

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

CASE 10,697, 10,698

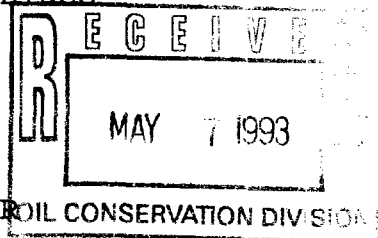
EXAMINER HEARING

IN THE MATTER OF:

Application of Petroleum Development Corporation
for a high angle/horizontal directional drilling
pilot project and for special operating rules
therefor, Chaves County, New Mexico

Application of Petroleum Development Corporation
for a high angle/horizontal directional drilling
pilot project, special operating rules therefor,
and a nonstandard oil proration unit, Chaves
County, New Mexico

TRANSCRIPT OF PROCEEDINGS



BEFORE: DAVID R. CATANACH, EXAMINER OIL CONSERVATION DIVISION

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

April 8, 1993

A P P E A R A N C E S

FOR THE DIVISION:

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1 WHEREUPON, the following proceedings were had
2 at 9:20 a.m.:

3 EXAMINER CATANACH: At this time we'll call
4 Case Number 10,697.

5 MR. STOVALL: Application of Petroleum
6 Development Corporation for a high angle/horizontal
7 directional drilling pilot project and for special
8 operating rules therefor, Chaves County, New Mexico.

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

11 MR. KEGEL: Walter Kegel, attorney, Espanola,
12 for the Applicant.

13 EXAMINER CATANACH: Okay, any other
14 appearances?

15 MR. KEGEL: Mr. Examiner, I'd like to ask
16 that this case be consolidated with the following case,
17 Number 10,698, involving the same type of an
18 application in the same section.

19 EXAMINER CATANACH: Okay, at this time we'll
20 call Case 10,698.

21 MR. STOVALL: Also the Application of
22 Petroleum Development Corporation for a high
23 angle/horizontal directional drilling pilot project,
24 special operating rules therefor, and a nonstandard oil
25 proration unit, Chaves County, New Mexico.

1 EXAMINER CATANACH: Any additional
2 appearances?

3 Okay, let the record reflect that the witness
4 has previously been sworn in, prior case.

5 You may proceed, Mr. Kegel.

6 J.C. JOHNSON,
7 the witness herein, having been previously duly sworn
8 upon his oath, was examined and testified as follows:

9 DIRECT EXAMINATION

10 BY MR. KEGEL:

11 Q. For the record, state your name and
12 residence.

13 A. My name is J.C. Johnson, from Albuquerque,
14 New Mexico.

15 Q. And your occupation?

16 A. I'm President of Petroleum Development
17 Corporation.

18 Q. And you have testified before this Commission
19 as an expert previously?

20 A. Yes, I have.

21 MR. KEGEL: Tender the witness.

22 EXAMINER CATANACH: He is qualified.

23 Q. (By Mr. Kegel) Do you have an exhibit book
24 that's in these two consolidated matters?

25 A. Yes, I have. On the Case Number 10,697 I

1 have four exhibits and the Application letter with
2 receipts from all the offset operators that they were
3 notified by certified mail.

4 Case Number 10,698, I have four exhibits, the
5 map, offset operators and addresses, horizontal
6 drilling procedure and a schematic of the procedure.

7 Q. As well as -- Well, are these two
8 Applications identical in what is proposed?

9 A. Yes, they are.

10 Q. Are there any differences between them?

11 A. Not really, except the depths of the pay
12 zones and the kickoff points, the perforations, slight
13 difference because one is on one side of the section
14 and one is on the other side of this section.

15 The procedure of what we're going to be doing
16 is, we're going to be doing the same thing, we're going
17 to be drilling the horizontal wells, maintaining a
18 distance of 100 feet from the out-of-boundaries of the
19 40-acre tract in each well.

20 Q. And do you have adequate controls to see that
21 you don't intrude upon the 100-acre -- 100-foot
22 boundary?

23 A. Yes, we do.

24 Q. Is the procedure which will be used the same
25 or similar to the procedure about which you have

1 testified in Case 10,696?

2 A. Yes, it is.

3 Q. Is it identical or are there any significant
4 differences?

5 A. The only difference is the distance that we
6 will be going from the vertical wellbore.

7 In these cases we will be limited -- by going
8 one certain direction -- If the bottom of the wellbore
9 is the same as the surface we would be able to go out
10 about 890 feet, there's a possibility.

11 On the other well we would be able to go out
12 about 790 feet, is our maximum distance, where in the
13 other case, 10,696, we're going to try to get out as
14 far as we can because we're crossing another 40-acre
15 boundary.

16 MR. KEGEL: Is it possible, Mr. Examiner, to
17 take notice of the testimony in the prior case in this
18 one so we don't have to go through it in detail?

19 EXAMINER CATANACH: Yes, I think we can do
20 that.

21 Q. (By Mr. Kegel) In both of these cases, do
22 you feel that the Applications are in the interests of
23 conservation and prevention of waste?

24 A. Yes, I do. Again, we're in a situation where
25 we're trying recover reserves that have not been

1 recovered by primary production from a vertical-drilled
2 well.

3 All indications from log calculations, there
4 are a tremendous amount of reserves still available to
5 be recovered. And the offset operators will have the
6 opportunity of this works to do the same thing to their
7 wells if the economics are there to do it.

8 Q. And the fractionalization that you talked
9 about in the prior case is present, you believe, in
10 these two situations also?

