

CASE 5594: GENERAL AMER. OIL CO.
OF TEX. FOR AN UNORTHODOX GAS WELL
LOCATION, EDDY COUNTY, NEW MEXICO.

CASE NO.

5594

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.



OIL CONSERVATION COMMISSION

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

87501

DIRECTOR
JOE D. RAMEY

LAND COMMISSIONER
PHIL R. LUCERO
December 30, 1975



STATE GEOLOGIST
EMERY C. ARNOLD

Re: CASE NO. 5594
ORDER NO. R-5132
Paul Eaton
Hinkle, Bondurant, Cox & Eaton
Attorneys at Law
Post Office Box 10
Roswell, New Mexico 88201

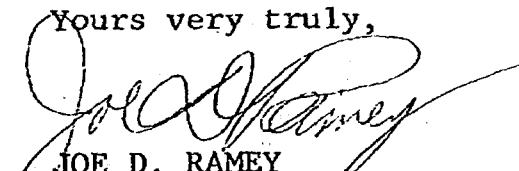
Applicant:

General American Oil Co. of Texas

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x
Artesia OCC x
Aztec OCC

Other Guy Buell

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. 5594
Order No. R-5132

APPLICATION OF GENERAL AMERICAN OIL
COMPANY OF TEXAS FOR AN UNORTHODOX GAS
WELL LOCATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on December 3, 1975, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 23rd day of December, 1975, 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, General American Oil Company of Texas, seeks approval of an unorthodox gas well location 330 feet from the South line and 1150 feet from the West line of Section 29, Township 17 South, Range 29 East, NMPM, to test the Wolfcamp and Pennsylvanian formations, Grayburg Gas Field, Eddy County, New Mexico.
- (3) That the W/2 of said Section 29 is to be dedicated to the well.
- (4) That a well at said unorthodox location will cause drainage across lease lines not offset by counter drainage thereby violating the correlative rights of the offset operator.
- (5) That the offset operator objected to the proposed unorthodox location.
- (6) That to protect correlative rights, the subject application should be denied.

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Case No. 5594
Order No. R-5132

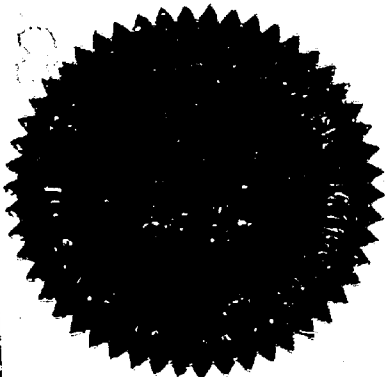
IT IS THEREFORE ORDERED:

(1) That the application for an unorthodox gas well location for the General American Company of Texas well proposed to be located at a point 330 feet from the South line and 1150 feet from the West line of Section 29, Township 17 South, Range 29 East, NMPM, Grayburg Gas Field, Eddy County, New Mexico is hereby denied.

(2) 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


Phil R. Lucero
PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary

S E A L

jr/

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Pho (505) 982-9212

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
December 3, 1975

EXAMINER HEARING

IN THE MATTER OF:

Application of General American Oil) CASE
Company of Texas for an unorthodox) 5594
gas well location, Eddy County, New)
Mexico.)

BEFORE: Richard L. Stamets, Examiner

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: Paul Eaton, Esq.
HINKLE, BONDURANT, COX & EATON
Attorneys at Law
Hinkle Building
Roswell, New Mexico

For Amoco Production Co.: Guy Buell, Esq.
Attorney at Law
Amoco Production Company
P. O. Box 3092
Houston, Texas.

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1 MR. STAMETS: We will call the next Case, 5594.

2 MR. CARR: Case 5594, application of General
3 American Oil Company of Texas for an unorthodox gas well
4 location, Eddy County, New Mexico.

5 MR. STAMETS: Call for appearances in this Case.

6 MR. EATON: Paul Eaton of the firm of Hinkle,
7 Bondurant, Cox and Eaton representing the applicant.

8 MR. BUELL: For Amoco Production Company, Guy
9 Buell,

10 MR. STAMETS: I would like to have all of the
11 witnesses that will appear in this Case stand and be sworn at
12 this time.

13 (THEREUPON, the witnesses were duly sworn.)

14 LARRY DARNALL

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

17
18 DIRECT EXAMINATION

19 BY MR. EATON:

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

22 A My name is Larry Darnall, I'm employed by General
23 American Oil Company as a petroleum geologist.

24 Q Mr. Darnall, have you previously testified before
25 this Commission in that capacity?

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1 A Yes, sir.

2 Q Are you familiar with the application in this
3 Case?

4 A Yes, I am.

5 Q What does General American Oil Company seek by this
6 application?

7 A Well, sir, we seek Commission approval for an
8 unorthodox location for what we refer to as our Green B Number
9 9 Well which is located three hundred and thirty feet from
10 the south line and eleven hundred and fifty feet from the
11 west line of Section 29, 17 South, 29 East. We plan to drill
12 the well to eleven thousand feet or depth sufficient to test
13 the Pennsylvanian and the west half of Section 29 will be
14 dedicated to the well as we propose it.

15 Q Mr. Darnall, will you refer to what has been marked
16 for identification as Exhibit Number Nine and please state what
17 this exhibit is intended to show?

18 A Yes, sir. Exhibit Number Nine is a land plat and
19 it shows General American's acreage position in the area in
20 the stipples. It shows our proposed location colored red and
21 it shows the acreage which we propose to dedicate to the well
22 outlined in yellow.

23 General American actually has two leases in the
24 west half of Section 29. Our B lease covers the southern
25 eighty acres, whereas our A lease covers the northern two

1 hundred and forty acres of the west half of the section.

2 The offset operators are shown on this plat, with
3 the exception of in Sections 19 and 20. This was simply a
4 mistake, we didn't get them on there.

5 Q Who are the offset owners?

6 A Well, in Section 19 Continental owns the southeast
7 quarter. In Section 20 we have Tenneco, Kincaid and Watson
8 and Exxon as owners.

9 Q Was notice of your application mailed to all of these
10 offset operators?

11 A Yes, it was.

12 Q What do the boundary markings reflect or what is
13 the purpose of them?

14 A Well, the arrow indicating the South Empire Deep
15 unit is a Morrow unit, a Pennsylvanian unit in which a number
16 of operators are participants. It is a working interest
17 unit. General American is a participant in that unit.

18 The arrow indicating an Atoka unit is a General
19 American operated Atoka gas unit comprising three hundred and
20 twenty acres.

21 Q All right, would you move on and refer to what has
22 been marked as Exhibit One and state what this exhibit is
23 intended to show?

24 A Yes, Exhibit One is a structural contour map on
25 the base of the Morrow or the top of the Chester Mississippian

1 in the South Empire Deep Grayburg area of Eddy County.

2 The location again, which we propose, is shown
3 circled in red and the acreage to be dedicated to the well
4 is shown outlined in yellow.

5 As you can see by looking at the map the structural
6 configuration in the area is really a gently southeastward
7 nosing and no closure is indicated.

8 Q All right, now, refer to Exhibit Number Two, please,
9 sir, and state what that exhibit reflects?

10 A Yes, sir, Exhibit Number Two is a map pay isopach
11 on what we here are referring to as the El Paso Number 1
12 Leonard Morrow pay sand. The well circled in orange on this
13 exhibit in Section 22 is the El Paso Number 1 Leonard Well
14 and it was the first well in the immediate area to establish
15 Morrow production.

16 Other wells which we feel, as you can see by this
17 isopach, that are producing from this same Morrow sand are
18 shown circled in yellow. The last of these wells was the
19 Tenneco Fed Com Number 33 which is in Section 33 and this
20 well found excellent Morrow sand development at much less
21 than virgin pressure which indicated to us that it was tied
22 into the wells to the north.

23 Now the red line which you see on this exhibit
24 is simply the strike on the base of the Morrow superimposed
25 through the El Paso Number 1 Leonard Well.

1 Now, as you can see by looking at this exhibit,
2 the reservoir that we have isopached is roughly paralleling
3 the regional strike. This to us was the first indication
4 that we might be dealing with a bar-type deposit here rather
5 than a channel sand.

6 Q Mr. Darnall, I notice on this exhibit over in
7 Section 30 you have colored the Amoco Number 7 well in red?

8 A Pink, I believe, and I'm going to refer back to
9 that at a later time.

10 Q I also note that you have a green line to and in
11 Section 31 and an Amoco Number 5 Well circled in green.

12 A Yes, sir, I would like to come back to this exhibit
13 and talk about both of those.

14 Q All right, then let's move on to Exhibit Number Three.

15 A All right.

16 Q Now, what does this exhibit show?

17 A Exhibit Three is a structure map on top of the
18 Morrow pay found in the El Paso Number 1 Leonard Well. This
19 well is again circled in orange. I think the exhibit is
20 self-explanatory, it is simply a structure map. But now
21 keeping this picture in mind I would like to go on to Exhibit
22 Four.

