

CASE 5363: Appli. of UNION OIL CO
OF CALIF. For a non-standard oil &
proration Unit & unortho. oil loc.

CASE No.

5363

Application,
Transcripts,
Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 13, 1974

EXAMINER HEARING

IN THE MATTER OF:

Application of Union Oil Company of
California for a non-standard oil
proration unit and unorthodox oil well
location, Lea County, New Mexico.

CASE 5363

BEFORE: Richard L. Stamets.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

William F. Carr, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant:

Sumner G. Buell, Esq.
MONTGOMERY, FEDERICI, ANDREWS,
HANNAHS & BUELL
350 East Palace Avenue
Santa Fe, New Mexico

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I N D E XJ. B. JORDAN

Direct Examination by Mr. Buell

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Cross Examination by Mr. Stamets

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JOHN G. HAWKINS

Direct Examination by Mr. Buell

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E X H I B I T S

Applicant's Exhibit 1

Page

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MR. STAMETS: We will call the next Case 5363.

MR. CARR: Case 5363, application of Union Oil Company of California for a non-standard oil proration unit and unorthodox oil well locations, Lea County, New Mexico.

MR. BUELL: Mr. Examiner, I'm Sumner Buell appearing on behalf of the applicant. We have two witnesses, Mr. Hawkins and Mr. Jordan.

MR. STAMETS: Are there any other appearances in this Case? The witnesses will stand and be sworn, please.

(Whereupon, Mr. Hawkins and Mr. Jordan were duly sworn.)

J. B. JORDAN

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. BUELL:

Q Would you state your name, please, by whom you are employed and what capacity?

A I'm J. B. Jordan. I'm employed by the Union Oil Company of California as a Development Geologist in Roswell, New Mexico.

Q Mr. Jordan, have you previously testified before this Commission and had your qualifications accepted as a

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matter of record?

A Yes, I have.

MR. BUELL: Are the witness' qualifications acceptable?

MR. STAMETS: They are.

BY MR. BUELL:

Q Would you briefly tell us what is sought in this application?

A Union seeks a non-standard proration unit with an unorthodox well location.

Q Referring you to what has been marked as Exhibit No. 1, would you please explain that to the Commission and what is shown on there?

A Exhibit No. 1 is a structure contour map, contoured on top of the Devonian, 100-foot contour intervals. On there I have a partial log of the No. 1 Midway State, and the No. 3 Midway State. The drill stem testing, cores, perforations, and so forth, is shown on there. The proposed unorthodox location is shown as a red circle. The location of the No. 3 Midway State, its surface location is shown as a dry hole; the small x is the bottom hole location of that well. There is a major fault zone to the west, the well for that control did not reach the Devonian, but it penetrated

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far enough to estimate a fairly reliable point. A minor fault runs north-south; it appears to be cut by the No. 3 Midway State. Also the acreage dedicated to the No. 1 well and No. 2 well are shown as the dashed lines there. The proration unit and the dashed lines themselves show the proposed proration unit. The oil-water contact here is a minus 7770, and in this field there is a lime cap which is tied. That, in effect, will shrink your reservoir by approximately 100 feet, and these proration units as outlined will effectively cover what we think is the productive area of the field.

Q Now, Mr. Jordan, this entire area, throughout Section 12, has been unitized?

A That has been unitized. The benefits are the same throughout Section 12.

Q So, basically what you are attempting to do here is to go up structure to get an optimum position for the proposed well?

A That is right. We proposed the unorthodox location in order to gain structural advantage.

Q Is it your opinion that the granting of the application in this Case would prevent waste and protect correlative rights?

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A Yes, I do.

Q Was Exhibit 1 prepared by you or under your supervision?

A Yes, it was.

MR. BUELL: I move admission of Applicant's Exhibit No. 1.

MR. STAMETS: Applicant's Exhibit 1 will be admitted.

(Whereupon, Applicant's Exhibit No. 1 was admitted into evidence.)

MR. BUELL: I have nothing further of this witness.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Jordan, you said that all of Section 12 is unitized?

A Right.

Q So essentially there is no off-set operator to your proposed non-standard unit?

A That is correct.

Q And the location as you have shown it on your geologic map will better enable you to drain the pool?

A It will more effectively drain the pool, and we are trying to gain structural advantage in order to keep from

drilling a dry hole.

Q And this should permit the production of a greater volume of the ultimate recovery?

A Right.

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

Anything further in this Case?

MR. BUELL: I have one more witness, Mr. Examiner.

JOHN G. HAWKINS

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. BUELL:

Q Would you state your name, please?

