CASE 6792: FLORIDA EXPLORATION COMPANY FOR A NON-STANDARD GAS PROPATION UNIT, EDDY COUNTY, NEW MEXICO

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CASE NO.

6792

APPlication, Transcripts, Small Exhibits,

ETC.



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1 MR. NUTTER: We'll call next Case Number 2 6792. 3 MR. PADILLA: Application of Florida 4 Exploration Company for a non-standard gas proration unit, 5 Eddy County, New Mexico. 6 MR. HUNKER: George Hunker, Hunker, 7 Fedric, P. A., Roswell, New Mexico. 8 I have two witnesses and I'd like for 9 them both to be sworn at this time. 10 Representing Florida Exploration Com-11 pany. 12 MR, NUTTER: I'll call for other ap-13 pearances in this case. 14 MR. KELLAHIN: I'm Tom Kellahin of Santa 15 Fe, New Mexico, appearing on behalf of John B. Castle, and 16 I have one witness. 17 MR. NUTTER: Will all the witnesses 18 stand and be sworn, please. 19 20 (Witnesses sworn.) 21 22 MR. NUTTER: Please proceed, Mr. Hunker. 23 24 25

SALLY W. BOYD, C.S.R. New Mexico 87501 (505) 455-7409

1 JAMES W. ROGERS 2 being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit: 3 4 5 DIRECT EXAMINATION 6 BY MR. HUNKER: 7 Mr. Rogers, for the record, will you Ç. identify yourself by giving your name, address, and present 8 9 occupation? 10 A. My name is James W. Rogers. My business 11 address is Florida Exploration Company, Suite 900, Vaughn 12 Building, Midland, Texas, 79701. 13 I am the Division Land Manager for 14 Florida Exploration Company, responsible for, among other 15 areas, southeastern New Mexico. 16 In administering the responsibilities Q. 17 that you have in this company, explain briefly to the Examiner 18 what you do with regard to land matters and the drilling of 19 test wells. 20 Basically, my area of responsibility is A, 21 the acquiring, maintaining, exploring, and exploiting of 22 properties in search of oil and gas hydrocarbons. 23 In that process do you prepare AFE's in Q. 24 connection with the -- or supervise the preparation of AFE's 25 in the drilling of test wells?

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1 A. Yes, sir, that is correct. That is one 2 of my responsibilities. Are you familiar with the application 3 0. that has been filed by Florida in connection with this 4 5 matter? 6 Yes, sir, I am. A. 7 What does the applicant seek in con-Q. nection with this case? 8 9 A. The applicant seeks a 324.25-acre 10 proration unit for the drilling of a 12,250 feet Wolfcamp 11 test well with the option to drill the well at our option, 12 the applicant's option, to the Morrow formation at an esti-13 mated depth of 14,500 feet. 14 The lands involved are on the New Mexico-15 Texas state line and are partial sections. 16 Will you describe for the Examiner the 0. 17 lands that you propose to include in the non-standard gas 18 well spacing unit? 19 Yes, sir. All of these lands are A. 20 located in Township 26 South, Range 30 East, and comprise 21 the following parts of the sections: Section 33, Lots 1, 22 which contains 24.80 acres; Lot 2, 24.78 acres; and the 23 north half of the northeast quarter of said Section 33. 24 In Section 4 the lands we would propose 25 to include therein are Lot 2, which contains 24.98 acres;

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		Page 7
	1	Lot 3, 24.87 acres; Lot 4, 24.82 acres; and the northwest
	2	northeast quarter and north half northwest guarter, in all
	3	containing 324.25 acres, more or less.
	4	Ω Did you prepare or have prepared an
	5	exhibit depicting this particular spacing unit?
	6	A. Yes, sir, we have.
	7	0. Is it Exhibit Number One, which you
	8	have before you?
	9	A. Yes, sir, that is correct.
7501	10	Q. And explain to the Examiner, if you will
Mexico 8' 455-7409	11	what that depiction shows.
Santa Fe, New Mexico 87501 Phone (505) 455-7409	12	A. Yes, sir. This is basically a land plat
Santa I Ph	13	The yellow coloring denotes acreage upon which Florida Ex-
	14	ploration owns or has the right to earn the full working
	15	interest.
	16	The red depicts lands on which Florida
	17	Exploration owns a partial working interest.
	18	Also, the plat depicts the outline of
	19	the Ross Draw Federal Unit, which is outlined in red thereon.
	20	It also shows the location of producing wells that have been
	21	color coded to denote production from three zones, namely,
	22	the Delaware Sand in purple; the Bone Springs formation in
	23	brown; and the Wolfcamp formation in the orange color.
	24	Also depicted in green are two 320-acre
	25	spacing patterns that have been formed for the drilling of

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		Page 8
	1	the No. 7 Well in the northwest quarter southeast quarter of
	2	Section 26 on a 320-acre designation and the No. 8 Well,
	3	located in the northeast quarter Section 27 on a 320-acre
	4	designation comprising the north half.
	5	MR NUTTER: Has that well been drilled
	6	yet?
	7	A. It is presently completing, sir.
	8	MR NUTTER: And what formation is it
	9	in, the Wolfcamp?
	10	A. It will be completed in the Wolfcamp
455-7409	11	formation, yes, sir.
Phone (505) 455-7409	12	MR, NUTTER: And how about this one
Phone	13	over here in Section 26? I presume it has been completed.
	14	A. Yes, sir, it was drilled to the Morrow,
	15	plugged back to the Wolfcamp formation, and completed as a
	16	Wolfcamp producer shut in waiting on a pipeline.
	17	0. The well in Section 26 is referred to
	18	as the Ross Draw No. 7, is that correct?
	19	A Yes, sir, that's correct.
	20	Q. And the well in the north half of Sec-
	21	tion 27, how do you refer to it?
	22	A. It is the No. 8 Ross Draw Federal,
	23	The plat also depicts the requested
	24	proration unit non-standard proration unit that we would
	25	propose for the drilling of a test well at a location 760
	11	

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1 from the north line and 1980 from the west line Section 34, 2 Township 26 South, Range 30 East. 3 Q Why didn't you select a 660-foot loca-4 tion, Mr. Rogers? 5 A. Sir, we did not select a 660-foot loca-6 tion because there is a present shallow producing well pro-7 ducing out of the shallow Delaware at the 660 location, and 8 we would propose to go 100 foot south of that well to drill 9 our Wolfcamp test well with the option to drill it on to the SALLY W. BOYD, C.S.R Rt. 1 Box 193-B Santa Fe, New Mexico 8750? Phone (505) 455-7409 10 Morrow. 11 MR. NUTTER: Is that shallow well the 12 No. 2? 13 A. Yes, sir, that is correct. 14 MR, NUTTER: And what will your proposed 15 well be called? 16 Our proposed well would be called the A. 17 No. 9 Ross Draw Federal. 18 NUTTER: Thank you. MR. 19 Mr. Rogers, why did you select this 0. 20 particular non-standard gas well unit? 21 As previously stated, sir, we are A. 22 dealing with a Federal unit, the Ross Draw Federal Unit, and 23 as depicted on the plat, you can see that along the south 24 line of the Ross Draw Federal Unit we have what we believe 25 to be two locations comprising 324 plus or minus acres that

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1 will equally divide the south part of the unit into two pro-2 ration patterns.

3 As background, Florida Exploration Company is earning its interest in the lands depicted on the 4 5 plat under a farmout agreement with J. C. Williamson and 6 others. The agreement provides for, among other things, earning the acreage dedicated to a proration unit on a produce 7 to earn basis and is limited to the depth that we drill the 8 9 well plus 200 feet. For that reason we believe that we are 10 justified in asking for two non-standard proration units to 11 utilize the land that is available to us to earn by farmout 12 and the drilling of the wells and will be in the interest of 13 conservation and will grant us the opportunity to use the 14 land available to us without drilling excessive wells to 15 earn that land.

Q. I notice that the tract in Section 34
 upon which your proposed location is made that that is a Kerr
 McGee tract. Have you made arrangements with Kerr McGee to
 drill this particular acreage?

A. Yes, sir, that is correct. We have an arrangement with Kerr McGee out of Oklahoma City to drill the test well thereon and earn that interest.

Q. Under your trade with Williamson, et al, and with Kerr McGee, what are the time limitations that you had imposed upon you?

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	1	A. The next well must be commenced on the
	2	Kerr McGee tract by March 26th, 1980.
	3	Q. Is the location that you have made a
	4	standard location?
	5	A. Yes, sir, I believe it is a standard
	Ô	location, being 760 from the north and 1980 from the west line
	7	of Section 34, Township 26 South, Range 30 East.
	8	Q. And to review, what you're seeking then
	9	is a non-standard gas well spacing unit, is that correct,
87501 09	10	or proration unit?
193-B Acrico 87 455-7409	11	A Yes, sir, that's correct.
Rt. 1 Box 193-B Santa Fe, New Mexico 873 Phone (505) 455-7409	12	Q. Mr. Rogers, turning to your other re-
Rt. 1 Box 193-B Santa Fe, New Mexico Phone (305) 455-74	13	sponsibilities, I would like to refer you to two other ex-
Ď	14	hibits that you have prepared and ask you if you prepared an
	15	AFE and a supplemental AFE for the drilling of the No. 7 Ross
	16	Draw Unit Well?
	17	A. Yes, sir, we did prepare an AFE and a
	18	supplemental AFE for the drilling of the No. 7 Ross Draw Unit
	19	Well.
	20	Q. Are is that referred to as Exhibit
	21	Number Two?
	22	A. Yes, sir.
	23	0. In connection with the AFE on the No. 7
	24	Well, your Exhibit Number Two, what does this show your es-
	25	timated cost for the drilling of that test well to have been?
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Our first AFE was for the drilling of a 1 A. 2 14,500 foot Morrow test well located 1980 from the south and 3 east line of Section 26, Township 26 South, Range 30 East. It called for an expenditure of \$1,131,650 to drill such a 4 5 well and complete it as a producer. 6 And what happened? Q. 7 Α. We overspent that amount and we supplemented that AFE in the amount of \$806,000 additional to ac-8 9 complish what we wanted to accomplish. 10 What was the total AFE for that well? Q. 11 A. The total AFE was \$1,937,650. 12 And what was the total cost of the well? Q. 13 To date we have spent \$1,996,793. A. 14 And that well was plugged back and com-Q. 15 pleted in the Wolfcamp formation, is that correct? 16 Α. Yes, sir, that is correct. 17 In connection with your No. 8 Well, did 0. 18 you prepare an AFE on that well and a supplemental AFE? 19 A, Yes, sir, we did prepare such an AFE 20 and supplement and that is Exhibit Three. 21 Q. What was your estimated expenditure for 22 the No. 8 Well originally? 23 A. The No. 8 Well was originally scheduled 24 to a depth of 9200 let to test a Lower Delaware-Bone Springs 25 series, and after reaching the total depth of 9200 feet and

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		1	running electric logs it was our decision at that point in
		2	time to go ahead and elect to drill that well deeper to the
		3	Wolfcamp formation at an estimated depth of 12,300 feet.
		4	So with that in mind, our original AFE
		5	for the 9200-foot test well was \$653,500 for a completed
		6	well in the Lower Delaware-Bone Springs series. That AFE
		7	was supplemented in the amount of \$355,700 to drill the well
		8	on to a depth of 12,300 feet to test the Wolfcamp formation.
		8	And those two added together amount to
	<b>C.S.R.</b> 87501 09	10	\$1,019,200.
	<b>BOYD, C</b> Box 193-B lew Mexico 87 505) 455-7409	11	Q. And what was the cost, actual cost, to
	• ~ Z ~	12	date for that well?
	SALLY W Rt. Santa Fc, J Phone	13	A To date, sir, we have spent \$1,133,387
	Ŵ	14	and the equiping costs of the well are not included in that
		15	amount, and those equiping costs for a gas well are estimated
		16	to be \$45,000.
		17	Q. For the record, what is the present
		18	status of that particular well?
		19	A The No. 8 Ross Draw Federal is presently
		20	completing as an indicated Wolfcamp gas producer and is pre-
		21	sently testing for the purpose of a four-point test for
		22	calculated absolute open flow.
× .		23	Q. What does that test reveal at this time?
		24	A. I believe at the last report I had on
		25	it the well was making on an ll/64ths choke on a one hour
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1	flow test it flowed 6,612,000, plus 9.65 barrels of condensate,
2	and the flow tubing pressure of 7112 pounds.
3	
4	Q. At the present time, Mr. Rogers, Florida
5	Exploration Company is seeking the approval only of the
6	westernmost unit shown on your Exhibit One, is that correct?
7	A. Yes, sir, that is correct, sir.
	Q. Do you have anything else to add to your
8	testimony at this time?
9	A. The only other thirg is, I would like
10	to add, we are only seeking the west unit now, but I think
11	it's quite obvious that if the well is successful, this will
12	give us another proration unit if allowed to stand as we have
13	requested, comprising the eastern part of our Ross Draw
14	Federal Unit, and would utilize all the land that is available
15	to Florida Exploration for the spacing of the wells.
16	MR, HUNKER: At this time, Mr. Examiner,
17	we'd like to offer in evidence Exhibits Numbers One, Two, and
18	Three, and we'd like to pass the witness at this time.
19	MR. NUTTER: Florida Exhibits One through
20	Three will be admitted in evidence.
21	Are there questions of the witness?
22	MR. KELLAHIN: Yes Mr. Nutter.
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#### CROSS EXAMINATION

2 BY MR. KELLAHIN:

3 Q. Mr. Rogers, as I understand your testimony, the proposed non-standard proration unit that you've 4 5 outlined that crosses the section line and includes portions 6 of Section 33 and 34 would consist of 324.25 acres? 7 A. Yes, sir, that is correct. 8 And what would be the acreage then with-0. 9 in the unit to be dedicated to the next well? I mean that 10 acreage in Section 35 and the balance of that acreage in 34? 11 All right, sir. We would propose the A. 12 next unit to be all of the partial Section 35 and the north-13 east northeast guarter and Lot 1 of Section 34. 14 And how many acres would that constitute? 0. 15 That amounts to about 324.58 acres. A. 16 I don't have the lot numbers on my plat Q. 17 here, Mr. Rogers. Am I correct in assuming that the second 18 proration unit would include all the acreage in what is out-19 lined in Section 35? 20 Yes, sir, that --A. 21 And then that lot over there that has Q. 22 a designation of ARCO? 23 Yes, sir, that is correct. ARCO is Α. 24 committed to the Ross Draw Federal Unit. 25 Q. The spacing on the Wolfcamp wells is

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1 160 acres, is it not, Mr. Rogers? 2 To my knowledge the spacing on the Wolf-A. 3 camp wells are not 160 acres, and we would not propose to want them on 160 acres, for economic reasons. 4 5 The No. 7 Well in the south half of 26 Q. 6 is a Wolfcamp producer. 7 Yes, sir, that is correct. A. 8 And the south half of that section is Q. 9 designated to that well? 10 Yes, sir, that is correct. A. 11 What pool are you in, Mr. Rogers? Q. 12 Is the Wolfcamp designated by pool or are you under statewide 13 spacing for the Wolfcamp in this area? 14 A. To my knowledge we are not under any 15 pool rules, field rules. 16 So it's your understanding, Mr. Rogers, Q. 17 that if the proposed well in this non-standard proration 18 unit results in only a Wolfcamp producer it will be your in-19 tent to dedicate the entire non-standard proration unit to 20 that particular well? 21 Yes, sir, that is correct. A. 22 How many acres would be included in a Q. 23 proration unit that consisted just of the Section 34? 24 Well, I don't have those numbers added A. 25 up, but we could add it them up here. It would consist of

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1 four lots. 2 Q. It would approximately be 260 acres, I 3 take it, is that right? 4 I think that's -- that's about right. Α. 5 There are about 260 acres, yes, sir , ô And if Section 35 is designated as a Q. 7 non-standard proration unit, that also would consist of 8 about 260 acres, wouldn't it? 9 That's approximately the number that A. 10 would be, I believe. 11 And if we look over to the section 33, Q. 12 half of which is within your Ross Draw Unit and the other 13 half is outside, if that entire section is designated a non-14 standard proration unit, that unit would also consist of about 15 Low acres, would it not? 16 That's correct. A, 17 Okay. Now neither the Wolfcamp nor the Q. 18 Morrow formations in this particular area are prorated in 19 any way, are they? 20 To my knowledge they are not prorated. A. 21 So that a non-standard proration unit Q. 22 with less than 320 acres would not be penalized, would it? 23 A. That I do not know and would not want 24 to say whether it would or not because of my not having 2E knowledge of that.

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[505] 455-7409 Box 193-B

Q. You've indicated that you are going to drill the proposed well to a depth sufficient to test the Morrow formation.

A. We are going to drill the well to a depth sufficient to test the Wolfcamp formation at an estimated depth of 12,250 feet, with the option to drill that well on to the Morrow formation at an estimated depth of 14,500 feet, but that would be at our option and based upon geologic and other considerations reached at the Wolfcamp level in the well.

Q. Tell me again, Mr. Rogers, what considerations you concern yourself with in determining whether to go on to the Wolfcamp formation -- I'm sorry, the Morrow formation.

A Of course geology has an important part in it. The economics of the deal play an important part, and there's also an engineering aspect, as you drill these wells, and what you may encounter in Wolfcamp that would prohibit you from electing to drill the well on to the Morrow formation.

Q. You've talked about some of the economic considerations in your testimony, Mr. Rogers.

Yes, sir.

A.

Q. Your economic information, as I understand it, from Wells 8 and 7, were not very favorable for

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	1	drilling to the Morrow formation, were they?
	2	A The economic considerations?
	3	Q Yes, sir.
	4	M I do not understand your question.
	5	MR. HUNKER: Mr. Examiner, this requires
	6	him to speculate on whether or not it's favorable or not.
	7	I don't know whether he's qualified to testify as to whether
	8	it's favorable or not.
	9	He might ask a question, is it economic,
C.S.R. 8730	10	or
<del>.</del>	11	MR KELLAHIN: I think the question is
SALLY W. BOYD, C.Si. Rt. 1 Box 193-B Santa Fe, New Mexico 87501 Phone (505) 455-7409	12	proper. Mr. Rogers has testified at some length as to what
Santa Santa	13	the considerations he believes are necessary for determining
<i>v,</i>	14	whether the subject well is drilled to the lower depth.
	15	One of those factors was an economic consideration and I
	16	want to test the extent of that knowledge and perhaps I can
	17	ask the guestion in a different way.
	18 19	Q. We've seen your economics on the Well
	20	Nc. 8.
	21	A. Uh-huh.
	22	Q And that was dry in the Morrow. We've
	23	seen your economics in the Well No. 7, and you've drilled
	24	that to the Morrow and it was also nonproductive in the
	25	Morrow, that's not true, is it?
		A. That is true, yes. The No. 7 was non-

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productive in the Morrow formation, that is correct.

The No. 8 Well was only drilled to the
Wolfcamp formation.

Q. Okay. Tell me again how -- what factors you're going to use to determine whether you're going to complete this well at the Wolfcamp level or continue on to the Motrow depth in this well.

A. Well, I'll just state again what I've already stated to you. It's going to be based upon geologic considerations. It's going to be based upon an engineering consideration as to what we may have in the way of high pressure in the Wolfcamp, and there will be some economic consideration as to whether we should elect to continue the well -- continue the drilling of the well on to the Morrow formation.

Q If the entire Section 34 is dedicated as a non-standard proration unit, which is not what you're seeking, but that's what I'm proposing to you, if that is what is proposed. Mr. Rogers, you don't have any difficulty with ARCO joining that unit, would you?

A I have not contacted ARCO with regard to such a matter and therefore I could not speak to the issue. If that were the case, we would attempt to work out an arrangement with ARCO whereby we could do that.

Q.

What's the unitized formation for the

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1 Ross Draw Federal Unit? 2 A. To my knowledge the Ross Draw Federal 3 Unit is unitized as to all formations. 4 And ARCO's acreage within the unit is Q. 5 dedicated to the unit. 6 A. Yes, sir, that is correct. 7 And who's the operator of the unit? Q. 8 A. The operator of the unit of record is 9 J. C. Williamson. The operator under a designation of 10 operator for the No. 7 and the No. 8 Wells is Plorida Ex-11 ploration Company. 12 And you have that same sort of arrange-Q. 13 ment for the next well, the subject well? 14 A. We do not have it in hand at this time 15 but we will obtain the proper governmental authority, a de-16 signation of operator, for that well. 17 All right. The east half of Section 33 Q. 18 is a Federal lease, is it not? 19 Yes, sir, that is correct. Ä. 20 And that is the same Federal lease that 0. 21 encompasses Section 22 up here above Section 27? 22 Yes, sir, I believe that's correct. A. 23 Is there production on that Federal Q. 24 lease that holds that lease at this point? 25 To my knowledge, sir, there is no actual A.

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production. The lease is being held by the Federal Unit,
which is past its primary term and being held by continuous
development as provided in the unit agreement, which further
provides for the drilling of additional wells with a cessation
of no more than ninety days between wells, to hold the present Federal Unit in force and effect.

Q. The acreage in Section 34 to be dedicated to the proposed non-standard proration unit is a different Federal lease, isn't it?

 A. It is a different Federal lease from the lease that you previously described, yes.

Q. Okay, how is that lease being held?
A. That lease is also being held by the
Federal Unit and by actual production if the No. 2 Well is
producing, and to my knowledge, of which I have no knowledge,
of the No. 2 production because we're not involved with it.
Q. The Delaware Well in -- this No. 2 Well

in Section 34 --

A. Yes.

Q.

Q. -- to the best of your knowledge that currently holds that Federal lease?

A. The lease is either being held by the unit or it is being held by production from the No. 2 Well, of which I have no knowledge.

If the No. 2 Well, the Delaware Well,

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1 is not holding the lease by production, and we fall back 2 upon the unit provisions, and we are in the same problem 3 with that Federal lease as you have with the Federal lease in the east half of Section 33,

A. I do not follow your line of questioning as to the problem, sir.

0 The fact that you have to continuously drill in order not to lose the Federal lease.

Right. As you are aware, Federal units A. do have a provision that upon break-up of the unit, you have two additional years to -- to develop.

