

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BUILDING
5 SANTA FE, NEW MEXICO

3 August 1988

6 EXAMINER HEARING

7
8 IN THE MATTER OF:

9 Application of Maxus Exploration Comp- CASE
any for a non-standard oil proration 9445
10 unit and an unorthodox oil well locat-
ion, Lea County, New Mexico.

11
12 BEFORE: Michael E. Stogner, Examiner
13

14
15
16 TRANSCRIPT OF HEARING

17
18 A P P E A R A N C E S

19 For the Division: Robert G. Stovall
20 Attorney at Law
Legal Counsel to the Division
21 State Land Office Bldg.
Santa Fe, New Mexico

22 For the Applicant: Paul A. Cooter
23 Attorney at Law
RODEY LAW FIRM
24 P. O. Box 1357
Santa Fe, New Mexico 87504
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I N D E X

EDUARDO GONZALES

Direct Examination by Mr. Cooter	3
Cross Examination by Mr. Stogner	9

E X H I B I T S

Maxus Exhibit One, Land Plat	5
Maxus Exhibit Two, Structural Map	6
Maxus Exhibit Three, Cross Section	7

1 MR. STOGNER: Call next Case
2 Number 9445.

3 MR. STOVALL: Application of
4 Maxus Exploration Company for a nonstandard oil proration
5 unit and an unorthodox oil well location Lea County, New
6 Mexico.

7 MR. STOGNER: Paul Cooter with
8 the Rodey Law Firm representing the applicant. I have one
9 witness, Mr. Gonzales.

10 MR. STOGNER: Are there any
11 other appearances in this matter?

12 MR. STOGNER: Will the witness
13 still stand and be sworn?

14

15 (Witness sworn.)

16

17 EDUARDO GONZALES,
18 being called as a witness and being duly sworn upon his
19 oath, testified as follows, to-wit:

20

21 DIRECT EXAMINATION

22 BY MR. COOTER:

23 Q Would you state your name for the
24 record, please, sir?

25 A My name is Eduardo Gonzales.

1 A Maxus Exploration seeks approval of the
2 unorthodox location located 660 feet from the north section
3 line and 2160 feet from the west section line of Section 6,
4 Township 11 South, Range 37 East, in Lea County, New Mexi-
5 co.

6 This is an irregular section in which
7 we're attempting to maximize our geological, geophysical
8 advantage by placing the location where we feel we'll have
9 the best structural advantage and thereby lessen the risk
10 of a dry hole, which is the nature of our business.

11 We feel that by placing the well in that
12 location we will lessen the risk to Maxus and further im-
13 prove the chances for drilling this well and hopefully any
14 offsets.

15 Q Is the proposed location within an ex-
16 isting pool?

17 A It is not.

18 Q And to what depth is the well planned?

19 A The well is proposed to a total depth of
20 12,500 feet.

21 Q Let me direct your attention to what I
22 have marked as Exhibit Number One. Would you identify that
23 document?

24 A Exhibit Number One is a land plat with
25 the Maxus acreage outlined in red and the proposed location

1 indicated by a red circle.

2 Q Section 6, you mentioned is an irre-
3 gular section. It's a short section, is it not?

4 A Yes, sir.

5 Q The so-called South half is more or less
6 regular, containing 320 acres and the north half consists
7 of 4 small lots going from east to west numbered 1 through
8 4.

9 A Yes.

10 Q Lot 3 comprises some 17.1 acres, does it
11 not?

12 A Yes, sir.

13 Q And your proposed proration unit would
14 consist of that Lot 3, together with the more or less
15 standard 40-acre tract described as the northeast of the
16 southwest, which adjoins that to the south.

17 A Yes.

18 Q Is there common ownership under both
19 tracts?

20 A Yes, sir.

21 Q Now let me direct your attention to
22 Exhibit Number Two. Identify that document for us.

23 A Exhibit Number Two is a structural in-
24 terpretation done by integrating the geology and the geo-
25 physics done by Maxus Exploration.

1 It's a structural map on top of the
2 Devonian formation. Outlined on this map are the acreage
3 area of Maxus and also indicated in the red circle there in
4 Section 6 is the proposed location.

5 The map indicates the structural config-
6 uration of the said prospect. Also shown on here are the
7 seismic lines which are integrated to form the structural
8 feature we have here. Indicated also are offsetting wells,
9 dry holes, et cetera, and a cross section which will also
10 be presented as an exhibit.

11 The red circle at the proposed location
12 would indicate there that we are attempting again to gain
13 the best structural advantage by placing that location
14 right there.

15 Q Who are the offsetting operators, Mr.
16 Gonzales?

17 A There are no offsetting operators. The
18 entire acreage block is owned by Maxus Exploration.

19 Q Let me direct your attention then to the
20 cross section which has been marked as Exhibit Number Three
21 and will you relate what that shows?