A John G. Hawkins.

Q And, Mr. Hawkins, by whom are you employed, in what capacity, and where?

A Union Oil Company of California as a petroleum engineer in the Midland District.

Q Have you previously testified before this Commission?

A No, I have not.

Q Would you give the Examiner some of your educational background, please?

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A I graduated in 1970 from New Mexico Tech with a B.S. in petroleum engineering, and at that time went to work for Union Oil Company of California. During the past four years I have worked in production as drilling foreman and as previously stated I am currently a petroleum engineer.

Q Are you familiar with the Lovington-Devonian Field?

A Yes, I am.

Q Of southeastern New Mexico?

A Yes, I am.

Q And, are you familiar with the application in this Case?

A Yes, I am.

MR. BUELL: Are the witness' qualifications acceptable?

MR. STAMETS: They are.

BY MR. BUELL:

Q Have you done a study of the reservoir involved here -- well, briefly give us the background of the reservoir and the area involved here?

A The Lovington-Devonian Field was discovered in December of 1968, with the completion of the Midway State No. 1 which potentialled for 538 barrels of oil per day. In August of '72 production declined to 135 barrels of oil per

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day, and 114 barrels of water per day, in the No. 1, and the well was plugged back higher in the Devonian section. It resulted in an initial potential of 384 barrels of oil per day and 90 barrels of water. I beg your pardon, current production is 384 barrels of oil per day and 90 barrels of water per day. As of September first, the Midway State No. 1 has recovered 596,000 barrels of oil. The Midway State No. 2 was completed in February of '69 and the initial potential was 351 barrels of oil per day and 19 barrels of water, and at this time production has declined to 43 barrels of oil per day and 162 barrels of water per day. The cumulative production from the No. 2 well is 156,000 barrels of oil. The No. 3 well was drilled to a total depth of 11,637 feet in April of '69; it encountered the Devonian low on the low side of the fault as Mr. Jordan explained earlier, and was plugged back, and is currently a salt-water disposal well in the Yates and San Andres formations. The No. 4 Midway State encountered the Devonian below the water-oil contact and was plugged and abandoned in December of 1970.

Q Now, referring to what has been marked as Exhibit No. 2, and which is a tabulation of the reservoir fluid properties in this area; rather than go through it in detail

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would you just point out for the Examiner what you consider to be the highlights of this exhibit?

A The reservoir and fluid properties are offered for your information, and the end result is that we expect the Midway State No. 5 to be able to recover 230,000 barrels of oil.

Q And, referring you to what has been marked as Exhibit No. 3 , just identify this for the Examiner so it's a matter of record.

A These are the economics generated by a well having 230,000 barrels of reserves and an initial rate of 300 barrels of oil per day.

Q Were Exhibits 2 and 3 prepared by you or under your supervision?

A Yes, they were.

MR. BUELL: I move their introduction, Mr. Examiner.

MR. STAMETS: They will be admitted.

(Whereupon, Applicant's Exhibits 2 and 3 were admitted into evidence.)

MR. BUELL: Mr. Examiner, I think the Commission has a letter from McBee Petroleum Company in this matter.

MR. STAMETS: Yes, this letter was received by the Commission on November the 11th, and is in support of

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the application.

MR. BUELL: Although I think the McBee letter refers to the wrong application.

MR. STAMETS: It does; it has an error in the case number.

MR. BUELL: I have nothing else, Mr. Examiner.

MR. STAMETS: Any questions of this witness? You may be excused. If there is nothing further in this Case, the Case will be taken under advisement.

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

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

Richard L. Nye
RICHARD L. NYE, Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5363 heard by me on 1-1-63 at 1963.
Richard H. Lamm, Examiner
New Mexico Oil Conservation Commission

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OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

I. R. TRUJILLO
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

November 19, 1974

Mr. Sumner Buell
Montgomery, Federici, Andrews, Hannahs
and Buell
Attorneys at Law
Post Office Box 2307
Santa Fe, New Mexico

Re: CASE NO. 5363

ORDER NO. R-4922

Applicant:

Union Oil Company of Calif.

Dear Sir:

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

Very truly yours,

H. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x
 Artesia OCC
 Aztec OCC

Other _____

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5363
Order No. R-4922

APPLICATION OF UNION OIL COMPANY
OF CALIFORNIA FOR A NON-STANDARD
OIL PRORATION UNIT AND UNORTHODOX
OIL WELL LOCATION, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 13, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 19th day of November, 1974, the Commission, a quorum being present, 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 Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Union Oil Company of California, seeks, as an exception to the Lovington-Devonian Pool Rules, the formation of a non-standard proration unit comprising the NE/4 SW/4 and NW/4 SE/4 of Section 12, Township 17 South, Range 36 East, to be dedicated to applicant's Midway State Unit Well No. 5, to be drilled at an unorthodox location 2310 feet from the South line and 2310 feet from the West line of said Section 12, Lea County, New Mexico.

