

## STATE OF NEW MEXICO

## ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

## OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING )  
CALLED BY THE OIL CONSERVATION )  
DIVISION FOR THE PURPOSE OF )  
CONSIDERING: ) CASE NO. 10842

APPLICATION OF YATES PETROLEUM CORPORATION  
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REPORTER'S TRANSCRIPT OF PROCEEDINGSEXAMINER HEARING

BEFORE: David R. Catanach, Hearing Examiner

October 7, 1993

Santa Fe, New Mexico

This matter came on for hearing before the  
Oil Conservation Division on October 7, 1993, at  
Morgan Hall, State Land Office Building, 310 Old Santa  
Fe Trail, Santa Fe, New Mexico, before Deborah O'Bine,  
RPR, Certified Court Reporter No. 63, for the State of  
New Mexico.

**ORIGINAL**

## I N D E X

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 Examiner Hearing  
 CASE NO. 10842

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CUMBRE COURT REPORTING

P.O. BOX 9262

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

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.  
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Oil Conservation Commission  
State Land Office Building  
310 Old Santa Fe Trail  
Santa Fe, New Mexico 87501

FOR THE APPLICANT: CAMPBELL, CARR, BERGE &  
SHERIDAN, P.A.  
P.O. Box 2208  
Santa Fe, New Mexico 87504  
BY: WILLIAM F. CARR, ESQ.

1 EXAMINER CATANACH: At this time we'll call  
2 Case 10842.

3 MR. STOVALL: Application of Yates  
4 Petroleum Corporation for an unorthodox gas well  
5 location, Eddy County, New Mexico.

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

8 MR. CARR: May it please the Examiner, my  
9 name is William F. Carr. I'm with the Santa Fe law  
10 firm Campbell, Carr, Berge & Sheridan. We represent  
11 Yates Petroleum Corporation in this case, and I have  
12 two witnesses.

13 I'd like the record to reflect that my  
14 first witness, Janet Richardson, was sworn in the  
15 previous case, and her qualifications as an expert  
16 witness and petroleum landperson have been accepted.

17 EXAMINER CATANACH: The record shall so  
18 reflect, Mr. Carr. Are there any additional  
19 appearances?

20 MR. STOVALL: Is Mr. May testifying at this  
21 time?

22 MR. CARR: Mr. May will be testifying at  
23 this time.

24 MR. STOVALL: We better swear Mr. May in  
25 then.

1 (Witness sworn.)

2 JANET RICHARDSON,

3 the witness herein, after having been first duly sworn  
4 upon her oath, was examined and testified as follows:

5 EXAMINATION

6 BY MR. CARR:

7 Q. Miss Richardson, are you familiar with the  
8 application filed in this case on behalf of Yates  
9 Petroleum Corporation?

10 A. Yes, I am.

11 Q. Are you familiar with the status of the  
12 lands in the subject area?

13 A. Yes.

14 MR. STOVALL: Mr. Carr, again, I'll do as I  
15 did with Mr. Bruce, because it's a separate  
16 transcript, let's have her identify herself even if we  
17 have qualified her.

18 Q. (BY MR. CARR) Would you like to state your  
19 name for the record, please.

20 A. My name is Janet Richardson.

21 Q. You are a petroleum landperson for Yates  
22 Petroleum Corporation?

23 A. Yes, I am.

24 Q. Could you briefly state what Yates seek  
25 with this application?

1           A.     Yes.   We'd like approval of an unorthodox  
2 well location for the proposed Hickory "ALV" Well No.  
3 3, and it will be drilled 2,166 feet from the south  
4 line, and 2,253 feet from the west line of Section 17,  
5 Township 22 South, Range 24 East, in Eddy County, New  
6 Mexico.

7           Q.     Could you identify what has been marked  
8 Yates Exhibit No. 1 and then review this for Mr.  
9 Catanach?

10          A.     Yes.   Exhibit No. 1 is a land plat showing  
11 the nine sections including and surrounding the well.  
12 The proposed well location is marked in red in the  
13 southwest quarter of Section 17. This well will be in  
14 a standard west half spacing unit in the west half of  
15 Section 17.

16                   The offsetting owners to the east in  
17 Section 16 is Santa Fe and then to the north in  
18 Sections 7 and 8 are also Santa Fe. And the other  
19 owners are Yates Petroleum and its affiliates.

