

## NEW MEXICO OIL CONSERVATION DIVISION

STATE LAND OFFICE BUILDING

STATE OF NEW MEXICO

CASE NO. 10909

IN THE MATTER OF:

The Application of Klabzuba Oil & Gas  
for an Unorthodox Well Location,  
Lea County, New Mexico.

BEFORE:

DAVID R. CATANACH

Hearing Examiner

State Land Office Building

March 3, 1994

REPORTED BY:

APR 12 1994

CARLA DIANE RODRIGUEZ  
Certified Shorthand Reporter  
for the State of New Mexico

ORIGINAL

## A P P E A R A N C E S

FOR THE NEW MEXICO OIL CONSERVATION DIVISION:

**ROBERT G. STOVALL, ESQ.**

General Counsel

State Land Office Building

Santa Fe, New Mexico 87504

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.

Post Office Box 2208

Santa Fe, New Mexico 87504-2208

BY: **WILLIAM F. CARR, ESQ.**

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1 EXAMINER CATANACH: At this time,  
2 we'll call Case 10909.

3 MR. STOVALL: Application of Klabzuba  
4 Oil & Gas, for an unorthodox well location, Lea  
5 County, New Mexico.

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

8 MR. CARR: If it please the Examiner,  
9 my name is William F. Carr with the Santa Fe law  
10 firm Campbell, Carr, Berge & Sheridan. I  
11 represent Klabzuba Oil & Gas, and I have one  
12 witness.

13 EXAMINER CATANACH: Any additional  
14 appearances?

15 Will the witness please stand to be  
16 sworn in at this time.

17 **JAMES R. BARBER**

18 Having been first duly sworn upon his oath, was  
19 examined and testified as follows:

20 EXAMINATION

21 BY MR. CARR:

22 Q. Will you state your name for the  
23 record, please.

24 A. My name is James R. Barber.

25 Q. Where do you reside?

1 A. Euless, Texas.

2 Q. By whom are you employed?

3 A. Klabzuba Oil & Gas.

4 Q. And in what capacity?

5 A. As a petroleum geologist.

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

8 A. Yes, I have.

9 Q. At the time of that testimony, were  
10 your credentials as a petroleum geologist  
11 accepted and made a matter of record?

12 A. Yes, they were.

13 Q. Are you familiar with the application  
14 filed in this case on behalf of Klabzuba Oil &  
15 Gas?

16 A. Yes.

17 Q. Are you familiar with the proposed  
18 well?

19 A. Yes.

20 MR. CARR: Are Mr. Barber's  
21 qualifications acceptable?

22 EXAMINER CATANACH: Yes, they are.

23 Q. Would you briefly state what Klabzuba  
24 seeks with this application?

25 A. We seek approval of an unorthodox oil

1 well location for our proposed State well 1-36,  
2 to be drilled 2403 feet from the north line, and  
3 2620 feet from the west line of Section 36,  
4 Township 11 South, Range 37 East, Lea County, New  
5 Mexico.

6 Q. And into what formation are you  
7 proposing to drill?

8 A. Devonian formation.

9 Q. What would be the pool designation?

10 A. Gladiola-Devonian pool.

11 Q. Why is Klabzuba proposing to drill at  
12 this particular location?

13 A. Geologic conditions dictate this  
14 location.

15 Q. Have you made a geologic study of the  
16 area?

17 A. Yes, I have.

18 Q. Let's refer to what has been marked as  
19 Klabzuba Exhibit No. 1. Could you identify this  
20 and review it for Mr. Catanach?

21 A. This is a map of what we term our  
22 northwest Gladiola prospect. It's a map on the  
23 Devonian formation, a structure map, with a  
24 50-foot contour interval. It was constructed  
25 with both subsurface and seismic.

1           On the map you'll see the standard  
2   40-acre oil unit boundaries in red. The hachured  
3   areas are large fault zones. We have interpreted  
4   this fault block to be structurally high to the  
5   Harper Oil Company well, located in the northeast  
6   of Section 36, and that is the entire premise for  
7   this prospect.

8           Also shown on this map is the  
9   cross-section trace from A to A', starting with  
10   the Harper Oil Heyco State 36-1 well in the  
11   northeast quarter, moving through our proposed  
12   location, and ending with the Ralph Lowe Humble  
13   State 1 dry hole, in the southeast quarter of the  
14   section.