Isn't the principal reason, Mr. Rogers, Q. for creating this non-standard proration unit the desire to hold two Federal leases with the drilling of one well?

No, sir, I do not believe that that is A. the purpose. I believe that the two Federal leases, by virtue of the fact of them being in the Ross Draw Federal Unit, can be drilled and operated as one basic unit of property, and that holding of the two leases is inumaterial.

Do I understand you to say that you don't <u>0</u>. need the proposed well in order to hold any leases within the unit?

A. If you understand that, sir, you understand something that I don't mean to infer. We are drilling and earning our way, as I previously stated, in this deal.

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1 Let me ask you again, Mr. Rogers, do you Q. 2 needthis proposed well to hold either of these Federal leases 3 Α. Yes, we need it to hold the unit to-4 gether. 5 Okay. Would a unit well at any other Q. 6 location hold these Federal leases? 7 A. Within the confines of the unit outline, 8 yes, sir, it would. 9 You would drill the proposed well at Q. 10 its proposed location regardless of the configuration of 11 a non-standard proration unit, would you not? 12 The proposed well is in what we consider A. 13 to be a good location from a geologic standpoint. Your 14 question appears to me to be rather broad as to what pro-15 ration unit you may be alluding to. 16 All right, let me be specific, Mr. Q. 17 Rogers. If the south half -- if Section 34 is the non-stand-18 ard proration unit, the location for the proposed well would 19 remain the same, would it not? 20 Yes, I believe the location would hold A. 21 up from a geologic standpoint. 22 And that would still be a standard loca-Q. 23 tion. 24 Yes, sir, it would be a standard loca-A. 25 tion.

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Q Now is that a standard location under the proposed non-standard proration unit as you've outlined on your Exhibit Number One? A. I think the location of the well would

be, yes, sir.

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Q. What's the distance from the proposed well to the east boundary of the proration unit? Do you know what that distance is?

A. No, sir, I have not calculated it. Just from eyeball, it would appear to be approximately the same distance as it is from the west line of the section.

Q. If your proposed non-standard proration unit is approved, Mr. Rogers, and if a Morrow well is to be drilled in the west half of Section 33, how would you form a proration unit for a well drilled in the west half of Section 33?

A. Sir, I cannot answer that question because I only have a right to earn a 40-acre interest in Section 33, being the northwest quarter of the northwest quarter, and I believe the record owner of the balance of the west half of Section 33 is Mr. John Castle, and I have no arrangement with Mr. Castle and therefore I could not speak to that issue.

Q. Well, as an experienced landman, Mr. Rogers, approval of your proposed non-standard proration

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1	unit will lead to further non-standard proration units that
2	will have, as of necessity, to cross section lines.
3	Sir?
4	A. Do you want me to answer that?
5	Q. Yes, sir, it was a question.
6	A. I interpreted that as a statement, sir.
7	Did you ask it in the form of a question?
8	Q. Yes, sir.
9	If this proposed non-standard proration
10	unit is approved, how many other non-standard proration units
11	are going to be thereby created, each of which crosses
12	section lines?
13	A. Sir, I would believe my experience wculd
14	tell me that this would be largely based upon geologic and
15	engineering considerations and not land considerations.
16	Q. Well, it's at least going to lead to the
17	creation of anothernon-standard proration unit that crosses
18	section lines in Section 35 and 34. You've already told me
19	you're going to do that one.
20	A. Yes, sir, that is correct.
21	Q. All right.
22	A. That would be our plans, yes, sir.
23	Q. And how would you propose as an exper-
24	ienced landman, to create a 320-acre Morrow proration unit
25	for the balance of the acreage in Section 33?

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1 MR. NUTTER: I think, Mr. Kellahin, he's 2 already answered that. He said he only had 40 acres in that 3 area and it would depend on how much Castle would. If Mr. Castle would dedicate Section 32 Q. 5 to a non-standard proration unit for a Morrow test, there 6 would not be acreage for which the west half -- I'm sorry, 7 the east half of Section 33 could be dedicated for a Morrow 8 test, is that not true? 9 I'm not with you. Would you say that A. 19 again, please? 11 Yes, sir. If Mr. Castle creates a non-Q. 12 standard proration unit for a Morrow test in Section 32, 13 and that acreage is dedicated to that proration unit --14 MR. NUTTER: And only that acreage. 15 And only that acreage, then we have the Q. 16 west half of Section 33, of which you have a 40-acre tract, 17 how can that acreage be dedicated to a Morrow proration 18 unit? 19 Now you're talking very hypothetical Ā. 20 here, and I can only answer hypothetically. We would just 21 have to look at the -- all the factors involved and deter-22 mine what would be appropriate proration unit based upon 23 geology, reservoir engineering, and the land consideration. 24 The question as you asked it would infer that you could not 25 do anything with that west half of 33, but I don't believe

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	1	that would be actually what would happen.
	2	Q All right. Tell me, in your opinion,
	3	what you believe would actually happen.
	4	A. As I have previously stated, I think
	5	you're going to have to look at some other considerations,
	6	and you're going to have to determine what your best loca-
	7	tion would be over there, and so forth, and I do not wish
	8	to testify as to geology because I'm not trained to testify
	9	to that.
87501 19	10	MR. KELLAHIN: I have nothing further.
vew Mexico 8 (505) 455-740	11	Thank you.
Santa Fe, New Mexico 8750) Phone (503) 455-7409	12	
Santa Pl	13	REDIRECT EXAMINATION
	14	BY MR. HUNKER:
	15	Q. Mr. Rogers, maybe we can help Mr. Tom
	16	Kellahin out.
	17	In connection with the well that you're
	18	going to drill in Section 34, if your non-standard gas well
	19 20	spacing unit is approved, you would earn from Estoril and
	20 21	Williamson, et al, the rights down to the depth that you
	21	drilled, plus 200 feet, is that correct?
	23	A. That is correct, sir.
	24	Q. Would this include the Morrow formation?
	25	A. If we drilled the Morrow, it would.
		If we did not drill the Morrow, it would not.

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SALLY W. BOYD. C.S.R.

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1 In other words, if you stopped at the Q. 2 Wolfcamp you would not have earned the Morrow formation, is 3 that correct? Yes, sir, that is correct. There is a Α. 5 provision in our arrangement with the Williamson group, ê though, that we have, if we earn shallow, that we have a 7 designated time that we can drill deeper and earn those 8 rights at a later date. We will only earn rights ultimately 9 to 200 feet below the depth that we drill. 10 For the time being --Ω. 11 A. For the time being. 12 -- all you would earn would be the Wolf-Q. 13 camp rights if this spacing unit is approved, is that cor-14 rect? 15 Yes, sir, that is correct. A. 16 And assume that you never earn the 0. 17 Morrow rights under the east half of Section 33, then Mr. 18 Castle, in order to form a spacing unit for a Morrow well, 19 would have to make his deal with J. C. Williamson, et al. 20 is that correct? 21 Yes, sir, that's correct. A. 22 Was the Penroc Well referred to on your Q. 23 Exhibit One as Well No. 5, drilled to a depth sufficient 24 to test the Morrow formation? Or do you know? 25 It was drilled to a depth sufficient to A.

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1 test the Morrow formation. 2 Did difficulties occur in connection with Q. 3 that well? Α. I understand that there were mechanical 5 difficulties, yes, sir. 5 Were there indications that it might have Q. 7 produced in the Morrow formation? 8 A. That, I am not sure of, sir. 9 **Q**. Well, what has given you, or your com-10 pany, the encouragement to think about another Morrow test 11 in this area? 12 A. Of course, you evaluate these areas as 13 you go along and every additional well that is drilled gives 14 you more information, and we recognize that the Morrow form-15 ation in southeastern New Mexico is in spots a prolific gas 16 producing formation, and therefore, we are cognizant of that 17 fact and would afford ourselves the opportunity to drill 18 Morrow wells in acreage upon which we have, if we were pre-19 sented the opportunity from a geologic standpoint of that 20 particular property being favorable. 21 MR. HUNKER: I have no further questions, 22 Mr. Kellahin -- Mr. Nutter, 23 MR. NUTTER: The witness may be excused. 24 Let's take a fifteen minute recess. 25 (Thereupon a recess was taken.)

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1 MR. NUTTER: The hearing will come to 2 order, please. 3 Mr. Hunker, did you have another witness 4 now? 5 MR. HUNKER: Yes, I have. Mr. Alcorn ø has been sworn and before going into that, I would like the 7 Examiner to take administrative notice of the fact that Rule 8 104 of the Division's rules that provides for 320-acre state-9 wide spacing for Wolfcamp and below. 10 And I'd like to also call attention to ine (505) 455-7405 11 the -- of the Examiner to the fact that its records will 12 reflect many unit agreements which have been approved by the 13 Division, which show that lands not within participating 14 areas at the end of the specified unit term, will be eliminated 15 from the unit agreement. 16 If the lands are in a participating area 17 they are not eliminated. 18 19 JOHN SCOTT ALCORN 20 being called as a witness and having been duly sworn upon 21 his oath, testified as follows, to-wit: 22 23 DIRECT EXAMINATION 24 BY MR. HUNKER: 25 Mr. Alcorn, will you please give us your Q.

SALLY W. BOYD, C.S.R.

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1 Mr. Alcorn, are you familiar with the Q. 2 application that's been filed on behalf of Florida in con-3 nection with this matter? Yes, sir, T am A. 5 Why, in your opinion, was the non-standard Q. ĉ gas well location made at 760 feet from the north line and 7 1980 feet from the west line of Section 34, Township 26 South 8 Range 30 East? 9 MR. NUTTER: Mr. Hunker, correction. 10 You said why was the non-standard gas location formed. You 11 mean the non-standard gas proration unit. 12 It's a standard location. 13 Yes. Non-standard gas well spacing unit Q. 14 made at this particular location, Mr. Alcorn? 15 Could I refer to a Wolfcamp pay structure A. 16 map that coincides in Cogence with the land map that was 17 entered? 18 Is this your Exhibit Number Four? Q. 19 Yes, sir, it is. A. 20 Was it and the Exhibit Five, which you Q. 21 will talk about later on, prepared by you or under your 22 supervision? 23 Yes, sir, that is correct. A. 24 Looking at your Exhibit Number Four, 0. 25 will you tell the Examiner what that exhibit depicts?

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In conjunction with the acreage that Mr. and the Ross Draw Unit configuration that Mr. Rogers de-

scribed, this map is mapped on the Wolfcamp pay structure and superimposed a clean carbonate thickness in dashed lines of the area, of the Ross Draw area.

I will note that it's on -- in this area the dip seems to be a standard rate of dip of approximately 100 feet per mile to the east/southeast. There seems to be no configuration of structure anomaly in the area to date under the Ross Draw acreage.

It is noticed that through examination of electric logs, which will be described in Exhibit Five, that a line of carbonate thickness of 20 feet goes in a northerly direction through Section 27, through and bisects Section 34, or there the proposed acreage in question. That is a 20-foot thickness line that is -- was measured from the well that is known as the Penroc No. 5 Ross Draw.

At the present time we feel as though, from the information available, that well did not appear to be productive in the Wolfcamp zone of production in the Ross Draw. We feel as though this line indicates a possible western economic limit at the present time. We would like to stay in a standard location east of this line of dissection. We feel as though this --

MR. KELLAHIN: Excuse me, Mr. Alcorn,

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A.
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1	which line are you looking at?
2	A. We're looking at the line that's the
3	dashed line.
4	MR. KELLAHIN: The number twenty line?
5	A. The number twenty line.
6	We feel as though at the present time
7	from the knowledge available, that is our most opportune
8	location, geologically speaking.
9	Does that answer your question, Mr.
10	Hunker?
11	Q. That answers my question.
12	This map shows the proposed location,
13	is that correct?
14	A. Yes, sir, it is proposed approximately
15	100 feet south of the well known as Ross Draw No. 2, which
16	is producing from a shallower depth not in question.
17	Q The other markings on the unit are the
18	same markings as appeared on Mr. Rogers' Exhibit Number One,
19	is that correct?
20	A. That is correct. I had my draftsman
21	copy the information from his map, on the of the land-
22	holders.
23	Q. Turning now to Exhibit Number Five.
24	A. Yes, sir.
25	Q. Will you explain this exhibit and tell

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the Examiner what it depicts?

Q.

A.

A. Exhibit Number Five is a Wolfcamp cross section A-A' from the insert map. The insert map is from a commercial map company called GeoMap. It is mapped by them on the Devonian-Fusselman pay, which is not in question here. It's simply for reference.

A-A' in the inset connects wells known as the Penroc or Baxter Ross Draw No. 5, to the Florida Ross Draw No. 8, to the Ross Draw No. 7, and concludes in Loving County, New Mexico, at the Texaco Damsite Unit No. 1.

> You mean the Texas, don't you? Loving County, Texas, I'm sorry.

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Loving County, Texas.

A. Pardon me. Eddy County, New Mexico, into Loving County, Texas.

The wells -- the electric logs that are hung in this cross section show the continuity of the area. You will notice in the Ross Draw Well No. 5 that the gross thickness in the lavendar color is 20 feet.

In the Florida Exploration the gross thickness of what we conclude to be clean sand, you'll notice in the 8 that some of their stringers of dirty or shaley material, but the gross stringers in that are 24 feet, as noted on Exhibit Four.

The Florida Exploration Well No. 7, we

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considered 35 feet as being clean dolomit carbonate. The Texaco Damsite in Texas carries 55

feet of clean carbonate.

The notation on the right, which is oither-the porosity side of each log, is colored in orange to depict porosity as we understand it.

In each well we have attempted to note on the cross section the perforations adjacent to each producing zone, which is the Wolfcamp 1 Zone, as we refer to it in our company office.

On the Florida Exploration Ross Draw No. 8 there is an isolated zone at 12,065 depth, that is not -does not appear to be very prolific through the area. We did perforate it in our Ross Draw No. 8.

We feel as though that the Wolfcamp 1 Zone, which is the productive zone in the Ross Draw Field, appears to be thinner by history of the Ross Draw 5 to the west. We want to stay on structure -- I mean not on structure, but on stratigraphic strike with the Ross Draw No. 8. We feel as though that's the opportune location in this area to allow us to keep the continuity of 320-acre spacing in the Ross Draw area.

Q. In your judgment, then, the No. 9 Ross Draw Well would fall on a cross section some place between the Ross Draw No. 5 and the Ross Draw No. 8, is that correct? A Yes, sir, that is correct. It would be, as you notice, it is in a stratigraphic section that would be approximately 150 feet high to the Ross Draw No. 7, which encountered water in the Morrow. That is why at this location we feel as though there is a possibility that Morrow could be considered producing zone.

The reason that we are keeping with an -we used the term option to go to the Morrow in our request of drilling this well, is the Wolfcamp in the area has had a history of a high pressure zone, which we feel as though if this comes in at this depth, that it would behoove us, engineeringwise, to attempt to complete in the Wolfcamp.

If we found that the Wolfcamp was such as indicated by the Ross Draw No. 5, we would possibly have an economically uncommercial -- noncommercial well, and we would have to try and consider the possibility of going to the Morrow. We certainly would.

That is, with all things being considered, it is a combination area of Morrow consideration in conjunction with our primary purpose of going to the Wolfcamp.

Q. For the record, would you like to describe the nature of the Wolfcamp pay?

A. For the record, the Wolfcamp pay in the area of southeast New Mexico and from the history that we've gathered in going across into Texas, we find that the Wolf-

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camp pay, when drilled, is a very high pressure zone. It is known to carry in excess of 8000 pounds bottom hole pressure. It becomes very touchy to drill this well -- to drill a well through the Wolfcamp. You have to get the type of mud that would -- to hold the pressure down, you would have to get the type of mud that would possibly seal the Wolfcamp formation. So that is why we would like to reserve judgment on drilling deeper until after we go through the Wolfcamp.

Page

We've found in this area that the Wolf-

camp has had a record of rather spotty production. It's had a -- I might note that in the well to the east, the Phantom Draw Unit No. 1, drilled by Texas Pacific in Section 20 of 20 South, 31 East, it's colored orange in Exhibit Five, this well has produced --

Exhibit Four, you mean.

Q.

A. I mean in Exhibit Four, I apologize. This well to date has produced 1.5 billion cubic feet of gas on a daily production rate at the present time of approximately 320,000. This -- in the area we feel as though 1.5 billion is the history of the area and is why that we feel that justifiably 320-acre spacing is necessary for the economical commercial production of Wolfcamp gas at the present time.

If you attempt to get any sort of a more congested development, it would become economically

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unfeasible for all parties in the area, I feel. This is based on the history of the Wolfcamp in the locale of Eddy County.

Now, I'd like to say that possibly there are wells that have been known to produce much more, but this is the general term of the area.

MR. NUTTER: How about that Texaco Damsite Well in Section 9 in Texas? What is its cum production? A. Yes, sir, the cum production at the present time is 1 billion cubic feet of gas, and it's on about 500,000 cubic feet production at the present time. We feel as though it will be approximately the same as the Texas Pacific Well that was referred to earlier, 1-1/2 Bcf well.

We are hoping to be in a sweet spot. You always have to be an eternal optimist when you drill, and hope you get better than everybody else, but that is what we have to put the bottom line. The engineers say, all right, you're going to work with 1.5 Bof woll, can you make it better than that. Well, we like to feel as though we can dream in a better deal geologically.

Q. And by reason of your analysis of these logs and of the depiction that you've shown on Exhibit Number Four --

Yes, sir.

A.

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11 1 -- you have made a conclusion, I presume, Q. 2 Mr. Alcorn, as to the location of the well, is that correct? 3 Yes, sir, I have. A. 4 And what is that conclusion? 0 5 The conclusion that a standard location A. ô of 760 from the north line and 1980 from the west line of 7 Section 34 is the optimum location in the Ross Draw Unit 8 for the Well No. 9 to be drilled. 9 In your opinion will the approval of the Q. 10 non-standard gas well unit be in the interest of conserva-11 tion and the prevention of waste? 12 Yes, sir, I believe very definitely it A. 13 would be. 14 In your opinion will correlative rights Ω. 15 be impaired? 16 I don't think any -- no, sir, it will A. 17 not. 18 Will the approval of the application Q. 19 afford the applicant the opportunity to produce its just 20 and equitable share of the gas and condensate in the pool? 21 А. Yes, sir, I believe that in the essence <u>22</u> of continuity on 320-acre spacing that we're caught in an 23 area where the sections do not carry 320 acres themselves, 24 so in an attempt to keep all spacing and all proration units 25 at 320 acres, it is found that this is, in our opinion, fair

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42 1 and just way to produce oil -- I mean produce gas from Sec-2 tions 34 and 35 that we are in the Ross Draw Unit. We feel 3 as though it is -- it is the optimum spacing. 4 Will the approval of the application Q. 5 prevent economic loss caused by the drilling of unnecessary 6 wells? 7 A. The approval is -- did you throw a double 8 negative at me in there? 9 I may have. Q. SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe, New Mexico 87501 Phone (503) 455-7409 10 Ā. I believe that the proration unit as 11 described here are the optimum that will prohibit economic 12 waste of development. 13 Q. Will the approval of the application 14 avoid the augmentation of risk arising from drilling exces-15 sive numer of wells? 16 A. Yes, sir. 17 MR. HUNKER: I'd like to offer at this 18 time Exhibits Numbers Four and Five. 19 MR. NUTTER: Applicant's Exhibits Four 20 and Five will be admitted. 21 MR. HUNKER: And to pass the witness at 22 this time. 23 MR. NUTTER: Any questions? 24 MR. KELLAHIN: Yes, sir. 25

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2 CROSS EXAMINATION BY MR. KELLAHIN: 3 4 Q. Mr. Alcorn, are you familiar with the 5 spacing requirements on Texas side of this pool? 6 No, sir, I am not at the present time. A. 7 I'm not. You don't know if the well spacing in 8 Q. 9 Texas is 320's, 160's, or whatever? 10 As I understand it, the Wolfcamp in the A. 11 Damsite Unit has -- has not been established at the present 12 time. As I understand it, the precedent of the state line 13 fields usually are followed of which state sets up the spacing 14 opportunities, I believe it sets the precedent on state line 15 fields. 16 Ycu're familiar with the Florida No. 8 Q. 17 Well in the north half of 27? 18 A. Yes, sir. 19 That well is awaiting a pipeline con-<u>0</u>. 20 nection, I believe? 21 That well is in the -- is awaiting for A. 22 an absolute open flow calculation. It is in the process 23 of four-point tests. 24 The No. 7 is awaiting a pipeline con-25 nection.

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1 Q. What, if any, production tests do you have on the No. 8 Well? 2 I have the four-point tests at the pre-A. 3 sent time. The first four-point on a 6/64ths inch choke, 4 one hour, flowing tubing pressure 7461; gas 2.26 million; 5 barrels of condensate .7. ô On the next one hour test, 8/64ths inch 7 choke, one hour, 7380 is flowing tubing pressure; gas 3.95 8 million; condensate 2.76 per hour. 9 That's 3.95 million Mcf? 10 <u>0</u>. 3.95 million cubic feet. 11 A. 12 Do you want the rest of them? 13 Yes, sir, if you please. Q. 14 Third point, 10/64ths choke, one hour, A. 15 tubing pressure 7259; gas 5.44 million; condensate 4.14 bar-16 rels in one hour. 17 And the last point, 11/64ths, one hour, 18 flowing tubing pressure 7112; gas 6.61 million; condensate 19 9.65 barrels in one hour. 20 Based upon these tests, Mr. Alcorn, have Q. 21 you made any calculations or reached any conclusions con-22 cerning whether that well will pay out? 23 Yes, sir, we anticipate that the well Α. 24 will pay out. Our engineering department feels as though 25 we -- that the well will pay out is why he -- the department

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recommended drilling the No. 9.

Q There are 320 acres dedicated to the No. 8 Well?

A. Yes, sir.

Q. You've reached the conclusion that, in response to Mr. Hunker's question, that in your opinion it was necessary to develop this area on 320 acres.

A. Yes, sir.

Q. What specific information do you have that supports this conclusion that one well will drain 320?

A. It is from the -- the Oil Conservation Commission, isn't that -- what is that rule? What number is that statewide rule for -- 104, Rule 104 in the statewide New Mexico, has stated that Wolfcamp or below should be on 320-acre spacing.

