

CASE 7382: TXO PRODUCTION CORPORATION  
FOR AN UNORTHODOX GAS WELL LOCATION,  
EDDY COUNTY, NEW MEXICO

DEPT AVAILABLE

DOCKET MAILED

Date 10/9/81

CASE NO.

7382

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APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,  
ETC.

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
21 October 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of TXO Production  
Corporation for an unorthodox  
gas well location, Eddy County,  
New Mexico.

CASE  
7382

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

W. Perry Pearce, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

Allen Brill, Esq.  
MONTGOMERY & ANDREWS  
Paseo de Peralta  
Santa Fe, New Mexico 87501

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## I N D E X

RANDY CLICK

Direct Examination by Mr. Brill

BILLY DON BAKER, JR.

Direct Examination by Mr. Brill

TOM MYERS

Direct Examination by Mr. Brill

## E X H I B I T S

Applicant Exhibit One, Plat

Applicant Exhibit Two, (No exhibit)

Applicant Exhibit Three, Map

Applicant Exhibit Four, Isopach

Applicant Exhibit Five, Cross Section

Applicant Exhibit Six, Structure Map

Applicant Exhibit Seven, Summary

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2

MR. STAMETS: We'll call next Case 7382.

3

MR. PEARCE: Application of TXO Pro-

4

duction Corporation for an unorthodox gas well location, Eddy

5

County, New Mexico.

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MR. BRILL: My name is Allen Brill. I'm

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with the law firm of Montgomery and Andrews in Santa Fe.

8

We're representing the applicant in this case, TXO Corporation.

9

We'll have three witnesses.

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11

(Witnesses sworn.)

12

13

RANDY CLICK

14

being called as a witness and being duly sworn upon his oath,

15

testified as follows, to-wit:

16

17

DIRECT EXAMINATION

18

BY MR. BRILL:

19

Q

Would you please state your name, ad-

20

dress, and occupation?

21

A.

Randy Click. 900 Wilco Building, Midland,

22

Texas. I'm a landman.

23

Q

Mr. Click, have you been qualified before

24

the Division as a landman before?

25

A.

No.

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Q

Would you then briefly summarize your professional qualifications and experience?

A

Well, I have a fine arts degree from Texas Tech University and I've worked for TXO as a landman for eight months, approximately.

MR. BRILL: Mr. Examiner, are the witness' qualifications as a landman acceptable?

MR. STAMETS: Well, I don't see any reason that he cannot testify as a landman. I'm not certain that he's qualified in the standard sense, but I don't see any problem with that and I'd rather reserve judgment for some time when it might count.

MR. BRILL: Thank you.

MR. STAMETS: More than it does today, let me rephrase that.

Q

Mr. Click, are you familiar with TXO's application Number 7382, requesting division approval of an unorthodox location in TXO's unit in the west half of Section 20, Township 17 South, Range 28 East, in Eddy County?

A

Yes.

Q

Do you have an exhibit which shows the proposed location?

A

Yes.

Q

Has this exhibit been marked?

1

2

A. Yes.

3

Q. And what is the number?

4

A. 7382, Exhibit One.

5

MR. BRILL: We would move the admission

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of Exhibit One.

7

MR. STAMETS: I would prefer to wait

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until the testimony is completed and then we will have all of

9

these submitted at one time.

10

Q. And, Mr. Click, could you explain this

11

exhibit in terms of what does the yellow shading indicate and

12

what is --

13

A. Okay.

14

Q. -- the red circle and the red arrow?

15

A. The west half of Section 20 will be

16

dedicated as our proration unit and our well will be drilled

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660 feet from the south and 660 feet from the west, if approved.

18

Q. Did you check, Mr. Click, available

19

records to determine the identify of offset operators to the

20

proposed location?

21

A. Yes.

22

Q. And have you made any efforts to contact

23

those offset operators?

24

A. Yes.

25

Q. What are those efforts?



1  
2 A. Okay. Amoco Production, we've contacted  
3 them and they have stated verbally that they have no objection  
4 as to what we're going to do.

5 Conoco is familiar with our proposed  
6 location, and so is Tenneco.

7 Q. Could you detail for us where Amoco,  
8 where their working interest is located and if they have any  
9 wells in the area?

10 A. They are operators of that gas well on  
11 the east half of Section 29.

12 Q. Do they have any interest in the west  
13 half?

14 A. Yes, they also have a quarter interest  
15 in the west half --

16 Q. Of 29?

17 A. -- in the west half of 29.

18 Q. And what interest does Conoco have?

19 A. One half interest.

20 Q. In which area?

21 A. West half of 29.

22 Q. And how do you know that Conoco has no  
23 objection to your application?

24 A. Because we took a farm-in from them on  
25 the west half of 20 and we had an expiration date in October

1  
2 and we've asked for an extension because of this unorthodox  
3 location applied for and they gave us an extension until  
4 December.

5 Q How about Tenneco, where are they  
6 located?

7 A They're located in the west half of 29  
8 and also we took a farm-in from them and under the same cir-  
9 cumstances as Conoco's.