23 Q All right, please do, sir.

24 A Exhibit Number Four is also a structure map on top
25 of the Morrow pay in the El Paso Number 1 Leonard Well and

1 which again is circled in orange, but on this picture we have
2 removed the regional dip on the base of the Morrow and we come
3 up with a configuration that is rounded on the top, dipping
4 off on the flanks just as you would expect in the case of a
5 bar sand as opposed to the flattening as we would think you
6 would see in the case of a channel sand.

7 Now, at this point we have pretty well concluded
8 that we were dealing with a bar-type deposit.

9 Now, I would like to refer you back to Exhibit Number
10 Two.

11 Q Back to Exhibit Number Two. That was the isopach?

12 A It is the net-pay isopach on the Leonard pay. Now,
13 the well shown circled in green on this exhibit is Amoco's
14 Number 5 South Empire Deep unit and it encountered in excess
15 of sixty-feet of Morrow pay sand between the depths of ten,
16 seven, ninety-four and ten, eight, sixty-eight.

17 MR. STAMETS: You are talking about the Amoco well
18 in Section 31?

19 A In Section 31, circled in green.

20 Now, the Exhibit Five, if you would look at it for
21 a minute, is the compensated formation density neutron log
22 on this pay sand and we have simply shown the base and the top
23 of the sand.

24 Q This is on the Amoco Number 5?

25 A On the Amoco Number 5 well which is circled in green.

1 Q All right.

2 A Now, referring back to Exhibit Two. We projected
3 the axis of what we have mapped as the El Paso Number 1
4 Leonard Bar through the center of the Amoco Number 5 well and
5 this is shown in green. We feel that there is a good chance
6 that the sand in the Amoco well may also be a bar rather than
7 a channel and if it is, the strike of this bar or the con-
8 figuration of the bar may roughly, roughly, I say, parallel
9 that of the bar in the Leonard well and Amoco felt that the
10 sand in their well was a channel sand striking roughly north-
11 south and they drilled their Number 7 well shown circled in
12 pink to test this theory. We participated in the well, we own
13 an interest in the unit. The idea did not prove out, they
14 did not find Morrow production or any decent Morrow porosity
15 development. So this increased our feeling that perhaps we
16 were dealing with a bar and not a channel.

17 Q All right, is that all you have with respect to
18 this Exhibit Number Two?

19 A Yes, sir, that's all on Exhibit Two, but keep the
20 green line in mind as we turn to the next exhibit.

21 Q Which is Exhibit Number Six?

22 A Yes, sir.

23 Q All right, proceed.

24 A Now, the green line on this Exhibit Number Six is
25 simply a portion of the green line up-dip projection of the

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1 axis of the El Paso Leonard bar that was shown on Exhibit Two
2 through the Amoco Well, this Number 5 Well. This well is
3 again circled in green.

4 Now, if you would look for a minute at Exhibit Number
5 7, which is a portion of the dip meter on the Amoco Number 5
6 Well.

7 We've noted here, this has been looked at by
8 Schlumberger and as you can see, the upper part of the sand may
9 very well be a blanket-type sand, whereas it appears from
10 ten, eight, twenty-eight to ten, eight, seventy, we are dealing
11 in all liklihood with a bar or channel-type deposit.

12 Dips in this lower portion, as you can note on the
13 dip meter, are predominantly to the south-southeast and I'll
14 go slow here, but this being the case, if the sand is a bar
15 with dips to the south-southeast, the axis of the bar should
16 lie somewhat to the northwest of the Number 5 Well. In the
17 event that the sand is a channel, with dips to the south-
18 southeast, the axis of the channel should lie slightly to
19 the southeast of the well.

20 And keeping this in mind please refer back to
21 Exhibit Number Six. As I said before, the green line on this
22 exhibit depicts the axis of the Leonard bar projected up dip
23 through the Amoco Number 5 well. First of all, assuming that
24 we are dealing with a bar, the axis would lie to the south.
25 The Amoco well would lie slightly to the southeast of the axis.

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P. 12

1 If a bar parallels the trend of the El Paso Leonard bar and
2 is of approximately the same width, it would trend as shown by
3 the red lines on this exhibit. If, however, we project the
4 strike of the bar perpendicular to the dip in the Morrow sand
5 shown on the dip meter in Amoco's Number 5 Well, we come up
6 with, and I might say this is the closest control we've got,
7 we come up with a trend for the bar shown by the brown lines
8 on this exhibit. This being the case, we have only the area
9 colored solid red that should safely fit both pictures. Now
10 we feel that at some point this bar is going to swing to the
11 north since none of these wells that we have shown on this
12 exhibit circled in yellow produce from this Morrow sand,
13 this Morrow bar sand, but we don't know at what point it is
14 going to turn on northward. In view of the risk involved,
15 the many dry holes in the area, the fact that we estimate
16 dry-hole costs at three hundred and thirty thousand dollars
17 and completed-well costs at four hundred and sixty thousand
18 dollars, we feel that we want to drill a location that is
19 the safest on all of our information that we can drill, and
20 that's the one we have proposed.

21 Now, turn please to Exhibit Number Eight.

22 Exhibit Eight simply shows that if the sand in
23 Amoco's well is a channel, rather than a bar, the chances are
24 real good that we are going to get a dry hole in the Morrow
25 and this is why we feel that we must be allowed to drill the

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1 best location available.

2 Q Which going back to Exhibit Number Six is the
3 location within the solid-red area?

4 A Right.

5 Q Now, would a well at that location, in your opinion,
6 drain the three hundred and twenty acres dedicated to that
7 well?

8 A Yes, sir.

9 Q Will the approval of the application, in your
10 opinion, result in the elimination of the drilling of unnecessary
11 wells?

12 A Yes, sir.

13 Q Would approval be in the interest of conservation
14 and the prevention of waste?

15 A Yes, sir.

16 Q Would you think that it would protect correlative
17 rights?

18 A I think it would.

19 Q Were all of these exhibits prepared by you or
20 under your supervision?

21 A Under my supervision.

22 MR. EATON: Mr. Examiner, we offer Exhibits One
23 through Nine into evidence.

24 MR. STAMETS: Is there any objection to the exhibits?
25 They will be admitted into evidence.

1 (THEREUPON, Applicant's Exhibits One through
2 Nine were admitted into evidence.)

3 MR. STAMETS: Are there any questions of the witness?

4 Mr. Buell.

5 MF. BUELL: Yes, thank you, Mr. Examiner.

7 CROSS EXAMINATION

8 BY MR. BUELL:

9 Q Mr. Darnall, this three, thirty location is crowding
10 the line of the Empire South Deep unit, is that correct?

11 A Yes, sir.

12 Q You mentioned that General American owned an interest
13 in that unit?

14 A Yes, sir.

15 Q Do you recall the approximate interest?

16 A Six percent.

17 Q What interest do you have in the well that you propose
18 to drill three hundred and thirty feet from the line?

19 A We would have a hundred percent of that.

20 Q All right, sir, I tried to follow your testimony
21 as close as I could and in view of your hoarseness and I know
22 your throat is hurting, I'm going to be as brief as I can.

23 Really your key exhibit in this Case is Number
24 Six, is it not, Mr. Darnall?

25 A Well, yes, sir, it is the key exhibit. It's the

1 exhibit that is compiled from the other exhibits.

2 Q Yes, and as I understand your testimony, the
3 orientation of the area outlined in red is your interpretation
4 of what would happen if this is a bar sand deposit?

5 A No, it's an interpretation of what would happen if
6 it's a bar-sand deposit and were exactly parallel to the bar
7 sand deposit in the El Paso Number 1 Leonard Well. However,
8 the brown lines indicate what would happen if it is a bar
9 deposit and the strike of the bar is projected from the
10 closest control point we have which is your Number 5 Well.

11 Q You have had extensive experience in mapping the
12 Morrow, have you not?

13 A Yes, sir.

14 Q It has not been your general experience that in an
15 area where we have Morrow bar-type-sand deposits that they
16 are generally oriented in the same direction?

17 A Well, this is what we are basing this on. Yes, in
18 answer to your question, we feel that there is a good chance
19 it will be generally oriented in the same direction. Again,
20 however, as I said, we feel that the thing is going to swing
21 north. However, the closest control we've got pushes it
22 down to the south somewhat and we are trying to drill a
23 location that would satisfy both pictures.

24 Q All right, sir, what is your geological opinion, if
25 you have one, with respect to the number of acres in your

1 three hundred and twenty acre drilling unit that are
2 productive?

3 A Well, it would depend upon which interpretation
4 you take and I don't know what the outcome is going to be
5 and that's why we want to drill the second location. I can
6 say that looking at one picture here it looks like, say, two
7 hundred acres are productive, looking at another it looks like
8 much less. Again what we are attempting to do is drill what
9 we feel is the safest location, we are not trying to produce
10 somebody else's gas, we simply want to be allowed to drill
11 a location that we feel is the safest available.

12 Q You realize that this Commission quite often when
13 you are asking for an unorthodox well location, that they
14 will apply a penalty in order to make an attempt to protect
15 the correlative rights of those interest owners that you are
16 crowding. Are you aware of that policy?

