

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
November 8, 1962

EXAMINER HEARING

-----  
IN THE MATTER OF: )

Application of MWJ Producing Company for an )  
unorthodox location, Lea County, New Mexico. )  
Applicant, in the above-styled cause, seeks ) Case 2693  
approval of an unorthodox oil well location )  
330 feet from the South and West lines of )  
Section 14, Township 15 South, Range 38 )  
East, Medicine Rock-Devonian Pool, Lea )  
County, New Mexico, in exception to Rule 3, )  
Order R-2315, Medicine Rock-Devonian Pool )  
Rules. )

-----  
BEFORE: Daniel S. Nutter.

TRANSCRIPT OF HEARING

MR. NUTTER: We will call next Case 2693.

MR. DURRETT: Application of MWJ Producing Company for  
an unorthodox location, Lea County, New Mexico.

MR. NUTTER: I want to correct the docket, it should be  
MWJ instead of NWJ.

MR. MORRIS: If the Examiner please, I am Richard  
Morris of Seth, Montgomery, Federici and Andrews, Santa Fe, New  
Mexico, appearing on behalf of the applicant. We will have one  
witness, Mr. Williams. I'll ask that he be sworn at this time.  
May I ask that the Examiner call for appearances at this time,

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please.

(Witness sworn.)

MR. NUTTER: Are there any other appearances in Case 2693?

MR. ANDERSON: Sinclair Oil and Gas, R. M. Anderson. We will have a closing statement.

MR. TOMLINSON: Atlantic Refining, W. P. Tomlinson. We will have a statement.

MR. KELLY: Booker Kelly, Gilbert, White and Gilbert appearing for Texaco, Inc.

MR. NUTTER: Proceed, Mr. Morris.

R. KEN WILLIAMS

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

DIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Williams, will you please state your name, where you reside and what your relationship is to the applicant in this case?

A My name is R. Ken Williams. I'm Vice President of MWJ Producing Company, Midland, Texas.

Q Have you testified previously before the New Mexico Oil Conservation Commission, Mr. Williams?

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A No, I haven't.

Q Would you briefly state for the record your education and your experience in the oil business?

A I have an engineering degree from Texas A & M College. I am a registered professional engineer in the State of Texas and for the past eleven years I have been Vice President of MWJ Producing Company, which is a company engaged in the active development and operation of oil properties in the Permian Basin area, including Southeastern New Mexico.

Q Mr. Williams, are you thoroughly familiar with the application of MWJ Producing Company in this Case 2693?

A Yes, I am.

MR. MORRIS: Mr. Examiner, may the witness testify as an expert?

MR. NUTTER: Yes, sir, please proceed.

Q Mr. Williams, have you prepared an ownership plat of the Medicine Rock-Devonian Pool in Lea County, New Mexico?

A We have.

MR. MORRIS: I ask that be marked as Applicant's Exhibit 1.

(Whereupon, Applicant's Exhibit No. 1 was marked for identification.)

Q Referring to what has been marked as Exhibit No. 1,



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Mr. Williams, will you please state what is shown?

A This is a shot off of our lease map showing the ownership and the wells in the Medicine Rock-Devonian Pool. Our Lee Carter lease, which is 80 acres in the South Half of the Southwest Quarter of Section 14, Township 15, Range 38 East, is outlined in red and our proposed location 320 feet from the South and West lines of Section 14 is marked and colored in red.

Q How is your proposed location of the Lee Carter Well No. 1 an unorthodox location in this pool?

A This location is unorthodox in that it is not within 150 feet of the center of a Quarter Quarter Section as required by Rule 3 of Order No. R-2315.

Q That Order No. R-2315 is the order establishing special rules and regulations in this pool?

A That's right.

Q Would you state to the Examiner the background of this application?

A In mid August our company and our associates began considering the prospect of drilling a well in the Medicine Rock-Devonian Pool. On September the 18th, 1962 we mailed to the Hobbs District Office a form C-101, Notice of Intention to Drill for the proposed location. On September 20 the application was returned to us from the Hobbs Office because of some administrative



difficulties with plugging bond requirements.

