

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. 11,891

APPLICATION OF COBRA OIL AND GAS)
CORPORATION FOR A UNIT AGREEMENT)
AND AN UNORTHODOX OIL WELL LOCATION,)
LEA COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

December 18th, 1997

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, December 11th, 1997, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

I N D E X

December 11th, 1997
Examiner Hearing
CASE NO. 11,891

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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 By: WILLIAM F. CARR

* * *

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1 WHEREUPON, the following proceedings were had at
2 8:41 a.m.:

3 EXAMINER STOGNER: At this time I'll call Case
4 Number 11,891.

5 MR. CARROLL: Application of Cobra Oil and Gas
6 Corporation for a unit agreement and an unorthodox oil well
7 location, Lea County, New Mexico.

8 EXAMINER STOGNER: Call for appearances.

9 MR. CARR: May it please the Examiner, my name is
10 William F. Carr with the Santa Fe law firm Campbell, Carr,
11 Berge and Sheridan. We represent Cobra Oil and Gas
12 Corporation in this matter, and I have two witnesses.

13 EXAMINER STOGNER: Any other appearances?

14 None, nobody else in the room.

15 Will the witnesses please stand to be sworn at
16 this time?

17 (Thereupon, the witnesses were sworn.)

18 MR. CARR: At this time we call Mr. Charles
19 House.

20 CHARLES L. HOUSE,
21 the witness herein, after having been first duly sworn upon
22 his oath, was examined and testified as follows:

23 DIRECT EXAMINATION

24 BY MR. CARR:

25 Q. Would you state your full name for the record,

1 please?

2 A. Charles Leon House.

3 Q. Mr. House, where do you reside?

4 A. Midland, Texas.

5 Q. By whom are you employed?

6 A. I'm a self-employed landman currently under
7 contract with Cobra Oil and Gas Corporation.

8 Q. Have you previously testified before the Oil
9 Conservation Division?

10 A. Yes, I have.

11 Q. At the time of that testimony, were your
12 credentials as an expert in petroleum land matters accepted
13 and made a matter of record?

14 A. Yes, they were.

15 Q. Are you familiar with the Application filed in
16 this case on behalf of Cobra Oil and Gas Corporation?

17 A. Yes.

18 Q. And are you familiar with the proposed Henard
19 unit and the request for an unorthodox location?

20 A. Yes, I am.

21 MR. CARR: Are the witness's qualifications
22 acceptable?

23 EXAMINER STOGNER: They are.

24 Q. (By Mr. Carr) Mr. House, could you initially
25 summarize for the Examiner what it is Cobra seeks with this

1 Application?

2 A. Cobra is asking for the approval of the Henard
3 unit agreement.

4 Q. Originally, the case was advertised also seeking
5 an unorthodox well location for a well to be drilled 2300
6 feet from the east line -- 250 from the north line and 2300
7 from the east line of Section 26, Township 11 South, Range
8 37 East. Has Cobra moved that well?

9 A. Yes, they have. The new location is at 330 from
10 the north, 2310 from the east, which would -- in effect, it
11 would be 330-330 out of the corner.

12 Q. And this is a standard location?

13 A. Yes.

14 Q. Does Cobra therefore request that the portion of
15 this case which relates to an unorthodox well location be
16 dismissed?

17 A. Yes.

18 Q. Have you prepared exhibits for presentation in
19 this case?

20 A. Yes, I have.

21 Q. Would you refer to what has been marked for
22 identification as Cobra Exhibit 1 and review this for Mr.
23 Stogner?

24 A. This is just a map of the outlined area showing
25 the four quarter sections or -- involved with the unit

1 acreage outline with also the proposed location marked.

2 Q. And the unit is going to be comprised of the two
3 shaded tracts, Tracts 1 and 2?

4 A. That's correct.

5 Q. What is the status of the land in each of these
6 tracts?

7 A. All of the lands covered by these two tracts are
8 fee mineral properties.

9 Q. Let's go to Exhibit Number 2. What is that?

10 A. Exhibit Number 2 is the exploratory -- the unit
11 agreement.

12 Q. And how did you go about preparing this
13 agreement?

14 A. I purchased from the State of New Mexico their
15 forms on computer disc. This is actually the state fee
16 exploratory form. It has been modified for our purposes.