10 Q So Amoco is the only -- they are the  
11 operator in the east half of Section 29, is that correct?

12 A Yes.

13 Q And what percentage of the working inter-  
14 est have you contacted by telephone in the west half of Sec-  
15 tion 29?

16 A Over 75 percent.

17 Q Has anyone voiced any objection whatso-  
18 ever?

19 A No, sir.

20 Q And could you please detail for us, Mr.  
21 Click, how TXO became the operator of the west half of Sec-  
22 tion 20?

23 A Okay, we took farm-in agreements from  
24 Tenneco, Conoco, and the Wilson Oil Company on that west  
25 half of 20, and that's how we became operators.

1  
2 Q Mr. Click, in your opinion will the  
3 granting of TXO's application prevent waste and protect cor-  
4 relative rights?

5 A Yes.

6 MR. BRILL: I have no other questions.

7 MR. STAMETS: Any questions of the wit-  
8 ness? He may be excused.

9  
10 BILLY DON BAKER, JR.

11 being called as a witness and being duly sworn upon his oath,  
12 testified as follows, to-wit:

13  
14 DIRECT EXAMINATION

15 BY MR. BRILL:

16 Q Will you please state your name, address  
17 and occupation?

18 A Billy Don Baker, Junior, 900 Wilco Building,  
19 and I'm a geologist.

20 Q Have you been qualified as an expert  
21 before the Division before, Mr. Baker?

22 A No, sir.

23 Q Would you please then briefly summarize  
24 your professional qualifications?

25 A I graduated from Texas A&M University

1  
2 in December of 1980 and have been employed by Texas Oil and  
3 Gas since January, for approximately ten months.

4 MR. BRILL: Mr. Examiner, are the wit-  
5 ness' qualifications as a geologist acceptable?

6 MR. STAMETS: Mr. Baker, what have your  
7 duties been with Texas -- with TXO?

8 A. I'm a production development geologist,  
9 sir, working primarily in the development field in the area.  
10 I handle ten counties in Texas and Eddy County, New Mexico.

11 MR. STAMETS: So this is within your area  
12 of responsibility?

13 A. Yes.

14 MR. STAMETS: The witness is considered  
15 qualified.

16 Q Mr. Baker, are you familiar with TXO's  
17 application Number 7382?

18 A. Yes, sir.

19 Q Could you indicate for us, please, using  
20 Exhibit One, if you wish, where TXO proposes to locate its  
21 well?

22 A. This well will be located 660 from the  
23 south line, 660 from the west line, of Section 20, Township  
24 17 South, Range 28 East, of Eddy County, New Mexico, and it  
25 will be drilling to the Lower Morrow "C" Sand of the Lower

1

2

Morrow formation.

3

4

Q In what respect is this location unorthodox?

5

6

A This is a stand up unit and an orthodox location would be 1980 from the south line.

7

8

Q Have you prepared any exhibits with reference to your testimony?

9

10

A Yes, sir, I have.

11

12

Q Well, then, Mr. Baker, in referring to these exhibits could you please explain why TXO seeks to drill in this unorthodox location?

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A Yes. First I would like to refer to Exhibit Number Three, which is a production map of the area, and this exhibit here shows all wells in the area which have produced from the Lower Morrow "C" Sand, wells which have Lower Morrow "C" Sand behind pipe and not been perforated, and wells which have no Lower Morrow "C" Sand in them at all.

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20

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22

And from taking this data over to the east part of the section over here, I have taken and devised an Isopach and a trend of which way the Lower Morrow "C" Sand trended to this area.

23

24

Q Now this production map is marked as what exhibit?

25

A.

Exhibit Number Three, sir.

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11

2

Q. No, I'm sorry, the production map.

3

A. Oh, the production map --

4

Q. I'm sorry, you're right.

5

Okay, and also prepared an Isopach?

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A. Yes, sir, Exhibit Number Four, and this Isopach was derived from a gross Isopach from the logs in the immediate area. Due to the fact that most of these wells were drilled in the early 1950's very few of the wells have any type of porosity Isopachs. They were strictly electric logs, and so from that I just took strictly a gross Isopach interval of the sand.

13

Q. Now what does this Isopach show, Mr.

14

Baker?

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A. This gross Isopach here shows what I believe to be the way that the Lower Morrow "C" Sands trend through this general area, and I based it on the production of the Lower Morrow "C" Sand wells over to the east of this and in the immediate area where we want to drill this well, there's only one well in there which produces from the Lower Morrow "C" Sand.

22

Q. And what does this show in relation to your unit and the proposed unorthodox location?

23

24

A. This shows that we will encounter sands just a little bit less than that of the immediate well which

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2 has produced in our area, which is the Amoco State "AB" No. 1,  
3 has produced from approximately 70 feet of sand.

4 Q And does your Isopach show that there is  
5 at least some thickness of sand throughout your unit?

6 A Yes, sir, it shows that there -- we should  
7 encounter sand throughout the entire unit but due to the fact  
8 that there is no production -- I mean no porosity available  
9 in here, we feel like we will need the greatest amount of  
10 thickness which will encounter the greatest permeability and  
11 greatest porosity in which to produce from.

