

NEW MEXICO OIL CONSERVATION DIVISION

STATE OF NEW MEXICO

CASE NO. 10530

IN THE MATTER OF:

The Application of Charles B.
Gillespie, Jr., for pool creation
and special pool rules, Lea County,
New Mexico.

BEFORE:

MICHAEL E. STOGNER

Hearing Examiner

September 3, 1992

REPORTED BY:

DEBBIE VESTAL
Certified Shorthand Reporter
for the State of New Mexico

ORIGINAL

A P P E A R A N C E S

FOR THE NEW MEXICO OIL CONSERVATION DIVISION:

ROBERT G. STOVALL, ESQ.

General Counsel

State Land Office Building

Santa Fe, New Mexico 87504

FOR THE APPLICANT:

HINKLE, COX, EATON, COFFIELD & HENSLEY

Post Office Box 2068

Santa Fe, New Mexico 87504-2068

BY: **JAMES BRUCE, ESQ.**

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Appearances

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WITNESSES FOR THE APPLICANT:

1. DAVID S. NUTTER

Examination by Mr. Bruce

4

Examination by Mr. Stovall 17, 25

Examination by Examiner Stogner 18

Certificate of Reporter

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E X H I B I T S

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Exhibit No. 1

6

Exhibit No. 1A

8

Exhibit No. 2

10

Exhibit No. 3

11

Exhibit No. 4

13

Exhibit No. 5

13

Exhibit No. 6

15

1 EXAMINER STOGNER: Hearing will come to
2 order. Call the next case, No. 10530.

3 MR. STOVALL: Application of Charles P.
4 Gillespie, Jr., for pool creation and special
5 pool rules, Lea County, New Mexico.

6 EXAMINER STOGNER: Call for
7 appearances.

8 MR. BRUCE: Mr. Examiner, my name is
9 Jim Bruce, from the Hinkle law firm in Santa Fe,
10 representing the applicant. I have one witness
11 to be sworn.

12 EXAMINER STOGNER: Are there any other
13 appearances?

14 Will the witness please stand to be
15 sworn.

16 [The witness was duly sworn.]

17 **DANIEL S. NUTTER**

18 Having been duly sworn upon his oath, was
19 examined and testified as follows:

20 EXAMINATION

21 BY MR. BRUCE:

22 Q. Would you, please, state your name for
23 the record?

24 A. My name is Daniel S. Nutter.

25 Q. And where do you reside?

1 A. In Santa Fe, New Mexico.

2 Q. What is your occupation?

3 A. Consulting petroleum engineer.

4 Q. Who are you employed by in this case?

5 A. Charles B. Gillespie, Jr.

6 Q. Have you previously testified before
7 the Division as an engineer and had your
8 credentials accepted as a matter of record?

9 A. I have.

10 Q. Are you familiar with the engineering
11 matters related to this application?

12 A. I am.

13 MR. BRUCE: Mr. Examiner, I tender Mr.
14 Nutter as an expert petroleum engineer.

15 MR. STOVALL: Do we need to investigate
16 further? That's all right. No objections.

17 EXAMINER STOGNER: I don't have any
18 objections either, Mr. Nutter, except maybe the
19 cigarette stain on my desk.

20 THE WITNESS: It's not a stain; it's a
21 burn. Isn't it a burn?

22 EXAMINER STOGNER: It's a burn, but
23 that was done before I obtained it. Mr. Nutter
24 is so qualified.

25 Q. Mr. Nutter, would you, please, refer to

1 Applicant's Exhibit No. 1 and describe it briefly
2 for the Examiner?

3 A. Yes. Applicant's Exhibit No. 1 is an
4 area plat that portrays our proposed Patience
5 Strawn Oil Pool. This pool was discovered by
6 Charles B. Gillespie with his Hamilton Well No.
7 1, which is located in the southwest
8 quarter-southeast quarter of Section 33, Township
9 15 South, Range 35 East, Lea County, New Mexico.

10 The well was completed early in July in
11 the Strawn formation, and the Applicant today is
12 seeking 80-acre spacing for this pool, the
13 creation of the pool and 80-acre spacing.

14 On the plat colored in yellow is the
15 acreage controlled by -- either owned or
16 controlled by Charles B. Gillespie. Outlined in
17 red is the proposed pool, which would consist of
18 the south half of Section 33. 15 North -- 15
19 South, 35 East, and Lots 1 through 8 of Section 1
20 of Township 16 South, Range 35 East.

21 Outlined in green is the south half of
22 Section 33 of 15-35, which is a Phillips farmout
23 to Charles B. Gillespie. In accordance with the
24 terms of this farmout, he drilled this Hamilton
25 Well No. 1, which is the discovery well for the

1 pool. That well is indicated by the black dot
2 surrounded by the red circle.