(3) That a well drilled at the proposed unorthodox location should encounter the pay zone higher on the structure and should recover more oil than would a well drilled at a standard location.

(4) That approval of the subject application will prevent the drilling of unnecessary wells, will afford the applicant the opportunity to produce his just and equitable share of the oil in the Lovington-Devonian formation, and will otherwise prevent waste and protect correlative rights.

-2-

Case No. 5363
Order No. R-4922

IT IS THEREFORE ORDERED:

(1) That the applicant, Union Oil Company of California, is hereby granted approval of an 80-acre non-standard oil proration unit comprising the NE/4 SW/4 and NW/4 SE/4 of Section 12, Township 17 South, Range 36 East, NMPN, Lea County, New Mexico.

(2) Applicant is further authorized to drill thereon its Midway State Unit Well No. 5 at an unorthodox location 2310 feet from the South line and 2310 feet from the West line of said Section 12.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



I. R. Trujillo
I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member

A. L. Porter, Jr.
A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

LOVINGTON DEVONIAN POOL
LEA COUNTY, NEW MEXICO
(Case No. 5363)
November 13, 1974

RESERVOIR & FLUID PROPERTIES

A. Oil and Gas Properties

1. Oil Gravity 49° API

2. Solution Gas Oil Ratio

Initial - 170 Cu. Ft./Bbl: Present - 158 Cu. Ft./Bbl

3. Gas Gravity .919

4. Estimated Formation Volume Factor 1.13

B. Reservoir Properties

1. Average Net Pay Thickness - 29 Ft.

2. Average Porosity - 6.7%

3. Average Permeability - 12.5 Md

4. Estimated Connate Water Saturation - 35%

5. Reservoir Temperature - 188° F

6. Original Bottom Hole Pressure - 4490 psi @ 7664 feet subsea

7. Estimated Recovery Factor - 44.4%

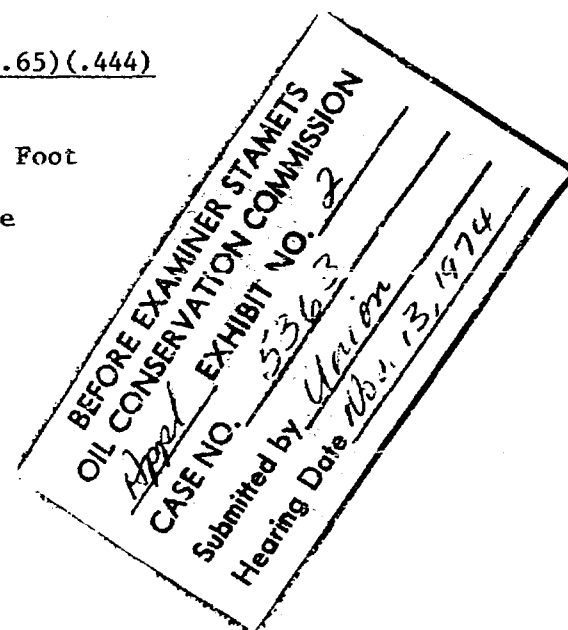
RECOVERABLE OIL, BBLs/ACRE FOOT = $\frac{(7758)(.067)(.65)(.444)}{1.13}$

= 133 Bbls/Acre Foot

= 3857 Bbls/Acre

ESTIMATED WELL RECOVERY

= 230,000 Bbls



LOWINGTON DEVONIAN POOL
LEA COUNTY, NEW MEXICO
(Case No. 5363)

ECONOMICS

A. Oil and Gas Price

1. Gross Oil Price - \$10.11/Bbl
2. Gross Gas Price - \$ 0.37/Mcf
3. Royalty - 12.5%
4. State Taxes - 6.16% of Value

B. Direct Operating Expense - \$700/Mo.

C. Economic Limit = $\frac{\$700}{(\$10.11)(.875)(.9384)30.4}$ = 2.8 BOPD

Assume 30.4 Average Days Per Month and No Gas Sales At Abandonment

D. Well Cost

Total Cost Completed Well - \$454,000

Dry Hole Cost - \$288,000

E. Estimated Profit for Well with 230,000 Bbls Reserves

	<u>BFIT</u>	<u>AFIT</u>
Net Profit	\$ 1,378,128	\$ 917,606
Present Worth @ 5%	1,246,571	824,330
Present Worth @ 10%	1,135,535	745,479
Present Worth @ 20%	958,548	619,440
Rate of Return	100%	100%
Payout, Years	.5	.7