12 Q Have you checked this Isopach against  
13 any other data?

14 A Yes, sir, I have prepared a stratigraphic  
15 cross section in Exhibit Number Five. I have marked the  
16 Lower Morrow "C" Sand on here by yellow.

17 There are four Lower Morrow "C" Sands  
18 involved here. As I say, I have marked the Lower Morrow "C"  
19 Sand in yellow, trying to show where it pinches out, where  
20 it is prevalent in the wells that we'll be offsetting.

21 Q And which wells are cross sectioned here  
22 in this exhibit?

23 A Approximately eight wells. Starting  
24 on, you can look on either your Isopach or your structure  
25 map later and it will be marked with A-A'.

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Q Okay, and how does this cross section compare to the Isopach? How did it correlate?

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A. Okay. On this cross section here, this is showing all of the logs that I had available in the immediate area and this is a gross interval Isopach, and what I did was I marked the gross interval on my cross section.

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There are -- there is one discrepancy involved in here, which is a drafting discrepancy, between my Isopach and the cross section. That is in the Amoco State "AB" No. 1.

12

13

Q And how -- what is the extent of that discrepancy?

14

15

A. Approximately five feet due to drafting error.

16

17

Q And you used the term "gross". What do you mean by that, Mr. Baker?

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19

20

A. The entire interval in which the sand was laid down. That is not the producible interval; that is just an interval which shows up on the logs.

21

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23

24

Q So again, drawing from these three exhibits, and primarily from the Isopach that you prepared, would you explain why TXO proposes to drill at an unorthodox rather than an orthodox location?

25

A.

Well, based on our economics, we feel



1  
2 that we will need to encounter the maximum area which would  
3 have the maximum permeability and the maximum porosity avail-  
4 able to us, to economically drain the reservoir and meet our  
5 economics.

6 Q Does this mean that the other portion of  
7 the unit where the Morrow Sand is thinner would not be pro-  
8 ducable?

9 A No, sir, it would be producible but due  
10 to the fact that we'd probably only encounter approximately  
11 10 to 15 feet of sand and the permeability and porosity would  
12 be considerably tighter, these sands would not produce in  
13 economic quantities and it would not be economically feasible  
14 for us to drill at another location.

15 Q And as operator of this unit would TXO  
16 drill the well in an orthodox location if this application  
17 were denied?

18 A No, sir.

19 Q Are there any reasons for that?

20 A Yes, sir, as I stated, once again, we  
21 feel like if we did drill it at an orthodox location we would  
22 still encounter approximately 10 to 15 feet of sand. Due to  
23 the fact that these sands would probably be tight with low  
24 permeability and low porosity, we would not effectively drain  
25 and we would only encounter approximately 25 percent of our

1 reserves we calculated for this unorthodox location.

2 Q Mr. Baker, have you prepared any other  
3 exhibits?

4 A Yes, sir, I've prepared a structure map  
5 in Exhibit Number Six, and this is simply structure on the  
6 top of the Lower Morrow section.  
7

8 It has really no relevance involved in  
9 the production of this well, seeing as how structure is not  
10 relevant in the production of these wells here. It has nothing  
11 to do with it, but due to the fact that most companies like  
12 to have the most up-dip structure, we will have the best  
13 location here structurally, too.

14 It has really no relevance on how this  
15 well will produce, though.

16 Q Mr. Baker, in your professional opinion  
17 would the granting of this application prevent waste and  
18 protect correlative rights?

19 A Yes, sir.

20 MR. BRILL: No other questions.

21 MR. STAMETS: Any questions of this  
22 witness? He may be excused.  
23  
24  
25

TOM MYERS

being called as a witness and being duly sworn upon his oath,  
testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. BRILL:

Q Will you please state your name, address,  
and occupation?

A. My name is Tom Myers, spelled M-Y-E-R-S.  
I -- my address is 900 Wilco Building, Midland, Texas, and  
my occupation is reservoir engineer.

Q Mr. Myers, have you been qualified before  
the Division before as an expert?

A. No.

Q Would you then please briefly summarize  
your professional qualifications?

A. I graduated from the University of Kansas  
with a Bachelor of Science in petroleum engineering.

For the past sixteen months I've worked  
for Texas Oil and Gas as a petroleum engineer, with TXO Pro-  
duction Corp. now, I'm sorry.

Q And is the area that is within the sub-  
ject of this application within your area of responsibility?

A. Yes.

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MR. BRILL: Are the witness' qualifications as a petroleum engineer acceptable?

MR. STAMETS: What is -- when was the year of your degree?

A. I graduated in 1980, May of 1980.

MR. STAMETS: Yes, the witness is considered qualified.

Q Mr. Myers, are you familiar with TXO's application Number 7382?

A. Yes, I am.

Q Have you prepared any exhibits with reference to that application?

A. Yes, I have. I've prepared an exhibit that we have marked Exhibit Number Seven.

Exhibit Number Seven is basically a summary of the production data, cumulative production, and the relative data to the Amoco Production State "AB" Gas Com No. 1 in Section 29 to the south of our proposed location.

