

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

26 July 1989

EXAMINER HEARING

IN THE MATTER OF:

Application of Union Oil Company of CASE
California for an unorthodox gas well 9704
location, Lea County, New Mexico, and

Application of Union Oil Company of CASE
California for an unorthodox gas well 9705
location, Lea County, New Mexico.

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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

For Union Oil Company of William F. Carr
California: Attorney at Law
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I N D E X

ROBERT M. ALTANY

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1 MR. CATANACH: At this time
2 we'll call Case 9704, the application of Union Oil Company
3 of California for an unorthodox gas well location, Lea
4 County, New Mexico.

5 MR. CARR: May it please the
6 Examiner, my name is William F. Carr, with the law firm
7 Campbell & Black, P.A., of Santa Fe, New Mexico.

8 We represent Union Oil Com-
9 pany of California.

10 At this time, Mr. Examiner, I
11 would request that you also call Case 9705. This is also
12 an application of Union Oil Company for an unorthodox gas
13 well location. These are in spacing or proration units
14 which offset one another. The presentations will overlap.
15 I have the same witness in both cases and I would therefore
16 request they be consolidated for purposes of hearing.

17 MR. CATANACH: Okay, at this
18 time we'll call Case 9705, the application of Union Oil
19 Company of California for an unorthodox gas well location,
20 Lea County, New Mexico.

21 Are there any other appear-
22 ances in either one of these cases?

23 Will the witnesses please
24 stand to be sworn in?

25

1 (Witness sworn.)

2
3 ROBERT M. ALTANY,
4 being called as a witness and being duly sworn upon his
5 oath, testified as follows, to-wit:
6

7 DIRECT EXAMINATION

8 BY MR. CARR:

9 Q Will you state your full name for the
10 record, please?

11 A Robert M. Altany.

12 Q Mr. Altany, where do you reside?

13 A Midland, Texas.

14 Q By whom are you employed and in what
15 capacity?

16 A By Unocal as a geologist.

17 Q Have you previously testified before
18 this Division?

19 A No, sir.

20 Q Would you summarize for Mr. Catanach
21 your educational background?

22 A Bachelor of Science, Duke University,
23 1977, and a Master of Science, Northern Arizona University,
24 1983.

25 Q Would you review your work experience

1 since graduation from college?

2 A For 9-1/2 years I've been employed by
3 Unocal as a geologist in Midland, Texas.

4 Q Does your geographic area of responsi-
5 bility with Unocal include that portion of southeastern New
6 Mexico which is the subject of today's application?

7 A Yes, sir.

8 Q Are you familiar with the subject area?

9 A Yes, sir.

10 Q Are you familiar with the application
11 filed on behalf of Union in this case?

12 A Yes.

13 MR. CARR: We tender Mr. Al-
14 tany as an expert witness in petroleum geology.

15 MR. CATANACH: He is so
16 qualified.

17 Q Mr. Altany, what does Union seek with
18 this application?

19 A We seek two unorthodox locations in the
20 Morrow formation.

21 Q And are these in the (unclear) Morrow
22 Gas Pool?

23 A Yes, they are.

24 Q Would you refer to what has been marked
25 for identification as Unocal Exhibit Number One, identify

1 that for Mr. Catanach and then review the information
2 contained on this exhibit?

3 A This is a land plat of the subject area.
4 It shows the outlines of two Union-operated units. The
5 proposed locations are indicated by red dots and the
6 standard proration units are shaded in yellow.

7 Q Now, Section 20 is a one section unit,
8 the North Madero Unit?

9 A Yes.

10 Q And then the other is the Madero Unit to
11 the south.

12 A Yes.

13 Q I'd like to direct your attention first
14 to the well in Section Number 29, in the Madero Unit, and
15 ask you just to state what the proposed unorthodox location
16 is for this well.

17 A It's 460 from the north line and 1980
18 feet from the east line of Section 29.

19 Q And what would be the nearest standard
20 location that you could utilize for drilling this well?

21 A 660 from the north and 1980 from the
22 east.

23 Q Was that the location originally consi-
24 dered by Union when they started considering the develop-
25 ment of this acreage?

1 A Yes, it was.

2 Q Toward whom are you actually moving this
3 well location?

4 A Toward Union-operated acreage.

5 Q Are there any offsetting operators or
6 owners of undrilled leases toward whom you're moving this
7 well that would be entitled to notice under Division rules?

8 A No.

9 Q Would you explain to Mr. Catanach why
10 Union is seeking an unorthodox location for this particu-
11 lar well?

12 A An archaeological report identified a
13 cultural site on the proposed location and required that we
14 move 200 feet to the north.

15 Q Are there any locations in the spacing
16 units that are available to Union because of this archaeo-
17 logical report?