20                   We've shown Section 7 outlined in yellow.  
21 All we own up there is a small overriding royalty  
22 interest. And the solid is acreage that we own 100  
23 percent.

24          Q.     On what offsetting owner is Yates actually  
25 encroaching?

1           A.     We're only encroaching towards ourselves,  
2 towards Yates Petroleum.

3           Q.     So there are no offsetting operators to  
4 whom notice needed to be provided of this hearing?

5           A.     Right.

6           Q.     Will Yates present a geological witness to  
7 explain the technical reasons for this location?

8           A.     Yes, we will.

9           Q.     Was Exhibit No. 1 prepared by you?

10          A.     Yes.

11                 MR. CARR: At this time, Mr. Catanach, we  
12 move the admission of Yates Petroleum Corporation  
13 Exhibit 1.

14                 EXAMINER CATANACH: Exhibit No. 1 will be  
15 admitted as evidence.

16                 MR. CARR: That concludes my examination of  
17 this witness.

18                         EXAMINATION

19 BY EXAMINER CATANACH:

20           Q.     Miss Richardson, is all of Section 17  
21 commonly owned?

22           A.     Yes, it is. And I believe the ownership  
23 breakdown is Yates Petroleum Corporation 4 percent,  
24 Yates Drilling Company/MICO Industries, Inc., and Abo  
25 Petroleum Corporation, 32 percent each.

1 EXAMINER CATANACH: That's all I have.

2 MR. CARR: At this time we'd call Mr. May.

3 BRENT MAY,  
4 the witness herein, after having been first duly sworn  
5 upon his oath, was examined and testified as follows:

6 EXAMINATION

7 BY MR. CARR:

8 Q. Would you state your name for the record,  
9 please.

10 A. Brent May.

11 Q. Where do you reside?

12 A. Artesia, New Mexico.

13 Q. By whom are you employed?

14 A. Yates Petroleum.

15 Q. In what capacity?

16 A. As a petroleum geologist.

17 Q. Have you previously testified before this  
18 Division?

19 A. Yes, I have.

20 Q. At the time of that testimony, were your  
21 credentials as a petroleum geologist accepted and made  
22 a matter of record?

23 A. Yes, they were.

24 Q. Are you familiar with the application filed  
25 in this case on behalf of Yates Petroleum Corporation?

1 A. I am.

2 Q. Have you made a geologic study of the area  
3 involved in this case?

4 A. Yes, I have.

5 MR. CARR: Are the witness's qualifications  
6 acceptable?

7 EXAMINER CATANACH: They are.

8 Q. (BY MR. CARR) Mr. May, in what formation  
9 does Yates propose to drill this well?

10 A. Yates Petroleum proposes to drill to the  
11 Upper Penn or what I could call the Canyon formation.

12 Q. And that is the main objective in this  
13 well?

14 A. That is the dolomite within the formation.

15 Q. Are there any primary, secondary objectives  
16 in the well?

17 A. The primary objective is to get in the  
18 Canyon dolomite. The secondary would be any other  
19 formations uphole that would give any hydrocarbon  
20 shows.

21 Q. Why is Yates proposing to drill at this  
22 particular location?

23 A. For geologic and topographic reasons.

24 Q. Let's go to what has been marked as Yates  
25 Petroleum Corporation Exhibit No. 2. Would you

1 identify and review this for Mr. Catanach, please.

2 A. This is a topographic map of the area. It  
3 shows the existing spacing unit outlined in yellow  
4 along with the proposed location. Yates originally  
5 asked for a location 1980 from the south line and 1650  
6 from the west line of Section 17, but because of the  
7 extreme topographic relief in the area, the BLM  
8 suggested the current location.

9 Q. Let's move now to our structure map, Yates  
10 Exhibit No. 3. Would you review that?

11 A. This is a structure map with the top of the  
12 Canyon or Upper Penn dolomite as a datum. It's  
13 basically showing a regional dip to the southeast.

14 Within Section 17 is a dashed red contour  
15 line at approximately minus 4060. This contour line  
16 represents the estimated oil-water contact. The  
17 proposed location is updip of this contact, though not  
18 by a whole lot, and also the location is near the  
19 Hickory No. 1, which is the other well within Section  
20 17. The Hickory does produce oil out of the Canyon or  
21 Upper Penn formation.