22 A This is a structural cross section for
23 the prospect area, an east/west structural cross section
24 that is indicated on the previous exhibit.

25 Indicated on here are the Elkhorn well

1 to the west, the Elkhorn Well to the west, the Gulf
2 (unclear) Well in the middle, and then to the east the
3 Hansen Oil Well, and in between Gulf and Hansen are -- is
4 our proposed location.

5 And what we attempt to do here is just
6 to depict what we see and believe geologically and geo-
7 physically, is that our proposed location will be
8 maximizing the structural advantage right there underneath
9 where it says "proposed location" and where the structure
10 is depicted to be.

11 Q Could all the proposed nonstandard pro-
12 duction unit be productive?

13 A Yes, sir.

14 Q If it were, could it be drained by the
15 well in the proposed location?

16 A Yes, sir.

17 Q Mr. Gonzales, in your opinion would the
18 granting of this application be in the best interest of
19 conservation?

20 A Yes, sir, it would.

21 Q Prevent waste, that is, both economic
22 and physical waste?

23 A Yes, sir.

24 Q And protect correlative rights, as well?

25 A Yes, sir.

1 MR. COOTER: Mr. Examiner, we
2 offer Exhibits One, Two and Three.

3 MR. STOGNER: Exhibits One,
4 Two and Three will be admitted into evidence at this time.

5 MR. COOTER: And that con-
6 cludes our direct presentation.

7

8 CROSS EXAMINATION

9 BY MR. STOGNER:

10 Q Mr. Gonzales, let's take a look at the
11 location first.

12 What is the width of Lot 3? I guess
13 what I'm getting at is how far from the quarter quarter
14 section line between Lot 3 and the northwest quarter of the
15 southwest quarter -- or I'm sorry, the northeast quarter
16 of the southwest quarter is this well?

17 A Okay, could you repeat that?

18 Q How far from the quarter quarter section
19 line, or the subdivision inner boundary between Lot 3 and
20 the northeast quarter of the southwest quarter?

21 It appears that your location that's on
22 that quarter section line but, indeed, it is not, is it?

23 A It is not. I don't have the exact loca-
24 tion but I think it's about 40 feet.

25 Q Okay. Now to the west of you, also,

1 that is a small lot, although it's about 34 acres. There
2 again, how far from the eastern side of this proration unit
3 are you?

4 A Okay. We are I'd say roughly, roughly
5 800 feet.

6 Q And that would put you within about 300
7 foot from your eastern side.

8 Yes, sir.

9 Q Okay, so you're unorthodox inasmuch as
10 inside the proration unit.

11 A Yes, sir.

12 Q Okay, let's talk about the offset own-
13 ers. Now as far as Lot -- I'm sorry, Section 6 goes, Maxus
14 is the operator and the interest owner in all those proper-
15 ties?

16 A Yes, sir.

17 Q Okay, now how about in Section 34, which
18 is to the north?

19 A Okay, we are also the full owner in the
20 south half of Section 34.

21 Q Okay. I show Gulf on your map and Gulf
22 on your Exhibit Number Three. Are those, is that well being
23 operated by Maxus presently?

24 A That well is now plugged and abandoned.

25 Q Oh, plugged and abandoned.

1 A Yes. The ownership map is, perhaps, a
2 little out of date.

3 Q Okay. And your primary target in this
4 application is the Devonian, is that correct?

5 A Yes, sir.

6 Q And you're within a mile of the Undesig-
7 nated Dickinson-Devonian Pool but there's no special pool
8 rules for that, so that is on 40-acre spacing; however,
9 your -- and the oil allowable is based on 40 acres, so es-
10 sentially what would happen would be -- what would this do
11 to your allowable in this particular unit, Mr. Gonzales?

12 A It -- I don't -- I'm not sure it would
13 make any special -- you know --

14 Q So being spaced on -- being based no 40,
15 it will give it a little bit more because it has a little
16 more acreage in the unit.

17 A Uh-huh.

18 Q But do you know if any of those Devonian
19 wells in this area, are they of marginal production or do
20 they meet the allowable, do you know?

21 A In this -- well, in the area of this map
22 there is no Devonian production other than that plugged and
23 abandoned pool in Section 34.

24 Q So there's no Devonian production close
25 to this particular area, is that correct?

1 else have anything else further in Case Number 9445?