Q. Apart from the rule, Mr. Alcorn, have you made any specific studies or calculations to determine the actual acreage to be drained by any of these wells?

I feel as though from the history of
the area that we conclude that approximately it takes 320
acres to make a well commercially productive.

I'm referring to the wells that were entered into testimony as the Texaco -- or Texas Pacific Phantom Draw in New Mexico and the Texaco Damsite Unit Well in Texas.

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Your structure map, as I understood it,

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SALLY W. BOYD, C.S.R. Rt. 1 Dox 193-B Santa Fe, New Merico :750; Phone (503) 455-74(9 had superimposed upon it your -- these Isopach lines? A. Yes, sir. 0 Those were the dashed lines? A. Yes, sir, those are thickness lines of the Wolfcamp zone as depicted on the cross section in lavendar. Q. And in reference to that exhibit, you identify the 20-foot line as being the economic limit for the Wolfcamp in this area. As -- from the history of the area, we Α. feel as though the -- this is the economic limit as far as the Ross Draw No. 5 found it. It found to be lacking in porosity on the -- as noted on the cross section. It could possibly open up. We hope it does, but it is, as we interpret it now, we feel as though we would like to stay east of that line. And that's why you've chosen the pro-Q. posed location of the No. 9 Well to be east of that line? 7 Yes, sir, we feel as though that as the

Q.

knowledge that is available to us, we'd like to take advantage of it, and we came up to -- came to that conclusion.

Q. You wouldn't recommend the drilling of a Morrow test west of that 20-foot contour line?

A. A Morrow test --

Q.

I'm sorry, a Wolfcamp test.

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1 I would not until we find the information A. 2 available from the No. 9. It behooves us to take advantage 3 of all information available in the area and we would like 4 to systematically drill our property from the information 5 that we derive from previous wells. We would not like to 6 drill over there until we find out some other information 7 that is concrete. R It would appear from your exhibit and Q. 9 your testimony, Mr. Alcorn, that approximately half of the 10 proposed proration unit to be dedicated to this well, that 11 acreage lying west of the Isopach 20-foot line is uneconomic. 12 It is from the -- from the interests of A 13 the area, it is at a time where we would not want to drill 14 the well. We feel as though that it could open up out there, 15 but right now as the actual location for the well, we would 16 not like to drill on the other side. 17 If the non-standard proration unit con-Q. 18 sists solely of Section 34 --19 Yes, sir. A. 20 -- would that change your proposed loca-Q. 21 tion? 22 No, sir. A. 23 That would remain the same? 0. 24 Yes, sir. A. 25 From the information you have before you Q.

SALLY W. BOYD, C.S.R Rt. 1 Box 193-B Santa Fe, New Mexico C::01 Phone (503) 455-7409 Mr. Alcorn, where would you propose drilling a well for the non-standard proration unit that would exist in Section 35 in the balance of that east portion of Section 34? Where would you locate that well?

A. I would locate it in a -- on a standard location in Section 35. That would be approximately 660 or 760 from the north and 1980 from the west. That would more or less coincide with the spacing that would be established prior to a well drilled in 35.

Q. So if the proration unit for the well to be drilled in Section 35 consists solely of Section 35, then you would still have a standard location within that proration unit for your proposed second well.

A. If drilling on less than 320 acres would be considered standard.

Q That is what I'm saying, approval of a non-standard proration unit of less than 320 acres, the proration unit for which would consist of only Section 35.

A Yes, sir, but may I interject in the questioning here that it would certainly -- if we would be penalized because of lack of acreage it would be very definitely to our disadvantage. We feel as though 320-acre spacing, as proposed at the present time, would be in direct continuity with the wells that we're going to drill in Section 26 and 27. We have in the area, we have ARCO that would

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Q. But if it's less than 320 acres, there is no acreage penalty proposed on any of the production in the Wolfcamp, is there?

A. I don't know how the ruling will come out. We certainly would not want to be penalized in any way for drilling a less than 320-acre tract.

Q. Let's assume that the proration unit is solely Section 34 for the subject 9 Well.

A. All right.

Q. And so long as there is no penalty on your ability to produce that, you would have no objection if the standard -- the non-standard proration unit was limited to that configuration.

A I was just informed that we are earning none of the farmout in the east part of Section 33, and we are attempting to -- it would penalize us because we could not include enough acreage, and in the theory of our farmout, we're trying to carry this in good faith with our farm-in --

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with our farm-in agreements.

We feel as though 320 acres is a very logical production development in the area. We have the acreage. We know the configuration will be different than normal because we have encountered the state line. We have to go along there. Now, the -- it was mentioned previously that 320-acre configuration would go clear across the -the state line area. We feel as though this would be unique to just the Ross Draw Field for economic and prolific development of the area on 320 acres.

We don't feel as though we want to over develop or under develop. We want to get our just production on the 320-acre spacing, as defined in the statewide rules. We are not attempting to circumvent any type of -- of standard location whatsoever. We're attempting to keep in the -in the theory and the area of 320-acre locations. We didn't anticipate getting into any acreage or argumentative play in here, other than just to develop on a prolific and economic manner.

Q. May I conclude from your testimony, Mr. Alcorn, that the principal reason Florida Exploration seeks the proposed non-standard proration unit is to hold the Estoril leased acreage in the east half of Section 33, despite the fact that that acreage in your opinion is uneconomic?

SALLY W. BOYD, C.S.R. Rt. I Box 193-B Santa Fc, New Mexico 97501 Plione (505) 455-7419 1

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Α. Yes, sir, we are attempting to make a --2 at the present time. Now, I cannot say whether it will be economical or not, because of future drilling. I cannot enter into testimony any hearsay that is the oilfield talk that the H. L. Brown Well in Texas is an indicated well. But at the present time it is just hearsay on my part because it is by word of mouth, but it could be that that would open it out to the west in that area, but at the present time, with a March deadline, the information available is all that I can recommend to my company. MR. KELLAHIN: Thank you. No further

questions.

REDIRECT EXAMINATION

BY MR. HUNKER:

Mr. Alcorn, just one other question. <u>Q</u>. A. Yes, sir.

Can you predict at this time whether or Q not this pool will or will not be prorated at some future date?

No, sir, I cannot predict other than we A. would like to recommend it as such on a 320-acre proration, but I cannot predict the -- the outcome.

Let me explain. In prorated gas pools, Q. an allowable is fixed by the Oil Conservation Division.

SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe, New Mexico 17301 Phone (503) 455-74:9

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A. Yes, sir. 2 And you heard the testimony this morning 0. 3 Yes, sir. Ā. -- about the amount of production that 0. 5 is allowed to those various pools. 6 Yes, sir. A. 7 0. At the present time this particular pool 8 is not in a prorated gas pool, is that correct? 9 A. Yes, sir, that is correct. 10 Can you presently predict whether it will Q. 11 or will not be in a prorated gas pool at some future date? 12 No, sir. I cannot. I thought you meant A. 13 prorated units, excuse me. 14 Q. Yes. 15 I was going under the term of prorated A. 16 unit as to prorated production. I cannot predict that what-17 soever. 18 What pipeline serves the well down in 0. 19 Texas, the Texaco well described as the Damsite Well? 20 Do you know? 21 I am not familiar, no, sir, I am not. Α. 22 The only --23 What pipeline company do you hope to Q. 24 make a contract with with respect to your No. 7 and your 25 No. 8 Wells?

SALLY W. BOYI), C.S.R. Box 193 B tw Mexi :0 87 05) 455-7409

1 A. El Paso Natural Gas. 2 Q. And is that the only pipeline in the S area at this time? 4 A. That's the only pipeline that would be 5 available to us at the present time. As I understand it, 6 it's over at the Texas Pacific Phantom Draw Well in the 7 township to the east. 8 MR. HUNKER: I have no further questions, 9 Mr. Examiner. SALLY W. BOYD, I.S.S.R. Rt. I Box 193-B Santa Fe, New Mexico 87501 Phone (505) 455-7401 10 MR. NUTTER: Are there any questions of 11 Mr. Alcorn? 12 MR. KELLAHIN: Yes, in response to Mr. 13 Hunker's question about El Paso pipeline. 14 15 RECROSS EXAMINATION 16 BY MR. KELLAHIN: 17 Where is the El Paso pipeline at this Q. 18 point? **19** At this point, as I understand it, it Ă. 20 is a mile east of our Ross Draw Well No. 7. We're nego-21 tiating and that's -- on the ground I have not been there. 22 That was from our engineering department's report at our 23 last meeting. 24 And you said that's the only available Q. 25 pipeline in the area?

	Page54
1	A. Yes, sir.
2	MR. KELLAHIN: No further questions.
3	MR. NUTTER: If there are no further
4	questions, the witness may be excused.
5	MR. HUNKER: No further witnesses and
6	no further comments.
7	MR. NUTTER: Mr. Kellahin, will you call
8	your witness, please?
9	
10	JCHN CASTLE
11	being called as a witness and having been duly sworn upon
12	his oath, testified as follows, to-wit:
13	
14	DIRECT EFAMINATION
15	BY MR, KELLAHIN:
16	Q. Would you please state your name and by
17	whom you are employed, in what capacity?
18	A. John Castle, self employed.
19	0. What's your educational background, Mr.
20	Castle?
21	A. Geologist.
22 23	Q. Have you previously testified as a
23 24	geologist before the Oil Conservation Division of New Mexico?
24 25	A. Yes, I have.
	Q. And have those qualifications been ac-

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SAILLY W. BOYD, C.S.FI. Rt. 1 Box 193-B Santa Fe. New Mexico 875(1) Phone (505) 455-7419 -

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1 cepted and made a matter of record? 2 A. Yes. 3 You're currently working for yourself, Q. 4 are you? 5 Yes. Λ. 6 And what, if any, oil and gas producers Q. 7 have you worked for in the past? 8 Worked for Dell High Taylor Oil Corpor-A. 9 ation in Midland for approximately four years. Prior to SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe, New Mexico [7301 Phone (305) 455-7419 10 that Phillips Petroleum Company for about five years. 11 You own acreage in the area which is the Q. 12 subject matter of this application? 13 A. Yes. 14 MR. KELLAHIN: We tender Mr. Castle as 15 an expert geologist. 16 MR. NUTTER: Mr. Castle is qualified. 17 Mr. Castle, I show you what has been Q. 18 marked and introduced as Applicant Exhibit Number One, and 19 ask you to locate for us, if you will, that acreage that 20 you own. 21 A. That acreage is the east half of the 22 northwest quarter and Lot Number 4 of Section 33, Township 23 26 South, Range 30 East, Eddy County, New Mexico. Also, all 24 of Section 32 in the same township. 25 Is that the extent of your acreage Q.

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1 ownership in the immediate area? 2 A. Approximately a mile and a half or two 3 miles to the west I own another -- another tract of acreage, which is approximately 300 acres. 4 5 You're appearing in opposition to the Q. 6 applicant's request for the creation of a non-standard pro-7 ration unit, are you not, Mr. Castle? 8 A. Yes. 9 Would you describe for us the reasons Q. SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe, New Mexico 87501 Phonic (505) 455-7439 10 for your objection to that proposal? 11 By using their proration unit covering A. 12 the west part of Section 34 and the east half of Section 33, 13 it would leave me with approximately 89 acres in the west 14 half of Section 33, which I could do nothing with. 15 And adding to that, if they would keep 16 the proration units in the section, in Section 35, Section 17 34, and then in the 33, I would be happy to join Florida 18 Exploration in the drilling of the well in that section. 19 What section are you talking about? 0. 20 Section 33, keeping the proration units A. 21 in the section. 22 Should they not want to drill a well in 23 Section 33, or anything west of the number 20 line you've 24 been talking about, I would be most happy to take their 25 position and drill it myself.

1 If a proration unit is composed consisting Q. 2 entirely and solely of acreage in Section 33, how many acres 3 is that? That's approximately 260 acres. Α. 5 Q. And if a non-standard proration unit is 6 created consisting solely of the acreage in Section 34, how 7 many acres would that be? 8 Approximately 260 acres. A. 9 Q. What is the acreage included in Section SALLY W. BOYD, C.S.R. Rt. I Box 193-B Santa Fe, New Mexico 87301 Phone (505) 455-7419 10 32? 11 Well, that's --A. 12 If the acreage in Section 32 is formed Q. 13 into a non-standard proration unit, how many acres? 14 That's approximately 260 acres. A. 15 And lastly, in Section 35, if that acreage Q. 16 is dedicated to a non-standard gas proration unit, how many 17 acres? 18 Approximately 260 acres, also. All of A, 19 those half sections are approximately 260 acres in that area. 20 Q. Are you aware of what the spacing is on 21 the Texas side of the state line? 22 No, I'm not, but I can see, if it is A. 23 160 acres and we drill three wells along the New Mexico 24 side of the field instead of four, the State of New Mexico 25 would be getting cheated a little.

Area - Ar	
	Page 58
1	Q. Have you made a study of or examined
2	any of the data on any of the Wolfcamp wells in this parti-
3	cular area?
4	A I've seen the exhibits of Mr. Alcorn
5	and other information, some of the information that Penroc
6	had, and I've also seen a log on the H. L. Brown Well,
7	covering the Wolfcamp section.
8	Q. Are you familiar with the Texaco Well
9	down in Section 9 in Texas?
10	A. I've seen the log on that.
71	Q. And how about the Florida No. 7 Well in
12	Section 26?
13	A. Yes, I've seen that log.
14	Q. And the Florida No. 8 Well in Section
15	27?
16	A. I've also seen that one, right.
17	0. Based upon your study of this particular
18	area and your knowledge and information as a geologist, Mr.
19	Castle, do you have an opinion as to whether or not it would
20	be most effective and efficient to develop the each of
21	the proposed non-standard proration units, being Sections
22	32, 33, 34, and 35?
23	A. Would you ask that again, please?
24	Q Yes, sir. Based upon your knowledge
25	as a petroleum geologist and your study of this particular
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SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa FL, New Mexico 87561 Phone (905) 455-7419

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	1	area, do you have an opinion as to whether or not the Wolf-
	2	camp formation along the New Mexico side of the Texas border
	3	can be developed on less than 320-acre spacing?
	4	A. Well, the information we have, J think
	5	it should be developed on 160-acre units. We really don't
	6	have enough information right now since none of the Wolfcamp
	7	wells on the New Mexico side in this immediate area has pro-
	8	duced yet.
e.	9	MR. KELLAHIN: I believe I have no more
, C.S.P.	10	questions of Mr. Castle.
	11	MR. NUTTER: Any further questions?
SALLY W. BOYD, C.S Rt. 1 Box 193-B Santa Fe, New Mercico 87501 Phone (505) 455-7409	12	MR. HUNKER: Yes, I have a question or
SALL San	13	two.
	15	MR. NUTTER: Mr. Hunker.
	16	
	17	CROSS EXAMINATION
	18	BY MR. HUNKER:
	19	Q. Mr. Castle, do you have interests in
	20	any Wolfcamp wells in the State of New Mexico? A. I can't think of any now.
	21	Q. Do you have any in the area of north
	22	Texas that adjoins the Ross Draw area?
	23	A. No.
	24	Q. Do you disagree with the New Mexico
	25	statewide rule to the effect that Wolfcamp should be spaced

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1	on a 320-acre basis?
2	A. I misunderstood the rule. I thought it
3	was 160 acres for Wolfcamp and above; 320 acres for below
4	the Wolfcamp for a gas well.
5	Q I am advised that the rule has changed.
6	You are originally correct, but the rule was changed in
7	1975.
8	A. Yeah, I wasn't familiar that it was
9	changed.
10	Q. Do you disagree with the change?
11	A. Yes, in certain instances where we don't
12	have enough information.
13	Q. Is there pending before the Railroad
14	Commission of Texas at the present time a case or cases in-
15	volving the well spacing to be provided in this particular
16	area of Texas?
17	A. I don't know.
18	Q. Have you ever been involved in a Federal
19	exploratory unit in New Mexico, Mr. Castle?
20	A. In what way do you mean?
21	Q. Have you ever had a working interest in
22	such a unit?
23 24	A. Yes.
	Q. Are you familiar with the terms and
25	provisions of those unit agreements?

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SALLY W. BOYD, C.S.R. Rt. 1 Box 193-3 Santa Fe, New Mexico (17501 Distant Prov. Var. 2001

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Q. Are you familiar with the operating 3 agreements that are entered into by the working interest owners with regard to the drilling of the exploratory tests? A. I don't remember it. I probably was 6 at the time 1 got into the unit.

No.

Should you want to participate or be Q. allowed to participate at some future date with your acreage in Section 3 so as to involve a spacing unit consisting of Section 33, do you realize that a considerable amount of paper work and renegotiation would have to take place in order to permit you to participate with the interest owners of the unit?

Every well I've participated in on A. Federal acreage recently I consider it takes in a lot of paper work.

It involves a considerable amount of Q. negotiation and --

> Yes, it does. A.

-- and governmental approval? 0.

Yes, sir. A.

> MR, HUNKER: I have no further questions. MR. NUTTER: Are there any other

questions of Mr. Castle? He may be excused.

Does anyone else have anything they wish

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to offer in Case Number 6792?

Call for summations, please. Mr. Hunker, you're entitled to go last.

MR. KELLAHIN: Mr. Nutter, it's our opinion that the application ought to be denied.

The Oil Conservation has traditionally denied requests to form proration units across section lines. The Rule 104-D specifically provides that the proration unit involved shall be included within one governmental section.

The applicant has failed to demonstrate any compelling reasons for departure from that tradition and accordingly, the request by the applicant ought to be denied.

The continuation of a non-standard proration unit in the manner proposed by Florida leads to a proliferation of non-standard proration units across section lines throughout the entire township on the New Mexico side of the Wolfcamp production on the Texas/New Mexico border. We believe the applicant has failed to domonstrate sufficient data either through engineering calculations or further testimony to demonstrate that one well can effectively and efficiently drain 320 acres in this particular area, and that without that information, that the rule ought to be adhered to precluding formation of proration units across section lines, and to do so in this case jeopardizes Mr.

SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe, New Mexico 37501 Phone (305) 455-74.99 2

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Castle's correlative rights and compels upon him an unnecessary burden to thereby go ahead and form further non-standard proration units across section lines.

Therefore, we request that the application be denied.

The unit itself is guite complicated.

MR. NUTTER: Thank you. Mr. Hunker? MR. HUNKER: We have a situation here that calls for careful attention by the Oil Conservation Division, in that we have an approved Federal Unit, and at the bottom of this Federal Unit along the state line there are two tracts that contain approximately 320 acres of land.

The unit operating agreement is quite complicated. The rules and regulations of the Oil Conservation Division specify that Wolfcamp production may be developed on 320-acre spacing pattern, and we have shown the logic to crossing the section line between Section 33 and 34, and we feel that it is perfectly logical to select a location which we think will be productive of gas from the Wolfcamp formation at the location that we have selected, and to dedicate to that Wolfcamp well the amount of acreage which the Conservation Division has indicated should be dedicated.

We can't predict whether another pipeline will come into this particular area or not. I can envision the fact that one might if the production is found

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to be rather prolific, in which case the pipelines will be competing for the gas and there might very well be a time when the pool would be prorated and production would be allocated.

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And the compelling reason for the approval of this unit is to allow this particular operator to have his fair share of the gas that is under this --- underlies this particular land.

Mr. Kellahin would have you think that it's -- it's impossible to have these unorthodox spacing units along -- along the state line, but this is not -- not the case at all. It's entirely conceivable to me that Mr. Castle can take his acreage in the west part of Section 33 and combine it with acreage in Section 32 and do precisely what we have done, or seek to do, and establish a well spacing unit for that tract.

Sooner or later the Wolfcamp production is going to poop out and not be there and when that happens we won't have the problem of coming to the commission for non-standard gas well units. Until that happens, I think that the Commission needs to establish a precedent at this point -- particular point in time for 320-acres recognized as a correct and adequate Wolfcamp spacing unit and approve the application of this particular applicant.

We don't feel that Florida should be

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65 Page 1 penalized because of Mr. Castle's acreage position. Mr. 2 Castle, it's noted from the map, that the lease that he ob-3 tained was issued on March the 1st, 1979, which indicates to me that he has come into the picture long after Florida gas 4 5 came in and -- and then in our judgment, we don't think ô Florida should be penalized because of -- of the acreage 7 position that he has taken, 8 I conclude my remarks with that, and 9 request that an order be entered approving Florida's ap-SALLY W. BOYD, C.S.R. kt. 1 Box 193-B Santa Fe, New Mexico 77801 Phone (303) 435-7449 10 plication for a non-standard gas unit. 11 MR. NUTTER: Thank you. 12 Does anyone else have anything they 13 wish to offer in Case 6792? 14 We'll take the case under advisement. 15 16 (Hearing concluded.) 17 18 19 20 21 22 23 24 25

## REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a Certified Shorthand Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case inc. 6792 theard by me on 1/16 19.80 theard by me on , Examiner Oil Conservation Division

SALLY W. BOYD, C.S.R. kt. I Box 193-B Santa Fe. New Mexico :1750 Phone (305) 455-74.6 1

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SALLY W. BOYD, C.S.R. Rt. J Box 193-B Santa Fc, New Mexico 57501 Phone (305) 455-74(9

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EXHIBITS Applicant Exhibit One, Plat Applicant Exhibit Two, AFE Applicant Exhibit Three, AFE Applicant Exhibit Four, Structure Map Applicant Exhibit Five, Cross Section 

SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe, New Mexico 37501 Phone (305) 455-74(9

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1 .... والمتنفية والتعلي 12113 - 13 next Care Number 2 6792. 3 me nont date opplies then of Borida 4 Exploration Company for a scenetarized by a provation unit, 5 Eddy County, New Mexico. 8 MT. MUTHER: George Hunker, Hunker, 7 Fedric, P. A., Roswell, New Mexico. 8 I have two witnesses and I'd like for 9 them both to be sworn at this time. 10 Depresenting Florida Exploration Com-11 pany. 12 MR. NUTTER: I'll call for other ap-13 pearances in this case. 14 MR. KELLAMIN: J'm Tom Kellahin of Santa 15 Fe, New Mexico, appearing on behalf of John B. Castle, and 16 I have one witness. 17 MR. MUTTER: Vill all the witnesses 18 stand and be sworn, please. 19 20 (Witnesses sworn.) 21 22 MR. NUTTER: Please proceed, Mr. Hunker. 23 24 25

SALLY W. BOYD, C.S.R. Rt. 1 Box 195-B Santa Fe, New Mexico 8750; Phone (303) 455-74.9
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TAME OF BOODS
boing called as a witness and having been duly sworn upon his
oath, testified as follows to-wit:
DIPECT DEMINATION
BY MR. HUNKER:
0. Mr. Rogers, for the record, will you
identify yourself by giving your name, address, and present
occupation?
A. My name is James W. Rogers. My busines:
address is Florida Exploration Company, Suite 900, Vaughn
Building, Midland, Texas, 79701.
I am the Division Land Manager for
Florida Exploration Company, responsible for, among other
areas, southeastern New Mexico.
Q. In administering the responsibilities
that you have in this company, explain briefly to the Examine
what you do with regard to land matters and the drilling of
test wells.
A Basically, my area of responsibility is
the acquiring, maintaining, exploring, and exploiting of
properties in search of oil and gas hydrocarbons.
0 In that process do you prepare AFE's in
connection with the or supervise the preparation of AFE's
in the drilling of test wells?