15         Q.     What is the status of the ownership of  
16   the lands in this prospect area?

17         A.     The entire section is controlled by  
18   Klabzuba, the largest lease being the north half,  
19   and the southeast quarter comprising of a  
20   480-acre State of New Mexico lease, with a  
21   one-eighth royalty. The southwest quarter, being  
22   160 acres, is also a State of New Mexico  
23   one-eighth royalty lease.

24         Q.     So, the ownership is identical  
25   throughout Section 36?

1           A.       That's right.

2           Q.       Accordingly, there would be no offset  
3 operator toward whom you're moving this well  
4 location?

5           A.       That's right.

6           Q.       Let's go to Exhibit No. 2. Could you  
7 identify and review that for Mr. Catanach?

8           A.       This is the cross-section, as indicated  
9 on the structure map. Beginning on the left side  
10 is the Harper Oil 36-1 Heyco State well. It  
11 shows that the top of the Devonian is very close  
12 to the oil/water contact in the Devonian  
13 formation.

14                   Moving to the center of the  
15 cross-section, it shows our proposed location,  
16 which we believe to be on the crest of the  
17 structure.

18                   And, moving further to A', it shows  
19 that the Ralph Lowe Humble State well is down  
20 thrown.

21           Q.       Mr. Barber, at this time I would like  
22 you to take these two exhibits and explain to the  
23 Examiner why you're proposing the well at this  
24 exact location. And, in so doing, could you  
25 explain why you cannot move the well to a



1 standard location by going west of the proposed  
2 location?

3 A. The entire premise here was to gain  
4 structure to the Harper Oil Company well. That  
5 well was perforated right in the top of the  
6 Devonian. It initially came in for 318 barrels  
7 of oil and a thousand barrels of oil a day.

8 It's cum'd a little less than 22,000  
9 barrels of oil and over half a million barrels of  
10 water. It did that in about two years. We  
11 believe that the production information shows  
12 there to be a very active bottom water drive.

13 At that point, we decided to shoot a  
14 3-D program and drill on the crest of the  
15 future.

16 If we wanted to go to an orthodox  
17 location in the southeast of the northwest, we  
18 would probably be dropping off structurally a few  
19 milliseconds, losing structure; and, in doing so,  
20 we would probably be leaving attic oil in the  
21 formation.

22 The same is true by going to the  
23 northeast, to an orthodox location in the  
24 southwest of the northeast quarter. We would be  
25 dropping off structurally there, also.

1           Also, in addition, on the map it looks  
2 like these faults are well-defined and definite,  
3 but when you view the seismic data, the quality  
4 degrades as you approach these fault zones and,  
5 by moving to the north and west, we think there's  
6 a real chance we could fault out the Devonian.

7           Q.     Has Klabzuba drilled or developed other  
8 Devonian pools in southeastern New Mexico?

9           A.     Yes.

10          Q.     Similar to this small Devonian anomaly?

11          A.     Yes. The racetrack Devonian field in  
12 Chaves County had a similar history, and it was a  
13 successful venture, and we did exactly what we  
14 wanted to do.

15          Q.     Do you believe that a well at this  
16 proposed location could effectively drain this  
17 entire pool?

18          A.     Yes.

19          Q.     In fact, you drilled a well and  
20 confirmed that that is the case? This could  
21 result in a subsequent hearing to even change the  
22 spacing in this area, is that not correct?

23          A.     Yes.

24          Q.     In your opinion, is a well at this  
25 location necessary, to drain this portion of the

1 Devonian formation?

2 A. Yes.

3 Q. And, thereby, you'll be recovering  
4 reserves that would otherwise be left in the  
5 ground?

6 A. Yes.

7 Q. In your opinion, will approval of this  
8 application be in the best interest of  
9 conservation, the prevention of waste, and the  
10 protection of correlative rights?

11 A. Yes.

12 Q. Were Exhibits 1 and 2 prepared by you?

13 A. They were.

14 MR. CARR: At this time, Mr. Catanach,  
15 I would move the admission of Klabzuba Exhibits 1  
16 and 2.

17 EXAMINER CATANACH: Exhibits 1 and 2  
18 will be admitted as evidence.

19 MR. CARR: That concludes my direct  
20 examination of Mr. Barber.

21 EXAMINATION

22 BY EXAMINER CATANACH:

23 Q. Mr. Barber, this pool is currently  
24 spaced on 40 acres?

25 A. I believe that's right.

1 Q. You propose to drill 20 feet off the  
2 quarter/quarter section line. Do you anticipate  
3 encountering any drift, drilling this well?