17 Q. And it has been modified by deleting the
18 references to the state tracts?

19 A. That's correct.

20 Q. Okay. Does the ownership in this unit -- Is the
21 ownership in this proposed unit set forth on Exhibit B to
22 the unit agreement?

23 A. That is correct.

24 Q. Is this exhibit current as of today?

25 A. This exhibit is current as of 12-15-97. There

1 have been some changes to this. We've located some
2 unlocated -- previously unlocated mineral owners and have
3 made other trades with those that are outstanding.

4 Q. And so you've been able to acquire additional
5 interest since the 15th of this month?

6 A. That's correct.

7 Q. Do you request permission to, following the
8 hearing, submit to Mr. Stogner a revised Exhibit B that
9 shows the interest ownership as it stands as of this date?

10 A. Yes.

11 Q. What percentage of the fee ownership in the
12 proposed unit area is currently committed to this
13 agreement?

14 A. Approximately 99 percent.

15 Q. And who is outstanding at this time?

16 A. The only party outstanding is Marjorie Kastman,
17 who has indicated her desire to join in our operation.

18 Q. Is Ms. Kastman part of the Cone family?

19 A. Yes.

20 Q. And you have been in negotiations with her?

21 A. Yes, we have.

22 Q. And are you hopeful that you will have a hundred
23 percent of the interest voluntarily in?

24 A. We will have a hundred percent before it's all
25 over, one way or the other.

1 Q. Does Cobra desire to be designated operator of
2 the unit?

3 A. Yes, they do.

4 Q. And what is the primary objective in this unit
5 area?

6 A. Devonian.

7 Q. Are all horizons to be unitized?

8 A. Yes, they are.

9 Q. And what is that? From surface to base of
10 Devonian?

11 A. From surface to the base of the Devonian.

12 Q. When do you propose to spud the initial well on
13 the unit?

14 A. It will be some time next week.

15 Q. And you have filed for an Application for Permit
16 to Drill --

17 A. Yes.

18 Q. -- the OCD?

19 A. Yes.

20 Q. In your opinion, will the granting of this
21 Application and the development of this acreage under a
22 unit plan be in the best interest of conservation, the
23 prevention of waste, and the protection of correlative
24 rights?

25 A. Yes.

1 Q. Will Cobra be calling a geological witness to
2 explain the technical portion of this case?

3 A. Yes, they will.

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

5 A. Yes.

6 MR. CARR: At this time, Mr. Stogner, we move the
7 admission into evidence of Cobra Exhibits 1 and 2.

8 EXAMINER STOGNER: Exhibits 1 and 2 will be
9 admitted into evidence.

10 MR. CARR: That concludes my direct examination
11 of Mr. House.

12 EXAMINATION

13 BY EXAMINER STOGNER:

14 Q. Mr. House, in looking at Exhibit Number 2 -- and
15 I'm looking at the schedule of ownership which is
16 designated Exhibit B in this particular document -- the
17 Kastman -- I think that's Marjorie Cone -- is that the
18 identified outstanding royalty at this time?

19 A. Correct.

20 Q. And their acreage is in Section 23; is that
21 correct?

22 A. That's correct.

23 Q. Even if they don't join between now and the time
24 the well starts producing, they're not really a part of the
25 proration unit, but you expect them to be joined -- or join

1 in the unit?

2 A. Yes, I do. She has indicated her desire to just
3 join with her minerals, and we're trying to talk her out of
4 it. It's too small of an interest to...

5 Q. In looking at this Exhibit B, let's take, for
6 example, down there at the last part -- the last entry in
7 Section 23, the Carolyn Reese. Is she leased by Cobra or
8 somebody else?

9 A. She is unleased -- She's actually unleased at
10 this time. We are dealing with her. We've got --
11 Actually, we're in the process of acquiring that mineral
12 interest from her.

13 That interest actually now is owned -- That's the
14 N. Randolph Reese Estate. It's actually now owned by his
15 two daughters and two grandchildren, I believe.

16 Q. Okay. How about the Ginger Bowker interest?

17 A. We have -- The leases are out to them and they
18 have agreed to lease, but it's not back yet.

19 Q. Okay. And Nancy Mader?

20 A. The same situation. There's -- Gary Ray Murray,
21 Nancy Mader and Ginger Bowker are all related.

22 Once again, this is an interest that took forever
23 to find. Once we finally found them, we have made a trade
24 with them.

