got
8 written waivers from most everybody and we got verbal
9 waivers from a few others.

10 Q Let me ask you when it was that you sent
11 these letters, this notification to these folks?

12 A We sent it -- we sent letters to them on
13 the 12th of March.

14 Q Okay, were these sent certified mail with
15 return receipt requested?

16 A Yes.

17 Q And did you receive the return receipts
18 from everybody?

19 A Yes, we did.

20 Q And have any of the offsetting operators
21 objected to the proposed unorthodox location?

22 A No, they have not.

23 Q Did your application to the Commission,
24 which I think is marked as Exhibit Number One, state that
25 you gave this notification to the offsetting operators?

1 A Yes, it does.

2 Q Okay.

3 MR. DAVENPORT: At this time I
4 would offer Exhibit Number One into evidence and have no
5 further questions of this witness.

6 MR. QUINTANA: Exhibit One will
7 be entered as evidence.

8

9 CROSS EXAMINATION

10 BY MR. QUINTANA:

11 Q Mr. Foy, do you have copies of these
12 return receipts that you received from the offset operators?

13 A Not with me but they can be furnished to
14 you.

15 Q You may provide us Xeroxed copies or if
16 you want to let go of the originals, whatever.

17 MR. DAVENPORT: Okay, we'll
18 provide them.

19 MR. QUINTANA: I have no
20 further questions of the witness.

21 He may be excused.

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23 WAYNE R. GIBSON,
24 being called as a witness and being duly sworn upon his
25 oath, testified as follows, to-wit:

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DIRECT EXAMINATION

BY MR. DAVENPORT:

Q Will you state your name, sir?

A Wayne R. Gibson, G-I-B-S-O-N.

Q And who are you employed by and what's your position?

A I'm employed by the Earle M. Craig, Jr., Corporation in Midland, Texas.

My position is Manager of Geological and Geophysics.

Q Have you previously testified before this Commission, sir?

A Yes, I have.

Q And would you relate your educational and professional experience for the benefit of the Hearing Officer?

A I have a Bachelor's degree with a Master's in -- with a major in geological science from Susquehanna University in Pennsylvania; a Master's degree from the University of Wisconsin conferred in 1971, with a major in geology, and I've been employed, first by Texaco as a geologist, exploration and development, until 1979. That's from 1971 to 1979.

And from mid-1979 to present with Earle

1 M. Craig, Jr., Corporation, as a geologist and then Geologi-
2 cal/Geophysical Manager.

3 I've been engaged in oil and gas explora-
4 tion and exploitation since 1971 and I'm a member of the
5 American Association of Petroleum Geologists and certified
6 by that organization.

7 Also the Society of Professional Well Log
8 Analysts and Society of Economic Paleontologists and Minero-
9 logists.

10 Q Would you relate to us why this unortho-
11 dox location is being sought in this case?

12 A We interpret a very narrow commercial re-
13 servoir trend to extend in a basically north/south direction
14 in the zone that we've identified on the cross section as
15 the main pay, which produces in our Phantom Draw Unit No. 1
16 Well, and we want to minimize our risk of an uneconomic,
17 sub-economic location by deviating from that trend, that
18 relatively linear, narrow, north/south trend.

19 Q Have you brought with you today some
20 exhibits that were either prepared by you or prepared under
21 your supervision?

22 A They were prepared under my supervision.

23 Q And would you go through them fairly
24 briefly and explain what they -- what is shown on each of
25 them?

1 Starting with Exhibit Number Two, if you
2 would.

3 A On Exhibit Number Two, or Exhibit Number
4 Two is a cross section with well logs scaled at 5 inches to
5 100 feet that trends from the Damsite in Red Bluff Wolfcamp
6 Pools in Texas, Loving County, to the Phantom Draw Field,
7 which is also producing from the same zone in Eddy County,
8 New Mexico.

9 There are four wells represented on the
10 cross section. The cross section is hung on a stratigraphic
11 datum and in that we attempted to show the different produc-
12 tive zones and potentially productive zones and we focused
13 in on one which we call the main pay, which is the zone
14 which is probably contributing most of the gas in the Phan-
15 tom Draw Unit.

16 It's Wolfcampian in age and it's a detri-
17 tal limestone carbonate.

18 We're trying to compare, we're trying to
19 use the well control, those two logs, to predict -- and
20 other geologic data -- to predict the geologic reservoir
21 trend.

22 We're interpreting the reservoir trend or
23 the width of the reservoir trend based on analogy with a
24 nearby field. That's why the cross section extends to the
25 nearby field in Texas, the Damsite Red Bluff Field.