17 A Well, no, I'm really not. I think Mr. Patterson
18 probably would be, I'm not familiar with that policy.

19 Q All right, sir, now, I realize you are a geologist,
20 but in answer to a question from Mr. Eaton, you said that
21 you felt that a well at this location would drain the Morrow
22 hydrocarbons under your drilling unit?

23 A Whatever hydrocarbons are under the unit I feel it
24 will drain.

25 Q What impression do you have, if you have one, of

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1 the drainage pattern of a gas well in a bar reservoir, is it
2 square, round?

3 A I think it would depend entirely on the configuration
4 of the reservoir, I would say.

5 Q How does the drainage pattern extend out from the
6 wellbore?

7 A In what situation?

8 Q In the situation you have here?

9 A Well, it would extend around the well, assuming that
10 the reservoir circles the well, it would drain a certain distance
11 out all around the well.

12 Q So by the time the drainage pattern of your well
13 here extended three hundred and thirty feet from the well you
14 would be draining from the Empire South Deep unit, wouldn't
15 you?

16 A It's possible.

17 Q Do you think that's fair?

18 MR. EATON: I think I would object to the form of
19 the question as being argumentative.

20 MR. STAMETS: Sustained.

21 MR. BUELL: I think that's all I have of Mr. Darnall.
22 Mr. Examiner.

23 MR. EATON: I have no questions.

24 CROSS EXAMINATION

25 BY MR. STAMETS:

1 Q Mr. Darnall, referring to Exhibit Number Six, if
2 you drilled the well and completed it and determined that the
3 brown-line situation was what existed, where would the majority
4 of the productive acres for the well be located?

5 A If that were the case, the majority of the productive
6 acres would be on our Green A lease and the Amoco South Empire
7 Deep unit.

8 Q Between those two where would the most productive
9 acres lie?

10 A Well, I suppose looking at this map, most of them
11 would lie in the South Empire Deep unit, although, of course,
12 we are already receiving drainage from the Number 5 well, so
13 I couldn't tell you how far out, or how much area that is
14 draining.

15 Q If the red-line situation prevailed, would it be
16 possible, according to the exhibits you presented here, to
17 drill a standard location?

18 A Yes, sir.

19 Q And still be well within the limits?

20 A If the red lines, if you ended up with that case it
21 would be possible to drill a standard location.

22 A You responded to Mr. Buell that there was a good
23 chance that this is what would prevail in the area?

24 A Well, again, I hope it's what prevails, but using
25 the closest control that we have which is the Number 5 Well,

1 we are not sure. I think that it is highly doubtful that this
2 is a situation of exact parallel, I mean exact parallel and
3 I doubt that we are going to have an exact parallel situation.
4 I don't know what it is going to be, but I would doubt that it
5 would be exactly this.

6 MR. STAMETS: Any other questions of the witness?
7 Mr. Eaton.

8
9 REDIRECT EXAMINATION

10 BY MR. EATON:

11 Q Mr. Darnall, is it fair to summarize your testimony
12 in the way that you just don't know at this point in time
13 exactly where the trend will go?

14 A That's fair. Again we are just trying to drill where
15 we think is the safest location in view of the risk involved.

16 MR. EATON: That's all.

17 MR. STAMETS: The witness may be excused.

18 (THEREUPON, the witness was excused.)

19 MR. EATON: Mr. Patterson.

20 BILL PATTERSON

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

23
24 DIRECT EXAMINATION

25 BY MR. EATON:

1 Q Would you state your name, by whom you are employed
2 and in what capacity?

3 A My name is Bill Patterson, I'm employed by General
4 American Oil Company in our Dallas, Texas office and I'm
5 currently Assistant Vice President of Production.

6 Q Mr. Patterson, have you previously testified before
7 this Commission?

8 A No, I have not.

9 Q Would you please give us your educational background
10 and your work experience?

11 A I graduated from Southern Methodist University with
12 a B.S. degree in geology. However, for the past sixteen years
13 I have been employed in our production department, three years
14 in the Loco Hills area and the remaining time in our Dallas
15 office.

16 Q I assume you are familiar with the application in
17 this Case?

18 A Yes, I am.

19 Q What will be the purpose of your testimony, sir?

20 A The purpose of the testimony would be to simply show
21 that while the surface location is three hundred and thirty
22 feet from our south boundary, the bottom-hole location of
23 the well will very likely be further on our acreage.

24 Q Do you have an exhibit which would support that?

25 A Yes, I have three exhibits, numbered Exhibits Ten,

1 Eleven and Twelve.

2 Q Would you please relate what these exhibits show?

3 A Exhibit Number Ten is a plot of the tract of the
4 wellbore in our Green A Number 8 Well.

5 Q Now, where is that well located?

6 A The Green A Number 8 Well is in the forty-acre unit
7 directly north of the proposed unit location of the Green B 9
8 Well. It is three hundred and thirty feet from the west line
9 and twenty-three hundred and ten feet from the south line of
10 Section 29.

11 The exhibit shows that in drilling the Green A
12 Number 8 Well from surface to sixty-two hundred and eighty
13 feet, the well deviated two hundred and sixty-seven point eight
14 feet north fourteen degrees, thirty-one minutes east. This
15 well was not purposely deviated, but was simply drilled and
16 the deviation was allowed to go where it wanted to.

17 Q All right, proceed.

18 A Exhibit Number Eleven is General American Green A
19 Number 9 Well. This well is located twenty-three hundred
20 and ten feet from the south line and sixteen hundred and
21 fifteen feet from the west line of Section 29 and is in the
22 forty-acre unit northeast of the unit in which the Green B
23 well will be located.

24 Q All right, now, what does this exhibit show?

25 A This Exhibit shows that in drilling this well from

1 the surface to sixty-two hundred and eighty feet that the
2 well deviated some two hundred and seventeen point eight feet
3 north one degree, thirty one minutes east.

4 Q All right, will you please proceed to Exhibit Twelve?

5 A Exhibit Number Twelve is simply a summary of the
6 information we were able to obtain from our dip meter survey
7 run in our Green A Number 3 Well. While we did not have
8 information --

9 Q Where is your Green A Number 3 Well?

10 A The Green A Number 3 well is, if you would look at
11 Exhibit Number 6, the well colored in yellow in the east half
12 of Section 29. It is located nineteen hundred and eighty feet
13 from the south line and six hundred and sixty feet from the
14 east line in Section 29.

15 Q All right.

16 A In the drilling of this well from eight thousand
17 feet to the TD of ten thousand, nine hundred and twenty-eight
18 feet this well drifted fifty-four point one, eight feet north
19 and sixteen point one, four feet west which in terms of
20 direction is fifty-six point five, three feet north, sixteen
21 degrees, thirty-five minutes west of the location of the
22 wellbore at eight thousand feet.

23 Now, since we do not have information on any well
24 from any of the deep holes from surface to TD, so that we
25 cannot calculate the total drift of the wellbore in any one

1 particular well, but by taking the deviations in the Green A
2 Number 8 and Number 9 and the deviation that we experienced
3 from eight thousand feet to TD in the Green A Number 3 we
4 conclude that the bottom-hole location of the Green B Number 9
5 Well would very likely be some two hundred and fifty to
6 three hundred feet north of the surface location, therefore
7 being further on General American's acreage.

8 Q Why do these wells drift to the north as they are
9 drilled?

10 A They tend to on a rotary hole, your well tends to
11 drift up dip and the regional dip in this area is to the south
12 or southeast.

13 I would like to point out that while Mr. Darnall's
14 geology shows an area on the map that is the best area for us
15 to drill in, these data are strictly surface location. Therefore,
16 if you took the geology and moved it, based on the bottom-hole
17 location of all of these wells, very likely all of the geology
18 would be shifted somewhat north.

19 Q Were Exhibits Ten through Twelve prepared by you or
20 under your supervision?

21 A Under my supervision.

22 MR. EATON: We offer Exhibits Ten, Eleven and Twelve
23 into evidence.

24 MR. STAMETS: Any objection? They will be
25 admitted.

(THEREUPON, Applicant's Exhibits Ten, Eleven and Twelve were admitted into evidence.)

MR. EATON: I have no further questions.

MR. STAMETS: Any questions of the witness?

MR. BUELL: Yes, Mr. Examiner, just a few.

CROSS EXAMINATION

BY MR. BUELL:

Q Mr. Patterson, do you adopt the theory or is it your belief that the drainage pattern of a gas well in the Morrow formation would be radial in nature?

A I think it would be difficult to say. In a bar or channel-type deposit I think you may have some directional permeability. I really don't know. I would say generally it would be radial though.

Q Do you see how there is any way in the world if this permit is granted and this well is drilled, that it could be prevented from draining gas from under the Empire South Deep unit?

A I think that if you plot the bottom-hole location of our well and the bottom-hole location of the Amoco Number 5 Well, you will find that they are not too far distant from the -- equidistant from the line of the southwest corner of Section 29. I would think, therefore, that we would have a chance of both protecting our equity.