Utilizing these data I calculated the area that has been drained by the Amoco well and I have calculated that this well has drained in excess of 660 acres. Therefor, it would appear that assuming the more or less circular drainage pattern, all of Amoco's proration unit has been effectively drained and probably most of Section 29, if

1  
2 not all of Section 29 has been drained.

3 Q Mr. Myers, on this basis, then, would  
4 you expect there to be any drainage from the proposed TXO  
5 location adversely affecting correlative rights of Amoco or  
6 other offset operators in Section 29?

7 A No, I would not.

8 Q Do you believe there should be any re-  
9 duction in the allowable in the TXO well if this application  
10 is granted?

11 A No. I believe that there is little  
12 likelihood that any -- any drainage would occur to operators  
13 to the south that's not already been done by the Amoco well,  
14 because any time a well has produced in excess of 28 Bcf we  
15 can be certain it's drained a very large area, even with  
16 thicknesses such as -- thicknesses of the formation, such as  
17 encountered by the Amoco well.

18 I believe also that the proposed loca-  
19 tion would just more or less drain TXO's proposed proration  
20 unit and I would like to comment that if any reduction is  
21 applied, it should be applied on a yearly basis given the  
22 steady production history of the Amoco well, which first went  
23 on production in 1957.

24 Q Mr. Myers, in your professional opinion  
25 would the granting of TXO's application prevent waste and

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protect correlative rights?

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A. Yes.

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5

MR. BRILL: No other questions of this witness.

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7

MR. STAMETS: Any questions of the witness? He may be excused.

8

Anything further in this case?

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MR. BRILL: We would move the admission of Exhibits One through Seven, minus Number Two, which is a little bit like the 13th floor in this case.

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MR. STAMETS: We will accept the exhibits and the case -- oh, before we take the case under advisement, I would like to advise everybody that this was advertised as the Morrow zone and if any other zone in the Pennsylvanian turn out to be productive, another case will have to be scheduled to take care of that.

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MR. BRILL: Thank you, Mr. Examiner.

MR. STAMETS: The case will be taken under advisement.

22

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(Hearing concluded.)

CERTIFICATE <sup>BEST AVAILABLE COPY</sup>

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division 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.

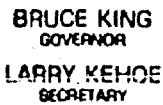
*Sally W. Boyd CSR*

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7382 heard by me on 10/21/81.

*Michael A. Zamm*, Examiner  
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409



November 19, 1981

POST OFFICE BOX 2089  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-2434

Re: CASE NO. 7382  
ORDER NO. R-6829

**Applicant:**

TXO Production Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Yours very truly,

JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD	<u>x</u>
Artesia OCD	<u>x</u>
Aztec OCD	

Other



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 7382  
Order No. R-6829

APPLICATION OF TXO PRODUCTION  
CORPORATION FOR AN UNORTHODOX  
GAS WELL LOCATION, EDDY COUNTY,  
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on October 21, 1981, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 18th day of November, 1981, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, TXO Production Corporation, seeks approval of an unorthodox gas well location 660 feet from the South line and 660 feet from the West line of Section 20, Township 17 South, Range 28 East, NMPM, to test the Morrow formation, Eddy County, New Mexico.
- (3) That the W/2 of said Section 20 is to be dedicated to the well.
- (4) That a well at said unorthodox location will better enable applicant to produce the gas underlying the proration unit.
- (5) That no offset operator objected to the proposed unorthodox location.

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-2-  
Case No. 7382  
Order No. R-6829

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

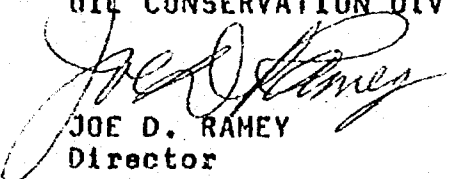
(1) That the application of TXO Production Corporation for an unorthodox gas well location for the Morrow formation is hereby approved for a well to be located at a point 660 feet from the South line and 660 feet from the West line of Section 20, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico.

(2) That the W/2 of said Section 20 shall be dedicated to the above-described well.