1 Q And is there anything else that is of im-
2 portance to us that's reflected by Exhibit Number Two?

3 A We have tried to categorize the clean
4 limestone pay based on a gamma ray measurement and a poros-
5 ity measurement and we are using 80 percent clean lime, or
6 less than 20 percent clay or shale as one cutoff parameter
7 and 6 percent, or greater, porosity as the second cutoff,
8 and based on those cutoffs, we interpret the producing well
9 to have 28 feet of reservoir in the main pay zone and we
10 interpret the nonproductive well to have about 14 feet of
11 carbonate pay.

12 The nonproductive well was plugged be-
13 cause it could establish gas rates that were noncommercial.

14 Q What about Exhibit Number Three?

15 A Exhibit Number Three is a reservoir Iso-
16 lith of the same main pay zone identified on the cross sec-
17 tion. The width of the trend is based on analogy with the
18 Red Bluff and the Damsite Fields in Texas, and the trend of
19 the -- the reservoir trend is based on projecting it north-
20 ward towards the Cotton Draw, Big Sinks Fields, and south-
21 ward to the Damsite Field.

22 That trend is marked with a limit of eco-
23 nomic production based on the comparison of the Texas Paci-
24 fic, now Craig, Phantom Draw Unit No. 1, and the Texas Paci-
25 fic Phantom Draw Unit No. 2 Well, wherein the one with only

1 14 feet of reservoir, the Texas Pacific No. 2, was noncom-
2 mercial and the Texas Pacific No. 1, now Craig, operated by
3 Craig, is commercial.

4 We seek a location that will give us the
5 maximum amount of commercial permeable pay.

6 Q What is the nearest well that's producing
7 from this formation, nearest to the proposed unit?

8 A To the proposed location, the nearest
9 well productive from the same zone is in Section 20, and
10 it's the Craig, previously Sun and Texas Pacific, Phantom
11 Draw Unit Federal.

12 Q And that's reflected on Exhibit Number
13 Three?

14 A That's correct.

15 Q All right. Is there anything else about
16 Exhibit Number Three that's of importance to us today?

17 If not, I'd turn to Exhibit Number Four.

18 A Let's go to Four. Exhibit Number Four is
19 provided for geologic information and doesn't materially
20 support our application for nonstandard location approval.

21 It is a structure map on the top of the
22 Wolfcamp pay, that is, on the top -- let me retract that.
23 On the top of the Wolfcamp pay formation, not on the top of
24 the Wolfcamp reservoir, but it's representative of the top
25 of the Wolfcamp main pay.

1 would this be economic waste, as well?

2 A Yes, it would.

3 Q Okay. In your opinion would the granting
4 of the application be in the best interest of conservation
5 and the prevention of waste?

6 A In my opinion it would.

7 MR. DAVENPORT: At this time we
8 would offer Exhibits Two through Four.

9 MR. QUINTANA: Exhibits Two
10 through Four will be accepted as evidence.

11 MR. DAVENPORT: Okay, and I
12 have no further questions of this witness.

13 MR. QUINTANA: How do you pro-
14 nounce your name again?

15 A Wayne, W-A-Y-N-E, Gibson.

16 MR. QUINTANA: Gibson.

17

18 CROSS EXAMINATION

19 BY MR. QUINTANA:

20 Q Mr. Gibson, you're unorthodox in the
21 eastern -- from the east line of that section, and you
22 stated that Craig Corporation operates the Phantom Draw Unit
23 to the east in Section 20?

24 A That's correct.

25 Q Mr. Foy stated that. You don't believe

1 that there'll be substantial drainage from Section 20?

2 A I don't believe that there will be sub-
3 stantial drainage competition with the first well and I
4 don't have a good handle on how much drainage that there
5 will be in Section 20.

6 However, I might point out, as currently,
7 as my current understanding, the Texas Pacific Phantom Draw
8 is producing from a proration unit which is composed of the
9 west half of Section 20. I believe that to be correct, and
10 so that well is -- that well is -- that well is the prime
11 and sole drainer of Section -- the west half of Section 20.

12 MR. QUINTANA: I have no further
13 questions.

14 Are there other questions of
15 the witness?

16 If not, he may be excused.

17 MR. DAVENPORT: Thank you.

18 MR. QUINTANA: Anything further
19 in Case 8590?

20 MR. DAVENPORT: That concludes
21 our presentation.

22 MR. QUINTANA: In that case, if
23 there is nothing further, Case 8590 will be taken under ad-
24 visement.

25 MR. DAVENPORT: Thank you.

(Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case no. 8590 heard by me on May 8 1985.

Gilbert P. Quintana, Examiner
Oil Conservation Division