1 Q Mr. Patterson, you are going to have to explain that
2 a little more clearly for me. First you said if this well
3 follows the random deviation of the wells that you used as
4 an example, that is going to the north?

5 A Right.

6 Q Now, you said about that you would predict that
7 eleven thousand feet, what did you predict, about three
8 hundred feet?

9 A Two hundred and fifty to three hundred feet.

10 Q All right, sir, that would then put the bottom-hole
11 location of the well six hundred and thirty feet from the line?

12 A Right.

13 Q Now, would you expect the Amoco Number 5 to randomly
14 deviate it in excess of your three hundred feet?

15 A I would think it would deviate about that much.

16 Q Then it certainly, even its bottom-hole location is
17 still going to be further from your lease line than the
18 bottom-hole location of your well will be to the Empire South
19 Deep unit lease line, is that not correct?

20 A That is correct.

21 Q Then how do you think the Number 5 will protect
22 the Empire South Deep unit?

23 A Well, as far as we very likely could be closer to
24 the line and, therefore, we may drain some of the gas from
25 under Empire South Deep unit. I can't say that we won't but

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1 it certainly would depend on the capacity of the two wells
2 involved.

3 Q In your engineering opinion do you feel that the
4 Empire South Deep unit would be entitled to a direct and
5 equidistant offset from your Green 9 B Well?

6 A I would say so.

7 Q You would say what?

8 A I would say, yes.

9 Q All right, sir, let me ask you this: In view of the
10 fact that this well is surfaced, your well is surfaced only
11 three hundred and thirty feet from the Empire South Deep unit
12 line and you would predict random deviation to the objective
13 depth of this well in the vicinity of three hundred feet, do
14 you think there is a chance that well could cross your lease
15 line into the Empire South Deep unit line at its bottom-hole
16 location?

17 A I would think that it would not, simply because
18 there are no deviation in the area.

19 Q You base that belief on the pattern of deviation
20 that you see in the wells to the north?

21 A Yes, sir.

22 Q In the event, though, this was an anomaly and it
23 deviated due south, there would be a distinct possibility
24 that it could cross the lease line?

25 A It would be difficult if you get close to it, but

1 I wouldn't think it would go that far but it might.

2 Q All right, sir, now, in Mr. Darnall's testimony,
3 I'm looking at his Exhibit Six, he mentioned that the area that
4 he had colored in red was his only chance to make a well,
5 regardless of the orientation of the Morrow structure, is
6 that your understanding of his testimony?

7 A I think he is saying that on two cases, he has two
8 cases in this particular area, will cover both cases and we
9 still don't know that either one of them is correct.

10 Q He also testified in answer to a question of the
11 Examiner that if the orientation of the Morrow in the area of
12 your proposed location conformed to the orientation of the
13 Morrow that we see to the east of your location that he could
14 make an orthodox location on the west half of 29, do you
15 agree with that?

16 A That is correct.

17 Q All right, sir, let's assume for the purpose of
18 this question that instead of the orientation of the Morrow
19 being as you generally would expect it, the same as the Morrow
20 to the east, that it actually more nearly conforms to his
21 brown lines, the almost due east-west orientation, so then
22 if that is the case, the only place you could make a well
23 on your lease would be this little area colored in red?

24 A Yes, sir.

25 Q And if I understand his testimony, that is the only

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1 portion of the west half of 29 that would be productive in
2 this east-west Morrow formation?

3 A Yes, sir.

4 Q All right, sir, let me ask you this: In view of
5 the fact that historically wells in this area have deviated
6 to the north at six thousand feet, one of them is over two
7 hundred and sixty-seven feet, almost due north. If this well
8 does that that's going to take him out of his bottom hole,
9 out of his red area, isn't it, Mr. Patterson?

10 A I think you have to realize that the geology is
11 based on surface location and where if all of the wells had
12 deviated to the north two hundred and fifty to three hundred
13 feet, that area would be shifted to the north two hundred and
14 fifty to three hundred feet.

15 Q Would you be willing to recommend to your company
16 that they drill a well six, sixty feet from the south line
17 and directionally control it and bottom it, say, within fifty
18 feet of the surface location; do you still think you could
19 make a well if you do that?

20 A We do not propose to directionally drill a well
21 in this location due to the cost.

22 Q Do you think you could make a well regardless of
23 the orientation of the Morrow formation, if that well was
24 bottomed six hundred and sixty feet from the south line of
25 your lease?

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1 A. I don't know that I understand your question.
2 Regardless of the orientation?

3 Q. Yes, whether it is generally northeast-southwest
4 as we see on your Exhibit Two or whether it is almost due east
5 and west as we see by the brown lines on your Exhibit Six,
6 regardless of that?

7 A. If it is either one or the other?

8 Q. Yes, it doesn't matter, would you recommend to
9 your company that they locate the bottom hole of the well
10 six hundred and sixty feet from the south line?

11 A. Six hundred and sixty feet from the south line?

12 Q. Yes, sir.

13 A. Yes, sir, that looks like that would be the location
14 we are going to end up with at our particular well.

15 Q. Under your testimony and observation of the
16 historical drift?

17 A. Yes, sir.

18 Q. Is the Wolfcamp also productive in this area,
19 Mr. Patterson?

20 A. Yes, sir.

21 Q. Are you familiar with the rules for the Wolfcamp?

22 A. No, sir, not completely. I understand there is
23 a hundred-and-sixty-acre spacing, I believe. No, eighty-
24 acre spacing, I'm sorry, for Wolfcamp production in this
25 area. I believe your Number 4 Well is a Wolfcamp completion

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1 and I'm not certain if it is eighty-acre spacing or --

2 Q Would you accept my word that your proposed location
3 is also off-patterned and unorthodox under the Wolfcamp rules?

4 A Yes, sir, I would.

5 Q Your company has no intention of attempting to
6 complete this well in the Wolfcamp?

7 A If the Wolfcamp formation is there and is productive,
8 yes, sir, we would.

9 Q Then you realize right now that it is off-patterned
10 and unorthodox as to the Wolfcamp?

11 A Yes, sir, I do, based on what you have told me.

12 Q Is your basic objective the Morrow or is your
13 basic objective really the Wolfcamp?

14 A The basic objective is the Morrow.

15 MR. BUELL: That's all I have, Mr. Examiner.

16

17 CROSS EXAMINATION

18 BY MR. STAMETS:

19 Q Mr. Patterson, would it be the intention of
20 General American to run a directional survey on this well to
21 determine the bottom-hole location?

22 A We had not anticipated doing one unless required
23 to do so.

24 Q That would be the only way of determining where
25 the hole would bottom?

1 A. Yes, sir. The data that I have presented is from
2 directional surveys, as you are aware, it employs a directional-
3 type tool. It may not be as accurate as a commercial
4 directional survey but it certainly is fairly accurate and
5 we might be able to do something like that rather than -- or
6 we would rather do something like that rather than a directional
7 survey.

8 (THEREUPON, a discussion was held off
9 the record.)
10

11 FURTHER CROSS EXAMINATION

12 BY MR. BUELL:

13 Q. Mr. Patterson, I failed to ask you this, I intended
14 to, looking again at your Exhibit Six and particularly the
15 area shaded in red which is the only area in which you could
16 make a Morrow well if the orientation of this Morrow reservoir
17 is in almost an east-west direction, are you with me up to
18 there?

19 A. Yes, sir.

20 Q. In the event that the orientation of the Morrow
21 is in an east-west direction, in your opinion, would there
22 even be enough reserves under the west half of 29 to even
23 pay for the well?

24 A. I haven't calculated it, but I doubt if there would
25 be.

1 Q Do you think that there could be?

2 A It would depend on the thickness of it.

3 Q Approximately how many productive acres would there
4 be in the west half of 29, in the event that the orientation
5 of the reservoir is east and west?

6 A Fifteen to twenty acres, just glancing at it.

7 Q And you say the possibility exists that a Morrow
8 well might be profitable if it could only drain fifteen acres?

9 A It certainly would depend on the gas price, the gas
10 prices are changing so fast that it is rather difficult to say.

11 MR. BUELL: That's all I have, Mr. Examiner.

12

13 FURTHER CROSS EXAMINATION

14 BY MR. STAMETS:

15 Q Mr. Patterson, I would like to ask you some
16 questions, just general on rights and on drainage. On a
17 three-hundred-and-twenty-acre unit such as you have here for
18 gas, is the standard spacing no closer than nineteen hundred
19 and eighty-eight to the end boundary and no closer than six
20 hundred and sixty feet from the side boundary of the tract?

21 A That is my understanding.

22 Q And at a location like that, would there be any
23 question whatsoever as to your rights to drill and produce?

24 A No, sir.

25 Q So you at that point would have a hundred percent

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1 right, so to speak?

2 A. Yes, sir.

3 Q. Okay. Now, looking at any of your map exhibits,
4 just assume now for the moment that you had a standard location
5 say, six, sixty from the west line and nineteen hundred and
6 eighty from the south line, that would be a standard, legal
7 location. If you moved to the south from that standard, legal
8 location, to the point where you entered Section 32, would
9 you have any right whatsoever to drill and/or produce at this
10 point.