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

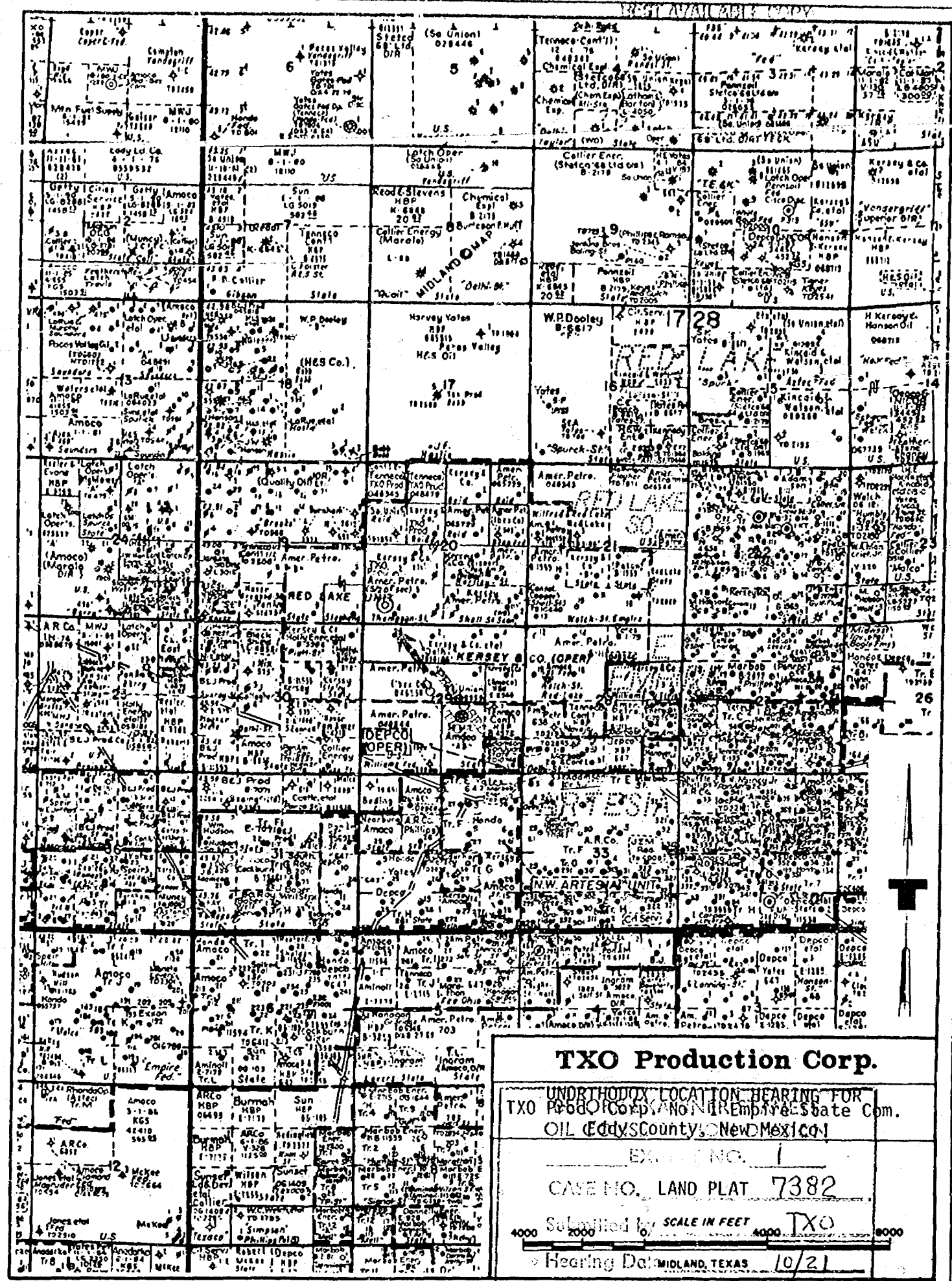
STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
JOE D. RAMEY  
Director

  
S E A L

fd/

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**TXO Production Corp.**

UNDERTHODD LOCATION HEARING FOR  
TXO PRODUCTION CORP. AND NIREMPRESSE STATE CO.  
OIL (Eddy County, New Mexico)

EX. NO. 1

CASE NO. LAND PLAT 7382

Submitted by SCALE IN FEET TXO  
4000 2000 4000 8000

Hearing Date: MIDLAND, TEXAS 10/21

Amoco Production Co.  
State "B" Gas Com. #1  
Sec. 29, T175, R28E  
1980' FSL and 1980' FEL  
Eddy County, New Mexico

I.P.: 30,000 MCFD CAOF 780 BOPD (Gravity 59.6)  
CP: 3014 psi TP: 2914 psi  
Initial BHP: 4000 psi Current BHP: 1019 psi

Cumulative gas production as of 7-81: 28,181,500 MCF  
Cumulative condensate production as of 3-81: 283,547 bbls

Areal extent of drainage approximately 660 acres.  
Based on initial gas in place of 1059 MCF/ac.-ft.

Above based on: 
$$G = \frac{379.4 p \phi (1 - S_w) f_g}{ZRT}$$

Where:

G = initial gas in place  
p = initial reservoir pressure  
 $\phi$  = average porosity  
 $S_w$  = average water saturation  
Z = compressibility factor  
R = universal gas constant (10.73)  
T = reservoir temperature  
 $F_g$  = fraction of gas

where  $F_g = \frac{n_g}{n_g + n_o} = \frac{\text{Avg. GOR}/379.4}{(\text{Avg. GOR}/379.4) + [350 (\frac{k_o}{M_o})]}$

Avg. GOR = average producing gas oil ratio  
 $K_o$  = specific gravity of condensate  
 $M_o$  = molecular weight of condensate

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION  
EXHIBIT NO. 7

CASE NO. 7382

Submitted by TXO

Hearing Date 10/21

Docket Nos. 34-81 and 35-81 are tentatively set for October 21 and November 4, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - WEDNESDAY - OCTOBER 14, 1981

9 A.M. - OIL CONSERVATION COMMISSION - ROOM 205  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

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(The following cases are continued from the October 14, 1981, Commission hearing to October 16, 1981.)  
CASE 7345: (Continued and Readvertised)

Application of Bass Enterprises Production Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres, Bona Springs and Pennsylvanian formations, Lovington Field, underlying the N/2 NE/4 of Section 13, Township 16 South, Range 36 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7323: (DE NOVO)

Application of Clements Energy, Inc., for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the E/2 of Section 32, Township 15 South, Range 27 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

Upon application of Southland Royalty Company, this case will be heard DE NOVO pursuant to the provisions of Rule 1220.