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1 Yes. fry, that is correct. That is one Λ. 2 of my responsibilities. 3 The ver familian with the application  $\mathbf{a}$ 4 that has been filed by Floride in connection with this 5 matter? 6 Yos, sir, T Pr. 7 What does the applicant seek in con-0, 8 nection with this case? 9 The applicant seeks a 324.25-acre Α. 10 proration unit for the drilling of a 12,259 feet Wolfcamp 11 test well with the option to drill the well at our option, 12 the applicant's option, to the Morrow formation at an esti-13 mated depth of 14,500 feet. 14 The lands involved are on the New Mexico-15 Texas state line and are partial sections. 16 0 Will you describe for the Examiner the 17 lands that you propose to include in the non-standard gas 18 well spacing unit? 19 λ. Yos, sir. All of these lands are 20 located in Township 26 South, Range 19 East, and comprise 21 the following parts of the sections: Section 33, Lots 1, 22 which contains 24.80 acres; Lot 2, 27.78 acres; and the 23 north half of the northeast guarbor of said Section 33. 24 In Section & the lands we would propose 25 to include therein are Lot 2, which contains 24.98 acres;

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1 Let 3, 24.87 acres; 1.4 4 61,00 We have a set of the made in met. 55 **•**, *c* 2 northeast quarter and in ell فالمورس ال 15.051 3 containing 324.05 paper \*\*\*\*\*\*\*\*\*\* Sec. Tane 4 as horsened with an eventeer of an 5 exhibit depicting this particular spacing unit? 6 ٦. Yer, sir, we have. 7 0 Is it Rubhit Humber One, which you 8 have before you? 9 Α. Yes, sir, that is correct. 10 And explain to the Examiner, if you will, Q. 11 what that depiction shows. 12 A Yes, sir. This is basically a land plat. 13 The yellow coloring denotes acreage upon which Florida Ex-14 ploration owns or has the right to earn the full working 15 interest. 16 The red depicts lands on which Florida 17 Exploration owns a partial working interest. 18 Also, the plat depicts the outline of 19 the Ross Draw Federal Unit, which is outlined in red thereon. 20 It also shows the location of producing wells that have been 21 color coded to denote production from three zones, namely, 22 the Delaware Sand in purple; the Bone Springs formation in 23 brown; and the Wolfcamp formation in the orange color. 24 Also depicted in green are two 320-acre 25 spacing patterns that have been formed for the drilling of

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1	the No. 7 Well in the porthught quantum contheast quarter of
2	Saction 26 on a 320-acre designation and the No. 8 Vell,
3	located in the portheast current forties 27 on a 220-acre
4	designation comprising the porth half.
5	MW MUSTER: Has that well been drilled
6	yet?
7	A. It is presently completing, sir.
3	MR . NUTTER: And what formation is it
9	in, the Wolfcarp?
10	A It will be completed in the Wolfcamp
11	formation, yes, sir.
12	NR NUTTER: And how about this one
13	over here in Section 26? I presume it has been completed.
14	A Yes, sir, it was drilled to the Morrow,
15	plugged back to the Well camp formation, and completed as a
16	Wolfcamp producer shut in waiting on a pipeline.
17	0. The well in Section 26 is referred to
18	as the Ross Draw No. 7, is that correct?
19	A. Yes, sir, that's correct.
20	2 And the well in the north half of Sec-
21	tion 27, how do you refer to it?
22 23	A. It is the No. 8 Ross Draw Federal.
23	The plat also depicts the requested
24 25	proration unit non-standard proration unit that we would
	propose for the drilling of a test well at a location 760

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1	from the north line and 1000 Termetter was time Section 34,
2	Township 26 Fouth, Press 30 System
3	Constant 12 11 percenter 560-500t Joca-
4	tion, Mr. Regers?
5	M
6	tion because there is a present shallow producing well pro-
7	ducing out of the shallow Delaware at the FAD location, and
8	we would propose to go 100 feet south of that well to drill
9	our Wolfcamp test well with the option to drill it on to the
10	Morrow.
11	MR. MUTTER: Is that shallow well the
12	No. 2?
13	A. Yes, sir, that is correct.
14	MR. HUTTER: And what will your proposed
15	well be called?
16	A. Our proposed well would be called the
17	No. 9 Ross Draw Federal.
18	MR. NUTTER: Thank you.
19	0 Mr. Rogers, why did you select this
20	particular non-standard gas well unit?
21	A. As previously stated, sir, we are
22	dealing with a Federal unit, the Foss Draw Federal Unit, and
23	as depicted on the plat, you can see that along the south
24	line of the Ross Draw Federal Unit we have what we believe
25	to be two locations comprising 324 plus or minus acres that

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1 will equally divide the south part of the unit into two pro-2 ration patterns.

3 As background, Florida Exploration Com-4 pany is earning its interest in the lands depicted on the 5 plat under a farmout agreement with J. C. Williamson and 6 others. The agreement provides for, among other things, 7 earning the acreage dedicated to a proration unit on a produce 8 to earn basis and is limited to the depth that we drill the 9 well plus 200 feet. For that reason we believe that we are 10 justified in asking for two non-standard proration units to 11 utilize the land that is available to us to earn by farmout 12 and the drilling of the wells and will be in the interest of 13 conservation and will grant us the opportunity to use the 14 land available to us without drilling excessive wells to 15 earn that land.

16 I notice that the tract in Section 34 0. 17 upon which your proposed location is made that that is a Kerr 18 McGee tract. Have you made arrangements with Kerr McGee to 19 drill this particular acreage?

20 A. Yes, sir, that is correct. We have an 21 arrangement with Kerr McGee out of Oklahoma City to drill the 22 test well thereon and earn that interest.

23 Under your trade with Williamson, et al, Q. and with Kerr McGee, what are the time limitations that you 25 had imposed upon you?

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Page 1 Å. The next well must be commenced on the 2 Kerr McCee tract by March 26th, 1990. 3 Is the location that you have made a Q. 4 standard location? 5 Yes, sir, I believe it is a standard A. 6 location, being 760 from the north and 1980 from the west line 7 of Section 34, Township 26 South, Range 30 East. 8 And to review, what you're seeking then Ω 9 is a non-standard gas well spacing unit, is that correct, 10 or proration unit? Rt. I Box 193-3 Santa Fe, New Mexico 87501 Phone (505) 455-7409 11 Yes, sir, that's correct. Ā. 12 Mr. Rogers, turning to your other re-Q, 13 sponsibilities, I would like to refer you to two other ex-14 hibits that you have prepared and ask you if you prepared an 15 AFE and a supplemental AFE for the drilling of the No. 7 Ross 16 Draw Unit Well? 17 Yes, sir, we did prepare an AFE and a A. 18 supplemental AFE for the drilling of the No. 7 Ross Draw Unit 19 Well. 20 Are -- is that referred to as Exhibit Ç. 21 Number Two? 22 Yes, sir. A. 23 In connection with the AFE on the No. 7 Q. 24 Well, your Exhibit Number Two, what does this show your es-25 timated cost for the drilling of that test well to have been?

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1 Our first AFE was for the drilling of a Α. 2 14,500 foot Morrow test well located 1980 from the south and 3 east line of Section 26, Township 26 South, Range 30 East. 4 It called for an expenditure of \$1,131,650 to drill such a 5 well and complete it as a producer. 6 0. And what happened? 7 We overspent that amount and we supple-A. 8 mented that AFE in the amount of \$806,000 additional to ac-9 complish what we wanted to accomplish. 10 What was the total AFE for that well? Ω 11 The total AFE was \$1,937,650. A. 12 And what was the total cost of the well? Q. 13 To date we have spent \$1,996,793. A. 14 And that well was plugged back and com-Q. 15 pleted in the Wolfcamp formation, is that correct? 16 A. Yes, sir, that is correct. 17 In connection with your No. 8 Well, did 0 18 you prepare an AFE on that well and a supplemental AFE? 19 Ã. Yes. sir, we did prepare such an AFE 20 and supplement and that is Exhibit Three. 21 What was your estimated expenditure for Û. 22 the No. 8 Well originally? 23 The No. 8 Well was originally scheduled A. 24 to a depth of 9200 feet to test a Lower Delaware-Bone Springs 25 series, and after reaching the total depth of 9200 feet and

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	1	running electric logs it was our decision at that point in	
	2	time to go ahead and elect to drill that well deeper to the	
	3	Wolfcamp formation at an estimated depth of 12,300 feet.	
	4	So with that in mind, our original AFE	
	5	for the 9200-foot test well was \$653,500 for a completed	
	6	well in the Lower Delaware-Bone Springs series. That AFE	
	7	was supplemented in the amount of \$355,700 to drill the well	
	8	on to a depth of 12,300 feet to test the Wolfcamp formation.	1
	9	And those two added together amount to	
<b>C.S.Fl</b> .	10	\$1,019,200.	
··· 🚊	11	Q And what was the cost, actual cost, to	
SALLY W. BOYD, C.S.I Rt. 1 Box 193-13 Santa Fe, New Mexico 87501 Phone (505) 455-7409	12	date for that well?	
Santa Santa	13	A To date, sir, we have spent \$1,133,387	
~	14	and the equiping costs of the well are not included in that	
	15	amount, and those equiping costs for a gas well are estimated	
	16	to be \$45,000.	
	17	$\Omega$ For the record, what is the present	
	18 19	status of that particular cell?	
	20	A. The No. 8 Ross Draw Federal is presently	Second Second
	21	completing as an indicated Wolfcamp gas producer and is pre-	a and a second second
	22	sently testing for the purpose of a four-point test for	en e
	23	calculated absolute open flow.	and the second s
	24	Q. What does that test reveal at this time?	
	25	A. I believe at the last report I had on	darita (anno 1944)
		it the well was making on an 11/64ths choke on a one hour	

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1 flow test it flowed 6,612,000, plus 9.65 barrels of condensate 2 and the flow tubing pressure of 7112 pounds. 3 Q. At the present time, Mr. Rogers, Florida 4 Exploration Company is seeking the approval only of the 5 westernmost unit shown on your Exhibit One, is that correct? 6 Yes, sir, that is correct, sir. A. 7 Do you have anything else to add to your Q, 8 testimony at this time? 9 The only other thing is, I would like A. 10 to add, we are only seeking the west unit now, but I think 77 it's quite obvious that if the well is successful, this will 12 give us another proration unit if allowed to stand as we have 13 requested, comprising the eastern part of our Ross Draw ĩ4 Federal Unit, and would utilize all the land that is available 15 to Florida Exploration for the spacing of the wells. 16 MR. HUNKER: At this time, Mr. Examiner, 17 we'd like to offer in evidence Exhibits Numbers One, Two, and 18 Three, and we'd like to pass the witness at this time. 19 MR. MHTTER: Florida Exhibits One through 20 Three will be admitted in evidence. 21 Are there questions of the witness? 22 MR. KELLAHIN: Yes Mr. Nutter. 23 24

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## CROSS EXAMINATION

BY MR. KELLAHIN:

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3 0 Mr. Rogers, as I understand your testi-4 mony, the proposed non-standard proration unit that you've 5 outlined that crosses the section line and includes portions 6 of Section 33 and 34 would consist of 324.25 acres? 7 Yes, sir, that is correct. Α. 8 And what would be the acreage then with-Q. 9 in the unit to be dedicated to the next well? I mean that 10 acreage in Section 35 and the balance of that acreage in 34? 11 All right, sir. We would propose the A. 12 next unit to be all of the partial Section 35 and the north-13 east northeast quarter and Lot 1 of Section 34. 14 And how many acres would that constitute? Q. 15 That amounts to about 324.58 acres. A. 16 I don't have the lot numbers on my plat Q, 17 here, Mr. Rogers. Am I correct in assuming that the second 18 proration unit would include all the acreage in what is out-19 lined in Section 35? 20 A. Yes, sir, that --21 And then that lot over there that has Q. 22 a designation of ARCO? 23 λ. Yes, sir, that is correct. ARCO is 24 committed to the Ross Draw Federal Unit. 25 Q, The spacing on the Wolfcamp wells is

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160 acres, is it not, Mr. Rogers?
A To my knowledge the spacing on the Wolf-
camp wells are not 160 acres, and we would not propose to
want them on 160 acres, for economic reasons,
0 The No. 7 Well in the south half of 26
is a Wolfcamp producer.
A. Yes, sir, that is correct.
Q. And the south half of that section is
designated to that well?
A. Yes, sir, that is correct.
0. What pool are you in, Mr. Rogers?
Is the Wolfcamp designated by pool or are you under statewide
spacing for the Wolfcamp in this area?
A. To my knowledge we are not under any
pool rules, field rules.
Q So it's your understanding, Mr. Rogers,
that if the proposed well in this non-standard proration
unit results in only a Wolfcamp producer it will be your in-
tent to dedicate the entire non-standard proration unit to
that particular well?
A. Yes, sir, that is correct.
0. How many acres would be included in a
proration unit that consisted just of the Section 34?
A Well, I don't have those numbers added
up, but we could add it them up here. It would consist of

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1 four lots. 2 It would approximately be 260 acres, I Q. | 3 take it, is that right? 4 T think that's - that's about right. Λ. 5 There are about 260 acres, yes, sir . 6 And if Section 35 is designated as a 0 7 non-standard proration unit, that also would consist of 8 about 260 acres, wouldn't it? 8 **B**. That's approximately the number that 10 would be, I believe. 11 Q. And if we look over to the section 33, 12 half of which is within your Ross Draw Unit and the other 13 half is outside, if that entire section is designated a non-14 standard proration unit, that unit would also consist of about 15 260 acres, would it not? 16 Λ. That's correct. 17 Okay. Now neither the Wolfcamp nor the Q, 18 Morrow formations in this particular area are prorated in 19 any way, are they? 20 To my knowledge they are not prorated. N. 21 So that a non-standard proration unit Q. 22 with less than 320 acres would not be penalized, would it? 23 That I do not know and would not want È., 24 to say whether it would or not because of my not having 25 knowledge of that.

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Q You've indicated that you are going to drill the proposed well to a depth sufficient to test the Norrow formation.

A We are going to drill the well to a depth sufficient to test the Wolfcamp formation at an estimated depth of 12,250 feet, with the option to drill that well on to the Morrow formation at an estimated depth of 14,500 feet, but that would be at our option and based upon geologic and other considerations reached at the Wolfcamp level in the well.

A Tell me again, Mr. Rogers, what considerations you concern yourself with in determining whether to go on to the Wolfcamp formation -- I'm sorry, the Morrow formation.

A Of course geology has an important part in it. The economics of the deal play an important part, and there's also an engineering aspect, as you drill these wells, and what you may encounter in Wolfcamp that would prohibit you from electing to drill the well on to the Morrow formation.

Q. You've talked about some of the economic considerations in your testimony, Mr. Rogers.

Yes, sir.

A,

ي Your economic information, as I understand is, from Wells 8 and 7, were not very favorable for

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10 Page 1 drilling to the Morrow formation, were they? 2 ñ. The economic considerations? 3 0 Yes, sir. 4 λ 1 de not understand your question. 5 ME. HUNKER: Mr. Examiner, this requires 6 him to speculate on whether or not it's favorable or not. 7 I don't know whether he's qualified to testify as to whether 8 it's favorable or not. 9 He might ask a question, is it economic, SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fc, New Mexico 37501 Phone (305) 455-7419) 10 or --11 MR KELLAHIN: I think the question is 12 proper. Mr. Rogers has testified at some length as to what 13 the considerations he believes are necessary for determining 14 whether the subject well is drilled to the lower depth. 15 One of those factors was an economic consideration and I 16 want to test the extent of that knowledge and perhaps I can 17 ask the question in a different way. 18 We've seen your economics on the Well 0. 19 No. 8. 20 Uh-huh. λ. 21 And that was dry in the Morrow. We've Q. 22 seen your economics in the Well No. 7, and you've drilled 23 that to the Morrow and it was also nonproductive in the 24 Morrow, that's not true, is it? 25 That is true, yes. The No. 7 was nonλ

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productive in the Morrow formation, that is correct.

The No. 3 Well was unly drilled to the
Wolfcamp formation.

Q. Okay. Tell me again how -- what factors
 you're going to use to determine whether you're going to
 complete this well at the Wolfcamp level or continue on to
 the Morrow depth in this well.

A. Well, I'll just state again what I've already stated to you. It's going to be based upon geologic considerations. It's going to be based upon an engineering consideration as to what we may have in the way of high pressure in the Wolfcamp, and there will be some economic consideration as to whether we should elect to continue the well -- continue the drilling of the well on to the Morrow formation.

Q If the entire Section 34 is dedicated as a non-standard proration unit, which is not what you're seeking, but that's what I'm proposing to you, if that is what is proposed, Mr Rogers, you don't have any difficulty with ARCO joining that unit, would you?

A. I have not contacted ARCO with regard to such a matter and therefore I could not speak to the issue. If that were the case, we would attempt to work out an arrangement with ARCO whereby we could do that.

<u>Ω</u>.

What's the unitized formation for the

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1 Ross Draw Federal Unit? 2 To my knowledge the Ross Draw Federal à. 3 Unit is unitized as to all formations. 4 Q. And ARCO's acreage within the unit is 5 dedicated to the unit. 6 Yes, sir, that is correct. Α. 7 And who's the operator of the unit? Q. 8 A. The operator of the unit of record is 9 J. C. Williamson. The operator under a designation of 10 operator for the No. 7 and the No. 8 Wells is Florida Ex-11 ploration Company. 12 Q. And you have that same sort of arrange-13 ment for the next well, the subject well? 14 A. We do not have it in hand at this time 15 but we will obtain the proper governmental authority, a de-16 signation of operator, for that well. 17 All right. The east half of Section 33 Q. 18 is a Federal lease, is it not? 19 Tes, sir, that is correct. ĥ. 20 And that is the same Federal lease that Q. Źĺ encompasses Section 22 up here above Section 27? 22 Yes, sir, I believe that's correct. A. 23 Is there production on that Federal 0. 24 lease that holds that lease at this point? 25 To my knowledge, sir, there is no actual Α.

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1 production. The lease is being held by the Federal Unit, 2 which is past its primary term and being held by continuous 3 development as provided in the unit agreement, which further provides for the drilling of additional wells with a cessation 5 of no more than ninety days between wells, to hold the pre-6 sent Federal Unit in force and effect. 7 The acreage in Section 34 to be dedi-Q. 8 cated to the proposed non-standard proration unit is a difô ferent Federal lease, isn't it? 10 Α. It is a different Federal lease from the 11 lease that you previously described, yes. 12 Okay, how is that lease being held? C. 13 That lease is also being held by the A 14 Federal Unit and by actual production if the No. 2 Well is 15 producing, and to my knowledge, of which I have no knowledge, 16 of the No. 2 production because we're not involved with it. 17 The Delaware Well in -- this No. 2 Well Q. 18 in Section 34 ---19 Yes. Λ. 20 -- to the best of your knowledge that Q 21

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currently holds that Federal lease?

Ω.

A The lease is either being held by the unit or it is being held by production from the No. 2 Well, of which I have no knowledge.

If the No. 2 Well, the Delaware Well,

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is not holding the lease by production, and we fall back upon the unit provisions, and we are in the same problem with that Federal lease as you have with the Federal lease in the east half of Section 53.

I do not follow your line of questioning
 as to the problem, sir.

A The fact that you have to continuously drill in order not to lose the Federal lease.

A. Right. As you are aware, Federal units do have a provision that upon break-up of the unit, you have two additional years to -- to develop.

Q. Isn't the principal reason, Mr. Rogers, for creating this non-standard proration unit the desire to hold two Federal leases with the drilling of one well?

A. No, sir, I do not believe that that is
the purpose. I believe that the two Federal leases, by
virtue of the fact of them being in the Ross Draw Federal
Unit, can be drilled and operated as one basic unit of
property, and that holding of the two leases is immaterial.
Q. Do I understand you to say that you don't

need the proposed well in order to hold any leases within the unit?

A. If you understand that, sir, you understand something that I don't mean to infer. We are drilling and earning our way, as I previously stated, in this deal.

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1 Let de ask you again, Mr. Rogers, do you 0 2 needthis proposed well to hold either of these Federal leases? 3 234 Yes, we need it to hold the unit to-4 gether. 5 Q. Okay. Would a unit well at any other 6 location hold these Federal leases? 7 Within the confines of the unit outline, A. 8 yes, sir, it would. 9 You would drill the proposed well at Q. 10 Its proposed location regardless of the configuration of 11 a non-standard proration unit, would you not? 12 A. The proposed well is in what we consider 13 to be a good location from a geologic standpoint. Your 14 question appears to me to be rather broad as to what pro-15 ration unit you may be alluding to. 16 All right, let me be specific, Mr. Q. 17 Rogers. If the south half -- if Section 34 is the non-stand-18 ard proration unit, the location for the proposed well would 19 remain the same, would it not? 20 Yes, I believe the location would hold A. 21 up from a geologic standpoint. 22 And that would still be a standard loca-Q. 23 tion. 24 Yes, sir, it would be a standard loca-Α. 25 tion.

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Q Now is that a standard location under the proposed non-standard proration unit as you've outlined on your Exhibit Number One?