Shortly thereafter we learned informally that there had been some field rules, special field rules established for this field and that even though our bond difficulties were resolved at the time, that it would be useless for us to resubmit a new C-101 at the proposed location.

Q What was the date of those special field rules for this pool?

A The field rules were dated September 18.

Q And they required the location of the well within 150 feet of the center of the Quarter Quarter Section?

A That is right.

Q At the time your original 101 was filed, Mr. Williams, did you have any actual knowledge of the rules and regulations requiring this 150 foot location?

A No, sir, we did not.

Q Did you have any actual knowledge that a hearing had been held to establish special rules in this pool?

A No, sir, we didn't.

Q After the C-101 was returned to you, at that time you learned that a hearing would be necessary to consider your proposed location for this well?

A Yes, sir.

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Q At the time you first considered drilling a well in this pool you said that was mid August of this year, were there any wells completed in this pool as close as 330 feet to a Quarter Quarter Section or lease line?

A Yes, sir, there were two wells.

Q Would you point out those wells on Exhibit No. 1, please?

A The Jake Hammond Roberts No. 1 located in the Southwest Quarter, Northwest Quarter of Section 23 is located 330 feet from the West line of Section 23. The Tri Service Drilling Company Johnson No. 1, located in the Northwest Quarter, Southwest Quarter of Section 14 is located 330 feet from its lease lines.

Q And the location that you are asking for is 330 feet from your lease line and Quarter Quarter Section?

A Yes, sir, that's correct.

Q First let me ask you if you have prepared a structure map of this pool?

A Yes, sir, we have.

MR. MORRIS: I will ask that be marked as Exhibit No. 2.

(Whereupon, Applicant's Exhibit No. 2 was marked for identification.)

Q Would you explain to the Examiner what is shown on this Exhibit No. 2, please?

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A Exhibit 2 is a contour map on ten foot contour intervals drawn on the top of the Devonian formation within the Medicine Rock Field. You'll see that in the Northeast Quarter of Section 22 there is a high which blends into a nose trending to the Northeast. We have also drawn on this contour map a line designating the oil-water contact at minus 9090.

Q Is the subject well located on this map circled in red?

A Yes, sir, we've located our well on our lease in red.

Q You've pointed out that on this exhibit an oil-water contact of minus 9090, would you explain to the Examiner what information you have that made you conclude that that was the correct oil-water contact in this Northeast Section of the field?

A Yes, sir, we've drawn the oil-water contact only around the Northeast part of the field since that is the area that we're concerned with, and we have prepared a tabulation which I would like to explain that I think would clarify the location of the oil-water contact.

MR. MORRIS: I will ask that that tabulation be marked as Exhibit No. 3.

(Whereupon, Applicant's Exhibit No. 3 was marked for identification.)

Q Would you summarize the information shown on Exhibit 3?

A Exhibit 3 is a tabulation which we have prepared of

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selected test data according to the information we had available that I think will explain our pick of minus 9090 as the oil-water contact in this northeast area.

You'll notice on the Exhibit 3 I have in the middle set of columns subsea intervals which various wells had either drill stem or cased hole test run. Taking them in order, the Atlantic Graham well, the first one showed water-free drill stem test as low as minus 9076. The Atlantic Corbin well, which is still in the process of completion, we understand on drill stem test recovered a substantial amount of oil with some salt water in an interval from minus 9080, minus 9092. The Tri Service Drilling Company well showed a water-free drill stem test as low as minus 1900. The Argo well showed water-free drill stem test as low as minus 9026, and a subsequent cased hole test reported some oil and some water as low as minus 9108.

The Hammon well reported water-free drill stem test as low as minus 9070, and finally was completed as low as minus 9082, flowing 160 barrels of oil with five barrels of water per day.

It's our conclusion, based on the information we have from the test data available, that the oil-water contact in the northeast area is at least as low as minus 9090.