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Docket No. 34-81

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 21, 1981

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Darrel S. Nutter, Alternate Examiner:

- ALLOWABLE:
- (1) Consideration of the allowable production of gas for November, 1981, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
  - (2) Consideration of the allowable production of gas for November, 1981, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 7373: Application of J. C. Williamson for Amendment of Division Order No. R-6738, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the Amendment of Division Order No. R-6738, which approved an unorthodox location for a well 1560 feet from the North line and 1830 feet from the West line of Section 10, Township 23 South, Range 34 East. Applicant seeks the Amendment of said order to reflect the corrected location of said well at a point 1580 feet from the North line and 2614 feet from the West line of said Section 10.

CASE 7374: Application of Dugan Production Corporation for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Farmington formation well located 330 feet from the South line and 990 feet from the East line of Section 9, Township 28 North, Range 11 West, the E/2 of said Section 9 to be dedicated to the well.

- CASE 7375: Application of Dugan Production Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Angel Peak Gallup-Basin Dakota production in the wellbore of its McAdams Well No. 2 located in Unit P of Section 34, Township 27 North, Range 10 West.
- CASE 7376: Application of Dugan Production Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Basin-Dakota and Bisti-Lower Gallup production in the wellbore of its Big 8 Well No. 1-E, located in Unit O of Section 8, Township 24 North, Range 9 West.
- CASE 7377: Application of Dugan Production Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of undesignated Gallup and Basin-Dakota production in the wellbore of its July Jubilee Well No. 1 located in Unit G of Section 30, Township 24 North, Range 9 West.
- CASE 7378: Application of Jerome P. McHugh for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Wildhorse-Gallup and Basin-Dakota production in the wellbore of his Apache E Well No. 1, located in Unit A of Section 18, Township 26 North, Range 3 West.
- CASE 7356: (Continued from September 23, 1981, Examiner Hearing)
- Application of S & I Oil Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the W/2 SW/4 of Section 12, Township 29 North, Range 15 West, Cha Cha-Gallup Oil Pool, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7379: Application of JEM Resources, Inc., for vertical pool extension and special GOR limit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the vertical extension of the Cave-Grayburg Pool to include the San Andres formation, and the establishment of a special gas-oil ratio limit for said pool to 6000 to one or, in the alternative, the abolishment of the gas-oil ratio limit in said pool, all to be effective October 1, 1981.
- CASE 7380: Application of Bird Oil Corporation for an unorthodox location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Entrada location of a well to be drilled 2310 feet from the North line and 1325 feet from the East line of Section 10, Township 22 North, Range 9 West, the SW/4 NE/4 of said Section 10 to be dedicated to the well.
- CASE 7381: Application of H. L. Brown, Jr., for an unorthodox gas well location, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 330 feet from the South line and 2310 feet from the East line of Section 34, Township 7 South, Range 37 East, Bluit-Wolfcamp Gas Pool, the E/2 of said Section 34 to be dedicated to the well.
- CASE 7382: Application of TXO Production Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow well to be drilled 660 feet from the South and West lines of Section 20, Township 17 South, Range 28 East, the W/2 of said Section 20 to be dedicated to the well.
- CASE 7383: Application of Amoco Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Upper Pennsylvanian formation underlying the NW/4 of Section 19, Township 19 South, Range 25 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

