

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
25 May 1983

EXAMINER HEARING

IN THE MATTER OF:

Application of Rio Pecos Corporation
for an unorthodox gas well location,
Eddy County, New Mexico.

CASE
7876

BEFORE:

Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

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

For the Applicant:

W. Thomas Kellahin, Esq.
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501

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I N D E X

SCOTT WILSON

Direct Examination by Mr. Kellahin 4

MARK WILSON

Direct Examination by Mr. Kellahin 8

E X H I B I T S

Applicant Exhibit One, Plat. 5

Applicant Exhibit Two, Isopach 9

Applicant Exhibit Three, Cross Section 11

MR. STAMETS: We'll call next Case 7876.

MR. PEARCE: That case is on the application of Rio Pecos Corporation for an unorthodox gas well location, Eddy County, New Mexico.

MR. KELLAHIN: If the Examiner please, I'm Tom Kellahin of Santa Fe, New Mexico, appearing on behalf of the applicant, and I have two witnesses to be sworn.

(Witnesses sworn.)

MR. KELLAHIN: If the Examiner please, since filing the application Rio Pecos Corporation as operator has been over the course of the years dealing with some twenty-one working interest owners. There has been an agreement to move the location from that advertised.

The proposed location would be 1980 from the north line and 990 from the west line, which would mean that we're moving to a more standard location than advertised, and hopefully, will not have to readvertise our case.

We are on a drilling commitment deadline which requires the commencement of the well, I believe, on June 1st?

MR. WILSON: May 31st.

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2 MR. KELLAHIN: May 31st, Mr. Examiner,
3 so we are in some difficulty with regards to obtaining an
4 order and with regards to the location, but if my past memory
5 serves me correctly, I think that this amendment has been per-
6 mitted without readvertisement.

7 MR. STAMETS: You are correct, and I
8 see no reason in this case, if I hear no objection from the
9 assembly, we will grant the amendment to this application.

10
11 SCOTT WILSON,
12 being called as a witness and being duly sworn upon his oath,
13 testified as follows, to-wit:

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15 DIRECT EXAMINATION

16 BY MR. KELLAHIN:

17 Q Mr. Wilson, for the record let me have you
18 state your name and occupation, sir.

19 A Scott Wilson, and I am a petroleum landman.

20 Q Mr. Wilson, you've previously testified as
21 a petroleum landman before the Oil Conservation Division,
22 have you not?

23 A Yes, I have.

24 Q And with regards to this working interest
25 unit and the proposed unorthodox gas well location, you have

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2 done all the title work and negotiations or had that conducted
3 under your control and supervision.

4 A. Yes, I have.

5 MR. KELLAHIN: We tender Mr. Wilson as
6 an expert petroleum landman.

7 MR. STAMETS: He is considered quali-
8 fied.

9 Q. Mr. Wilson, let me direct your attention to
10 what we've marked as Exhibit Number One, and have you gener-
11 ally explain what the proposal is with regards to the loca-
12 tion, particularly within that 40-acre quarter quarter section,
13 being the southwest of the northwest of Section 5.

14 A. Okay. We initiated trying to get this well
15 drilled two years ago and have formed an 815-acre working
16 interest unit exhibited by the red outline, illustrated by
17 the red outline.

18 Q. This working interest unit is for rights
19 below what particular footage depth, Mr. Wilson?

20 A. It covers all oil and gas rights from be-
21 low the base of the Abo formation through the top of the
22 Mississippian Chester limestone.

23 As you mentioned, we have twenty-one working
24 interest owners in here and that's why it's taken consider-
25 able time to get this together.

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2 Now, within this roughly section and a half
3 less a couple of tracts here, working interest unit, we wish
4 to drill our initial test well within the north half of Sec-
5 tion 5. Our original plan was to drill the west half of
6 Section 5 but because of land problems we now must drill the
7 north half of Section 5 and we have the concurrence of the
8 twenty-one working interest owners within the unit area to
9 drill that location.

10 You will notice that we've got a couple
11 windows in the unit, the northwest of the southwest quarter
12 and the south half of the southeast quarter, owned by Walter
13 Sault (sic), being 120 acres, and from the -- we've tried
14 numerous approaches to work out a deal with him, including
15 trying to buy his acreage, trying to get him in the unit,
16 and participate or farm out on the basis -- same basis as the
17 other contributing parties are farming out. We've also re-
18 quested that if he didn't want to join the unit, participate
19 on a spacing unit basis and pay his share of the cost of
20 drilling the well, and he's declined every reasonable ap-
21 proach and we were forced, therefor, to cut him out of the
22 unit and go with a north half spacing unit.

23 Q Mr. Sault is aware of the proposed unorthodox
24 location, is he not?

25 A Yes, he is and we --

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Q And he has not opposed that location.

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A He has not opposed it. I might also add

that Mr. Sault's lease in particular is heavily burdened and has a twenty-five percent overriding royalty burden which he created, which makes it unreasonable for us to include his -- his interest in our west half spacing unit even if we force pool him, in our opinion.

Q All right, in terms of a standard location, then, within the north half of Section 5, have you proposed to the other working interest owners other locations than the one now requested?

A Yes, and Marathon, who is the majority interest owner within this particular unit with twenty-five percent interest, agreed to join and participate, or farm out, actually, they're farming out to us, but farm out to the unit only if we drilled this particular location. Matter of fact one time we tried to change it over to the east half of Section 6 and they required that we move it back to this original location or they wouldn't support our unit, which would have finished the deal for everybody.

Q In summary, then, Mr. Wilson, the working interest owners in the unit have agreed that, and require that the well as proposed be the first well for the working interest and that it specifically be located as now proposed.