25 Q. How about the Gary Ray Murray interest?

1 A. That's the same.

2 Q. The same?

3 A. Gary Ray Murray, Nancy Mader and Ginger Bowker
4 are all related. It's the Murray estate.

5 Q. How long have you been working on this, trying to
6 get all the interests together and identified and signed
7 up? When did you start?

8 A. It took -- It's taken about four months to get
9 them done. Some of them have taken a little bit longer,
10 but it all came together pretty well.

11 Q. So you've essentially been doing this for the
12 last four months?

13 A. Approximately.

14 Q. Now, when I look at page 2 of this Exhibit, up
15 there on the top it says State/Fee Exploratory Units, but
16 there is no state land; is that correct?

17 A. That is correct.

18 Q. This was just the form in which -- you got from
19 the Land Office, you delineated any mention of state lands;
20 is that correct?

21 A. Yes, sir.

22 EXAMINER STOGNER: I have nothing further of this
23 witness.

24 MR. CARR: Thank you, Mr. Stogner.

25 At this time we call Frank Wilson.

1 FRANK E. WILSON,
2 the witness herein, after having been first duly sworn upon
3 his oath, was examined and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. CARR:

6 Q. Would you state your name for the record, please?

7 A. Frank Ernest Wilson.

8 Q. Where do you reside?

9 A. Wichita Falls, Texas.

10 Q. By whom are you employed?

11 A. I'm a consultant for Cobra Oil and Gas
12 Corporation.

13 Q. Have you previously testified before this
14 Division?

15 A. Yes, sir, I have.

16 Q. At the time of that testimony, were your
17 credentials as an expert in petroleum geology accepted --

18 A. Yes.

19 Q. -- and made a matter of record?

20 A. Yes, sir.

21 Q. Are you familiar with the Application filed in
22 this case?

23 A. Yes, sir.

24 Q. And are you familiar with the proposed Henard
25 unit?

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1 A. Yes, sir.

2 MR. CARR: Are the witness's qualifications
3 acceptable?

4 EXAMINER STOGNER: They are.

5 Q. (By Mr. Carr) Mr. Wilson have you prepared
6 exhibits for presentation in this hearing?

7 A. I have.

8 Q. And are they contained in the bound exhibit book
9 that's been passed out?

10 A. That's correct.

11 Q. Could you refer to your first exhibit, which has
12 been marked Exhibit 4?

13 Mr. Stogner, I would not there is no Exhibit 3.
14 I couldn't number consecutively from 1 to 7. So we'll
15 start with Exhibit Number 4. There was never an Exhibit 3,
16 I might note.

17 We'll start with Exhibit Number 4, and I'd ask
18 you to identify that for the Examiner if you would, please.

19 A. Exhibit 4 is a base map that shows the well
20 locations, along with the proposed Henard well and the
21 proposed unit.

22 Q. And this unit and the proposed well is based on
23 your geological study?

24 A. That's correct.

25 Q. Let's go to the next exhibit, Exhibit Number 5.

1 Would you identify this, please?

2 A. Exhibit 5 is a base-of-Woodford, top-of-Devonian
3 structure map. As you can see, the Henard unit is once
4 again posted on the map with the proposed location.

5 Q. And this was developed from seismic?

6 A. Yes, sir.

7 Q. You have 3-D seismic over this general area?

8 A. Yes, sir, we have.

9 Q. You have mapped the features, the small circle
10 that extends from the southernmost tract and extends on
11 north of that across the section line into the northern 40;
12 is that right?

13 A. That's correct.

14 Q. And you have developed this based on your 3-D
15 seismic work in the area?

16 A. That's correct.

17 Q. Where is the oil-water contact?

18 A. That isn't known at this point. The Jack Markham
19 Webb well up to the north recovered water on a DST, but
20 there's no known oil-water contact.

21 Q. Okay. What is Exhibit Number 6?

22 A. Exhibit Number 6 is a type log for the area. It
23 is actually the Jack Markham well.

24 Q. This is the well that was wet in this interval?

25 A. Yes, it is. Along with the scout ticket for that

1 well.

2 Q. In your opinion, will approval of the Application
3 and the development of this Devonian feature as proposed be
4 in the best interests of conservation, the prevention of
5 waste and the protection of correlative rights?