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- CASE 7384:** Application of Morris R. Antweil for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Abo formation underlying the NE/4 SW/4 of Section 5, Township 20 South, Range 18 East to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7385:** Application of El Paso Natural Gas Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blanco-Mesaverde and Basin-Dakota production in the wellbore of its San Juan 27-5 Unit Well No. 59, located in Unit A of Section 6, Township 27 North, Range 5 West.
- CASE 7386:** Application of El Paso Natural Gas Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of South Blanco-Pictured Cliffs and Blanco-Mesaverde production in the wellbore of its San Juan 27-5 Unit Well No. 54, located in Unit L of Section 31, Township 27 North, Range 5 West.
- CASE 7387:** Application of Sun Oil Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 660 feet from the North and East lines of Section 32, Township 9 South, Range 37 East, West Sawyer-San Andres Pool, the N/2 NE/4 of said Section 32 to be dedicated to the well.
- CASE 7388:** Application of Sun Oil Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled in the Northeast Lusk Yates Pool, 2500 feet from the North line and 1880 feet from the East line of Section 15, Township 19 South, Range 32 East the SW/4 NE/4 of said Section 15 to be dedicated to the well.
- CASE 7389:** Application of Yates Petroleum Corporation for an Amendment to Division Order No. R-4365, Eddy County, New Mexico. Applicant, in the above-styled cause seeks the amendment of Division Order No. R-4365, which promulgated special rules and regulations for the Penasco Draw San Andres-Yeso Pool, by amending Rule 5 to permit the simultaneous dedication of gas wells and oil wells and amending Rule 9 to provide for annual gas-liquid ratio tests in lieu of semi-annual tests.
- CASE 7365:** (Continued from October 7, 1981, Examiner Hearing)
- Application of Yates Petroleum Corporation for the amendment of Order No. R-6406, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-6406, to permit recompletion of its State "JM" No. 2 Well, drilled at an unorthodox Morrow location 660 feet from the South line and 660 feet from the East line of said Section 25, Township 18 South, Range 24 East, in any and all Wolfcamp and Pennsylvanian pays in said well.
- CASE 7390:** Application of Harvey E. Yates Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mississippian formation underlying the W/2 of Section 18, Township 9 South, Range 27 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7391:** Application of Harvey E. Yates Company for statutory unitization, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order unitizing, for the purposes of a secondary recovery project, all mineral interests in the Travis Penn Unit encompassing 480 acres, more or less, underlying all or portions of Sections 12 and 13, Township 18 South, Range 28 East, Eddy County, New Mexico.

The unitized interval would be the Cisco-Canyon formation between the depths of 9815 feet and 9935 feet in Harvey E. Yates Company's Travis Deep Unit No. 2 Well. Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the determination of the horizontal and vertical limits of the unit area; the determination of the fair, reasonable, and equitable allocation of production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in well and equipment; and such other matters as may be necessary and appropriate for carrying on efficient unit operations, including, but not necessarily limited to, unit voting procedures, selection, removal, or substitution of unit operator, and time of commencement and termination of unit operations.

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- CASE 7392: Application of Sam H. Snoddy, for an unorthodox gas well location in the Oil-Potash Area, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the location of a Pennsylvanian well to be drilled 660 feet from the North and East lines of Section 26, Township 29 South, Range 32 East, Oil-Potash Area, the W/2 of said Section 26 to be dedicated to the well.
- CASE 7393: Application of Uriah Exploration Incorporated for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Cisco, Canyon and Morrow formations underlying the W/2 of Section 13, Township 22 South, Range 24 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7394: Application of Supron Energy Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Pennsylvanian well to be drilled 467 feet from the North line and 1650 feet from the West line of Section 13, Township 22 South, Range 24 East, the N/2 of said Section 13 to be dedicated to the well.
- CASE 7395: Application of Curtis J. Little for Designation of a Tight formation, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Pictured Cliffs formation underlying portions of Townships 25 and 26 North, Ranges 6 and 7 West containing a total of 14,400 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271. 701-705.
- CASE 7360: (Reopened and Readvertised)
- Application of Dome Petroleum Corporation for designation of a tight formation, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Chacra formation underlying portions of Townships 21 and 22 North, Ranges 5, 6, and 7 West, containing 73,018 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271, 701-705.
- CASE 7352: (Continued from September 23, 1981, Examiner Hearing)
- Application of Yates Petroleum Corporation for designation of a tight formation, Eddy County, New Mexico. Applicant, in the above-styled cause, pursuant to Section 107 of the Natural Gas Policy Act 18-CFR Section 271. 701-705, seeks the designation as a tight formation of the Permian formation underlying all of the following townships:

Township 17 South, ranges 24 thru  
26 East;

18 South, 24 and 25 East,

19 South, 23 thru 25 East;

20 South, 21 thru 24 East;

20 1/2 South, 21 and 22 East;

21 South, 21 and 22 East;

Also Sections 1 thru 12 in

22 South, 21 and 22 East,

All of the above containing a total of 315,000 acres more or less.



TEXAS OIL & GAS CORP.

900 WILCO BUILDING

MIDLAND, TEXAS 79701

September 25, 1981

*Case 7382*

Mr. Joe D. Ramey, Director  
New Mexico Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: Application for Filing  
an unorthodox gas well  
location on the W/2  
Section 20, T-17-S, R-28-E,  
Eddy County, New Mexico.

Dear Mr. Ramey:

Enclosed for filing, please find three (3) copies of  
Application of TXO Production Corp. for an unorthodox gas well  
location for its proposed Empire State Com. No. 1 Well in Eddy  
County, New Mexico.

We ask that this case be set for hearing before an examiner  
on October 21, 1981 and that we be furnished with a copy of the  
docket for said hearing.