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2 A. Yes, after two years that's the only pos-
3 sible location we can drill.

4 Q. All right, sir.

5 MR. KELLAHIN: That concludes my exa-
6 mination of Mr. Wilson.

7 MR. STAMETS: Any questions of this
8 witness? He may be excused.

9
10 MARK WILSON,
11 being called as a witness and being duly sworn upon his oath,
12 testified as follows, to-wit:

13
14 DIRECT EXAMINATION

15 BY MR. KELLAHIN:

16 Q. Mr. Wilson, for the record would you state
17 your name and occupation?

18 A. Mark Wilson, petroleum geologist.

19 Q. Mr. Wilson, have you previously testified
20 before the Division as a geologist and had your qualifica-
21 tions accepted and made a matter of record?

22 A. I have.

23 Q. And you've done the geology on this parti-
24 cular prospect.

25 A. Correct.

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2 MR. KELLAHIN: We tender Mr. Mark Wil-
3 son as an expert geologist.

4 MR. STAMETS: He is considered quali-
5 fied.

6 Q Mr. Wilson, let me direct your attention
7 to Exhibit Number Two and have you identify that exhibit for
8 us.

9 A Okay. Exhibit Two is the Isopach of the
10 total Morrow series of the Pennsylvanian and the key point
11 in making this map here is to show the trend, the various
12 alluvial valleys in the area.

13 The main feeder valley in here comes up
14 in 16 South, 28 East, trending southwesterly, and when you
15 get down into the northwest part of 17, 27, there's a branching
16 in that area there. One branch goes off called the South
17 Empire alluvial valley to feed the delta system over in the
18 South Empire Field.

19 A second branch comes off that which I
20 labeled here the "AB" valley, which the famous old Amoco
21 "AB" Well is present with 40-billion gas reserves, and then
22 there is a -- more or less a continuation of the Crow Flats
23 alluvial valley trend down through the Logan Draw Field area,
24 over in 17 South, 27 East, where we call it the Logan Draw
25 alluvial valley, and going southward that develops into the

1
2 Burton Flat delta system.

3 The valley that we are concerned with here
4 is one that's not yet very heavily explored. It lies between
5 the Logan Draw alluvial valley and the "AB" valley, and if
6 you narrow in on the area that we're discussing here, the
7 Illinois Camp Unit area, you will notice there the position
8 of the 285-foot contour on both the north side and the south
9 side of the valley, which would delineate that area there
10 where the Morrow would be thickest and where we could expect
11 to get the maximum number of channel sandstones.

12 The spacing unit that we're dedicating is
13 colored orange on the map. You will note that actually the
14 southwest quarter of that spacing unit is the -- about the
15 best place that we can drill a well. The Morrow thins rather
16 rapidly going northwards from 285 feet to 200 feet and that's
17 our best choice.

18 Q With regards to the north half proration
19 unit, Mr. Wilson, in your opinion you've just expressed that
20 this location is the optimum location within that proration
21 unit, but in terms of your study, do you -- do you have an
22 opinion with regards as to whether or not the north half of
23 this section is going to fairly and reasonably contribute to
24 production from that acreage -- from that location?

25 A Yeah, I think that's correct. Now, when

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2 you make a total Morrow Isopach, of course, what you're looking
3 at is erosion into the Chester shale section, and the trends
4 you see on this map are going to be more related to those
5 early Morrow, or the Lower Morrow, than they are, say, the
6 late Morrow when these valleys were filled up, and so pro-
7 bably in the late part of the Morrow there would be some sands
8 in here which are not trending northwest as the early Morrow
9 sands should be, but trending north/south, in general.

10 Q Let's turn then to Exhibit Number Three at
11 this time and have you discuss for us the cross section.

12 A Okay. Exhibit Three is a cross section,
13 south to north. The line of the cross section is shown on
14 Exhibit Two with the green line, and the wells are numbered
15 on Exhibit Two to match the numbers on Exhibit Three, the
16 cross section itself.

17 I drew this cross section principally to
18 give you a look at a profile across this alluvial valley.
19 It's in this case not a sharply etched valley; it's rather a
20 broad type of valley. If you'll look back at the cross sec-
21 tion, the top of the Morrow is shown in brown; the top of
22 the Chester is in gray, and you'll notice that on both ends
23 the interval of the Morrow is thinner than it is in the wells
24 where we have the sandstones here colored yellow.

25 The two and three wells there are wells

1
2 that have been completed in the channel sandstones shown by
3 these boxey forms on the cross section in this particular
4 valley.

5 The number four well has two channel sand-
6 stones, but unfortunately that's a little low and a little
7 wet. But the impression you get in looking at this is that
8 you could drill on the sides or out in the middle and you'll
9 come up with one or more channel sandstones within the Morrow
10 section as long as you're in this area, say, between the 285-
11 foot contours.

12 Q Were Exhibits Two and Three prepared by
13 you or compiled under your direction and supervision?

14 A Yes, I did them.

15 Q And in your opinion will approval of this
16 application be in the best interests of conservation, the
17 prevention of waste, and the protection of correlative rights?

18 A I do.

19 MR. KELLAHIN: That concludes our exa-
20 mination of Mr. Wilson. We move the introduction of Exhibits
21 One through Three.

22 MR. STAMETS: The exhibits will be ad-
23 mitted.

24 Are there any questions of the witness?
25 He may be excused. Does anyone have anything further they

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2 wish to add in this case?

3 The case will be taken under advise-
4 ment.

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6 (Hearing concluded.)
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C E R T I F I C A T E

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

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the examination hearing of Case No. 7826 heard by me on 5-25-83.
Richard R. Stand Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.

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