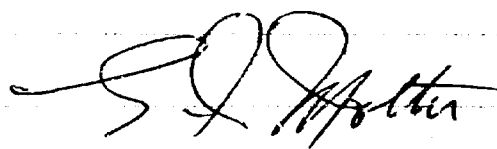
BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

Appl. EXHIBIT NO. 3
CASE NO. 5363
Submitted by Union
Hearing Date Nov. 13, 1974

RICHARD L. STAMETZ

RE Case 5363

CITIES SERVICE Oil Company supports the
Application of UNION OIL Co. of CALIFORNIA
FOR A NON-STANDARD OIL PRORATION UNIT
AND UNORTHODOX OIL WELL LOCATION FOR
THE MIDWAY STATE UNIT WELL No. 5.
CITIES SERVICE IS A WORKING INTEREST
OWNER IN THE MIDWAY STATE UNIT.



Engineering Manager

E & P Division

Southwest Region

CITIES SERVICE Oil Co.

ESTATE OF WM. D. MCBEE

TWELFTH FLOOR
DALLAS FEDERAL SAVINGS BUILDING
DALLAS, TEXAS 75201

November 8, 1974

New Mexico Oil Conservation Commission
Box 2088
Santa Fe, New Mexico

Re: Case No. 5063
Hearing date; 13 November, 1974

Gentlemen:

With reference to the above case and the Midway Drill Block, Lea County, New Mexico, please be advised that we concur with the Union Oil and Gas proposal as therein stated.

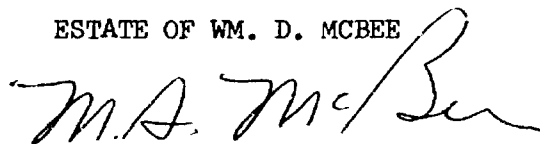
Our geology reflects that an off-pattern spacing, should it be successful, would result in a more advantageous structural position which would ultimately result in more favorable total hydrocarbon recovery from the proposed pro ration unit.

As a working interest owner in the drill block above, we concur.

Should you need any further information regarding the above, please advise.

Yours very truly,

ESTATE OF WM. D. MCBEE



M. A. McBee

MAM:mms

cc: Don Hawkins
Union Oil & Gas
Midland, Texas

- CASE 5362: Application of Continental Oil Company for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Bell Lake-Morrow Gas Pool, Lea County, New Mexico, to provide for 320-acre spacing rather than 160 acres. In the absence of objection, this pool will be placed on the standard 320-acre spacing for Pennsylvanian gas pools rather than the present 160-acre spacing.
- CASE 5363: Application of Union Oil Company of California for a non-standard oil proration unit and unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the Lovington-Devonian Pool Rules, the formation of a non-standard proration unit comprising the NE/4 SW/4 and NW/4 SE/4 of Section 12, Township 17 South, Range 36 East, Lea County, New Mexico, to be dedicated to applicant's Midway State Unit Well No. 5, proposed to be drilled at an unorthodox location 2310 feet from the South line and 2310 feet from the West line of said Section 12.
- CASE 5364: Application of Morris R. Antweil for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests of Pennsylvanian age or older underlying Lots 1,2,7,8,9,10,15, and 16 of Section 4, Township 21 South, Range 26 East, Undesignated Avalon-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico, to be dedicated to applicant's Western Reserves Federal Well No. 2, to be drilled at a standard location for said unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of the applicant as the operator of the well and a charge for the risk involved in drilling said well.
- CASE 5365: Application of Mesa Petroleum Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in all formations down to and including the Devonian formation underlying the E/2 of Section 34, Township 16 South, Range 37 East, Lea County, New Mexico, or such part thereof as may constitute an approved proration unit for the type of well completed, to be dedicated to a well to be drilled at an unorthodox location for said 320-acre unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of the applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5366: Application of Robert N. Enfield for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Cottonwood Draw Unit Area comprising 3,813.48 acres, more or less, of Federal and fee lands in Township 25 South, Range 27 East, Eddy County, New Mexico.