I think the location of the well would be, yes, sir.

Q. What's the distance from the proposed well to the east boundary of the proration unit? Do you know what that distance is?

A. No, sir, I have not calculated it. Just from eyeball, it would appear to be approximately the same distance as it is from the west line of the section.

Q. If your proposed non-standard proration unit is approved, Mr. Rogers, and if a Morrow well is to be drilled in the west half of Section 33, how would you form a proration unit for a well drilled in the west half of Section 33?

A Sir, I cannot answer that question because I only have a right to earn a 40-acre interest in Section 33, being the northwest quarter of the northwest quarter, and I believe the record owner of the balance of the west half of Section 33 is Mr. John Castle, and I have no arrangement with Mr. Castle and therefore I could not speak to that issue.

Q. Well, as an experienced landman, Mr. Rogers, approval of your proposed non-standard proration

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	1	unit vill lead to further non-standard proration units that
	2	will have, as of necessity, to cross section lines.
	3	Sir?
	4	A Do you want me to answer that?
	5	Q Yes, sir, it was a question.
	6	A. I interpreted that as a statement, sir.
	7	Did you ask it in the form of a question?
	8	Q. Yes, sir.
	9	If this proposed non-standard proration
à	10	unit is approved, how many other non-standard proration unit
( 455-74 )	11	are going to be thereby created, each of which crosses
Phone (505) 455-74 M	12	section lines?
ā	13	N. Sir, I would believe my experience would
	14	tell me that this would be largely based upon geologic and
	15	engineering considerations and not land considerations.
	16	Q. Well, it's at least going to lead to the
	17	creation of anothernon-standard proration unit that crosses
	18	section lines in Section 35 and 34. You've already told me
	19	you're going to do that one.
	20	A. Yes, sir, that is correct.
	21 22	Q All right.
	22	A That would be our plans, yes, sir.
	23 24	Q And how would you propose as an exper-
	24 25	ienced landman, to create a 320-acre Morrow proration unit
	23	for the balance of the acreage in Section 33?

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SALLY W. BOYD, C.S.R.

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1 MR. HUTTER: I think, Mr. Kellahin, he's 2 already answered that. He said he only had 40 acres in that 3 area and it would depend on how much Castle would. 4 If Mr. Castle would dedicate Section 32 Ũ. 5 to a non-standard proration unit for a Morrow test, there 6 would not be acreage for which the west half -- I'm sorry, 7 the east half of Section 33 could be dedicated for a Morrow 8 test, is that not true? 9 I'm not with you. Would you say that λ. 10 again, please? 11 Q. Yes, sir. If Mr. Castle creates a non-12 standard proration unit for a Morrow test in Section 32, 13 and that acreage is dedicated to that proration unit --14 MR. NUTTER: And only that acreage. 15 Q, And only that acreage, then we have the 16 west half of Section 33, of which you have a 40-acre tract; 17 how can that acreage be dedicated to a Morrow proration 18 unit? 19 ī. Now you're talking very hypothetical 20 here, and I can only answer hypothetically. We would just 21 have to look at the -- all the factors involved and deter-22 mine what would be appropriate proration unit based upon 23 geology, reservoir engineering, and the land consideration. 24 The question as you asked it would infer that you could not 25 do anything with that west half of 33, but I don't believe

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1 that would be actually what would happen. 2 All Fight. Tell me, in your opinion,  $\mathcal{O}$ 3 what you believe would actually happen. Ζ. is I have previously stated, I think 5 you're going to have to look at some other considerations, 6 and you're going to have to determine what your best loca-7 tion would be over there, and so forth, and I do not wish 8 to testify as to geology because I'm not trained to testify 9 to that. 10 MR. KELLAHIN: I have nothing further. 11 Thank you. 12 13 REDIRECT EXAMINATION 14 BY MR. HUMRER: 15 Mr. Rogers, maybe we can help Mr. Tom Ω. 16 Kellahin out. 17 In connection with the well that you're 18 going to drill in Section 34, if your non-standard gas well 19 spacing unit is approved, you would earn from Estoril and 20 Williamson, et al, the rights down to the depth that you 21 drilled, plus 200 feet, is that correct? 22 That is correct, sir. A. 23 Would this include the Morrow formation? Q. 2å If we drilled the Morrow, it woulû. E. 25 If we did not drill the Morrow, it would not.

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1 0. In other words, if you stopped at the 2 Wolfcamp you would not have earned the Morrow formation, is 3 that correct? 4 A. Yes, sir, that is correct. There is a 5 provision in our arrangement with the Williamson group, 6 though, that we have, if we earn shallow, that we have a 7 designated time that we can drill deeper and earn those 8 rights at a later date. We will only earn rights ultimately 9 to 200 feet below the depth that we drill. SALLY W. BOYD, C.S.R. 10 Q. For the time being -a Fe, New Mexico 3750) Phone (505) 455-74:19 11  $\overline{D}_{1}$ For the time being. 12 0. -- all you would earn would be the Wolf-13 camp rights if this spacing unit is approved, is that cor-14 rect? 15 Yes, sir, that is correct. Α. 16 And assume that you never earn the 0. 17 Morrow rights under the east half of Section 33, then Mr. 18 Castle, in order to form a spacing unit for a Morrow well, 19 would have to make his deal with J. C. Williamson, et al, 20 is that correct? 21 Yes, sir, that's correct. A. 22 Was the Penroc Well referred to on your Q. 23 Exhibit One as Well No. 5, drilled to a depth sufficient 24 to test the Morrow formation? Or do you know? 25 It was drilled to a depth sufficient to Α.

1 test the Morrow formation. 2 ()**.** Did difficulties occur in connection with 3 that well? 4 I understand that there were mechanical <u>.</u> 5 difficulties, yes, sir. 6 Q. Were there indications that it might have 7 produced in the Morrow formation? 8 That, I am not sure of, sir. 2 9 Well, what has given you, or your com-Q. 10 pany, the encouragement to think about another Morrow test 11 in this area? 12 Of course, you evaluate these areas as A. 13 you go along and every additional well that is drilled gives 14 you more information, and we recognize that the Morrow form-15 ation in southeastern New Mexico is in spots a prolific gas 16 producing formation, and therefore, we are cognizant of that 17 fact and would afford ourselves the opportunity to drill 18 Morrow wells in acreage upon which we have, if we were pre-19 cented the opportunity from a geologic standpoint of that 2C particular property being favorable. 21 MR. HUNKER: I have no further questions, 22 Mr. Kellahin -- Mr. Nutter. 23 The witness may be excused. MR. NUTTER:

Let's take a fifteen minute recess. (Thereupon a recess was taken.)

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1 IR. HUTTER. The hearing will come to 2 order, please. 3 Mr. Hunker, did you have another witness 4 now? 5 MR. HUNKER: Yes, I have. Mr. Alcorn 6 has been sworn and before going into that, I would like the 7 Examiner to take administrative notice of the fact that Rule 8 104 of the Division's rules that provides for 320-acre state-9 wide spacing for Wolfcamp and below. SALLY W. BOYD, C.S.R. Rt. I Box 193-B Santa Fc, New Mexico 87501 Phone (505) 455-7439 10 And I'd like to also call attention to 11 the -- of the Examiner to the fact that its records will 12 reflect many unit agreements which have been approved by the 13 Division, which show that lands not within participating 14 areas at the end of the specified unit term, will be eliminated 15 from the unit agreement. 16 If the lands are in a participating area 17 they are not eliminated. 18 19 JOHN SCOTT ALCORN 20 being called as a witness and having been duly sworn upon 21 his oath, testified as follows, to-wit: 22 23 DIRECT EXAMINATION 24 BY MR. HUNKER: Zb Mr. Alcorn, will you please give us your Q.

1 full name, address, and occupation? 2 My name is John Scott Alcorn, known as Б. 3 Scotty Alcorn. I work for Florida Exploration Company, 4 headquarters in Midland, Texas, and I am a Senior Geologist 5 for the company. 6 Q. How long have you been with Florida Ex-7 ploration? 8 Since August of 1979. Ά. 9 And you were with who before that time? Q. 10 I was with BTA Oil Producers in Midland, À. 11 Texas. 12 And how long were you with them? Q, 13 A. About seven and a half years. 14 Did you have extensive geological exper-Q. 15 ience in southeastern New Mexico during that time? 16 Yes, sir. Α. 17 Q. Have you testified before the Division 18 or the Commission previously? 1<del>9</del> Yes, sir. È. 20 And have your qualifications as a geologist Q. 21 been found to be acceptable? 22 They have. A. 23 MR. HUNKER: We offer this witness as an 24 expert geologist. 25 MR. NUTTER: Mr. Alcorn is qualified.

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	1	Q Mr. Alcorn, are you familiar with the
	2	application that's been filed on behalf of Florida in con-
	3	nection with this matter?
	4	A Yos, sir, I am.
	5	Q Eny, in your opinion, was the non-standard
	6	gas well location made at 760 feet from the north line and
	7	1980 feet from the west line of Section 34, Township 26 South
	8	Range 30 East?
	9	MR. NUTTER: Mr. Hunker, correction.
	10	You said why was the non-standard gas location formed. Ye:
	11	mean the non-standard gas proration unit.
	12	It's a standard location.
	13	Q. Yes. Non-standard gas well spacing unit
	14	made at this particular location, Mr. Alcorn?
	15	A. Could I refer to a Wolfcamp pay structure
	16	map that coincides in essence with the land map that was
	17	entered?
	18	Q Is this your Exhibit Number Four?
	19	A. Yes, sir, it is.
	20	Q. Was it and the Exhibit Five, which you
	21	will talk about later on, prepared by you or under your
	22	supervision?
	23	A Yes, sir, that is correct.
	24	Q. Looking at your Exhibit Number Four,
	25	will you tell the Examiner what that exhibit depicts?
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and the Ross Draw Unit configuration with the acreage that Mr. and the Ross Draw Unit configuration that Mr. Rogers described, this map is mapped on the Wolfcamp pay structure and superimposed a clean carbonate thickness in dashed lines of the area, of the Ross Draw area.

I will note that it's on -- in this area the dip seems to be a standard rate of dip of approximately 100 feet per mile to the east/southeast. There seems to be no configuration of structure anomaly in the area to date under the Ross Draw acreage.

It is noticed that through examination of electric logs, which will be described in Exhibit Five, that a line of carbonate thickness of 20 feet goes in a northerly direction through Section 27, through and bisects Section 34, or there the proposed acreage in question. That is a 20-foot thickness line that is -- was measured from the well that is known as the Penroc No. 5 Ross Draw.

At the present time we feel as though, from the information available, that well did not appear to be productive in the Wolfcamp zone of production in the Ross Draw. We feel as though this line indicates a possible western economic limit at the present time. We would like to stay in a standard location east of this line of dissection. We feel as though this --

MR. KELLAHIN: Excuse me, Mr. Alcorn,

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SALLY W. BOYD, C.S.R. Rt. I Box 193-B Sant. Fe, New Mexico 37301 Phone (305) 455-7419 which line are you looking at?

Letre looking at the line that's the dashed line.

MR. HULLMIN: The number twenty line?
 M. The number twenty line.

Us feel as though at the present time from the knowledge available, that is our most opportune location, geologically speaking.

Does that answer your question, Mr.

Hunker?

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That answers my question.

This map shows the proposed location,

is that correct?

Q.

A. Yes, sir, it is proposed approximately
100 feet south of the well known as Ross Draw No. 2, which
is producing from a shallower depth not in question.

0 The other markings on the unit are the same markings as appeared on Mr. Rogers' Exhibit Number One, is that correct?

A. That is correct. I had my draftsman copy the information from his map, on the -- of the landholders.

Q Furning now to Exhibit Mumber Five.

A. Yes, sir.

Q.

Will you explain this exhibit and tell

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2 2. Thibit Number Five is a Wolfcamp cross 3 Dection A-A' from the insert map. The insert map is from 4 a commercial map company called Goollap. It is mapped by 5 them on the Devonian-Fusselman pay, which is not in question 6 here. It's simply for reference. 7  $A-A^*$  in the inset connects wells known 8 as the Penrod or Baxter Ross Draw No. 5, to the Florida Ross 9 Draw No. 8, to the Ross Draw No. 7, and concludes in Loving 10 County, New Mexico, at the Texaco Damsite Unit No. 1. 11 You mean the Texas, don't you? Q.

the Examiner what it depicts?

Loving County, Texas, I'm sorry.
 Loving County, Texas.
 Pardon me. Eddy County, New Mexico,
 into Loving County, Texas.

The wells --- the electric logs that are hung in this cross section show the continuity of the area. You ward notice in the Ross Draw Well No. 5 that the gross thickness in the lavendar color is 20 feet.

In the Florida Exploration the gross thickness of what we conclude to be clean sand, you'll notice in the 8 that some of their stringers of dirty or shaley material, but the gross stringers in that are 24 feet, as noted on Exhibit Four.

The Florida Exploration Well No. 7, we

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considered 35 foot as being clean dolomit carbonate.

The Texaco Damsite in Texas carries 55 Seet of clean carbonate.

The notation on the right, which is eitherthe porosity side of each log, is colored in orange to depict porosity as we understand it.

In each well we have attempted to note on the cross section the perforations adjacent to each producing zone, which is the Wolfcamp 1 Zone, as we refer to it in our company office.

On the Florida Exploration Ross Draw No. 8 there is an isolated zone at 12,065 depth, that is not -does not appear to be very prolific through the area. We did perforate it in our Ross Draw No. 8.

We feel as though that the Wolfcamp 1 Zone, which is the productive zone in the Ross Draw Field, appears to be thinner by history of the Ross Draw 5 to the west. We want to stay on structure - I mean not on structure, but on stratigraphic strike with the Ross Draw No. 8. We feel as though that's the opportune location in this area to allow us to keep the continuity of 320-acre spacing in the Ross Draw area.

Q. In your judgment, then, the No. 9 Ross Draw Well would fall on a cross section some place between the Ross Draw No. 5 and the Ross Draw No. 8, is that correct?

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A Yes, sir, that is correct. It would be, as you notice, it is in a stratigraphic section that would be approximately 150 feet high to the Ross Draw No. 7, which encountered water in the Morrow. That is why at this location we feel as though there is a possibility that Morrow could be considered producing zone.

The reason that we are keeping with an -we used the term option to go to the Morrow in our request of drilling this well, is the Wolfcamp in the area has had a history of a high pressure zone, which we feel as though if this comes in at this depth, that it would behoove us, engineeringwise, to attempt to complete in the Wolfcamp.

If we found that the Wolfcamp was such as indicated by the Ross Draw No. 5, we would possibly have an economically uncommercial -- noncommercial well, and we would have to try and consider the possibility of going to the Morrow. We certainly would.

That is, with all things being considered, it is a combination area of Morrow consideration in conjunction with our primary purpose of going to the Wolfcamp.

Q For the record, would you like to describe the nature of the Wolfcamp pay?

A. For the record, the Wolfcamp pay in the area of southeast New Mexico and from the history that we've gathered in going across into Texas, we find that the Wolf-

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Camp pay, when drillel, is a very high pressure zone. It is known to carry in excess of 2000 pounds bottom hole presture. It becomes very touchy to drill this well -- to drill a well through the delicarp. You have to get the type of mud that would -- to hold the pressure down, you would have to get the type of mud that would possibly seal the Wolfcamp formation. So that is why we would like to reserve judgment on drilling deeper until after we go through the Wolfcamp. We've found in this area that the Wolf-

camp has had a record of rather spotty production. It's had a -- I might note that in the well to the east, the Phantom Draw 'mit No. 1, drilled by Texas Pacific in Section 20 of 20 South, 31 East, it's colored orange in Exhibit Five, this well has produced --

Exhibit Four, you mean.

Ω.

A. I mean in Exhibit Four, I apologize. This well to date has produced 1.5 billion cubic feet of gas on a daily production rate at the present time of approximately 320,000. This — in the area we feel as though 1.5 billion is the history of the area and is why that we feel that justifiably 320-acre spacing is necessary for the economical commercial production of Wolfgamp gas at the present time.

If you attempt to get any sort of a more congested development, it would become economically

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anfeasible for all publics in the area, I feel. This is based on the history of the Volteamp in the locale of Eddy County.

now, 1'd like to say that possibly there are wells that have been known to produce much more, but this is the general term of the area.

UR. NUTTUR: How about that Texaco Damsite Well in Section 9 in Texas? What is its cum production?

Yes, sir, the cum production at the A. present time is 1 billion cubic feet of gas, and it's on about 500,000 cubic feet production at the present time. We feel as though it will be approximately the same as the Texas Pacific Well that was referred to earlier, 1-1/2 Bcf well.

We are hoping to be in a sweet spot. You always have to be an eternal optimist when you drill, and hope you get better than everybody else, but that is what we have to put the bottom line. The engineers say, all right, you're going to work with 1.5 Bef well, can you make it better than that. Well, we like to feel as though we can dream in a better deal geologically.

And by reason of your analysis of these Ó. logs and of the depiction that you've shown on Exhibit Number Four ---

> A. Yes, sir.

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1 yea have made a conclusion, I presume, 2 Mr. Alcorn, we to the location of the well, is that correct? 3 Yes, sir, I have. 4 and what is that conclusion? ()5 The conclusion that a standard location Τ. 6 of 760 from the north line and 1980 from the west line of 7 Section 34 is the optimum location in the Ross Draw Unit 8 for the Well No. 9 to be drilled. 9 In your opinion will the approval of the Q. 10 non-standard gas well unit be in the interest of conserva-11 tion and the prevention of waste? 12 Yes, sir, I believe very definitely it 3. 13 would be. 14 In your opinion will correlative rights 0 15 be impaired? 16 I don't think any -- no, sir, it will A. 17 not. 18 Will the approval of the application Q. 19 afford the applicant the opportunity to produce its just 20 and equitable share of the gas and condensate in the pool? 21 Yes, sir, I believe that in the essence А, 22 of continuity on 320-acre spacing that we're caught in an 23 area where the sections do not carry 320 acres themselves, 24 so in an attempt to keep all spacing and all proration units 25 at 320 acres, it is found that this is, in our opinion, fair

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Page 1 and just way to produce oil -- I mean produce gas from Sec-2 tions 34 and 35 that we are in the Ross braw Unit. We feel 3 as though it is -- it is the optimum spacing. 4 Ω. will the approval of the application 5 prevent economic loss caused by the drilling of unnecessary 6 wells? 7 75. The approval is -- did you throw a double 8 negative at me in there? 9 Q I may have. SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fc, New Mcxico 87501 Pnone (505) 455-74.9 10 Ρ., I believe that the proration unit as 11 described here are the optimum that will prohibit economic 12 waste of development. 13 Q. Will the approval of the application 14 avoid the augmentation of risk arising from drilling exces-15 sive numer of wells? 16 Α. Yes, sir. 17 MR. HUNKER: I'd like to offer at this 18 time Exhibits Numbers Four and Five. 19 MR. NUTTER: Applicant's Exhibits Four 20 and Five will be admitted. 21 MR. HUNKER: And to pass the witness at 22 this time. 23 MR. NUTTER: Any questions? 24 MR. KELLAHIN: Yes, sir. 25

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Ź LIN LUNCTON CALLS CALLS 3 DY MR. MULAUDIC 4 ÷. The Alcorn, are you familiar with the 5 spacing requirements on Toras side of this pool? 6 7 No, sir, I am not at the present time. 7 I'm not. 8 n, You don't know if the well spacing in 9 Texas is 320's, 160's, or whatever? 10 ۸. As I understand it, the Wolfcamp in the 11 Damsite Unit has -- has not been established at the present 12 time. As I understand it, the procedent of the state line 13 fields usually are followed of which state sets up the spacing 14 opportunities, I believe it sets the precedent on state line 15 fields. 16 You're familiar with the Florida No. 8 Q. 17 Well in the north half of 27? 18 Yes, sir. λ. 1<del>9</del> Ē. That well is awaiting a pipeline con-20 nection, I believe? 21 А. That well is in the -- is awaiting for 22 an absolute open flow calculation. It is in the process 23 of four-point tests. 24 The No. 7 is awaiting a pipeline con-25 nection.

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What, if any, production tests do you  $\mathbf{O}$ have on the No. 8 Well? I have the four-point tests at the present time. The first four-point on a 6/64ths inch choke, one hour, flowing tubing pressure 7461; gas 2.26 million; barrels of condensate .7. On the next one hour test, 3/64ths inch choke, one hour, 7380 is flowing tubing pressure; gas 3.95 million; condensate 2.76 per hour. 0 That's 3.95 million Mcf? 3.95 million cubic feet. λ. Do you want the rest of them? Yes, sir, if you please. 0 Third point, 10/64ths choke, one hour, A. tubing pressure 7259; gas 5.44 million; condensate 4.14 barrels in one hour. And the last point, 11/64ths, one hour, flowing tubing pressure 7112; gas 6.62 million; condensate 9.65 barrels in one hour. 0 Based upon these tests, Mr. Alcorn, have you made any calculations or reached any conclusions concerning whether that well will pay out? Yes, sir, we anticipate that the well λ. will pay out. Our engineering department feels as though

we -- that the well will pay out is why he -- the department

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recorrected 'rilling the No. 9.

Decomposition and 320 acres dedicated to the No.
 Delta

(c), wir.
(c) You've reached the conclusion that, in

response to Mr. Hunker's question, that in your opinion it was necessary to develop this area on 320 acres.

A Yes, sir.

Q. What specific information do you have that supports this conclusion that one well will drain 320?

A. It is from the -- the Oil Conservation Commission, isn't that -- what is that rule? What number is that statewide rule for -- 104, Rule 104 in the statewide New Mexico, has stated that Wolfcamp or below should be on 320-acre spacing.

Q Apart from the rule, Mr. Alcorn, have you made any specific studies or calculations to determine the actual acreage to be drained by any of these wells?

I feel as though from the history of the area that we conclude that approximately it takes 320 acres to make a well commercially productive.

I'm referring to the wells that were entered into testimony as the Texaco -- or Tezas Pacific Phantom Draw in New Mexico and the Texaco Damsite Unit Well in Texas.