6 A. Yes, sir.

7 Q. Is Exhibit Number 7 a written summary of your
8 recommendations concerning the development of this acreage?

9 A. Yes, sir, it is.

10 Q. Were Exhibits 4 through 7 prepared by you?

11 A. They were.

12 MR. CARR: Mr. Stogner, at this time we move the
13 admission into evidence of Cobra Exhibits 4 through 7.

14 EXAMINER STOGNER: Exhibits 4 through 7 -- and it
15 will be noted one more time that there is no Exhibit Number
16 3 -- will be admitted into evidence at this time.

17 MR. CARR: And that concludes my direct
18 examination of Mr. Wilson.

19 EXAMINATION

20 BY EXAMINER STOGNER:

21 Q. Mr, Wilson, on Exhibit Number 5 -- This is your
22 map.

23 A. Yes, sir.

24 Q. Okay. Is that a fault down toward the bottom
25 part of this unit?

1 A. Yes, sir, there's a down-to-the-south fault at
2 the bottom half of this unit, or the bottom third of this
3 unit.

4 Q. Okay. How has that affected some of the past --
5 And I'm assuming that the well designations that you have
6 shown on this -- it looks like there's six of them --

7 A. Yes, sir.

8 Q. -- other than your proposed well, were Devonian
9 tests?

10 A. Yes, sir, those are all Devonian tests.

11 Q. And did any of them produce?

12 A. No, sir.

13 Q. No. What do we see as far as structural in the
14 Devonian between that Markham -- I'm sorry, that Webb well,
15 or the Markham Webb, I guess --

16 A. Yes.

17 Q. -- and the Brown, the H.L. Brown one?

18 A. Between the Brown?

19 Q. Yeah, the one to the south of the unit.

20 A. Okay, there's a 250 -- or approximately 250 foot
21 of structural difference in between the two wells, the
22 Brown well being downdip.

23 Q. Was there any noticeable difference about the
24 structure or the makeup of the deposition or --

25 A. No, sir, there was no --

1 Q. Just a clean fault?

2 A. Just a clean fault through there.

3 Q. Did they have water in that Brown well?

4 A. Yes, sir.

5 Q. Are there any other fields or Devonian production
6 in the area that tends to show that if you're near a fault
7 like that it's to your benefit, or what do you base some of
8 your hopes on?

9 A. Yes, sir, it does appear in an area if you're
10 close to a fault, you do enhance the porosity right up
11 against the fault.

12 Q. Any other potential zones above the Devonian in
13 this area?

14 A. No, sir, not that we recognize.

15 Q. Should the Devonian not test in this instance, do
16 you propose to do some other testing in the upper
17 intervals?

18 A. No, sir, not at this point.

19 EXAMINER STOGNER: Okay. Anything further in
20 this matter?

21 MR. CARR: Nothing further, Mr. Stogner.

22 EXAMINER STOGNER: Well, if not then this matter
23 will be taken under advisement.

24 Thanks for the presentation. Very good, and good
25 luck, and I'll expedite an order in this case.

1 MR. CARR: We'd appreciate that. If you would
2 like one prepared for you, we could do that.

3 EXAMINER STOGNER: Sure, I won't deny that.

4 MR. CARR: All right, we'll do that.

5 EXAMINER STOGNER: Prepare me one and get it over
6 to me on diskette, I'd be more than happy to accept it.

7 MR. CARR: I will do that. Thank you very much.

8 EXAMINER STOGNER: Thank you, gentlemen.

9 At this time we're going to take about a 15-
10 minute recess.

11 (Thereupon, these proceedings were concluded at
12 8:55 a.m.)

13 * * *

14
15
16 I do hereby certify that the foregoing is
17 a complete record of the proceedings in
18 the hearing of the Commission on
19 the hearing of the Commission on December 11, 1997.
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24
25
Conservation Division

STEVEN T. BRENNER, CCR
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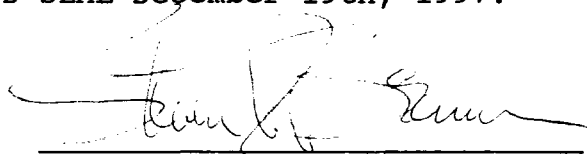
CERTIFICATE OF REPORTER

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 December 19th, 1997.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998

STEVEN T. BRENNER, CCR
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