11 A. On the lease line?

12 Q. Just over the lease line.

13 A. Just over the lease line?

14 Q. Yes.

15 A. No, sir.

16 Q. So at that point you would have zero rights?

17 A. Yes, sir.

18 Q. So if you were to draw a line or curve from the
19 standard location to the location just off the lease, you
20 would go from zero to one hundred percent or one hundred
21 percent down to zero, as far as operating rights are
22 concerned?

23 A. Well, I know you are zero at the lease line and
24 you are and you certainly have every right at the location
25 specified. I don't know if there is a curve I would care to

1 construct, but go ahead, I'm sorry.

2 Q But you could do the same sort of a thing then as
3 far as an east-west line would be concerned. If you get off
4 your lease you don't have any operating rights, if you are at
5 a standard location you have a hundred percent?

6 A All right.

7 Q Now, in setting up spacing patterns, do you feel
8 that one of the reasons for this is to put wells in there
9 for points of good drainage to allow drainage and counter-
10 drainage between leases to protect the correlative rights?

11 A Would you please repeat the question, I'm sorry?

12 Q The Commission establishes spacing patterns for
13 pools?

14 A Right.

15 Q Do you feel that one of the reasons for this is
16 that the wells are so spaced that there will be drainage and
17 counter-drainage between leases to protect correlative rights?

18 A Yes, sir.

19 Q You don't have rectangular drainage so that you
20 only drain your own lease but any well would almost always
21 drain something from the other lease?

22 A Yes, sir.

23 Q Okay. If we would go back here to any of your
24 map exhibits, say Exhibit Nine, and we would put a well at
25 the closest possible standard location to Section 32, it would

1 be a point roughly nineteen hundred and eighty feet from the
2 south line and if we were to draw a circle on there such that
3 you would have three hundred and twenty acres of drainage,
4 would that circle, in your opinion, cross over into Section 32?

5 A. Which would be to the south?

6 Q. Yes.

7 A. Yes, it would.

8 Q. So even at a standard location, assuming radial
9 drainage, you would be draining some from Section 32? Now,
10 if you move down to the location that you have proposed here
11 and draw that same circle, would you have increased your radius
12 of drainage in Section 32?

13 A. Yes, I would on a circle.

14 Q. Okay. If the Commission were to consider a penalty
15 to be imposed upon this well for its unorthodox location, do
16 you think that these are things that the Commission should
17 consider, drainage patterns and deviation from standard spacing?

18 A. I think you would have a difficult time with the
19 past history of what's gone on in the State. I think your
20 spacing units are not necessarily based on geology. I think
21 if they were based on geology you might be able to better
22 protect your correlative rights. To be able to do it on a
23 straight, rectangular basis I think it's very difficult. In
24 order for us to protect ourselves, if for instance, we have
25 the ten or fifteen acres productive on our land where we have

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1 a difficult time doing it under the current regulations, let's
2 put it that way.

3 Q As a practical matter, would it be possible for
4 the Commission to do as you proposed, allow the wells to be
5 drilled first and then establish this basic pattern?

6 A As a practical matter?

7 Q Yes, is that a viable possibility?

8 A I think it's done in some states, is it not?

9 Q You are the one testifying.

10 A I believe it is in Louisiana. I understand that
11 the wells are drilled and the spacing unit set up subsequent
12 to that.

13 Q Spacing units to designate exactly what acreage,
14 in other words, let's go back to your Exhibit Number Six. If
15 this were Louisiana and you drilled that well on the brown
16 line and it turned out to be the prevailing factor, would
17 we establish a spacing unit consisting of fifteen acres from
18 your tract and maybe a hundred and sixty acres from Amoco's
19 tract?

20 A I believe that is my understanding of it. I'm not
21 an expert on south Louisiana unitization. Mr. Darnall is if
22 you would like to pose that question to him.

23 Q I would certainly like to have that point clarified
24 before the hearing is adjourned.

25 Has General American considered pooling their

1 interests in, say, the southwest of Section 29 with Amoco's
2 interest or the unit interest in the northwest of 32 to form
3 a three-hundred-and-twenty-acre spacing unit?

4 A. No, sir, we have not.

5 MR. STAMETS: That's all the questions I have of
6 this witness, but I would like Mr. Darnall to clarify the
7 point on Louisiana.

8 LARRY DARNALL

9 recalled as a witness, having been previously sworn, was
10 examined and testified as follows:

11
12 DIRECT EXAMINATION

13 BY MR. EATON:

14 Q. Mr. Darnall, did you hear the Examiner's questions
15 of Mr. Patterson concerning Louisiana practices?

16 A. Yes, sir.

17 Q. Have you testified before the regulatory body in
18 Louisiana?

19 A. Many, many times, yes.

20 Q. Would you relate what the practices are then in
21 Louisiana to your knowledge?

22 A. Yes, units in Louisiana are based entirely on
23 geology. There are some old units in north Louisiana which
24 are proration units as we have these, but in south Louisiana
25 and new units in north Louisiana are based on geology in a

1 interests in, say, the southwest of Section 29 with Amoco's
2 interest or the unit interest in the northwest of 32 to form
3 a three-hundred-and-twenty-acre spacing unit?

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1 case like this. I think that was your question. After the
2 well is drilled General American and Amoco would present their
3 geological interpretation of the productive area with
4 geological exhibits to the Commission. The Commission then
5 could either form a unit, which they believed encompassed the
6 geological productive area that was similar to what General
7 American presented or what Amoco presented or if they didn't
8 believe either one of them or felt that neither one was right
9 they could come up with a State Exhibit A, which is their own
10 exhibit, showing the productive area. Naturally units for oil
11 are much smaller than the units for gas and it depends on
12 depth just like it does here. If you have one reservoir
13 that may have ten gas wells in it, you may have ten units
14 within that reservoir but the exterior boundaries will be based
15 on geology. You might have ten units of roughly a hundred
16 and sixty or three hundred and twenty acres within the
17 reservoir but they would have interior boundaries that were
18 simply based on keeping the units approximately the same size
19 but the exterior boundaries would be based on geology, say a
20 fault or whatever is the trapping mechanism there. In this
21 case that's what would happen.

22 MR. STAMETS: I don't know that the Louisiana
23 regulations would have any bearing on what's done in New Mexico
24 but --

25 A. I don't either.

CROSS EXAMINATION

1
2 BY MR. STAMETS:

3 Q In Louisiana would you be allowed to drill a location
4 like this without specific approval of the Commission?

5 A No, in Louisiana to get a location that would be
6 closer than four, sixty-seven to the lease line you would
7 have to, they call it rather than an unorthodox location, an
8 exceptional location, you would have to go before the
9 Commission just as you do here and apply for an exceptional
10 location.

11 Q And suppose you drilled your well four hundred and
12 sixty-seven feet away which would be legal in Louisiana, not
13 in New Mexico, would Amoco there be allowed to come in and
14 drill a well four hundred and sixty-seven feet from the north
15 line of Section 32?

16 A In all liklihood, but probably they wouldn't want
17 to, probably if it was a good well they would try to take
18 three-quarters of the well away from us, which by presenting
19 a picture showing that three-quarters of the reservoir is
20 on them, they could do it, if the Commission bought it. They
21 would have to pay their share of the well costs.

22 Q Again, my question is: Does this seem like a very
23 practical operation to you, as opposed to the way it is done
24 in New Mexico?

25 A Well, I consider it the most equitable way you can

1 do it because --

2 Q That wasn't the question, the question was, practical?

3 A Practical? It seems to work. Yes, I would have to
4 say, yes, I think it is practical, I do.

5 Q Now, assuming, for the moment, that you have fifteen
6 productive acres in Section 29 and that was all that you had
7 under lease.

8 A Yes.

9 Q Would you drill this well for fifteen productive
10 acres in the Morrow?

11 A If I knew the sand underneath it was going to be
12 sixty feet thick I might. I guess if I knew that we had the
13 fifteen acres productive, what the pay was -- no, I wouldn't
14 drill it with only fifteen acres unless I knew what was down
15 there.

16 Q In the example that you gave us of Louisiana where
17 Amoco might come in and take seventy-five percent of the well,
18 again, would that be a real economical situation for General
19 American?

20 A Well, Amoco would have to pay for seventy-five
21 percent of the well.

22 Q You would only receive then twenty-five percent of
23 the proceeds?

24 A That's right.

25 MR. STAMETS: Any other questions? The witness may

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1 be excused.

2 (THEREUPON, the witness was excused.)

3 MR. STAMETS: Anything further in this Case?

4 MR. BUELL: I have a very brief closing statement,
5 and I'll make it brief, Mr. Examiner, because I have already
6 taken up more time than I intended to.

7 I think the key to this entire Case is Exhibit Si
8 One, it shows that if the Morrow reservoir under this proposed
9 location is oriented in a northeast-southwest direction like
10 the adjacent Morrow reservoir is as shown on Exhibit Two, that
11 an orthodox location could be made and an unorthodox location
12 is not even necessary.