Q In giving that test data, Mr. Williams, you referred to the Argo well in Section 14. Now, that's shown as a dry hole on

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our Exhibit No. 2. Did you say that some oil was recovered on drill stem test of that well?

A Yes, sir. The test information we had was that the Argo well on a drill stem test as low as minus 1926 recovered some oil and no appreciable amount of free water, and evidently Argo at the time thought enough of it that they ran casing on it and took a subsequent cased hole test and the cased hole test through perforations between the 9086 and 9108 subsea in eleven hours recovered nine and a half barrels of fluid which was reported 50% salt water and the other 50% reported as including some oil.

Q From your conclusions with respect to the oil-water contact at minus 9090 and the drill stem test data and the other data that you have just given, what is your opinion with respect to where oil will be found, above what level oil will be found in this pool?

A We believe that there will be some oil above minus 9090 in the northeast portion of the field.

Q Turning our attention to the MWJ tract, 80-acre tract in question, what is your opinion with respect to the productivity of that 80-acre tract?

A Well, as you see, the indicated oil-water contact is outside of our 80-acre tract and we feel that the entire 80 acres

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will be productive.

Q Moving on this 80-acre tract, moving from the east to the west and the south of the tract, you gain structure moving in that direction, is that right?

A Yes, sir. The contour map indicates that.

Q Where on that tract would be the best location to make a good well?

A Well, we'd like to put it on the section corner, but we realize that might be a little unfair and we accordingly believe that a location 330 feet from the south and west lines of the section would be a location at which we could get the best possible producer and at the same time protect the correlative rights of all interested parties.

Q Do you believe that MWJ Drilling Company would be justified in drilling a well at a location further than 330 feet from the south and west lines of the section?

A No, sir, we wouldn't, even though our entire 80 acres, we believe, is productive, we feel that we can get a good producer only at a location 330 feet from the south and west lines.

Q If no well should be drilled on this 80-acre tract, what would happen to the oil under this tract?

A Well, our feeling is that if no well was drilled on the 80-acre tract, that there would necessarily be some oil left

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unrecovered. For this reason it is our understanding that the Tri Service well to the north of our proposed location, as well as the Hammond well to the south, are both small, let's say limited capacity producers, and although both of these wells in all probability will recover the oil under their own 80 acres, it's hard for us to believe that they might also recover the oil under our 80 acres. If such is the case there would be a certain amount of oil left unrecovered in the reservoir.

Q Those two wells being limited producers would reach their economic limit before they would be able to drain the oil from under your 80-acre tract?

A In all probability.

Q If oil were left unrecovered under your tract, then it's axiomatic that some waste of that oil would occur?

A Yes, sir.

Q Were Exhibits 1, 2 and 3 prepared by you or under your direction, Mr. Williams?

A Yes, sir, they were.

MR. MORRIS: We offer 1 through 3, Mr. Examiner.

MR. NUTTER: Applicant's Exhibits 1 through 3 will be received in evidence.

(Whereupon, Applicant's Exhibits 1, 2 and 3 were admitted in evidence.)

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MR. MORRIS: That's all I have on direct examination.

MR. NUTTER: Anyone have any questions of Mr. Williams?

Mr. Kelly.

CROSS EXAMINATION

BY MR. KELLY:

Q Mr. Williams, you stated that you would prefer drilling this well on the section corner, is that right?

A Yes, sir, I stated that.

Q I believe you also said that you wouldn't do that because it would be unfair. Could you explain what you mean by that?

A Well, we realize that it would be unrealistic for us to expect a location closer than 330 feet.

Q Isn't it true that it would be unfair in that it would definitely affect correlative rights of operators on contiguous sections if you drilled on the quarter section?

A No, sir, I don't agree with that.

Q You don't? In what way would it be unfair?

A I don't quite understand your question, I'm sorry.

Q Well, you stated that it would be unfair if you drilled right on the section corner.

A Yes, sir.

Q But it would not be unfair if you drilled where your

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proposed location is?

A That's right.