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1 Q. Your structure map, as I understood it, 2 had superimposed upon it your -- these Isopach lines? 3 A. Yes, sir. Q. Those were the dashed lines? 5 A. Yes, sir, those are thickness lines of 6 the Wolfcamp zone as depicted on the cross section in lavendar. 7 Q. And in reference to that exhibit, you 8 identify the 20-foot line as being the economic limit for 9 the Wolfcamp in this area. 10 A As -- from the history of the area, we 11 feel as though the -- this is the economic limit as far as 12 the Ross Draw No. 5 found it. It found to be lacking in 13 porosity on the -- as noted on the cross section. 14 It could possibly open up. We hope it 15 does, but it is, as we interpret it now, we feel as though 16 we would like to stay east of that line. 17 Q And that's why you've chosen the pro-18 posed location of the No. 9 Well to be east of that line? 19 λ. Yes, sir, we feel as though that as the 20 knowledge that is available to us, we'd like to take advan-21 tage of it, and we came up to -- came to that conclusion. 22 You wouldn't recommend the drilling of Q. 23 a Morrow test west of that 20-foot contour line? 24 A Morrow test --A 2ō I'm sorry, a Wolfcamp test. Q

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A. I would not until we find the information available from the No. 9. It behooves us to take advantage of all information available in the area and we would like to systematically drill our property from the information that we derive from previous wells. We would not like to drill over there until we find out some other information that is concrete.

Q It would appear from your exhibit and your testimony, Mr. Alcorn, that approximately half of the proposed proration unit to be dedicated to this well, that acreage lying west of the Isopach 20-foot line is uneconomic.

A It is from the -- from the interests of the area, it is at a time where we would not want to drill the well. We feel as though that it could open up out there, but right now as the actual location for the well, we would not like to drill on the other side.

Q. If the non-standard proration unit consists solely of Section 34 --

A. Yes, sir.

-- would that change your proposed loca-

tion?

A. No, sir.

Q.

Q.

Q That would remain the same?

A. Yes, sir.

From the information you have before you,

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Mr. Alcorn, where would you propose drilling a well for the non-standard proration unit that would exist in Section 35 in the balance of that east portion of Section 34? Where would you locate that well?

A. I would locate it in a -- on a standard location in Section 35. That would be approximately 660 or 760 from the north and 1980 from the west. That would more or less coincide with the spacing that would be established prior to a well drilled in 35.

Q. So if the proration unit for the well to be drilled in Section 35 consists solely of Section 35, then you would still have a standard location within that proration unit for your proposed second well.

A. If drilling on less than 320 acres would be considered standard.

That is what I'm saying, approval of a Q non-standard proration unit of less than 320 acres, the proration unit for which would consist of only Section 35.

Yes, sir, but may I interject in the A. questioning here that it would certainly -- if we would be penalized because of lack of acreage it would be very definitely to our disadvantage. We feel as though 320-acre spacing, as proposed at the present time, would be in direct continuity with the wells that we're going to drill in Section 26 and 27. We have in the area, we have ARCO that would

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he definitely involved on various spacing problems.

A This pool is not -- the Wolfcamp formation here is not a prorated gas pool at this point, is it? A No, sir. We're going under statewide and it would be up to us as the operator of the area to recommend, and I would highly recommend 320-acre spacing for the area.

Q But if it's less than 320 acres, there is no acreage penalty proposed on any of the production in the Wolfcamp, is there?

A. I don't know how the ruling will come out. We certainly would not want to be penalized in any way for drilling a less than 320-acre tract.

Q Let's assume that the proration unit is solely Section 34 for the subject 9 Well.

All right.

A.

Q. And so long as there is no penalty on your ability to produce that, you would have no objection if the standard -- the non-standard proration unit was limited to that configuration.

A I was just informed that we are earning none of the farmout in the east part of Section 33, and we are attempting to -- it would penalize us because we could not include enough acreage, and in the theory of our farmout, we're trying to carry this in good faith with our farm-in --

SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Sante Fe, New Mexico 37501 Phone (505) 455-74:9 1

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with our farm-in agreements.

We feel as though 320 acres is a very logical production development in the area. We have the acreage. We know the configuration will be different than normal because we have encountered the state line. We have to go along there. Now, the -- it was mentioned previously that 320-acre configuration would go clear across the -the state line area. We feel as though this would be unique to just the Ross Draw Field for economic and prolific development of the area on 320 acres.

We don't feel as though we want to over develop or under develop. We want to get our just production on the 320-acre spacing, as defined in the statewide rules. We are not attempting to circumvent any type of -- of standard location whatsoever. We're attempting to keep in the -in the theory and the area of 320-acre locations. We didn't anticipate getting into any acreage or argumentative play in here, other than just to develop on a prolific and economic manner.

Q. May I conclude from your testimony, Mr. Alcorn, that the principal reason Florida Exploration seeks the proposed non-standard proration unit is to hold the Estoril leased acreage in the east half of Section 33, despite the fact that that acreage in your opinion is uneconomic?

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A Yes, sir, we are attempting to make a -at the present time. Now, I cannot say whether it will be economical or not, because of future drilling. I cannot enter into testimony any hearsay that is the oilfield talk that the H. L. Brown Well in Texas is an indicated well. But at the present time it is just hearsay on my part because it is by word of mouth, but it could be that that would open it out to the west in that area, but at the present time, with a March deadline, the information available is all that I can recommend to my company.

MR. KELLAHIN: Thank you. No further

questions.

REDIRECT EXAMINATION

BY MR. HUNKER:

Mr. Alcorn, just one other question.
A. Yes, sir.

Q Can you predict at this time whether or not this pool will or will not be prorated at some future date?

No, sir, I cannot predict other than we would like to recommend it as such on a 320-acre proration,
 but I cannot predict the -- the outcome.

Q Let me explain. In prorated gas pools, an allowable is fixed by the Oil Conservation Division.

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1 Yes, sir. Α. 2 And you heard the testimony this morning 0 3 Ŀ. Yes, sir. 4 --- about the amount of production that a 5 is allowed to those various pools. 6 A. Yes, sir. 7 At the present time this particular pool ۵ 8 is not in a prorated gas pool, is that correct? 9 Yes, sir, that is correct. Å. 10 Q. Can you presently predict whether it will 11 or will not be in a prorated gas pool at some future date? 12 A. No, sir. I cannot. I thought you meant 13 prorated units, excuse me. 14 Q. Yes. 15 I was going under the term of prorated ٨. 16 unit as to prorated production. I cannot predict that what-17 soever. 19 What pipeline serves the well down in Q. 19 Texas, the Texaco well described as the Damsite Well? 20 Do you know? 21 I am not familiar, no, sir, I am not. Α. 22 The only --23 What pipeline company do you hope to Q 24 make a contract with with respect to your No. 7 and your 25 No. 8 Wells?

SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fc, New Mexico :17501 Phone (505) 455-74(9

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53 1 El Paso Natural Gas. A. 2 And is that the only pipeline in the 0. 3 area at this time? 4 That's the only pipeline that would be λ. 5 available to us at the present time. As I understand it, 6 it's over at the Texas Pacific Phantom Draw Well in the 7 township to the east. 8 MR. HUNKER: I have no further questions, 9 Mr. Examiner. 10 MR. NUTTER: Are there any questions of 17 Mr. Alcorn? 12 MR. KELLAHIN: Yes in response to Mr. 13 Hunker's question about El Paso pipeline. 14 15 RECROSS EXAMINATION 16 BY MR. KELLAHIN: 17 Where is the El Paso pipeline at this 0. 18 point? 19 At this point, as I understand it, it À. 20 is a mile east of our Ross Draw Well No. 7. We're nego-21 tiating and that's -- on the ground I have not been there. 22 That was from our engineering department's report at our 23 last meeting. 24 And you said that's the only available Q 25 pipeline in the area?

SALLY W. BOYD, C.S.R. RI. I Box 193-B Santa Fe, New Merico 1/7501 Phone (505) 455-74:9

	1	λ. Yes, sir.
	2	MR. KELLANIN: No further guestions.
	3	MR. NUTTER: If there are no further
	4	questions, the witness may be excused.
	5	MR. HUNKER: No further witnesses and
	6	no further comments.
	7	MR. NUTTER: Mr. Kellahin, will you call
	8	your witness, please?
	9	
501	10	JOHN CASTLE
Rt. J Box 193-B Santa Fe, New Mexico 37501 Phone (505) 455-74(9	11	being called as a witness and having been duly sworn upon
tt. 1 Box e, New N ne (505)	12	his oath, testified as follows, to-wit:
R Santa F Pho	13	
	14	DIRECT EXAMINATION
	15	BY MR. KELLAHIN:
	16	0. Would you please state your name and by
	17	whom you are employed, in what capacity?
	18	A. John Castle, self employed.
	19	Q. Mhat's your educational background, Mr.
	20	Castle?
	21	A. Geologist.
	22	Q Have you previously testified as a
	23	geologist before the Oil Conservation Division of New Mexico?
	24	A. Yes, I have.
	25	Q. And have those qualifications been ac-

SALLY W. BOYD, C.S.R.

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Page 1 cepted and made a matter of record? 2 A. Yes. 3 0. You're currently working for yourself, 4 are you? 5 A Yes. 6 Q. And what, if any, oil and gas producers 7 have you worked for in the past? 8 A. Worked for Dell High Taylor Oil Corpor-9 ation in Midland for approximately four years. Prior to 10 that Phillips Petroleum Company for about five years. 11 You own acreage in the area which is the Q. 12 subject matter of this application? 13 A. Yes. 14 MR. KELLAHIN: We tender Mr. Castle as 15 an expert geologist. 16 MR. NUTTER: Mr. Castle is qualified. 17 Q Mr. Castle, I show you what has been 18 marked and introduced as Applicant Exhibit Number One, and 19 ask you to locate for us, if you will, that acreage that 20 you own. 21 That acreage is the east half of the A. 22 northwest quarter and Lot Number 4 of Section 33, Township 23 26 South, Range 30 East, Eddy County, New Mexico. Also, all 24 of Section 32 in the same township. 25 Is that the extent of your acreage Q.

SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santis Fe, New Mexico 37501

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ownership in the immediate area?

A Approximately a mile and a half or two
niles to the west I own another -- another tract of acreage,
which is approximately 300 acres.

Nou're appearing in opposition to the applicant's request for the creation of a non-standard proration unit, are you not, Mr. Castle?

A. Yes.

0

Q. Would you describe for us the reasons for your objection to that proposal?

A. By using their promation unit covering
the west part of Section 34 and the east half of Section 33,
it would leave me with approximately 89 acres in the west
half of Section 33, which I could do nothing with.

And adding to that, if they would keep the promation units in the section, in Section 35, Section 34, and then in the 33, I would be happy to join Florida Exploration in the drilling of the well in that section.

Must soction are you talking about?

A. Section 33, keeping the proration units in the section.

Should they not want to drill a well in Section 33, or anything west of the number 20 line you've been talking about, I would be most happy to take their position and drill it myself.

SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe, New Merico 87501 Fihone (505) 455-74/9 1

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1 If a proration unit is composed consisting Q 2 entirely and solely of acreage in Section 33, how many acres 3 is that? Ā. That's approximately 260 acres. 5 0. And if a non-standard proration unit is 6 created consisting solely of the acreage in Section 34, how 7 many acres would that be? 8 Α. Approximately 260 acres. ġ What is the acreage included in Section Q. SALLY W. BOYD, C.S.fl. Rt. 1 Box 193-B Santi, Fe, New Mexico 37301 Ptione (303) 455-74(9) 10 32? 17 Well, that's ---A. 12 Q If the acreage in Section 32 is formed 13 into a non-standard proration unit, how many acres? 14 That's approximately 260 acres. A. 15 Q. And lastly, in Section 35, if that acreage 16 is dedicated to a non-standard gas proration unit, how many 17 acres? 18 A. Approximately 260 acres, also. All of 19 those half sections are approximately 260 acres in that area. 20 Q. Are you aware of what the spacing is on 21 the Texas side of the state line? 22 A. No, I'm not, but I can see, if it is 23 160 acres and we drill three wells along the New Mexico 24 side of the field instead of four, the State of New Mexico 25 would be getting cheated a little.

Page 58 1 2 Have you made a study of or examined 2 any of the data on any of the Wolfcamp wells in this parti-3 cular area? 4 A. T've seen the exhibits of Mr. Alcorn 5 and other information, some of the information that Penroc 6 had, and I've also seen a log on the H. L. Brown Well, 7 covering the Wolfcamp section. 8 Q. Are you familiar with the Texaco Well 9 down in Section 9 in Texas? ĨŮ λ. I've seen the log on that. 11 And how about the Florida No. 7 Well in C. 12 Section 26? 13 Yes, I've seen that log. A. 14 And the Florida No. 8 Well in Section 0. 15 27? 16 I've also seen that one, right. Δ. 17 Based upon your study of this particular 0 18 area and your knowledge and information as a geologist, Mr. 19 Castle, do you have an opinion as to whether or not it would 20 be most effective and efficient to develop the -- each of 21 the proposed non-standard proration units, being Sections 22 32, 33, 34, and 35? 23 Would you ask that again, please? A. 24 Q. Yes, sir. Based upon your knowledge 25 as a petroleum geologist and your study of this particular

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Page 59 1 area, do you have an opinion as to whether or not the Wolf-2 camp formation along the New Mexico side of the Texas border 3 can be developed on less than 320-acre spacing? 4 λ. Well, the information we have, I think 5 it should be developed on 160-acre units. We really don't 6 have enough information right now since none of the Wolfcamp 7 wells on the New Mexico side in this immediate area has pro-8 duced yet. 9 MR. KELLAHIN: I believe I have no more SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santil Fe, New Mexico 37501 Phone (305) 455-74.9 10 guestions of Mr. Castle. 11 MR. NUTTER: Any further questions? 12 MR. HUNKER: Yes, I have a question or 13 two. 14 MR. NUTTER: Mr. Hunker. 15 16 CROSS EXAMINATION 17 BY MR. HUNKER: 18 Mr. Castle, do you have interests in 0. 19 any Wolfcamp wells in the State of New Mexico? 20 I can't think of any now. λ. 21 Do you have any in the area of north Q. 22 Texas that adjoins the Ross Draw area? 23 λ. No. 24 Do you disagre- with the New Mexico Q. 25 statewide rule to the effect that Wolfcamp should be spaced

1 on a 320-acre basis? 2 Λ. I misunderstood the rule. I thought it 3 was 160 acres for Wolfcamp and above: 320 acres for below 4 the Wolfcamp for a gas well. 5 I am advised that the rule has changed. Q. 6 You are originally correct, but the rule was changed in 7 1975. 8 Yeah, I wasn't familiar that it was 3. 9 changed. 10 Do you disagree with the change? Q. 11 A. Yes, in certain instances where we don't 12 have enough information. 13 Is there pending before the Railroad Q. 14 Commission of Texas at the present time a case or cases in-15 volving the well spacing to be provided in this particular 16 area of Texas? 17 I don't know. Α. 18 Q. Have you ever been involved in a Federal 19 exploratory unit in New Mexico, Mr. Castle? 20 In what way do you mean? A. 21 Have you ever had a working interest in Q. 22 such a unit? 23 A. Yes. 24 Are you familiar with the terms and Q. 25 provisions of those unit agreements?

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λ. No. Are you familiar with the operating ٥. agreements that are entered into by the working interest owners with regard to the drilling of the exploratory tests? I don't remember it. I probably was 24 at the time I got into the unit. 0 Should you want to participate or be allowed to participate at some future date with your acreage in Section 3 so as to involve a spacing unit consisting of Section 33, do you realize that a considerable amount of paper work and renegotiation would have to take place in order to permit you to participate with the interest owners of the unit? Every well I've participated in on Α. Federal acreage recently I consider it takes in a lot of paper work. It involves a considerable amount of Q negotiation and --

19 Yes, it does. A. 20 -- and governmental approval? Q. 21 Yes, sir. A. 22 MR. HUNKER: I have no further questions. 23 MR. NUTTER: Are there any other 24 questions of Mr. Castle? He may be excused. 25 Does anyone else have anything they wish

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to offer in Case Number 6792?

Call for summations, please. Mr. Hunker, you're entitled to go last.

MR. KPLLAHIN: Mr Nutter, it's our opinion that the application ought to be denied.

The Oil Conservation has traditionally denied requests to form proration units across section lines. The Rule 104-D specifically provides that the proration unit involved shall be included within one governmental section.

The applicant has failed to demonstrate

any compelling reasons for departure from that tradition and accordingly, the request by the applicant ought to be denied.

The continuation of a non-standard proration unit in the manner proposed by Florida leads to a proliferation of non-standard proration units across section lines throughout the entire township on the New Mexico side of the Wolfcamp production on the Texas/New Mexico border. We believe the applicant has failed to demonstrate sufficient data either through engineering calculations or further testimony to demonstrate that one well can effectively and efficiently drain 320 acres in this particular area, and that without that information, that the rule ought to be adhered to precluding formation of proration units across section lines, and to do so in this case jeopardizes Mr.

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Castle's correlative rights and compels upon him an unnecessary burden to thereby go ahead and form further non-standard proration units across section lines.

Therefore, we request that the application be denied.

MR NUTTER: Thank you. Mr. Hunker? MR. HUNKER: We have a situation here that calls for careful attention by the Oil Conservation Division, in that we have an approved Federal Unit, and at the bottom of this Federal Unit along the state line there are two tracts that contain approximately 320 acres of land.

The unit itself is quite complicated.

The unit operating agreement is quite complicated. The rules and regulations of the Oil Conservation Division specify that Wolfcamp production may be developed on 320-acre spacing pattern, and we have shown the logic to crossing the section line between Section 33 and 34, and we feel that it is perfectly logical to select a location which we think will be productive of gas from the Wolfcamp formation at the location that we have selected, and to dedicate to that Wolfcamp well the amount of acreage which the Conservation Division has indicated should be dedicated.

We can't predict whether another pipeline will come into this particular area or not. I can envision the fact that one might if the production is found

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to be rather prolific, in which case the pipelines will be competing for the gas and there might very well be a time when the pool would be prorated and production would be allocated.

And the compelling reason for the approval of this unit is to allow this particular operator to have his fair share of the gas that is under this --- underlies this particular land.

Mr. Kellahin would have you think that it's -- it's impossible to have these unorthodox spacing units along -- along the state line, but this is not -- not the case at all. It's entirely conceivable to me that Mr. Castle can take his acreage in the west part of Section 33 and combine it with acreage in Section 32 and do precisely what we have done, or seek to do, and establish a well spacing unit for that tract.

Sooner or later the Wolfcamp production is going to poop out and not be there and when that happens we won't have the problem of coming to the commission for non-standard gas well units. Until that happens, I think that the Commission needs to establish a precedent at this point -- particular point in time for 320-acres recognized as a correct and adequate Wolfcamp spacing unit and approve the application of this particular applicant.

We don't feel that Florida should be

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penalized because of Nr. Castle's acreage position. Mr. Castle, it's noted from the map, that the lease that he obtained was issued on March the 1st, 1979, which indicates to me that he has come into the picture long after Florida gas came in and -- and then in our judgment, we don't think Florida should be penalized because of -- of the acreage position that he has taken.

I conclude my remarks with that, and request that an order be entered approving Florida's application for a non-standard gas unit.

MR. NUTTER: Thank you.

Does anyone else have anything they

wish to offer in Case 6792?

We'll take the case under advisement.

(Hearing concluded.)

SALLY W. BOYD, (J.S.R. Rt. 1 Box 193-B Santa Fe, New Mexico 87501 Phone (505) 455-740? 1

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# PEPORILR'S CERTIFICATE

I, SALLY W. BOYD, a Certified Shorthand Reporter, DO HEPEEY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceed ings in the Examiner hearing of Cuse No. 6792 heard by 113 on 1/16 1980 Examiner Oll Conservation Division

SALLY W. BCYD, C.S.R. Rt. 1 Box 15 3-B Santa Fc, New Mc: i20 87501 Phone (505) 45 ::7409 1

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# STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT **DIL CONSERVATION DIVISION**

BRUCE KING GOVE PHOR LARRY KEHOE **SECHETARY** 

Pebruary 21, 1930

Re:

POST OFFICE BOX 2088 STATE LAND OFFICE BUILDING SANTA FE, NEW MEXICO 87501 15051 827-2434

CASE NO.

Mr. George H. Hunker, Jr. Hunker-Fedric Attorneys at Law Post Office Box 1837 Roswell, New Mexico 88201

Applicant:

ORDER NO.

Florida Exploration Company

6792 R-6270

Dear Sir:

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

Pours very truly, 1,NU JOE D. RAMEY Director

#### JDR/fd

Copy of order also sent to:

Hobbs OCD	x
Artesia OCD	x
Aztec OCD	

Thomas Kellahin Other

STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

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

> CASE NO. 6792 Order No. R-6270

APPLICATION OF FLORIDA EXPLORATION COMPANY FOR A NON-STANDARD GAS PRORATION UNIT, EDDY COUNTY, NEW MEXICO.

### ORDER OF THE DIVISION

### BY THE DIVISION:

This cause came on for hearing at 9 a.m. on January 16, 1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 18th day of February, 1980, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

## FINDS:

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

(2) That the applicant, Florida Exploration Company, seeks approval of a 324.25-acre non-standard gas proration unit comprising Lots 1 and 2 and N/2 NE/4 of Section 33 and Lots 2, 3, and 4 and NW/4 NE/4 and N/2 NW/4 of Section 34, all in Township 26 South, Range 30 East, NMPM, to be dedicated to a well to be drilled to the Wolfcamp formation and possibly to the Pennsylvanian formation at a standard location thereon.

(3) That due to the New Mexico-Texas state line traversing Township 26 South, Range 30 East, directly through Sections 31 through 36, said sections are not of standard size and contain only approximately 260 acres each.

(4) That a standard size unit for a gas well in the Wolfcamp and Pennsylvanian formations in the subject area is 320 acres. -2-Case No. 6792 Order No. R-6270

(5) That the applicant is the operator of the Ross Draw Unit Area, which comprises, among other lands, the E/2 of Section 33 and all of Sections 34 and 35, Township 26 South, Range 30 East, NMPM, containing ten 40-acre tracts and 10 lots along the state line of approximately 25 acres each.

(6) That the 324.25-acre unit proposed by the applicant in this case comprises five 40-acre tracts and 5 lots along the state line of approximately 25 acres each, and such a combination of tracts and lots more closely approximates a standard size unit than any other combination of tracts or lots practicably possible in this area.