13 And, two, if that is not the case, but in truth and
14 fact the reservoir is oriented in an almost due east-west
15 direction, the Applicant does not have sufficient productive
16 acreage, by his own testimony, to even pay out a well or would
17 they recommend drilling a well into that small amount of
18 productive acreage if that is all that well could drain?

19 So for this reason, Mr. Examiner, it is our
20 recommendation that this application be denied. I don't see
21 how from a practical standpoint a penalty could be assessed
22 that would effectively protect the correlative rights of the
23 offset operators.

24 MR. STAMETS: Mr. Eaton, do you have a closing
25 statement?

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1 MR. EATON: Yes, sir, Mr. Examiner. I believe the
2 evidence has shown that this is a high-risk well, that the
3 control data leaves something to be desired. No one knows
4 exactly where the channel is located. I think General American
5 has demonstrated that in its prudence it is seeking the best
6 possible location, where it has the best chance of obtaining
7 production. Now, as it was pointed out, we are really not
8 talking about a bottom-hole location of three hundred and thirty
9 feet, we are talking about a bottom-hole location of some six
10 hundred to six hundred and thirty feet from the south line.
11 At such a location we are not talking about ten, fifteen or
12 twenty acres, we are talking about forty acres, I believe,
13 under the worst circumstance of formation.

14 I think the Commission ought to respect the fact
15 that General American is going to be paying the entire cost
16 of this well and in doing so it feels that this is the only
17 location at this time that it could justify. Thank you.

18 MR. STAMETS: We will take the Case under advise-
19 ment and take a short recess.

20 (THEREUPON, the Hearing was in recess.)
21
22
23
24
25

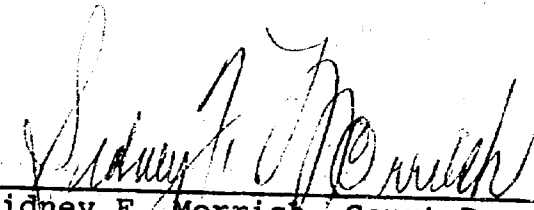
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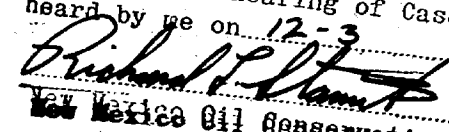
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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a 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.


Sidney F. Morrish, Court Reporter

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5594,
heard by me on 12-3, 19 75.

Richard L. Stant, Examiner
New Mexico Oil Conservation Commission

ATWOOD, MALONE, MANN & COOTER
LAWYERS

JEFF D. ATWOOD [1883-1960]
ROSS L. MALONE [1910-1974]

P. O. DRAWER 700
SECURITY NATIONAL BANK BUILDING
ROSWELL, NEW MEXICO 88201
[505] 622-6221

DEC 3 - 1975
OIL CONSERVATION COMMISSION
Santa Fe
CHARLES F. MALONE
RUSSELL D. MANN
PAUL A. COOTER
BOB F. TURNER
ROBERT A. JOHNSON
JOHN W. BASSETT
ROBERT E. SABIN
RUFUS E. THOMPSON
RALPH D. SHAMAS

December 1, 1975

Mr. Joe Ramey, Director
Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico 87501

RE: Examiner Hearing on December 3, 1975

Dear Mr. Ramey:

Please file the enclosed Entry of Appearance in Case
No. 5594, for Amoco Production Company.

Thank you and with best regards, I am,

Very truly yours,



Charles F. Malone

CFM:sgs
Enclosure

cc: Guy T. Buell, Esquire

DEC 3 - 1975
OIL CONSERVATION COMM.
Santa Fe

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION)
OF GENERAL AMERICAN OIL COMPANY)
OF TEXAS FOR AN UNORTHODOX WELL)
LOCATION, GRAYBURG GAS FIELD,)
EDDY COUNTY, NEW MEXICO.) Case No. 5594

ENTRY OF APPEARANCE

The undersigned Atwood, Malone, Mann & Cooter of
Roswell, New Mexico, hereby enter their appearance herein for
Amoco Production Company, with Guy Buell, Esquire, of Houston,
Texas.

ATWOOD, MALONE, MANN & COOTER

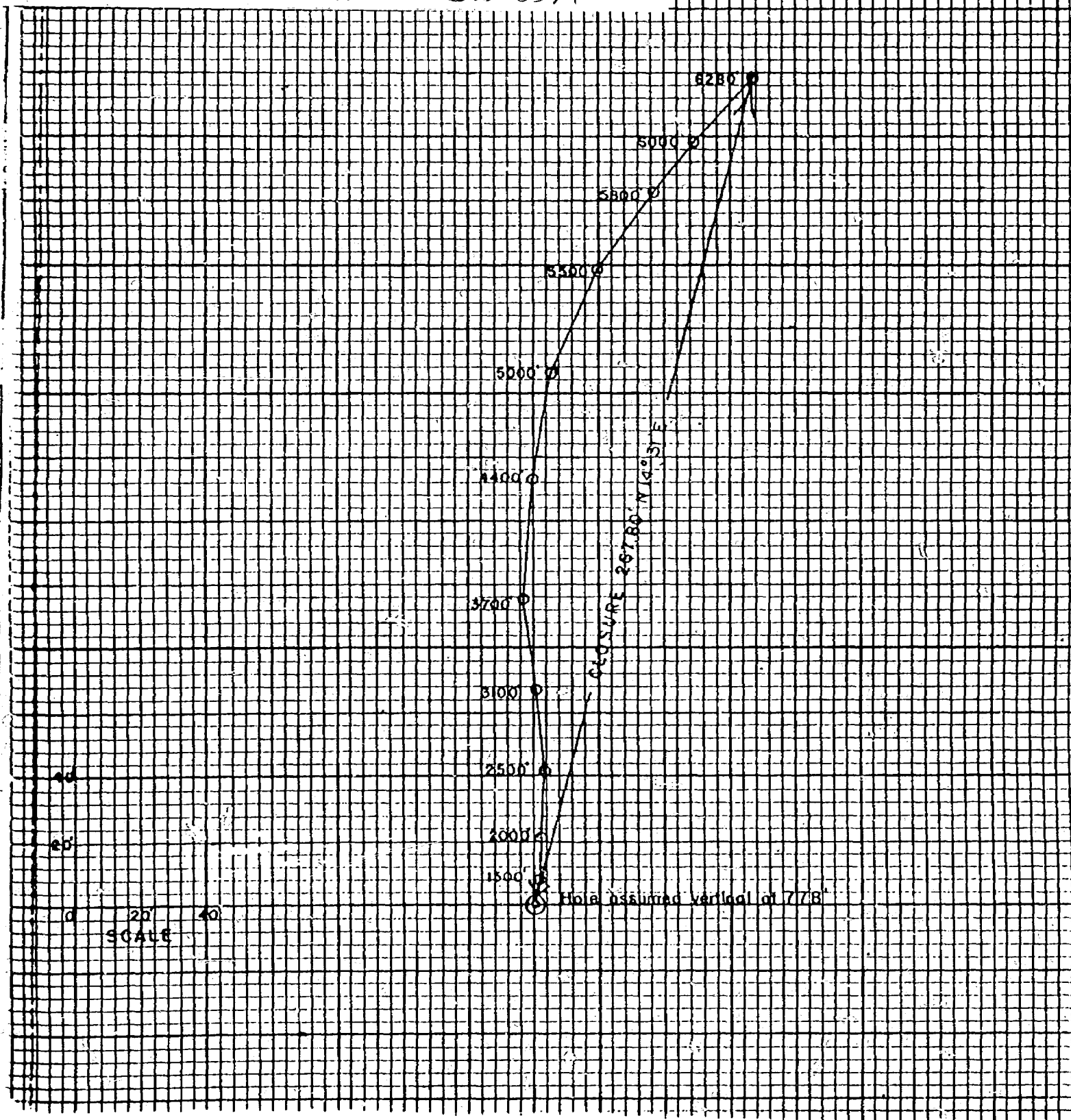
By Charles Malone
Attorneys for Amoco Production
Company
P. O. Drawer 700
Roswell, New Mexico 88201