11 A. Yes, I do.

12 Q. And the offset operators will get the benefit
13 of the experience gained by your expenditures?

14 A. That is correct.

15 MR. KEGEL: I have no further questions.

16 EXAMINATION

17 BY MR. STOVALL:

18 Q. Mr. Johnson, just to make sure that we've got
19 the record together, the exhibits appear to be the same
20 in terms of content for each of the three cases, both
21 the previous one which we're incorporated in here and
22 then these two; is that correct?

23 A. That's correct.

24 Q. And the difference, as it appears to me, is
25 that what's really significantly different is that you

1 are at different depths --

2 A. Right.

3 Q. -- in what you're doing?

4 A. That is correct. It is the same pay zone.

5 Q. Okay. So in other words, if we look at each
6 exhibit, we could just -- If we wanted to substitute
7 the testimony, we could just plug in the numbers from
8 the exhibits into the testimony as a description of
9 what you intend to do and how you intend to get there?

10 A. That is correct.

11 Q. One other -- The case did include an
12 advertisement for a nonstandard proration unit. It
13 appears to me your Application actually didn't
14 reference that. I think that was identified when the
15 case was -- the advertisement was prepared by the
16 Division.

17 A. Yes.

18 Q. Am I correct in -- It appears that that is
19 because of an irregular survey and not because you're
20 omitting or adding any portion of a quarter section --
21 or a quarter quarter section or a line; is that
22 correct?

23 In other words, the quarter quarter that
24 you're in is actually a 44-acre quarter quarter rather
25 than a 40-acre; is that --

1 A. That's right, but I believe the Application
2 for --

3 Q. It's 10,698, is the one that we're referring
4 to, and according to the advertisement, and if I -- Let
5 me make sure I'm looking at the right map. It appears
6 that that may be a 44.3-acre lot rather than a standard
7 40-acre tract. Do you have any reason to believe
8 that's not true?

9 A. No, I don't. Walter, let me see -- I missed
10 it somewhere or another -- what you're talking about.

11 Q. I believe when Mr. Stogner prepared the --

12 A. Okay.

13 Q. -- Application, he reviewed the land surveys
14 for this area and determined that.

15 A. Yes, 44.3. Yes, okay.

16 EXAMINATION

17 BY EXAMINER CATANACH:

18 Q. Mr. Johnson, the direction of the laterals in
19 the two wells that we've been discussing has not been
20 determined?

21 A. That is correct.

22 Q. So you're requesting authorization to drill
23 in any direction you choose --

24 A. That is correct.

25 Q. -- as long as you stay further than 100 feet

1 from the outer boundary of the 40-acre unit?

2 A. That is correct. One reason, the main reason
3 for this request too, we may -- When we do one lateral,
4 we may find some information that says, Hey, it may be
5 better to change this direction in the next well.

6 MR. STOVALL: And the tracts are wholly owned
7 by PDC?

8 THE WITNESS: That is correct.

9 MR. STOVALL: Federal tracts again?

10 THE WITNESS: They are federal tracts.

11 MR. STOVALL: And I assume the feds are once
12 again enthusiastic?

13 THE WITNESS: They are enthusiastic about it.

14 Q. (By Examiner Catanach) Mr. Johnson, given
15 the fact that these wellbores may be within 100 feet of
16 the outer boundary of the lease line, do you see any
17 adverse effect on the offset operators as a result of
18 that?

19 A. At the present time, you mean?

20 Q. If you do in fact drill a lateral to within
21 100 feet of the outer boundary of the proration unit,
22 you're really at a nonstandard location. Do you see
23 that as affecting the offset operators adversely?

24 A. I do not myself, based on data and articles
25 I've read and so forth. A well drill -- The amount of

1 oil that's been recovered in these oils -- I doubt if
2 it's been recovered 20 foot from the wellbore.

3 But the thing that happens, if a well was
4 drilled vertically 100 foot from the well, then you
5 have the whole area, say these pay thicknesses 40-foot
6 thick where the 7-7/8-inch bore may do it.

7 But with the lateral boring out there to a --
8 a drainage factor -- a lot of people think it doesn't
9 drain 20 foot from that point of the lateral.

10 So the drainage is not as great. The
11 drainage will be along that lateral as it goes out.

12 Q. Unless you hit a fracture, and then wouldn't
13 the drainage area be extended?

14 A. It all depends on how far that fracture
15 extends, that is correct.

16 Q. But you've had no objection or no concern
17 from any offset operators on any of these proposals?

18 A. I've had no objections.

19 Q. The well number 4 is currently plugged and
20 abandoned?

21 A. That is correct.

22 Q. Okay. And number 7 is currently still -- Is
23 that still producing?

24 A. It's temporarily abandoned.

25 Q. Okay.

1 A. The number 4 well was drilled, attempt to
2 complete was made. The well has produced, I think, 575
3 barrels of oil. Log calculations show there's 460,000
4 barrels of oil in place, based on a 40-acre spacing
5 unit.

6 EXAMINER CATANACH: Okay, I don't have
7 anything further.

8 MR. KEGEL: Nothing further.

9 EXAMINER CATANACH: Okay, there being nothing
10 further, Case 10,697 and 10,698 will be taken under
11 advisement.

12 (Thereupon, these proceedings were concluded
13 at 9:33 a.m.)

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CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

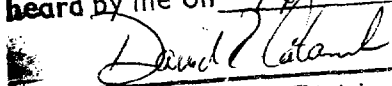
I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

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 April 14th, 1993.


STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1994

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 10697.98 heard by me on April 8, 1993.
 Examiner
Oil Conservation Division