18 A None that would justify drilling the
19 well.

20 Q And if you attempt to move the well to
21 the west, would you also run into problems with this
22 archaeological report?

23 A Yes.

24 Q Are there any standard locations avail-
25 able to you in the north half of 29 in which you would not

1 also encounter these archaeological problems?

2 A No.

3 Q I'd like you to identify what has been
4 marked as Union Exhibit Number Two.

5 A This is the archaeological report on
6 which -- which the application is based.

7 Q And this is the only reason that you're
8 seeking an unorthodox location for this well?

9 A Yes, it is.

10 Q In your opinion will a well at the pro-
11 posed location effectively drain the reserves under the
12 north half of Section 29?

13 A Yes, it will.

14 Q Now I'd like to direct your attention
15 to the well located on the west half spacing unit in Sec-
16 tion 20, and would you identify for Mr. Catanach the cur-
17 rent proposed unorthodox location for that well?

18 A That one is 1800 feet from the south
19 line and 2060 feet from the west line of Section 20.

20 Q And what was the original proposed
21 location for that well?

22 A 1980 from the west and 1980 from the
23 south.

24 Q And that would have been a standard
25 location?

1 A Yes, it would.

2 Q Would you refer to Union Exhibit Number
3 Three and identify that for the Examiner, please?

4 A This is a plat showing surface features
5 of the area. It shows a pipeline which passed through our
6 original proposed location.

7 Q And this pipeline requires moving from
8 that location, is that correct?

9 A Yes, it does.

10 Q Are there other standard locations
11 available to Union in the west half of Section 20 that you
12 would recommend drilling a well?

13 A No.

14 Q What would preclude you from drilling a
15 well at another location on that spacing or proration unit?

16 A Geology indicates that a well drilled at
17 other legal locations would be riskier than the proposed
18 location and of lower economic potential.

19 Q All right. Would you now refer to what
20 has been marked Union -- Unocal Exhibit Number Four and
21 identify that for the Examiner?

22 A This is a type log of the Unocal North
23 Madero Federal No. 1 in Section 20. It shows the primary
24 objective zone in the Middle Morrow, shown as the isopach
25 interval, and several other secondary objectives.

1 Q Let's now move to Exhibit Number Five,
2 the isopach map, and if you would now review the informa-
3 tion on that exhibit for Mr. Catanach.

4 A This is a porosity isopach map using a 5
5 percent porosity cutoff, showing the thickness of -- show-
6 ing the thickness of pay in the primary zone in the Middle
7 Morrow formation.

8 Q And what does this tell you about the
9 ability of Union to move a well north of the proposed
10 location?

11 A To do so, the pay thickness would de-
12 crease and our risk would be increased and the productivity
13 of the well would decrease.

14 Q Are you the individual who's actually
15 picked this location for Union?

16 A Yes.

17 Q Could you recommend to your management
18 the development of this acreage with a well farther north
19 on the west half spacing or proration unit?

20 A No, I could not.

21 Q Toward -- this well shows both the ori-
22 ginal standard location and the new proposed unorthodox
23 location. Toward whom are you actually moving?

24 A Toward Unocal-operated acreage.

25 Q Are there any other offsetting operators

1 or owners to whom notice is required to be given under
2 Division rules?

3 A No, sir.

4 Q In your opinion will granting these
5 applications for unorthodox well locations be in the best
6 interest of conservation, the prevention of waste and the
7 protection of correlative rights?

8 A Yes.

9 Q Do you believe from each of these pro-
10 posed unorthodox locations you can effectively drain the
11 reserves under the acreage dedicated to each of those
12 wells?

13 A Yes.

14 Q Were Exhibits One through Five either
15 prepared by you or compiled under your direction and super-
16 vision?

17 A Yes, they were.

18 MR. CARR: At this time, Mr.
19 Catanach, we would move the admission of Unocal Exhibits
20 One Through Five.

21 MR. CATANACH: Exhibits One
22 through Five will be admitted as evidence.

23 MR. CARR: That concludes my
24 direct examination of Mr. Altany.

25

CROSS EXAMINATION

BY MR. CATANACH

Q Mr. Altany, in both cases your -- your new -- or your new location you're moving toward thicker sand in the Morrow, is that correct?

A Yes, sir.

Q Is that the only objective in these two wells, is the Morrow?

A It is. There is other production in the area but we don't feel that in these particular locations it's -- we cannot demonstrate it's economic.

MR. CATANACH: I have no further questions of the witness. He may be excused.

MR. CARR: I have nothing further in these consolidated cases.

MR. CATANACH: There being nothing further in Case 9704 and 9705, they will be taken under advisement.

(Hearing concluded.)

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. 9704, 9705
heard by me on July 26 19 88.

David R. Catano, Examiner
Oil Conservation Division