GENERAL AMERICAN OIL COMPANY OF TEXAS

GREEN "A" NO. 8 WELL
EMPIRE ABO FIELD
2310' FSL, 330' FWL
T17S R29E
EDDY COUNTY, NEW MEXICO

EXHIBIT NO. 10

Case 5594

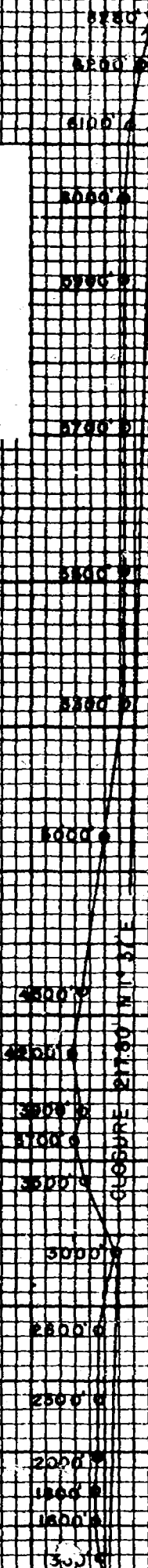


GRAPH

GENERAL AMERICAN OIL COMPANY
OF TEXAS

GREEN "A" NO. 9 WELL
EMPIRE ABO FIELD
2310' FSL, 1650' FWL
T17S R29E
EDDY COUNTY, NEW MEXICO

EXHIBIT NO. 11 *Case 5594*



6250' FSL
2310' FSL
1650' FWL
T17S R29E
EDDY COUNTY, NEW MEXICO

20
10
SCALE

Hole assumed vertical at 760'

Exhibit No. 12 Case 5594
 Green "A" #3 Well
 Grayburg Atoka Field
 Eddy County, New Mexico - Directional Data From Dipmeter

WTP
 12/1/75

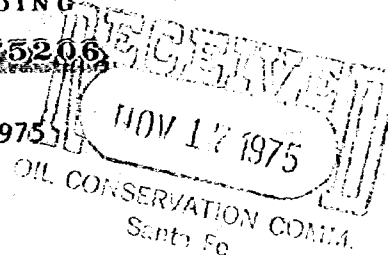
Depth	Dist. Since Last Survey	Azimuth	Relative Bearing	Bearing From Mag. North	True Bearing	Deviation	Horizontal Displacement Ft.	Horizontal Displacement North-Ft.	Horizontal Displacement East-Ft.
8000		100	105	355	7°	2°10'			
8140	140	95	95	0	12°	2°	4.89	4.78	0.21
8350	210	360	360	0	12°	1°30'	5.50	5.38	0.23
8700	350	218	228	350	2°	1°	6.13	6.13	0.21
8950	250	58	110	308	320	1°	4.38	3.36	(2.82)
9150	200	50	90	320	332	1°	3.50	3.09	(1.64)
9650	500	187	230	317	329	1°10'	10.20	8.74	(5.25)
9900	250	50	94	316	328	1°10'	5.10	4.32	(2.70)
10200	300	122	179	303	315	1°10'	6.12	4.32	(4.32)
10700	500	68	85	343	355	1°10'	10.2	10.16	(0.89)
10928	228	20	20	0	12	1°	3.99	3.90	0.83
								54.18	(16.14)

In drilling from 8000' to 10928', the well bore deviated 54.18' north and 16.14' west from the location of the well bore at a depth of 8000'.

GENERAL AMERICAN OIL COMPANY OF TEXAS

MEADOWS BUILDING
DALLAS, TEXAS 75206

November 13, 1975



CERTIFIED MAIL/RETURN RECEIPT REQUESTED

Offset Operators, Green "B" Well Spacing Unit
W/2 of Section 29, T-17-S, R-29-E
Eddy County, New Mexico
(Address List Attached)

RE: Application to the New Mexico Oil Conservation Commission for Approval of an Unorthodox Gas Well Location
Eddy County, New Mexico

Gentlemen:

Attached for your information is a copy of General American's application to the New Mexico Oil Conservation Commission to drill a well, which we understand offsets acreage owned by your company.

Should you have any questions regarding this matter, please contact the undersigned, or Mr. L. J. Darnall, Assistant Vice President, Geology, in our Dallas office.

Yours very truly,

GENERAL AMERICAN OIL COMPANY

A handwritten signature in dark ink, appearing to read "W. T. Patterson".

W. T. Patterson
Asst. Vice President, Production

ms
Attachments

cc: New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, NM 87501

] W/Copy of Application

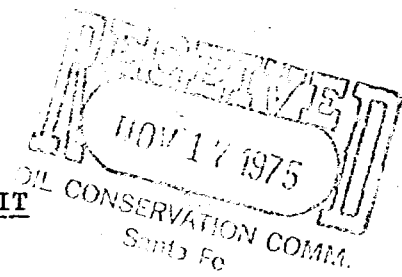
N. W. Krouskop]
R. L. Crow] W/Copy of Application
L. J. Darnall

File (3) C-1, PLW-1, 3-1

ADDRESS LIST

OFFSET OPERATORS, GREEN "B" WELL SPACING UNIT

EDDY COUNTY, NEW MEXICO



Amoco Petroleum Company
Attention Mr. Alex Clarke, District Superintendent
Box 367
Andrews, TX 79714

Continental Oil Company
Attention Mr. L. P. Thompson, District Manager
Box 460
Hobbs, NM 88240

Depco, Inc.
Attention Mr. C. O. Bizell
District Production Superintendent
800 Central
Odessa, TX 79761

Kersey & Company
808 West Grand Avenue
Artesia, NM 88210

Kincaid & Watson Drilling Co.
Box 498, 300 Booker Building
Artesia, NM 88210

Shenandoah Oil Corporation
Attention Mr. C. W. Downey, District Superintendent
Box 2189
Hobbs, NM 88240

Tenneco Oil Company
1200 Lincoln Tower
Denver, CO 80203

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

APPLICATION OF GENERAL AMERICAN)
OIL COMPANY OF TEXAS FOR AN)
UNORTHODOX GAS WELL LOCATION,)
EDDY COUNTY, NEW MEXICO.)

Case No. _____

APPLICATION

1. General American Oil Company of Texas, acting by and through its undersigned attorneys, hereby makes application for an unorthodox gas well location. Applicant seeks approval of an unorthodox gas well location for its Green "B" No. well to be located 330 feet from the South line and 1150 feet from the West line of Section 29, Township 17 South, Range 29 East, N.M.P.M., Eddy County, New Mexico.

2. Applicant desires to drill a well approximately 11,000 feet in depth to test the Pennsylvanian formation. The W $\frac{1}{2}$ Section 29, Township 17 South, Range 29 East, N.M.P.M. will be dedicated to the well. The unorthodox location is desired for the reason that it is the best geological location.

3. Approval of the unorthodox location will be in the interest of conservation, prevention of waste and protection of correlative rights.

4. Applicant will furnish all offset operators with a copy of this application.

5. Applicant requests that the application be set down for the examiner's hearing scheduled December 3, 1975.

Respectfully submitted,

HINKLE, BONDURANT, COX & EATON

By

Paul W. Eaton, Jr.
P. O. Box 10
Roswell, New Mexico 88201
Attorneys for General American
Oil Company of Texas

Docket No. 30-75

Docket No. 31-75 is tentatively set for hearing on December 17, 1975. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - DECEMBER 3, 1975

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

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

CASE 5593: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Caffell FD Well No. 1 to be drilled at a point 660 feet from the South line and 1980 feet from the East line of Section 15, Township 17 South, Range 26 East, Kennedy Farms Field, Eddy County, New Mexico, the E/2 of said Section 15 to be dedicated to the well.

CASE 5594: Application of General American Oil Company of Texas for an unorthodox gas well location, Eddy 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 1150 feet from the West line of Section 29, Township 17 South, Range 29 East, Grayburg Gas Field, Eddy County, New Mexico, the W/2 of said Section 29 to be dedicated to the well.

CASE 5595: Application of Harrington Transportation Inc. for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Higgins Well No. 1 to be drilled 990 feet from the North and East lines of Section 13, Township 18 South, Range 26 East, Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico, the E/2 of said Section 13 to be dedicated to the well.

CASE 5583: (Continued from November 19, 1975 Examiner Hearing)

Application of Stevens Oil Company for a pilot waterflood project, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pilot waterflood project in the Twin Lakes-San Andres Pool by injection of produced water through its Twinlakes Oil Company Well No. 1, located in Unit D of Section 12, Township 9 South, Range 28 East, Chaves County, New Mexico.

CASE 5591: (Continued from November 19, 1975 Examiner Hearing)

Application of Amoco Production Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a well at an unorthodox location 1980 feet from the South line and 1241 feet from the West line of Section 33, Township 17 South, Range 29 East, Grayburg-Morrow Gas Pool, Eddy County, New Mexico, the S/2 of said Section 33 to be dedicated to the well.

CASE 5588: (Continued from November 19, 1975 Examiner Hearing)

Application of Amoco Production Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval to commingle Gonzales-Mesaverde and Basin-Dakota gas production in the wellbore of its Jicarilla Contract 146 Well No. 11, located in Unit K of Section 4, Township 25 North, Range 5 West, Rio Arriba County, New Mexico.