Q I'm trying to find out why you feel it would be unfair to drill on the quarter corner.

A Well, we'd be crowding the lease line too close.

Q And there would be a good chance you would be taking oil from a lease that you didn't have any interest on?

A I'd say that's a possibility.

Q Now, you also stated that you felt that all 80 acres were productive on your lease?

A Yes, sir.

Q But you feel that this particular position is the only place you can drill and officially drain all the 80 acres, is that correct?

A This is the only location that we feel like we can drill and get a good producer.

Q Did you receive any type of notice on the original hearing to set up these rules?

A No, sir.

Q You received the same notice that all other operators in the proposed field did, though, didn't you?

A I don't recall any specific notice of any kind.

MR. KELLY: Could we have the Examiner take

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administrative notice of the type of notice that was given in this case?

MR. NUTTER: The Commission will take notice.

MR. KELLY: That's all.

MR. NUTTER: Any further questions?

MR. MORRIS: Just one question, Mr. Examiner.

MR. NUTTER: Mr. Morris.

REDIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Williams, are you on the mailing list for information, on the general mailing list for information from the Commission?

A Yes, sir, I believe we are.

Q Did you take any actual notice or did you have any actual knowledge of these of the hearing to establish special rules in this Medicine Rock-Devonian Pool?

A Not until after our application had been returned.

MR. MORRIS: I believe that's all I have.

RECROSS EXAMINATION

BY MR. NUTTER:

Q Using your contour map, Mr. Williams, I spot your well at approximately a minus 9,002, would that be about correct?

A Yes, sir, that's from the indicated contour it would be

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approximately that.

Q Then if we went to the center of any 40, which would be a 660 location, and draw a circle with a radius of 150 feet approximately, where would that circle fall on the contour map, the southwest side of the circle if a circle has a side?

A Well, without drawing, without actually drawing it, it looks like it would come at about a minus 9010.

Q About a minus 9010. And the water-oil contact is a minus 9090, so that would leave you with 80 feet above the water-oil contact, wouldn't it?

A Yes, sir.

Q At a location 150 feet from the center of the circle?

A Yes, sir.

Q Do you know what the average pay interval in this pool runs in thickness? What the average perforated interval is?

A It has varied. I probably have it in my files. I know that some wells have perforated as little as 10 to 12 feet, and it's my understanding, I believe that most all the wells have not perforated a very large interval.

Q What part of the Devonian are they perforating, or an average of how far below the tops that you have contoured here, or are these points that you have fixed Devonian pay?

A The top of the Devonian formation, and not necessarily

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pay.

Q Where are the perforations, then, in relation to the top of the Devonian formation as depicted here?

A They vary from well to well, of course, and if memory serves me I believe the Sinclair wells in general were perforated fairly low in the section.

Q Your Exhibit 3 doesn't have the perforated intervals on any of the wells, does it?

A No, sir. I think I didn't include that data on Exhibit 3.

MR. NUTTER: I believe that's all, thank you, Mr. Williams. Any further questions?

MR. DURRETT: Yes, sir, I would like to ask one question.

MR. NUTTER: Mr. Durrett.

BY MR. DURRETT:

Q I would like to get straightened up on these dates. What day did you file your notice of intention?

A It was mailed on September 18.

Q What day did you finally get your bond approved?

A Well, when there was some administrative problems between us and our associates that we never did get a bond approved because shortly after we got the application returned

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because of the bond problems we learned about the necessity of requiring a hearing for the location, so we just put off getting a bond until such time as we needed it.

MR. DURRETT: I believe that's all I have, thank you.

MR. NUTTER: Any further questions?

MR. KELLY: I would like to ask that the exhibits presented by Sinclair in the original Case 2625 be made a part of this hearing. I think they show the perforations and some of the data that the Examiner was requesting.

MR. MORRIS: If the Examiner please, we were not parties to the case just referred to by Mr. Kelly and had no opportunity to cross examine the witnesses that presented those exhibits and we would object to their being considered by the Examiner in this case.