22 Q. Let's go now to Yates Petroleum  
23 Corporation's Exhibit No. 4, the isolith map.

24 A. This isolith map which represents the  
25 limits and thickness of the Canyon or Upper Penn

1 dolomite. The proposed location is north of the zero  
2 dolomite line, which is the thick black contour line  
3 on the lower part of the map.

4 The location is also to the south of a  
5 thick in the Upper Penn which is in the area of the  
6 Indian Basin-Upper Penn Pool.

7 There should be sufficient dolomite  
8 thickness for production, but with the close proximity  
9 to the dolomite edge, this does make this location  
10 somewhat risky.

11 Q. This location has actually been selected  
12 because of this geologic interpretation and also the  
13 topographic considerations reflected on Exhibit No. 3;  
14 is that right?

15 A. Yes, it is.

16 Q. In your opinion, is this well necessary to  
17 produce the reserves in the Upper Penn formation?

18 A. Yes, it is.

19 Q. Is this the best allowable location  
20 available to you on this tract?

21 A. Yes, especially when its topographic  
22 considerations are thrown in.

23 Q. In your opinion, will approval of this  
24 location enable Yates to produce reserves that  
25 otherwise would not be recovered?

1 A. Yes, that is true.

2 Q. So then your correlative rights would be  
3 protected?

4 A. Yes.

5 Q. How soon does Yates actually need to spud  
6 this well?

7 A. As far as I know, there are no expiration  
8 dates to this case, and we already have established  
9 production on the lease.

10 Q. Were Exhibits 2 through 4 prepared by you  
11 or compiled under your direction?

12 A. Yes, they were.

13 MR. CARR: At this time, Mr. Catanach, we  
14 would move the admission of Yates Petroleum  
15 Corporation's Exhibits 2 through 4.

16 EXAMINER CATANACH: Exhibits 2 through 4  
17 will be admitted into evidence.

18 MR. CARR: That concludes my examination of  
19 this witness.

20 EXAMINATION

21 BY EXAMINER CATANACH:

22 Q. Mr. May, your original location was denied  
23 by the Bureau of Land Management?

24 A. Yes, because of the topography.

25 Q. Subsequent to that, did you work with them

1 to try and find a satisfactory location in terms of  
2 topography?

3 A. Yes, we did, and that's why this location  
4 was picked. I would have preferred to stick with the  
5 original location, but the BLM would not approve that  
6 location.

7 Q. But geology did have a factor, was a factor  
8 in picking this new location?

9 A. Less than the topography. In my opinion,  
10 the first location -- according to the pool rules in  
11 this pool, you can drill two wells for the 320  
12 spacing, one per 160, and the north half of this  
13 southwest quarter is the best geologic location to  
14 drill for a productive well in this area.

15 So, in my opinion, I would have preferred  
16 to stay in the north half of this southwest quarter.  
17 That's why I picked the original location. Also  
18 because it was close -- one of the closer locations to  
19 the producing well. And then when we applied for  
20 that, the BLM could not grant that because of the  
21 topography and suggested the current proposed  
22 location.

23 Q. The location in the south half of the  
24 southwest quarter would just be moving away from the  
25 thicker dolomite?

1           A.     Getting more risky.   You're getting close  
2 to the edge of the dolomite, plus you're getting  
3 further and further downdip and closer and closer to  
4 the oil-water contact.   So, geologically, you are  
5 increasing your risk the further south you go.

6           EXAMINER CATANACH:   I have nothing further  
7 of the witness.

8           MR. CARR:   We have nothing further in this  
9 case, Mr. Catanach.

10          EXAMINER CATANACH:   There being nothing  
11 further in this case, Case 10842 will be taken under  
12 advisement.

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CERTIFICATE OF REPORTER

STATE OF NEW MEXICO )

) ss.

COUNTY OF SANTA FE )

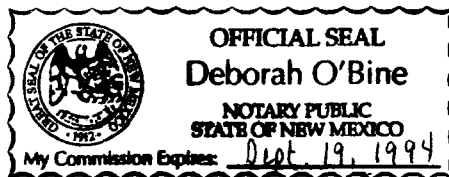
I, Deborah O'Bine, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that I caused my notes to be transcribed under my personal supervision, and that the foregoing transcript is a true and accurate record of the proceedings of said hearing.

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, October 16, 1993.

*Deborah O'Bine*

DEBORAH O'BINE  
CCR No. 63



I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7042, heard by me on October 7, 1993.

*Daniel R. Goddard*, Examiner  
Oil Conservation Division