CASE 5596: Application of Burk Royalty Company for statutory unitization, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order unitizing, for the purpose of secondary recovery, all mineral interests in the Queen formation underlying the following-described lands, Double L-Queen Pool, Chaves County, New Mexico:

TOWNSHIP 14 SOUTH, RANGE 29 EAST, NMPM

Section 23: E/2 SE/4

Section 24: W/2 SW/4

Section 25: NW/4, SW/4 NE/4, N/2 SW/4, SE/4 SW/4, W/2 SE/4, & SE/4 SE/4

Section 36: NE/4 NW/4, NE/4, N/2 SE/4, & SE/4 SE/4

TOWNSHIP 14 SOUTH, RANGE 30 EAST, NMPM

Section 31: W/2, W/2 SE/4, & SE/4 SE/4

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM

Section 1: E/2 E/2

Section 12: NE/4 & E/2 SE/4

Section 13: NE/4 NE/4

Among the matters to be considered at the hearing will be the necessity of unit operations and the feasibility of the proposed secondary recovery program; the designation of a unit operator; the determination of the horizontal and vertical limits of the unit area; the determination of a 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 wells 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.

CASE 5597: Southeastern New Mexico nomenclature case calling for an order for the creation and extension of certain pools in Eddy County, New Mexico.

(a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Crow Flats-Morrow Gas Pool. The discovery well is the Samedan Oil Corporation Amoco Federal Well No. 1 located in Unit G of Section 19, Township 16 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM

Section 19: N/2

(b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Sitting Bull Falls-Morrow Gas Pool. The discovery well is the American Quasar Petroleum Company of New Mexico Huber State Well No. 1 located in Unit F of Section 36, Township 23 South, Range 22 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 22 EAST, NMPM
Section 36: W/2

(c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Little Box Canyon-Morrow Gas Pool. The discovery well is the Cities Service Oil Company Little Box Canyon Unit Well No. 1, located in Unit J of Section 7, Township 21 South, Range 22 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 22 EAST, NMPM
Section 7: S/2

(d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Cottonwood Draw-Strawn Gas Pool. The discovery well is the Robert N. Enfield Cottonwood Draw Unit Well No. 1, located in Unit L of Section 20, Township 25 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 27 EAST, NMPM
Section 20: W/2

(e) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Twin Mills-Atoka Gas Pool. The discovery well is the Perry R. Bass Poker Lake Unit Well No. 42 located in Unit G of Section 10, Township 25 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 30 EAST, NMPM
Section 10: N/2

(f) EXTEND the Atoka San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 21: N/2 SE/4

(g) EXTEND the Avalon-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 29: W/2
Section 31: N/2
Section 32: W/2

Examiner Hearing - Wednesday - December 3, 1975

Docket No. 30-75
-4-

(h) EXTEND the Boyd-Morrow Gas Pool in Eddy County, New Mexico,
to include therein:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM
Section 7: E/2
Section 8: W/2

(i) EXTEND the South Empire-Morrow Gas Pool in Eddy County, New
Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM
Section 1: S/2

(j) EXTEND the South Empire-Wolfcamp Pool in Eddy County, New
Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM
Section 30: S/2 SE/4
Section 31: N/2 NE/4
Section 32: N/2 NW/4

(k) EXTEND the South Sand Dunes Lower Penn Gas Pool in Eddy County,
New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM
Section 2: W/2
Section 3: N/2

(l) EXTEND the White City-Pennsylvanian Gas Pool in Eddy County,
New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM
Section 22: All

RECEIVED
NOV 12 1975

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

OIL CONSERVATION COMM.
Santa Fe

STATE OF NEW MEXICO

APPLICATION OF GENERAL AMERICAN)
OIL COMPANY OF TEXAS FOR AN)
UNORTHODOX GAS WELL LOCATION,)
EDDY COUNTY, NEW MEXICO.)

Case No. 5594

APPLICATION

1. General American Oil Company of Texas, acting by and through its undersigned attorneys, hereby makes application for an unorthodox gas well location. Applicant seeks approval of an unorthodox gas well location for its Green "B" No. well to be located 330 feet from the South line and 1150 feet from the West line of Section 29, Township 17 South, Range 29 East, N.M.P.M., Eddy County, New Mexico.

2. Applicant desires to drill a well approximately 11,000 feet in depth to test the Pennsylvanian formation. The W $\frac{1}{2}$ Section 29, Township 17 South, Range 29 East, N.M.P.M. will be dedicated to the well. The unorthodox location is desired for the reason that it is the best geological location.

3. Approval of the unorthodox location will be in the interest of conservation, prevention of waste and protection of correlative rights.

4. Applicant will furnish all offset operators with a copy of this application.

5. Applicant requests that the application be set down for the examiner's hearing scheduled December 3, 1975.

Respectfully submitted,

HINKLE, BONDURANT, COX & EATON

BY

Paul W. Eaton, Jr.
P. O. Box 10
Roswell, New Mexico 88201
Attorneys for General American
Oil Company of Texas

DOCKET MAILED

Date 11/21/75

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

APPLICATION OF GENERAL AMERICAN)
OIL COMPANY OF TEXAS FOR AN)
UNORTHODOX GAS WELL LOCATION,)
EDDY COUNTY, NEW MEXICO.)

Case No. 5594

NOV 12 1975
CONSERVATION COMM.
Santa Fe

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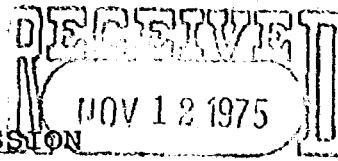
Respectfully submitted,

HINKLE, BONDURANT, COX & EATON

By

Paul W. Eaton, Jr.

P. O. Box 10
Roswell, New Mexico 88201
Attorneys for General American
Oil Company of Texas



BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

OIL CONSERVATION COMM.
Santa Fe

STATE OF NEW MEXICO

APPLICATION OF GENERAL AMERICAN)
OIL COMPANY OF TEXAS FOR AN)
UNORTHODOX GAS WELL LOCATION,)
EDDY COUNTY, NEW MEXICO.)

Case No. 5591

APPLICATION

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2. Applicant desires to drill a well approximately 11,000 feet in depth to test the Pennsylvanian formation. The W $\frac{1}{2}$ Section 29, Township 17 South, Range 29 East, N.M.P.M. will be dedicated to the well. The unorthodox location is desired for the reason that it is the best geological location.

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4. Applicant will furnish all offset operators with a copy of this application.

5. Applicant requests that the application be set down for the examiner's hearing scheduled December 3, 1975.

Respectfully submitted,

HINKLE, BONDURANT, COX & EATON

By

Paul W. Eaton, Jr.
P. O. Box 10
Roswell, New Mexico 88201
Attorneys for General American
Oil Company of Texas

Case 5594

LAW OFFICES
HINKLE, BONDURANT, COX & EATON

TELEPHONE (505) 622-6510

CLARENCE E. HINKLE
W. E. BONDURANT, JR. (914-1073)
LEWIS C. COX, JR.
PAUL W. EATON, JR.
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART D. SHANOR
C. D. MARTIN
PAUL J. KELLY, JR.

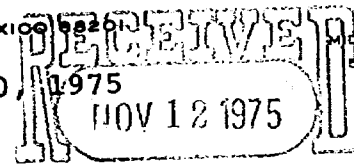
600 HINKLE BUILDING

MR. ISBELL LICENSED
IN TEXAS ONLY

POST OFFICE BOX 10

ROSWELL, NEW MEXICO 88201

November 10, 1975



MIDLAND, TEXAS OFFICE
521 MIDLAND TOWER
(915) 683-4691

OIL CONSERVATION COMM.
Santa Fe

JAMES H. BOZARTH
RONALD G. HARRIS
JAMES H. ISBELL

New Mexico Oil Conservation
Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

We enclose in triplicate, application of General American
Oil Company of Texas for an Unorthodox Gas Well Location in
Eddy County, New Mexico.

We would like to have this matter set down for hearing
at the examiner's hearing scheduled December 3, 1975.

Yours very truly,

HINKLE, BONDURANT, COX & EATON

Paul W. Eaton, Jr.
Paul W. Eaton, Jr.

PWE/jw
Enclosure

DRAFT

dr/

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. 5594

Order No. R- 5132

APPLICATION OF GENERAL AMERICAN OIL
COMPANY OF TEXAS FOR AN UNORTHODOX GAS
WELL LOCATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on December 3,
19 75, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of December, 1975, 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, General American Oil Company of
Texas, seeks approval of an unorthodox gas well location 330 feet
from the South line and 1150 feet from the West line of Section 29,
Township 17 South, Range 29 East, NMPM, to test the Wolfcamp and
Pennsylvanian formation, Grayburg Gas Field, Eddy County, New Mexico.

(3) That the W/2 of said Section 29 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 ^{the} ~~no~~ offset operator objected to the proposed unorthodox
location.

*cause drainage across lease lines not
offset by counter drainage thereby violating
the correlative rights of the offset
operator.*

*(6) That to protect correlative rights,
The subject application should be denied.*

-2-

Case No. 5594
Order No. R-

(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 proposed application for
(1) That ~~an~~ *unorthodox* gas well location for ~~the~~ *the General American Company of Texas well* formation is hereby approved for a well

proposed

to be located at a point 330 feet from the South line and 1150 feet from the West line of Section 29, Township 17 South, Range 29 East, NMPM, Grayburg Gas Field, Eddy County, New Mexico. *is hereby denied.*

(2) That the W/2 of said Section 29 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 Commission may deem necessary.

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