(7) That the proposed dedication will leave the applicant with 5 other 40-acre tracts and 5 other lots of approximately 25 acres each along the New-Mexico-Texas state line and within the boundary of the Ross Draw Unit Area to form a similar nonstandard spacing and proration unit to be dedicated to a future well yet to be drilled, if such well appears feasible.

(8) That the entire non-standard proration unit as proposed may reasonably be presumed productive of gas from the Wolfcamp or Pennsylvanian formations, or both, and that the entire non-standard gas proration unit can be efficiently and economically drained and developed by the aforesaid well.

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

#### IT IS THEREFORE ORDERED:

(1) That a 324.25-acre non-standard gas proration unit in the Ross Draw area comprising Lots 1 and 2 and N/2 NE/4 of Section 33 and Lots 2, 3, and 4 and NW/4 NE/4 and N/2 NW/4 of Section 34, all in Township 26 South, Range 30 East, NMPM, Eddy County, New Mexico, is hereby established and dedicated to a well to be drilled by the applicant, Florida Exploration Company, to the Wolfcamp formation and possibly to the Pennsylvanian formation at a standard location thereon.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary. -3-Case No. 6792 Order No. R-6270

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



STATE OF NEW MEXICO OIL CONSERVATION DIVISION Imig JOE D. RAMEY Director Į L

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No 1	Øl-26 Ross Draw Unit		Ross Draw	Prospect
ROSPECT NO Lea	1 0, 1 XX Wildcat Development D Recom	opiete [] Rapair Proposed	PROPOSED WELL DEP 14,500'	PTH
	s Exploration Company	Midland Div		
OPERATOR		DIVISION		AFE NO

	ESCRIPTION		SUB	DRILLING COS	ST	COMPLETION COST	TOTAL
	SCRIPTION	1	A/C	ACCOUNT 72	20	ACCOUNT 721	ΤΟΤΑΙ
RRXRANXXARRA	Rig Move		01	20,000			20.000
PERMITS AND SURVEY	T		19	350			350
CASING TOOLS, CREWS			50	6,500	,	2,500	9,000
CONTRACT DRILLING			51				•
CONTRACT DRILLING		\$ 48000AYS	52	360,000		-	360,000
COMPLETION RIG	15 DAYS@	\$ 1200DAYS	53			18,000	18,000
BUIS ROAD, DIRT WORK, PI	T AND RESTORATIC		54 56	<u>35,000</u> 10,000		3,000	35,000
CEMENT AND SERVICE			57	17,500		6,500	13,000
DRILLING MUD AND C			58	50,000		1.000	51,000
ELECTRICAL LOGGING	· · · · · · · · _ · = · _ · _	·	59	18,000		4.000	22,000
STIMULATIONS			60			40,000	40,000
PERFORATIONS			61			5,000	5,000
TESTING	·····		62	6,000			_6,000
CORE ANALYSIS AND	CORING		63				
MUD LOGGER		!	64	7,000			7,020
RENTAL TOOLS AND E			67	20,000		10,500	30,500
ENGINEERING AND SU	PERVISION		68 69	10,000		5,000	15,000
CEMENTING - PLUG A		······	71	18,500		2,000	20,500
MARINE COST			85	6,000			0.000
TRUCKING & RAIL FRE	EIGHT		86	3,000		5,000	8,000
GEOLOGICAL SERVICE	······································		89				¥.¥.*.*
MISCELLANEOUS AND	CONTINGENCIES		90	29,000		5,000	34,000
OVERHEAD			91		-		
			<b> </b>	i I			
TOTAL IN	TANGIBLE COST			616,850		107,500	724,350
	OTY.	SIZE		ACCOUNT 7	24	ACCOUNT 725	
DRIVE PIPE CASING	FT.	INCHES	01	5,800			5.00
SURFACE CASING			02	10.000		000 4	5,800
PRODUCTION CASING	2,700 FT. 5		03			25,000	25,000
PRODUCTION TUBING			05	urra a reas		74,000	74,000
CHRISTMAS TREE			07			10,000	10,000
PACKER AND PRODUC	TION TUBING ACCE	SSORIES	08	·		3,000	3,000
INTERMEDIATE CASIN			09	43,000		·····	43,000
DRILLING LINER	12,000 FT. 7	-5/8 INCHES	10	165,000			165,000
MISCELLANIOUS AND	CONTINGENCIES		29	10,000		6,000	16,000
	ANGIBLE COST		L}				267 000
				233,800	فننسب سيكام	124,000	357,800
	TAL COST THRU		REE	850,650		231,500	1,082,150
	% OWNERSHIP	PRODUCTION	I EQU!!	PMENT	Subat	ACCOUNT 730	<b>A</b> 1
IOWNER	7. 01112113	STORAGE TA	NK		11	10,000	tad
dland III	•	WALKWAYS A			13		
·	<u>.</u>	CHEMICAL LL		ATORS	14	<b>i</b>	Â
111		DEHYDRATO			15		
	h	TREATING E			16 17		-WWD-
	. <b>└. \</b>			TING EQUIP.	17	2,000	
101 W W	<b>* +</b>	FIELD PIPELI			19	5,000	¥
-Q	+			& DWELLING	20		
x in x		FACILITY INS	STALL	ATION	30	3,000	
V a b			OUS/C	ONTINGENCIES	90	4,500	
		Gas Pak				25,000	
9 .00	!	TOTAL PR	SOUC.		NT	49,500	1,131,65
1099							
NER		DATE		FLA. GAS HIC	CE PRE	SIDENT . EXPLORATION	DATE
NER	•			FLA. GAS HIC	CE PRE	SIDENT EXPLORATION	DATE

- THOMEATON TO	N EXPENDINC		une
OPERATOR	DIVISION		AFENO
• Florida Gas Exploration	Midland		0,1,3,2,0,1
PROSPECT NO LEASE WILL WILDCAT DEVELOPMENT	EXPLORATORY	PROPOSED WELL DE	PTH
	PROPOSED	14,500'	SUPPLEMENT
WELLNAME			
Ross Draw #7			
LOCATION			

1,980' FSL and 1,980' FEL Section 26, T-26-S, R-30-E

TO A A A A

			<u></u>	SUB	DRILLING COS	e T	COMPLETION COST	
		SCRIPTION		A/C	ACCOUNT 72		ACCOUNT 721	TOTAL
T	COMPANY LABOR			j 01		1		
I	PERMITS AND SURVEY			19	3	,500		3,500
	CASING TOOLS, CREWS	AND TONGS		50		,500		9,500
	CONTRACT DRILLING	FT. @S	/FT.	51			STERNE AND	
Į	CONTRACT DRILLING	DAYS @ S	S /DAYS	32				242,000
1	COMPLETION RIG	DAYS	S /DAYS	53				
	BITS			54	24	,500		24,500
ļ	ROAD, DIRT WORK, PIT		N	56	1	.500		36,500
	CEMENT AND SERVICE			57		.000	15,000	47,000
	DRILLING MUD AND CH			58		.000		183,000
1	ELECTRICAL LOGGING	& SURVEYS		59	17.	.000	[	17,000
	STIMULATIONS			60		- <u></u>		
	PERFORATIONS			61		253		
	TESTING			62	4,	.000		4,000
ĺ	CORE ANALYSIS AND C	ORING		63	<u> </u>	'	<u> </u>	
1	MUD LOGGER			64	1	,500		22,500
:	RENTAL TOOLS AND EC	······································		67	1	.500		87,500
1	ENGINEERING AND SUP	PERVISION		68		'		
ł	FUEL AND WATER			69	74.	.000		74,000
ł	CEMENTING - PLUG AN	JD ABANDON		71	L	!	ļ	
ł	MARINE COST			85	1	'	·ــــــــــــــــــــــــــــــــــــ	
ł	TRUCKING & RAIL FRE			86	55.	,000	l	55,000
ł	GEOLOGICAL SERVICES			89	<b>_</b>	'	·	
ł	MISCELLANEOUS AND	CONTINGENCIES		90	<b>↓</b>	)		
ł	OVERHEAD			91	<b></b>	J		
ŀ	·			<u> </u>	<b>!</b>	<del>_</del>	<u><u> </u></u>	
1	TOTAL IN	TANGIBLE COST		,	791.	,000	15,000	806,000
t		QTY.	SIZE	T'	ACCOUNT 7		ACCOUNT 725	
	DRIVE PIPE CASING	FT.	INCHES		ALLUUI	24	ACCOUNT 120	
ł	SURFACE CASING	<u> </u>	INCHES INCHES		+	7		·
ł	CASING HEADS		·····	02	+	1	THE CONTRACTOR	
¦	PRODUCTION CASING	FT.	INCHES		E Contraction	स्टल्ट	/ <u>!</u>	
7   7	PRODUCTION TUBING	FT.	INCHES				it-	
-	CHRISTMAS TREE			07	22.0	No.	ł	<u></u>
?†	PACKER AND PRODUCT	TION TUBING ACCES	SORIES	08	CATE	ইন্থা	1	
1	INTERMEDIATE CASING		INCHES	09		·,		· · · · · · · · · · · · · · · · · · ·
Ì	DRILLING LINER	FT.	INCHES	+				·
Ţ	MISCELLANIOUS - 10 C	ONTINGENCIES		29	[			
l	·····					/		
	TOTAL T	ANGIBLE COST		· ,		— ,		, <u></u>
1					1			
	тот	TAL COST THRU C	HRISTMAS T	REE		·'	,	806,000
• •	OWNER	% OWNERSHIP	PRODUCTION		IPMENT	Subat	ACCOUNT 730	
<u>11</u>	· · · · · · · · · · · · · · · · · · ·		STORAGE TA			11	<b>├</b>	
M	idland Ilī	100 00	WALKWAYS			13		
_		<u> </u>	CHEMICAL LI		ATORS	14		
	·····	ļ	SEPARATOR: DEHYDRATO			15		-mach
		<u> </u>				16	<b>↓↓↓↓↓↓↓↓↓</b>	
	<u> </u>	<u> </u> /	TREATING E			17	AUL 2	<del>24-1979     </del>
		<u></u>	FIELD PIPEL		ATING EQUIP.	18		
		<u> </u>			G & DWELLING	19 20		
		<u>↓</u>	FACILITY IN			30	FIDRI	IDA GAS
		+			CONTINGENCIES	++	EXPLORATIN	UN COMPANY
	·····	÷	I			<u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u></u>	tt	
		+				<b></b>	f	
		<u>                                      </u>		ODUC		J	]	806,000
4	INER		DATE	<u></u>	F.G.E.Co. VICI	EPRES	Al sel.	DATE
					1	<u> </u>	Villian	8/13/2
								/   DATE
FG	EREST	PRODUCES	A PREPAR	120 81	÷	DATE	E GEDLOUICAL	) DATE

<b>1</b>	Florida Exj	ploration Comp	any		Midlar		·	
0	0,4,0 0,2 0	1 UD WILDCAT	DEVEL		NT DEXP		TORY PHOPOSED WELL	
VEI		*					9,200'	
	No. 8 Ross Drav	. (Ross Draw	-Delaware)			T	ala sprin	TRA
0C	ATION	1 ( [ ] ]			Power	, D	2000	A we I.
	1,650' FNL and	1,030' FEL			North	Pr	see fill	1 to it supp
	Section 27, T-2	?6-S. R-30-E			I I I I I I I I I I I I I I I I I I I	-	they bere it	
<u>Dr</u>	PARISH	ISTATE	FIELD			111	(0)	
	Eddy	М.М.	Wildca	t			. 32	3 fall'
	ITEM DI	ESCRIPTION		SUB A/C	DRILLING COS		COMPLETION COST	10 JOTAL 387 read
Т	COMPANY LABOR RE	·			ACCOUNT 72		THALLOUGHT 721	10 1, 35,000 09
ļ	PERMITS AND SURVEY			19	35,0	500		500 - 1, 35,000 - 17
ľ	CASING TOOLS, CREWS			50	2,5		5,000	7,500
	CONTRACT DRILLING		/FT.	51			in the Branch	
	CONTRACT DRILLING		\$ 4500DAYS	<u>52</u> 53	171.0			171.000
	COMPLETION RIG	IUUAYS@	\$ 11000AYS	53 54	20.0		11,000	11,000
ł	ROAD, DIRT WORK, PI	TAND RESTORATIO	<u>N</u>	56			5,000	30.000
	CEMENT AND SERVICE	S		57.	16.0	000	8,000	24.000
	DRILLING MUD AND C			58	30,0		1,500	31,500
ا د	ELECTRICAL LOGGING	S & SURVEYS		53 60	15,0		<u>4,000</u>	19,000
21	PERFORATIONS			60 61			2,500	2,500
2	TESTING			62	7,0		2,300	7,000
2	CORE ANALYSIS AND	CORING		63	1			
-1	MUD LOGGER			64	7,5			7.500
2	RENTAL TOOLS AND E			67 68	10,0		5,000	15,000
-1	FUEL AND WATER			68 69	12,0		3,000	<u> </u>
	CEMENTING - PLUG A	ND ABANDON		71	5.0	1		5,000
ł	MARINE COST		······	85				
	TRUCKING & RAIL FRE		· · · · · · · · · · · · · · · · · · ·	86	5,0	200	5,000	10.000
ŀ	GEOLOGICAL SERVICE			89 90	10 0	100		21 000
ł	OVERHEAD	UIE3		90	18,0	200	3,000	21,000
ŀ						i		
Į	TOTAL IN	TANGIBLE COST	•		404,5	100	55,000	
4		OTY.	SIZE	1	, 		ACCOUNT 725	00,5CF
	DRIVE PIPE CASING	<u>014.</u> FT.	INCHES	01	ACCOUNT 72		ACCOUNT 725	
ł	SURFACE CASING	and the second	-3/8 INCHES	02	6.0	100		6,000
υĒ	CASING HEADS	······································		03	3,5	500	2,500	6,000
-1	PRODUCTION CASING	9,200 FT.	-3/8 INCHES	04			58,000	58,000
-	CHRISTMAS TREE	9,200 FT. 2-	-210	05	۲		<u>28,500</u> 3,000	<u> </u>
21	PACKER AND PRODUC			08			4,000,	4,000
ā	INTERMEDIATE CASIN	W		09	47.0	00		47,000
-	DRILLING LINER	FT.	INCHES	10 29		00		
ł	MISCELLANIUUS AND				2,5	UU	5,000	7,500
ł		ANGIRIE	- <u></u>	۱ ا	<b>-</b> -			
Ţ	IGTALT	ANGIBLE COST			59,0	00	103,000	162,000
	то	TAL COST THRU	CHRISTMAS T	REE	463,5	00	158,000	621,500
-			PRODUCTION	I EOLII		Subak		0
_1	WI OWNER	% OWNERSHIP	STORAGE TA			11	10,000	. 447
	Midland III	100.000	WALKWAYS			13		
			CHEMICAL LI			14		A DA Ala
			SEPARATOR: DEHYDHATU		) I GŘ	15	15,000	1471 , 19 <sup>-</sup>
		+	TREATING E		ENT	16		1
		· · · · · · · · · · · · · · · · · · ·	METERS&R	EGULA		18	1,000	1/2
	······		FIELD PIPELI			19	1,000	
	<del></del>		LEASING BUI		ATION	20 30	3,000	
-	<u></u>	+			ONTINGENCIES	<u> </u>	2,000	
_			TOTAL PRO	2000	TION EQUIPME	NT		
	1NER	1	JUATE		F G.E.Co. VIG		32,000	653,500
						· /	SIGENT	Stale.
<del>,</del>		PHODUCE	A PREPAR	EDBY		DATE		
	EREST	•	•	- 41		_≂1£	CLAINOGICAL	Date S/30/70
			LAND		0	DATE		DATE DATE
:05	ST 5	S	-12.		1 lan	8/31		1.1. + < - 7. 1. The
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	EXPLORATION CO	MUANY			lland		AFE NU.
0.0.4.0 0.2 0		DEVEL		IT DEXP		TORY PHOPOSED WELL DI	LPIN
WELL NAME No. 8 Ro				(Ross Draw	Pro	•	
OCATION						spect /	
1650' FN	IL and 1650' FE	L			<u></u>		
	27, T-26-5, R-						
COPARISH Eddy	STATE	FIELD Ross I	)raw	(Wolfcamp)			
ITEM	DESCRIPTION		SUB	DRILLING CO	ST	COMPLETION COST	TOTAL
			A/C	ACCOUNT 7	20	ACCOUNT 721	
COMPANY LABOR			19				
CASING TOOLS, CRE	and the second s		50				
CONTRACT DRILLIN			51				
CONTRACT DRILLIT			52	102, 102,	000	RE-ENARCE	102,00
BITS	DAYS @	S /DAYS	53 54		000		6.00
	PIT AND RESTORATIO	DN .	56	¥.	000		0,00
CEMENT AND SERVE	ICES		57		000		10.00
	·		58	15,			15.00
STIMULATIONS	NG & SURVEYS		59 60	<u>15.</u> باروند بر		1,000	16.00
PERFORATIONS			61			1,000	1.00
TESTING			62				
CORE ANALYSIS AN	D CORING		63				·····
MUD LOGGER			64		000		8,00
RENTAL TOOLS AND			67	15,			15,00
FUEL AND WATER	SUPERVISION		68 69	20,	000		9,000
PLUG AND ABANDO	N COSTS		71	20,1	000		20,000
MARINE COST			85				
TRUCKING & RAIL F	REIGHT	· · · · · · · · · · · · · · · · · · ·	86				
GEOLOGICAL SERVI		·····	89				
MISCELLANEOUS AN	O CONTINGENCIES		90 91	5,0	000		5,000
TOTAL	INTANGIBLE COST			205,0	000	2,000	207,000
•	<u> 014.</u>	SIZE		ACCOUNT 7	24	ACCOUNT 725	
DRIVE PIPE CASING		INCHES	01			19-14-19-44-4-4-4-	
SURFACE CASING	FT.	- INCHES	02 03			2,000	2,000
PRODUCTION-CASIN	G-Liner1200FT.	41 INCHES	04			16,000	16,000
PRODUCTION TUBIN	G 11,800 FT.	2-3/8NCHES	05			63,500	63,500
CHRISTMAS TREE			07			20,200	20,200
PACKER AND PHOD	JCTION TUBING ACCE		08	12.4	200	5,000	5,000
DRILLING LINER	FT.	7 INCHES	10	42,0	000		42,000
MISCELLANIOUS AN		······	29	· · · · · · · · · · · · · · · · · · ·			
ТОТА		<u></u>	I			106 700	1/0 700
	TANGIBLE COST			42,0		106,700	148,700
	TOTAL COST THRU			247,0		108,700	355,700
I. OWNER	& OWNERSHIP	PRODUCTION STORAGE TA		rmeNi	Sub ak	ACCOUNT 730	
Midland III	100,0000	WALKWAYS		TAIRWAYS	13		
		CHEMICAL L		ATORS	14	,	
		SEPARATOR			15		
<u></u>		DEHYDRATC TREATING E	·	ENT	16		
				TING EQUIP.	18	<u>├</u> ┨	
······		FIELDPIPEL			19		
				& DWELLING	20		
•		PUMPING UN FACILITY IN			21	┟┈────┨┈	
				ONTINGENCIES	90		-
· · · · · · · · · · · · · · · · · · ·		1			NT		355,700
		TOTAL PR	ODUC			l I	•
ANINER .	2 2 2	TOTAL PR		F.G.E.Co. VIC	EPRE	SIDENT	DATE
ANINER FOE CO DRY HO	LE PHODUCI	DATE			EPRE	K. M. Main	DATE
		DATE		F.G.E.Co. VIC	ELPHE	GEOLOGICAL	UATE 11/1.3/75

La de la companya de

Florida Gas E. ploration Company Midland I Midland I	Division
PROSIFECTIVO Lease # Well # Wildcat Development Hecomplete Flepair Propose	PHOPOSED WELL DEPTH
No 7 1-26 Ross Draw Unit	Ross Draw Prospect
1980' FS&EL Section 26, T-26-S, R-30-E	

Eddy	N.Mex.	FIELD Wildcat	t				
ITEM DE	SCRIPTION	•	SUB A/C	DRILLING COS	т	COMPLETION COST	TOTAL
		ACCOUNT 72	0	ACCOUNT 721			
	Rig Move		01	20,000			20.000
PERMITS AND SURVEY			19	350			
CASING TOOLS, CREWS			50	6,500	<u>.</u>	2,500	9,000
CONTRACT DRILLING	FT.@\$		51				
CONTRACT DRILLING		\$ 48000AYS	52				360.000
COMPLETION RIG BITS	15 DAYS@	\$ 1200DAYS	53		•	18,000	18.000
ROAD, DIRT WORK, PIT		\AI	54 56	35,000		2 000	35,000
CEMENT AND SERVICE			57	10,000		3,000	13,000
DRILLING MUD AND CH	·······	<u> </u>	58	17,500		6,500	24,000
ELECTRICAL LOGGING		······································	59	50,000		1,000	51,000
STIMULATIONS			60	18,000		4,000	<u>22.000</u> 40.000
PERFORATIONS			61			40,000	5,000
TESTING			62	6.000		<u>, uuu</u>	6.000
CORE ANALYSIS AND C	ORING		63	<u>0_000_</u>			0.000
MUD LOGGER			64	7,000			7,000
RENTAL TOOLS AND E	OUIPMENT		67	_20,000		10.500	30,500
ENGINEERING AND SUI	PERVISION		68	10,000		5.000	15.000
XXXX AND WATER			69	18,500		2,000	20,500
CEMENTING - PLUG AN	D ABANDON		71	6,000			6,000
MARINE COST			85				
TRUCKING & RAIL FRE	IGHT		86	3,000		5,000	8,000
GEOLOGICAL SERVICE	s .		89				
MISCELLANEOUS AND	CONTINGENCIES	·	90	29,000		5,000	34,000
OVERHEAD	······		91				
TOTAL IN	TANGIBLE COST	·····	·!	616,850		107,500	724,350
	QTY.	SIZE		ACCOUNT 72	4	ACCOUNT 725	
DRIVE PIPE CASING	FT,	INCHES	01				
SURFACE CASING		-3/8 INCHES		5,800			5.800
CASING HEADS			03	10,000		6,000	16,000
PRODUCTION CASING	2,700 FT. 5	1/2 INCHES	ÛĄ			25,000	25,000
PRODUCTION TUBING	14,500 FT. 2	-7/8 INCHES	05	¥na Solan ar_		74,000	74,000
CHRISTMAS TREE			07			10,000	10,000
PACKER AND PRODUCT	ION TUBING ACCE	SSORIES	08	<u> </u>		3,000	3,000
INTERMEDIATE CASING		the second s	09	43,000			43,000
DRILLING LINER	12,000 FT. 7	-5/8 INCHES	10	165,000			165,000
MISCELLANIOUS AND C	ONTINGENCIES		29	10,000		6,000	16,000
TOTAL T	ANGIBLE COST	<u></u>		233,800		124,000	357,800
TO	TAL COST THRU	CHRISTMAS T	REE	850,650		231,500	1,082,150
	2.57544475551492515559251	PRODUCTION			Subak	ACCOUNT 730	
W. TOWNER	% OWNERSHIP	STORAGE TA	NK		11	10,000	
idland III	•	WALKWAYS	AND ST	AIRWAYS	13		
•		CHEMICAL LI	BRIC	TORS	14		
	-	SEPARATOR	5		15		
		DEHYDRATO	RS		16		
		TREATING E	QUIPM	ENT	17		
		METERS & A		TING EQUIF.	18	2,000	
		FIELD PIPELI	_		19	5,000	
		· · · · · · · · · · · · · · · · · · ·		& DWELLING	20		
		FACILITY IN			30	3,000	
			UUS/C	ONTINGENCIES	90	4,300	····
		Gas Pak				25,000	
		o		TION EQUIPMEN		49,500	1,131,650
INEH .		DATE		FLA. JAS MIL	E PHE	SIDENT - EXPLOHATION	DATE
		PHEPAH	L [] 0		DAT	Company	
Co DRYHOLE	PRODUCER	I FREPAR			DAI	E GEUTAUICAL	DATE
FEST							LACALTY IC