MR. KELLY: I don't think that the applicant can object when they had the notice required by statute and chose not to appear. Certainly there is no requirement of actual notice on one of the members of the firm. It's the notice as required by statute.

MR. NUTTER: We'll sustain the objection. We will take administrative notice of our well files as relate to this pool, however. Do you have anything further, Mr. Morris?

MR. MORRIS: No, sir. I would like to make a statement

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at the close of the other statements.

MR. NUTTER: The witness may be excused.

(Witness excused.)

MR. NUTTER: Does anyone have anything they wish to offer in Case 2693?

MR. KELLY: I would like to make a statement on behalf of Texaco. Texaco, though not an operator in this pool, does have a working interest in Sinclair's five wells and a royalty interest in the Atlantic well. Texaco feels that the application should be denied and for the reasons stated as follows:

The applicant failed to appear at the original hearing and this hearing was held a very short time when these rules were worked out. We feel that the spacing rules give adequate flexibility to all operators in the field. We feel the evidence shows that there is no need as far as geological evidence for an exception in this rule and that the only reason, the only actual reason proposed by the applicant is that they would be closer to the center of the pool and could drain areas which they have no interest in.

We also feel that their correlative rights would definitely be affected, which was in fact admitted by the witness, and that there is absolutely no showing as required by statute that the granting of this application would be in the best interest of

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prevention of waste.

Therefore, we respectfully submit that the application should be denied.

MR. ANDERSON: R. M. Anderson with Sinclair Oil and Gas Company. Sinclair is a historic advocate of flexible spacing and we have recommended the present rules which were adopted and which we consider flexible. We are opposed to 330-foot locations in 80-acre fields. We oppose this application for that reason. We feel that the applicant has failed to show the need for exception to the existing field rules. We feel that if this application is approved and if a successful well is completed at the unorthodox location, that if the additional information gained by the drilling of that well substantiates Sinclair's present interpretation as presented at the field rules hearing recently on August 29, then Sinclair contemplates that they will call a productive acreage hearing for the purpose of determining a proper allowable for this well.

MR. TOMLINSON: Atlantic opposes this. L. Phil Tomlinson for Atlantic. We oppose this application. We supported the original rules in September. We thought they were flexible enough to permit orderly development. Any exceptions to those rules should be based on hardship rather than a need to gain structure. We drilled one well since then and it was drilled

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within the provisions of the rules. We think that other people should be required to do the same.

MR. DURRETT: Mr. Examiner, I have a letter in the file that the Commission has received. I would like to read that into the record at this time. "Gentlemen, we have been advised that MWJ Producing Company has made application for permission to drill a well 330 feet from the south and west lines, Section 14, Township 19 South, Range 38 East, Lea County, New Mexico, in the Medicine Rock-Devonian Pool. Since such a location is not in accordance with the field rules which have been adopted for the Medicine Rock-Devonian Pool, we respectfully request that the application be denied." This letter is signed Jake L. Hammond by A. C. Elliott.

MR. MORRIS: I think I should make a statement in support of our application, Mr. Examiner.

MR. NUTTER: Would you do that, Mr. Morris?

MR. MORRIS: It's been shown by the only evidence brought out at this hearing that a 330 location, as applied for, is needed before MWJ will feel justified to drill a well at all on this 80-acre tract. This, in spite of the fact that the evidence also shows that the entire 80 acres is productive. Respectfully suggest to the Examiner that if a well is not drilled on this 80-acre tract, that waste will result by oil

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being left in the ground and unproduced.

There is, I might say, no likelihood of any other wells being drilled in the northeast corner of this pool other than the well under consideration here today, because all of the acreage in that northeast corner is dedicated to existing wells. The evidence adduced here today shows that the prevention of waste can be accomplished and at the same time that the correlative rights of all the operators can be adequately protected by a location 330 feet from the south and west lines of this section.

Respectfully request that the application of MWJ Producing Company be approved.

MR. NUTTER: Does anyone have anything further at all they wish to offer in Case 2693? We will take the case under advisement.

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