2 If not, this case will be
3 taken under advisement.

4

5 (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 (Commission) 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. 9445,
heard by me on 3 August 1988.
Michael J. Boyer Examiner
Oil Conservation Division

BRAND: FORM 250-RPT (11-77) DATE: N. A. FORM 4 800-237-1434 NAT. OIL&GAS 6110 227-0-20

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date AUGUST 3, 1988 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
KADDDY WODELOS Ed Gonzales	PENNEON Maxus	UNIVERSITY Midland
Sub-Artur Paul Cooter	Bryan Wadey Law Firm	Santa Fe
Paul W. Burchell	El Paso Natural Gas	El Paso, TX.
Miguel Blanco	EPNG	Farmington ,"
JOHANN BRUNER	"	Santa Fe
VICTOR T. LYON	OCID	
Richard Jones	Amoco	DENVER
Tim Page	Mobil	Denver
Lucy Bultmann	Mobil	Denver
JOHN FAULHABER	MOBIL	DENVER
Galen Beller	Montgomery Ward	SE. CO
KENT LUND	AMOCO PRODCO.	Denver
SCOTT HALL	Campbell Black	SF
Craig Eggerman	Mobil	DENVER
Gary Meade	Santa Fe Joycees	SF
W. D. Keller Jim L. Barr	Keller Keller & Associates PENNZOIL	Santa Fe Houston

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date AUGUST 3, 1988 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
R. A. Ullrich	Nassau Resources	Farmington
G J Johnson	NASSAU RESOURCES	DENVER

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18 being called as a witness and being duly sworn upon his
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21 DIRECT EXAMINATION

22 BY MR. COOTER:

23 Q Would you state your name for the
24 record, please, sir?

25 A My name is Eduardo Gonzales.

1 Q By whom are you employed and in what
2 position, Mr. Gonzales?

3 I'm employed by Maxus Exploration Com-
4 pany of Midland, Texas, in the capacity of Senior Geolo-
5 gist.

6 Q Will you relate for the Commission very
7 very briefly your education and professional experience?

8 A I have a Master of Science degree from
9 Texas Tech University.

10 I've been employed in the oil industry
11 for ten years. Eight years of that has been served in the
12 Permian Basin and the primary area that I have been respon-
13 sible for is southeast New Mexico.

14 I'm a member of the American Association
15 of Petroleum Geologists and I've been designated by them as
16 as a Certified Petroleum Geologist.

17 Q Have you previously testified before
18 this Division and placed your qualifications of record?

19 A Yes.

20 MR. COOTER: Is the -- are the
21 qualifications of this witness accepted?

22 MR. STOGNER: Mr. Gonzales is
23 so qualified.

24 Q Mr. Gonzales, would you relate what
25 Maxus seeks by this application?

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20 A Yes, sir, it would.

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23 A Yes, sir.

24 Q And protect correlative rights, as well?

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6 Q And that would put you within about 300
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24 A That well is now plugged and abandoned.

25 Q Oh, plugged and abandoned.

1 A Yes. The ownership map is, perhaps, a
2 little out of date.

3 Q Okay. And your primary target in this
4 application is the Devonian, is that correct?

5 A Yes, sir.

6 Q And you're within a mile of the Undesig-
7 nated Dickinson-Devonian Pool but there's no special pool
8 rules for that, so that is on 40-acre spacing; however,
9 your -- and the oil allowable is based on 40 acres, so es-
10 sentially what would happen would be -- what would this do
11 to your allowable in this particular unit, Mr. Gonzales?

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13 make any special -- you know --

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15 it will give it a little bit more because it has a little
16 more acreage in the unit.

17 A Uh-huh.

18 Q But do you know if any of those Devonian
19 wells in this area, are they of marginal production or do
20 they meet the allowable, do you know?

21 A In this -- well, in the area of this map
22 there is no Devonian production other than that plugged and
23 abandoned pool in Section 34.

24 Q So there's no Devonian production close
25 to this particular area, is that correct?

1 A The closest production would be some six
2 miles to the east in the Echols Devonian Pool.

3 Q Okay.

4 A Which all those wells exceed or take
5 care of the allowables.

6 Q This faults that you're showing on your
7 Exhibit Two and your Exhibit Three, were those determined
8 by your seismic work?

9 A Yes, sir. The fault particularly to the
10 east side of the prospect, that is well defined by the geo-
11 physical work and also by the geological work we can see a
12 little bit of a (unclear) shallow formation and further to
13 the southwest that's also defined well by the geophysical
14 lines that we have. The real small faults are a little
15 more interpretive but the Geological -- Geophysical Depart-
16 ment feels that they are also there, although to a smaller
17 displacement.

18 MR. STOGNER: Are there any
19 other questions of this witness?

20 If not, he may be excused.

21 Mr. Cooter, do you have any-
22 thing further in this case?

23 MR. COOTER: No, sir, that
24 concludes our presentation.

25 MR. STOGNER: Does anybody

1 else have anything else further in Case Number 9445?

2 If not, this case will be
3 taken under advisement.

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(Hearing concluded.)

2025 RELEASE UNDER E.O. 14176

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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 (Commission) 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. 94450
heard by me on 3/24/88
Mark A. Stogner Examiner
Oil Conservation Division

STATE OF CALIFORNIA - THE PEOPLE - CALIFORNIA BULLETIN - NATIONAL BUREAU OF PRINTING