	1.01419/014		ATENO	_
Florida Gas Exploration	Midland		0, 1, 3, 2, 0, 1	I
PROSHICT HO HERE WORK WORK DEVELOPMENT	DEXPLORATORY	PROPOSED WELL DE	PTH	_
water a star a sta	R PROPOSED	14,500'	SUPPLEMENT	
WELLNAME			•	
Ross Draw 17				
LOCATION				

1,980' FSL and 1,980' FEL Section 26, T-26-S, R-30-E

Eddy		STATE NM	FIELD					
	ITEM DE	SCRIPTION	,	SUB	DRILLING CO	ist	COMPLETION COST	TOTAL
	• • • • • • • • • • •		′	A/C	ACCOUNT 7	20	ACCOUNT 721	IUIAL
COMPAN	YLABOR		/	01				
	AND SURVEY			19	<u>3</u>	500		3,500
	TOOLS, CREWS		/	50		son		9,500
	CT DRILLING	FT. @\$	/FT.	51		<del></del>	C. C	
	CT DRILLING	DAYS		52	242	000	Free Letron with the	242,000
	TION RIG	DAYS@S		53			Carrow and the second	<u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u></u>
BITS	1.0141112			54	1			24 500
	IN A REPLY	AND RESTORATION	, , <b>/</b>	54		,500		24,500
			<u>*</u> ,	-		5,500	ļ	36.500
	AND SERVICES		/	57		,000	15,000	47.000
	G MUD AND CH		/	58		000		183.000
·	CAL LOGGING	& SURVEYS	/	59	117	,000	[ 	17.000
STIMULA			/	60		1000	•	
PERFOR	ATIONS		!	61	RAS ZERIES	24		
TESTING			· · · · · · · · · · · · · · · · · · ·	62	4	.000		4.000
CORE AN	ALYSIS AND C	ORING	······	63			· · · · · · · · · · · · · · · · · · ·	Ì
MUD LOC				64	1	.500		22.500
	TOOLS AND EC	MINDMENT		67			<u>}</u>	
	RING AND SUP		/	+		,500	<b> </b>	87,500
·		PERVISION	/	68	t			
	ID WATER	·····		69	/4	.000		74,000
h	ING - PLUG AN	ID ABANDON		71	L	'	ļ!	l
MARINE				85	1	'	<u> </u>	<u>i ·</u>
TRUCKIN	IG & RAIL FRE	IGHT	······································	86	55	,000		55.000
GEOLOG	ICAL SERVICES	s		89		/		
MISCELL	ANEOUS AND	CONTINGENCIES	/	90		,		
OVERHE.	AD			91	I			
					[	,		
<u>}</u>			<u></u>	L	t	7	<u> </u>	
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CATION	(Ross Draw	-Delaware)				9,2001		
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1,650' FNL and								
Section 27, T-2								
PARISH	SYAYE	FIELD	h- <u></u>					
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ITEM DE	ESCRIPTION	1	SUB A/C	DRILLING COS		COMPLETION COST ACCOUNT 721	TOTAL	
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CASING TOOLS, CREWS			50	2,5		5,000	7,500	
CONTRACT DRILLING	FT. # \$ 38 DAYS @	/FT. \$43000AYS	51 52	171 0			173 000	
COMPLETION RIG		\$ 11000AYS	52 53	171.0		11.000	<u> </u>	
BITS	<u> </u>	-1144-	54	20.0			20,000	
ROAD, DIRT WORK, PIT		N	56	25,0	000	5,000	30,000	
CEMENT AND SERVICE			57.	16.0	000	8,000	24,000	
DRILLING MUD AND CH			58	30.0		1,500	31,500	
ELECTRICAL LOGGING	B SURVETS		59 60	15.0		4,000	<u> </u>	
PERFORATIONS			61			2,500	2	
TESTING			62	7.0			7,000	
CORE ANALYSIS AND C	ORING		63					
MUD LOGGER			64	7.5			7.500	
RENTAL TOOLS AND E			67 68	10,0		5,000	15,000	
FUEL AND WATER	PERVISION		68 69	12.0		3,000	15.000	
CEMENTING - PLUG AN			71	<u> </u>		2.000	27,000	
MARINE COST			85		<u>v</u>			
TRUCKING & RAIL FRE		•	86	5.0	00	5,000	10,000	
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MISCELLANEOUS AND	CONTINGENCIES		90 91	18,0	00	3,000	21,000	
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SURFACE CASING	and the second se	-3/8 INCHES	01	6.0	00		6,000	
CASING HEADS	· · · · · · · · · · · · · · · · · · ·	·	63	3,5		2,500	6,000	
PRODUCTION CASING	9,200 FT.	51 INCHES	04		<u></u>	58,000	58,000	
CHRISTMAS TREE	9,200 FT. 2	-3/8 INCHES	05 07	and the second se	<u></u>	28,500	28,500	
PACKER AND PRODUCT	TION TUBING ACCE	SSORIES	07	F		5,000	5,000	
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DRILLING LINER MISCELLANIOUS AND C TOTAL T	ANGIBLE COST	PRODUCTION	REE	463,5		158,000 ACCOUNT 730		
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ŀ	CASING TOOLS, CREW			50			<u> </u>			
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ŀ	ROAD, DIRT WORK, PI		N .	56			<b> </b>			
ŀ	CEMENT AND SERVICE			57		10,000				10.000
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z	RENTAL TOOLS AND E			67	15,0	_				15,000
	ENGINEERING AND SU	IPERVISION		58	9,0					9,000
-	FUEL AND WATER			69	20,0	000				20,000
-	PLUG AND ABANDON	COSTS		71				an an an Arman ann an Arman a Arman an Arman		
- F	MARINE COST TRUCKING & RAIL FRI	FIGHT		85 86						
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rn L	CHRISTMAS TREE			07			ļ	20,200		20,200
ᆋ	PACKER AND PRODUC			08	·		<b></b>	5,000		5,000
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<u></u>		100,0000	WALKWAYS			15	ļ			
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LAW OFFICES OF HUNKER-FEDRIC, P. A. SUITE 210. HINKLE BUILDING POST OFFICE BOX 1837 ROSWELL, NEW MEXICO 88201

GEORGE H. HUNKER. JR. DON M. PEDRIC

TELEPHONE 628-2700 AREA CODE 505

December 20, 1979

Mr. Joe D. Ramey, Secretary-Director New Mexico Oil Conservation Division New Mexico Department of Energy P.O. Box 2088 Santa Fe, New Mexico 87501

Case 6 79.2

Re: Non-Standard Unit T-26-S, R-30-E Eddy County, New Mexico أبريامه

Dear Mr. Ramey:

SAUXE We hand you herewith the original and two copies of Florida Exploration Company's Application for a Non-Standard Gas Well Unit, Eddy County, New Mexico, which said application is self-explanatory. We would like very much for you to put this on the docket of examiner cases to be heard on January 16, 1980.

Your assistance in this regard is appreciated. With all good wishes for a Happy Christmastime and a Splendid New Year.

Sincerely yours,

HUNKER-FEDRIC, P.A.

conge X. Hunk

George H. Hunker, Jr.

GHH: dd Enc.

> xc: Florida Exploration Company Suite 900 Vaughn Bldg. Midland, Texas 79701 Attn: James W. Rogers, Division Land Manager

### NEW MEXICO DEPARTMENT OF ENERGY

#### OIL CONSERVATION DIVISION

APPLICATION FOR APPROVAL OF NON-STANDARD GAS WELL UNIT, ROSS DRAW AREA, EDDY COUNTY, NEW MEXICO

Cuse 6792

Florida Exploration Company, Suite 900 Vaughn Building, Midland, Texas 79701, hereby makes application for Division approval of a Non-Standard Gas Well Unit, and in support thereof, shows:

1. That Applicant is the Designated Agent for the development and operation of the Koss Draw Unit, a Federally approved producing unit which includes within its exterior boundaries the NE½ of partial Section 33, all of partial Section 34, and all of partial Section 35 and other lands in Township 26 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, which said sections are all irregular in that they are situated on the north side of the New Mexico-Texas state line.

2. That Applicant desires to drill a test well for gas and associated liquid hydrocarbons to the Wolfcamp formation to an estimated depth of 12,250 feet (with an option to drill said test well at Applicant's option to the Morrow formation at an estimated depth of 14,500 feet) at a legal (orthodox) location approximately 760 feet from the North line and 1,980 feet from the West line of Section 34, Township 26 South, Range 30 East. That Applicant proposes to form a Non-Standard Gas Unit crossing a section line, consisting of and to which will be dedicated the following described tract:

Township 26 South, Range 30 East, N.M.P.M.

 3. That the approval of a Non-Standard Gas Well Unit will be in the interest of conservation, the prevention of waste, and will not adversely affect correlative rights. This Application is made pursuant to the provisions of N.M.O.C.D. Rule 104 D II.

Applicant requests a hearing before an examiner at an early date, and prays that its Application for Non-Standard Gas Well Unit above described be approved.

-2-

Respectfully <u>submitted</u>, HUNKER-FEDRIC, P.A.

ulle Βv Jr.

George H. Hunker, Jr. Attorneys for Applicant, Florida Exploration Company P.O. Box 1837 Roswell, New Mexico 88201 (505) 622-2700

### NEW MEXICO DEPARTMENT OF ENERGY

OIL CONSERVATION DIVISION

Cuse 6792

APPLICATION FOR APPROVAL OF NON-STANDARD GAS WELL UNIT, ROSS DRAW AREA, EDDY COUNTY, NEW MEXICO

Florida Exploration Company, Suite 900 Vaughn Building, Midland, Texas 79701, hereby makes application for Division approval of a Non-Standard Gas Well Unit, and in support thereof, shows:

1. That Applicant is the Designated Agent for the development and operation of the Ross Draw Unit, a Federally approved producing unit which includes within its exterior boundaries the NE½ of partial Section 33, all of partial Section 34, and all of partial Section 35 and other lands in Township 26 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, which said sections are all irregular in that they are situated on the north side of the New Mexico-Texas state line.

2. That Applicant desires to drill a test well for gas and associated liquid hydrocarbons to the Wolfcamp formation to an estimated depth of 12,250 feet (with an option to drill said test well at Applicant's option to the Morrow formation at an estimated depth of 14,500 feet) at a legal (orthodox) location approximately 760 feet from the North line and 1,980 feet from the West line of Section 34, Township 26 South, Range 30 East. That Applicant proposes to form a Non-Standard Gas Unit crossing a section line, consisting of and to which will be dedicated the following described tract:

Township 26 South, Range 30 East, N.M.P.M.

Section	33:		(24.80	acres),	2	(24.78	acres),
Section	34:						acres),
		4 (24,8	17 acres	), <u>NW¥NE</u>	<u>,</u>	NYNWY;	

containing 324.25 acres, more or less.

-1-

3. That the approval of a Non-Standard Gas Well Unit will be in the interest of conservation, the prevention of waste, and will not adversely affect correlative rights. This Application is made pursuant to the provisions of N.M.C.C.D. Rule 104 D II.

Applicant requests a hearing before an examiner at an early date, and prays that its Application for Non-Standard Gas Well Unit above described be approved.

> Respectfully submitted, HUNKER-FEDRIC, P.A.

Hunker, George H. Jr.

Attorneys for Applicant, Florida Exploration Company P.O. Box 1837 Roswell, New Mexico 88201 (505) 622-2700

## NEW MEXICO DEPARTMENT OF ENERGY

OIL CONSERVATION DIVISION

Case 6792

3

SPLIT PE

APPLICATION FOR APPROVAL OF NON-STANDARD GAS WELL UNIT, ROSS DRAW AREA, EDDY COUNTY, NEW MEXICO

Florida Exploration Company, Suite 900 Vaughn Building, Midland, Texas 79701, hereby makes application for Division approval of a Non-Standard Gas Well Unit, and in support thereof, shows:

1. That Applicant is the Designated Agent for the development and operation of the Ross Draw Unit, a Federally approved producing unit which includes within its exterior boundaries the NE½ of partial Section 33, all of partial Section 34, and all of partial Section 35 and other lands in Township 26 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, which said sections are all irregular in that they are situated on the north side of the New Mexico-Texas state line.

2. That Applicant desires to drill a test well for gas and associated liquid hydrocarbons to the Wolfcamp formation to an estimated depth of 12,250 feet (with an option to drill said test well at Applicant's option to the Morrow formation at an estimated depth of 14,500 feet) at a legal (orthodox) location approximately 760 feet from the North line and 1,980 feet from the West line of Section 34, Township 26 South, Range 30 East. That Applicant proposes to form a Non-Standard Gas Unit crossing a section line, consisting of and to which will be dedicated the following described tract:

Township 26 South, Range 30 East, N.M.P.M.

Section 33: Lots 1 (24.80 acres), 2 (24.78 acres), N½NE½ Section 34: Lots 2 (24.98 acres), 3 (24.87 acres), 4 (24.82 acres), NU½NE¼, N½NU¼;

containing 324.25 acres, more or less.

-1-

3. That the approval of a Non-Standard Gas Well Unit will be in the interest of conservation, the prevention of waste, and will not adversely affect correlative rights. This Application is made pursuant to the provisions of N.M.O.C.D. Rule 104 D II.

Applicant requests a hearing before an examiner at an early date, and prays that its Application for Non-Standard Gas Well Unit above described be approved.

> Respectfully submitted, HUNKER-FEDRIC, P.A.

George H. Hanker,

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Dockets Nos. 3-80 and 4-80 are tentatively set for January 30 and February 13, 1980. Applications for hearing must be filed at lease 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - VEDNESDAY - JANUARY 16, 1980

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

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner: <u>ALLOWABLE</u>: (1) Consideration of the allowable production of gas for February, 1980, from fifteen prorated pools in LeG. Eddy, and Chaves Counties, New Mexico.

- (2) Consideration of the allowable production of gas for February, 1980, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.
- CASE 6787: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the approval of 12 non-standard proration units ranging in size from 261.51 acres to 334.24 acres for 320-acre spaced pools, and 19 non-standard proration units ranging in size from 162.65 acres to 207.57 acres for 160-acre spaced pools, all of the aforesaid units being in and resulting from the irregular size and shape of Sections 1 thru 7 and 18, 19, 30, and 31, along the North and West sides of Township 28 North, Range 3 West, Rio Arriba County.
- <u>CASE 6788</u>: Application of Amoco Production Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its South Mattix Unit Well No. 35 located in Unit F of Section 15, Township 24 South, Range 37 East, to produce gas from the Fowler-Upper Paddock Pool and oil from the Fowler-Drinkard Pool thru parallel strings of tubing.
- CASE 5789: Application of Knox Industries, Inc. for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the well location requirements of the Scharb-Bone Springs Pool as promulgated by Order No. R-2589 to permit its New Mexico State Well No. 2 to be drilled in Unit N of Section 1, Township 19 South, Range 34 East, the E/2 NE/4 of said Section 1 to be dedicated to the well.
- CASE 6790: Application of Merrion & Bayless for gas well commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to temporarily commingle certain of its Pictured Cliffs gas wells in Sections 1, 2, 3, 9, 10, and 11, Township 26 North, Range 13 West, in a common gathering system and meter the entire lease output through the purchaser's sales meter located in Unit M of said Section 7.
- CASE 6784: (Continued from January 3, 1980, Examiner Hearing)

Application of Merrion & Bayless for a non-standard proration unit and an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 640acre non-standard gas proration unit comprising the W/2 of Section 18 and the W/2 of Section 19, Township 32 North, Range 14 West, Barker Creek-Paradox Pool, to be dedicated to its Ute Well No. 7 at an unorthodox location 1685 feet from the South line and 3335 feet from the East line of said Section 19.

In the alternative, applicant seeks an order force pooling all of said Section 19 to form a standard 640-acre unit.

- CASE 6791: Application of Holly Energy, 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 State 30 Well No. 1, a Morrow test to be drilled 660 feet from the North line and 840 feet from the East line of Section 30, Township 17 South, Range 28 East, the N/2 of said Section 30 to be dedicated to the well.
- CASE 6792: Application of Florida Exploration Company for a non-standard gas proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 324.25-acre non-standard gas proration unit comprising Lots 1 and 2 and N/2 NE/4 of Section 33 and Lots 2, 3, and 4 and NW/4 NE/4 and N/2 NW/4 of Section 34, all in Township 26 South, Range 30 East, Ross Draw Area, to be dedicated to a well to be drilled at a standard location thereon.
- <u>CASE 6793</u>: Application of Meadco Properties, Ltd. for an exception to Order No. R-111-A, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the casing-cementing rules of Order No. R-111-A to permit a proposed well in Unit E of Section 4, Township 21 South, Range 29 East, to be completed by setting surface casing at 550 feet and production casing at total depth and cementing both casing strings to the surface.
- CASE 6794: Application of Caulkins Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Tocito Gallup and Dakota production in the wellbore of its Breech "D" Well No. 140 located in Unit A of Section 11, Township 2b North, Range 6 West.

Florida Exploration Company 324.25 ac non she gas prozahion unit Eddy Co

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STATE OF NEW MEXICO ENERGY AND MINEFALS DEPARTMENT OIL CONSERVATION DIVISION

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

6792 CASE NO.

Order No. R- 6270

APPLICATION OF FLORIDA EXPLORATION COMPANY GAS FOR A NON-STANDARD /PRORATION UNIT,

EDDY COUNTY, NEW MEXICO.

# ORDER OF THE DIVISION

# BY THE DIVISION:

This cause came on for hearing at 9 a.m. on <u>January 16</u> 19<sup>80</sup>, at Santa Fe, New Mexico, before Examiner <u>Daniel S. Nutter</u>

NOW, on this <u>day of January</u>, 19<u>30</u>, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

## FINDS:

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

(2) That the applicant, Florida Exploration Company
seeks approval of a 324.25 \_\_\_\_\_\_\_ - acre non-standard gas proration unit and Lots, 2, 3, and 4 and NW/4 NE/4 and Lots, 2, 3, and 4 and NW/4 NE/4 and Lots, 2, 3, and 4 and NW/4 NE/4 of Section 33/\_\_\_\_\_\_\_, DOWNWAX
and N/2 NW/4 of Section 34, all in Town-ship 26 South , Range 30 East , NMPM, to be dedicated to to the heat formation and forsible to the formation and forsible to

a gas while on the (4) That a shandard size with for the weijcame and Leunsqu'anian emakros in the sulepet area is 320 acres.

( That the applicant is the excelor of The Rose Draw Hant lerea, which comprises, among ather lande, the E/2 of Section 33 and all of Sections 34 and 35 Township 26 South, Kange 50 East, NMPM, containing ten 40-acre tracts and 10 lats along The stace line of approximately 25 acres lach. (6) That the proposed 324.25 acre unt proposed ley the applicant in this case comprises five 40-acre tracts and 5 lots along the state line & approximating 25 acres lain, and such a combination by tracis and wats more closely approximates a standard since with than any other trother Cambingtion on this tracts or lots much practicables possible in this area. (7) That the present bedication will leave the applicant with 5 other 40-acre tracks and 5 other late of aspravimately 25 acres such along the has the fico - Texas state line and within the learndary of the Ross Draw Wint area to dedicated to itel a to be drieled if such well' is produced That the entire non-standard proration unit may reasonably Wolfcamp or Pennsylvanian (8) be presumed productive of gas from the formations, or both Gas Pool and that the entire non-standard gas proration unit can

be efficiently and economically drained and developed by the

aforesaid well.

(9) That approval of the subject application will afford the applicant the opportunity to produce  $\frac{113}{113}$  just and equitable share of the gas in the Ross Draw area,

WASX 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:

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(1) That a <u>324.25</u> -acre non-standard gas proration unit in the <u>Ross Draw area</u> <u>xpect post comprising</u> Lots 1 and 2 and N/2 NE/4 of Section 33 and Lots 2, 3, and 4 and NW/4 NE/4 and <u>N/2 NW/4</u> of Section <u>34. all is</u> Township <u>26 South</u> Range <u>30 East</u>, NMPM, <u>Eddy</u> <u>County</u>, New Mexico, by the applicant, florida Exploration Ca is hereby established and dedicated to xits a well to be drilled to to the Wolfcamp formation and possibly to the Tennsylvanian formation at Astandard location thereon. <u>xxxlocated-in-Unit</u>.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary. DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.