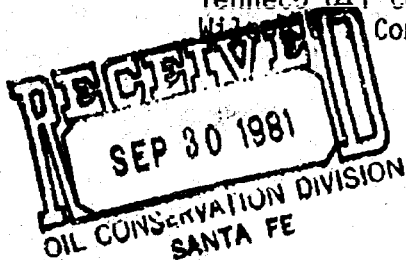
Very truly yours,

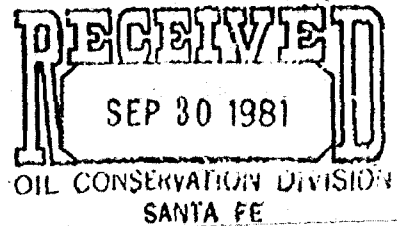
*Randy Chick*  
Randy Chick  
Landman

RC/kks

Enc:

cc: Conoco, Inc  
Tenneco Oil Company  
W2





BEFORE THE OIL CONSERVATION DIVISION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF  
TXO PRODUCTION CORP. FOR AN  
UNORTHODOX GAS WELL LOCATION,  
EDDY COUNTY, NEW MEXICO

CASE NO. 2382

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APPLICATION

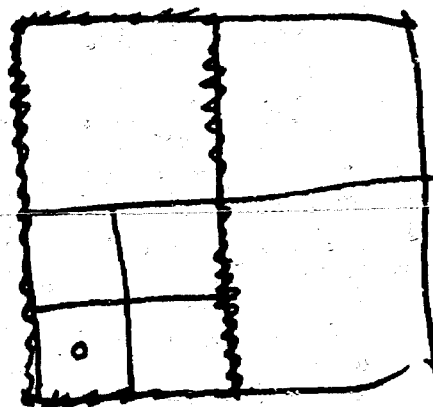
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TXO PRODUCTION CORP., respectfully states:

1. Applicant is the operator of the Morrow Formation underlying:  
Township 17 South, Range 28 East, Section 20  
and proposes to drill its Empire State Com. No. 1 Well at a point located 660 feet from the South line and 660 feet from the West line of Section 20.
2. The applicant seeks an exception to the well location requirements of Rule 104-C.2(a) of the Oil Conservation Division to permit the drilling of the well at the above mentioned unorthodox location to a depth sufficient to adequately test the Morrow formation.
3. A standard 320-acre gas proration unit for said Section 20 should be dedicated to such well or to such lesser portion thereof as is reasonably shown to be reasonably productive of gas.
4. The approval of this application will afford applicant the opportunity to produce its just and equitable share of gas, will prevent economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.
5. This proposed development well will be approximately 150 feet high structurally to the Amoco State AB #1 Well in Section 29. The Amoco State AB #1 Well has produced approximately 28 BCF gas from a 55 foot thick pay section in the lower Morrow formation. This pay section is believed to be a fluvial channel that trends Northwest to Southeast across Section 29. The best possible location for applicant to encounter this sand would be at a point 660 feet from the South line and 660 feet from the West line of Section 20.

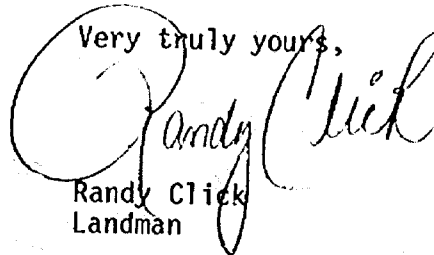
Applicant requests that this application be set for hearing before an examiner and that notice of said hearing be given as required by law.

That upon hearing the Division enter its order granting applicant permission to drill a well 660 feet from the South line and 660 feet from the West line of Section 20, and to dedicate the West-half of Section 20, which is reasonably presumed to be productive of gas from the Morrow formation, and for such other relief as may be just in the premises.



Your favorable consideration of this matter will be appreciated.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Randy Click". The signature is written in dark ink and is positioned above the printed name.

Randy Click  
Landman

RC/kks  
Enc:

DRAFT

dr/

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

Please  
Expedite

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

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CASE NO. 7382

ORDER NO. R- 6829

APPLICATION OF TXO PRODUCTION CORPORATION

FOR AN UNORTHODOX GAS WELL LOCATION,

EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on October 21,  
1981, at Santa Fe, New Mexico, before Examiner Richard L. Stamets

NOW, on this        day of October, 1981, the Division  
Director, having considered the testimony, the record, and the  
recommendations of the Examiner, and being fully advised in the  
premises,

FINDS:

(1) That due public notice having been given as required by  
law, the Division has jurisdiction of this cause and the subject  
matter thereof.

(2) That the applicant, TXO PRODUCTION CORPORATION,  
seeks approval of an unorthodox gas well location 660  
feet from the South line and 660 feet from the  
West line of Section 20, Township 17 South  
Range 28 East, NMPM, to test the Morrow  
formation, Edo, Eddy  
County, New Mexico.

(3) That the W/2 of said Section 20 is to be  
dedicated to the well.

(4) That a well at said unorthodox location will better  
enable applicant to produce the gas underlying the proration unit.

(5) That no offset operator objected to the proposed unorthodox  
location.

-2-

Case No. \_\_\_\_\_

Order No. R- \_\_\_\_\_

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(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

*the application of TXO Production Corporation for*  
(1) That an <sup>A</sup>unorthodox gas well location for the Morrow

formation is hereby approved for a well to be located at a point 660 feet from the South line and 660 feet from the West line of Section 20, Township 17 South, Range 28 East NMPM, Doak, Eddy County, New Mexico.

(2) That the W/2 of said Section 20 shall be dedicated to the above-described well.

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.