3 Immediately south of that, you'll see
4 another smaller red dot in Section 1. This well
5 was started after the completion of the Hamilton
6 well, and as of yesterday they were moving a
7 completion rig on it. They do have a good well
8 here also. So we'll have two wells in the pool.

9 The green area that's shaded is the
10 proposed 80-acre proration unit that would be
11 dedicated to the well.

12 I believe that's all I have with
13 reference to this plat.

14 MR. BRUCE: And, Mr. Examiner, two
15 things: First of all, Mr. Gillespie did
16 originally request a discovery allowable. We've
17 asked to dismiss that portion of the case.

18 THE WITNESS: We realized after filing
19 for that that we were not qualified for it
20 because Big Dog Strawn Pool to the west is within
21 the prohibitive distance for a discovery
22 allowable for this pool.

23 Q. Now, Mr. Nutter, the application is
24 actually only for the west half of the southeast
25 quarter. Why are you asking for a larger pool

1 boundary?

2 A. That is the proration unit that we're
3 proposing. The west half of the southeast
4 quarter, that's the proration unit. And I have a
5 copy of the Form C-123, which was originally
6 filed with the Hobbs office of the Oil
7 Conservation Division. I believe I've got that
8 with me in which -- yes. Maybe we ought to offer
9 this as a supplemental exhibit because this was
10 filed on the request of the OCD. We'll call this
11 Exhibit 1-A.

12 At the request of Mr. Sexton in the
13 Hobbs office, a request for a creation of a pool
14 for this new discovery, Charles B. Gillespie
15 filed this form with the Oil Commission in the
16 Hobbs office, and it requests that the pool be
17 created; that the name Patience Strawn be
18 adopted; and that the boundary consist of the
19 south half of Section 23 and Lots 1 through 8 of
20 Section 1.

21 So this is in conformance with the plat
22 that I've submitted here today. And here also --
23 which should be stapled to that exhibit -- is the
24 letter from Sexton requesting that we file the
25 124 -- or whatever form number that is.

1 MR. BRUCE: Mr. Examiner, I apologize
2 for the confusion. To the extent necessary, this
3 case may need to be readvertised.

4 EXAMINER STOGNER: Yes. I was looking
5 at the pool boundaries which I had originally --
6 or which I had interpreted through the
7 application because I did not see the requested
8 pool boundary in the application filed in this
9 office. So I took it that the proration unit
10 would be the pool boundary, and that's the way it
11 was advertised.

12 MR. BRUCE: That's my mistake, Mr.
13 Examiner. I think there was a breakdown in
14 communication.

15 EXAMINER STOGNER: While we're at this
16 though, however, while we're on Exhibit No. 1 and
17 1-A, I have a couple of questions before we move
18 on, if that would be all right with you, Mr.
19 Bruce.

20 MR. BRUCE: Sure.

21 EXAMINER STOGNER: Mr. Nutter, did you
22 research the pool boundaries for perhaps other
23 Strawn or Upper Pennsylvanian-Morrow pools?

24 THE WITNESS: Yes. We will be getting
25 into other pools.

1 EXAMINER STOGNER: In that case I'll
2 retract my question and allow you to go ahead.

3 Q. (BY MR. BRUCE) Okay. Mr. Nutter,
4 would you then move on to your Exhibit No. 2?

5 A. Exhibit No. 2 is the line of the
6 cross-section. The Patience Strawn pool is the
7 center pool on the proration -- on the plat.
8 You'll notice to the northwest is the Big Dog
9 Strawn Pool. This pool is really a dog. So I
10 haven't -- I'm not going to present any other
11 further information about it. It's only
12 recovered 20,000 barrels of oil. And it's a
13 one-well pool, so it's an insignificant pool, the
14 one to the northwest, the Big Dog Strawn. As I
15 say, it's a dog.

16 Now, immediately to the south, two
17 miles to the south is the North Shoe Bar Strawn
18 Pool. This pool has been approved and developed
19 by the Division or -- approved by the Division
20 and developed on 160-acre spacing. And I will be
21 talking about several other pools that are
22 producing from this Strawn Formation in the area
23 which were developed on 80-acre spacing. But
24 this is the line of the cross-section. And we
25 think we've actually got a better feel than the

1 Shoe Bar Strawn north to south.

2 Q. Does the porosity in these type of
3 pools pinch out quickly?

4 A. Yes, it does. This is what's known as
5 a filoid algal mound pool. And these algal
6 mounds, the porosity and permeability can be
7 pinched off very rapidly in some cases. And for
8 that reason we are requesting a little bit of
9 flexibility in the location of the wells, which
10 is not in conformance with the general rules for
11 drilling wells on 80-acre spacing.