4 A. That's a real possibility.

5 Q. You may end up on a different 40 acres  
6 than you started off on?

7 A. That's true. I suspect, with knowing  
8 that there are faults that close to us, we'll  
9 keep a close eye on this location, because we  
10 sure don't want to get kicked off the crest in  
11 the future.

12 Q. Can you break down the ownership in  
13 Section 36 again for me? You said the southwest  
14 quarter was a state lease?

15 A. Yes.

16 Q. With a one-eighth royalty?

17 A. Yes. And the rest of the section is  
18 also a state lease, with a one-eighth royalty.  
19 And Klabzuba owns all the leases in Section 36.

20 Q. You're the only working interest owner  
21 in Section 36?

22 A. Yes.

23 Q. You mentioned something about possibly  
24 changing the spacing in this pool, or your  
25 attorney did?

1           A.       Well, we don't want to have to drill  
2 two of these to 12,000 feet on such a small  
3 feature, so, if we were successful, we would want  
4 to come back and increase the spacing, the size  
5 of these features we're seeing on 3D just don't  
6 dictate 40-acre spacing, in our opinion, at these  
7 depths.

8                               EXAMINATION

9 BY MR. STOVALL:

10          Q.       Are you familiar with other Devonian  
11 pools in the area?

12          A.       Somewhat, yes.

13          Q.       This is not an anomaly or unique type  
14 situation, is it? The shape may be unique, but  
15 the essence of a fractured border and--

16          A.       The essence is the top of the Devonian,  
17 which we believe to be a bottom water drive, and  
18 to let that water drive push the oil to us. I  
19 suspect, if some of these other fields had 3D,  
20 there would be funny shaped reservoirs in there,  
21 also.

22                               FURTHER EXAMINATION

23 BY MR. CATANACH:

24          Q.       On your Exhibit No. 1, looks like if  
25 you moved the well to the west, you would still

1 stay in that minus 8100-foot structure line. Why  
2 do you not want to move that well to the west?

3 A. At this point, when you view the  
4 seismic data, at this point you feel confident  
5 about the seismic deflector. As you begin moving  
6 to the west, that tends to fade and, on the  
7 seismic, there's just a zone of no data, and  
8 you're approaching that rapidly.

9 And, it may not look like it on this  
10 map, but on the seismic you would tend to drop  
11 several milliseconds by moving due west, which  
12 would drop you down structurally to some extent.

13 Q. Where does your seismic line run?

14 A. With the 3D program, we have lines in  
15 whatever direction you want. Unfortunately, you  
16 need to be sitting at a workstation to use that  
17 data properly.

18 Q. You are using 3D seismic?

19 A. Yes.

20 Q. Have you used 3D successfully?

21 A. Yes, we did on the Racetrack Devonian  
22 field. We had a well that had made 161,000  
23 barrels, with a lot of water, and for mechanical  
24 reasons there, we needed to replace that  
25 wellbore. We shot a 3D and we gained about 82

1 feet of structure, and now it's a water-free  
2 completion.

3 MR. STOVALL: If you don't hit the top  
4 of the structure with your well, is it true that  
5 anything above it is, essentially, unrecoverable,  
6 unless you go back in and--

7 THE WITNESS: Yeah. We're getting  
8 small here, and you're just talking about a few  
9 acres and a few acre-feet, if we didn't get  
10 exactly on top, but that still could be several  
11 thousand barrels that would never be recovered.

12 MR. STOVALL: In other words, if you  
13 give up 10 feet of structure, you're giving up 10  
14 feet of oil?

15 THE WITNESS: What's above us. That's  
16 what we believe, yes.

17 EXAMINER CATANACH: I have nothing  
18 further.

19 MR. CARR: We have nothing further in  
20 this case.

21 EXAMINER CATANACH: The witness may be  
22 excused, and Case 10909 will be taken under  
23 advisement.

24 (And the proceedings concluded.)  
25 I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 10909.  
heard by me on March 3 1988.

David P. Catanch, Examiner  
Oil Conservation Division

## CERTIFICATE OF REPORTER

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

I, Carla Diane Rodriguez, Certified  
Shorthand Reporter and Notary Public, HEREBY  
CERTIFY that the foregoing transcript of  
proceedings before the Oil Conservation Division  
was reported by me; that I caused my notes to be  
transcribed under my personal supervision; 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 4, 1994.

  
CARLA DIANE RODRIGUEZ, RPR  
CSR No. 4