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

IN RE THE APPLICATION OF UNION)
OIL COMPANY OF CALIFORNIA FOR A)
NONSTANDARD UNIT AND UNORTHODOX)
DRILLING LOCATION IN SECTION 12,)
TOWNSHIP 17 S., RANGE 36 E.,)
N.M.P.M., LEA COUNTY, NEW MEXICO)

Case No. 5363

APPLICATION

Comes now UNION OIL COMPANY OF CALIFORNIA, by and through its attorneys, Montgomery, Federici, Andrews, Hannahs & Buell, and applies to the Commission, or one of its examiners, for the granting of a nonstandard unit and an unorthodox drilling location in Lovington Devonian Field in Lea County, New Mexico and in support thereof states:

1. Applicant proposes to drill a Devonian well in the NE 1/4 of the SW 1/4 of Section 12, Township 17 S., Range 36 E., the subject well to be designated the "Midway State Unit No. 5", said well to be located 2,310 feet from the south line and 2,310 feet from the west line of said Section 12.

2. Applicant proposes to dedicate to the well as a nonstandard unit the NE 1/4 of the SW 1/4 and the NW 1/4 of the SE 1/4 of Section 12, Township 17 S., Range 36 E.

3. By Order R-3701 and Order R-3701-A, this Commission has designated as standard units 80 acres consisting of either the N 1/2, S 1/2, E 1/2 or W 1/2 of a standard governmental quarter section and has designated orthodox drilling locations to be within 150 feet of the center of governmental quarter quarter sections.

DOCKET MAILED

Date 11-1-74



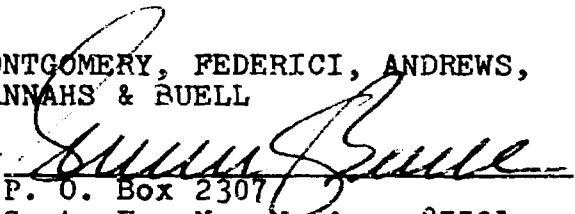
4. All of Section 12 and the SW 1/4 of Section 1, Township 17 S., Range 36 E. are dedicated to this unit and consequently there are no offset operators interested in this application and the only interested parties would be the Commission and its staff.

5. The granting of this application will prevent waste and protect relative rights.

6. This application may be set for the next scheduled hearing before either the Commission or one of its examiners.

Respectfully submitted,

MONTGOMERY, FEDERICI, ANDREWS,
HANNAHS & RUELL

By 
P. O. Box 2307
Santa Fe, New Mexico 87501

DRAFT

dr/.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

(Handwritten initials)
IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5363

Order No. R-4922

APPLICATION OF UNION OIL COMPANY OF
CALIFORNIA FOR A NON-STANDARD OIL
PRORATION UNIT AND UNORTHODOX GAS
WELL LOCATION, LEA COUNTY, NEW MEXICO.

(Handwritten signature)
ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 13, 1974
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this _____ day of November, 1974, the Commission,
a quorum being present, 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 Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Union Oil Company of California,
seeks, as an exception to the Lovington-Devonian Pool Rules,
the formation of a non-standard proration unit comprising the
NE/4 SW/4 and NW/4 SE/4 of Section 12, Township 17 South, Range
36 East, to be dedicated to applicant's Midway State Unit Well
No. 5, to be drilled at an unorthodox location 2310 feet from
the South line and 2310 feet from the West line of said Section
12, Lea County, New Mexico.

1 (3) That a well drilled at the proposed unorthodox location
2 should encounter the pay zone higher on the structure and
3 should recover more oil than would a well drilled at a standard
4 location.

5 (4) That approval of the subject application will prevent
6 the drilling of unnecessary wells, will afford the applicant
7 the opportunity to produce his just and equitable share of the
8 oil in the Lovington-Devonian formation, and will otherwise
9 prevent waste and protect correlative rights.

10 IT IS THEREFORE ORDERED:

11 (1) That the applicant, Union Oil Company of California,
12 is hereby granted approval of an 80-acre non-standard oil
13 proration unit comprising the NE/4 SW/4 and NW/4 SE/4 of
14 Section 12, Township 17 South, Range 36 East, NMPM, Lea County,
15 New Mexico.

16 (2) Applicant is further authorized to ^{drill thereon} ~~dedicate~~ its
17 Midway State Unit Well No. 5, ~~to be drilled~~ at an unorthodox
18 location 2310 feet from the South line and 2310 feet from the
19 West line of said Section 12. ^{and to be drilled at the same}
20 ~~location~~ ^{as the subject}

21 (3) That the allowable for the above-described 80-acre
22 non-standard oil proration unit shall bear the same ratio to a
23 standard allowable as _____ bears to _____

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

27 DONE at Santa Fe, New Mexico, on the day and year herein-
28 above designated.
29
30
31
32