12 Q. And the general rule is --

13 A. Within 150 feet within the center of a
14 40. And we're asking that the wells be located
15 not closer than 330 to the outer boundary of the
16 40 that the well is located on.

17 Q. Do you have anything further with
18 respect to that exhibit?

19 A. No. We'll get to the cross-section
20 next.

21 Q. Okay. Would you, please, move on to
22 the cross-section and discuss it?

23 A. Okay. The cross-section is actually a
24 very simple cross-section. And I only want to
25 call attention to two wells on the

1 cross-section. The first one will be the -- or
2 the second well from the left will be our subject
3 well, which is the Hamilton No. 1.

4 And if you look at the gamma ray
5 neutron density log here and get a picture in
6 your mind of it, and then turn to the second well
7 from the right on the cross-section, you will
8 note the similarity of the structures. Each one
9 of these is on a high, which immediately dips
10 off. This is the algal mound in each of these
11 cases. And you'll note that the gamma ray logs
12 on both wells are very, very similar. You'll
13 also note that the neutron side of the curve is
14 very, very similar on these two.

15 Now, the pool on the right is the North
16 Strawn -- is the North Shoe Bar Strawn Pool,
17 which was developed on 160-acre spacing. And
18 it's been adequate for -- the 160 has been
19 adequate for that pool. The one on the left is
20 the one that we're proposing for 80-acre
21 spacing.

22 Just to point that out, the
23 similarities, and that's all we had on the
24 cross-section.

25 Q. Okay. Would you then move on to

1 Exhibit 4, please?

2 A. Which is Exhibit 4?

3 MR. STOVALL: Exhibit 4 looks like
4 another -- that it is cross-section, isn't it?

5 THE WITNESS: I guess Exhibit 4 is the
6 cross-section.

7 MR. STOVALL: Exhibit 4 is marked as
8 the cross-section.

9 THE WITNESS: Right. Exhibit 4 was the
10 cross-section.

11 Okay. Exhibit 5 is the big map that
12 shows lots of little green dots all over it. And
13 what I've portrayed on here are the pools in the
14 Strawn trend, and most of these are algal mound
15 pools.

16 You'll note that the Big Dog and the
17 Patience and the North Shoe Bar are the only ones
18 west of the highway. So I guess you go by
19 highway geology here because almost everything
20 else is east of the highway.

21 But up to the north -- first of all,
22 and I've portrayed the outer boundaries of those
23 pools on that exhibit with a red line. The first
24 one up here is the Dean -- actually the
25 nomenclature calls it the Dean

1 Permo-Pennsylvanian Pool. But it is referred to
2 and thought of as being a Strawn pool by many
3 geologists. That pool was developed on 80-acre
4 spacing.

5 The next one coming south is the
6 Northeast Lovington Pool, which is a large pool,
7 and it also is developed on 80-acre spacing.
8 Then we have the Casey Pool, which is a smaller
9 pool, outlined in red there. And it is an
10 80-acre pool. The Ship Strawn pool is an 80-acre
11 pool. And down to the far south we have the
12 Humble City Pool which is also an 80-acre pool.

13 So what I'm trying to show is that this
14 Strawn trend, while it runs generally
15 northwest-southeast, does have an apparent shadow
16 over here to the west of the highway. And we
17 think we're on another trend over here in this
18 Strawn production. And while these other pools
19 have qualified for 80-acre spacing, we think our
20 pool certainly does too.

21 Now, the production from the subject
22 well, the Hamilton well, has been very good. It
23 is subject to a slight penalty because of the
24 GOR. The GOR is running at about 2200, so it is
25 not quite qualifying for a top allowable,

1 although it will easily make a top allowable. It
2 will easily make a top allowable on 80-acre
3 spacing also.

4 Q. (BY MR. BRUCE) Okay. And, Mr. Nutter,
5 is Exhibit 6 just the affidavit regarding notice
6 submitted by the applicant?

7 A. Yes, sir, it is. Applicant has
8 notified all of the offset operators. They've
9 notified all of the lease owners and all of the
10 unleased owners within a mile of the
11 application. And there's a zillion little fee
12 owners listed on that thing, but they were all
13 notified of this proposed case.

14 MR. STOVALL: How many zeros in a
15 zillion?

16 THE WITNESS: There's a zillion.

17 MR. STOVALL: Each fee owner has been
18 notified?

19 THE WITNESS: Each fee owner has been
20 notified. I didn't do that. The Gillespie
21 buying department did that.

22 MR. STOVALL: Okay.

23 Q. (BY MR. BRUCE) Do you have anything
24 further to say with respect to this case, Mr.
25 Nutter?

1 A. Nothing, except that for the
2 convenience of the Examiner, I have made copies
3 of the orders which authorize the 80- and the
4 160-acre spacing for those pools that are shown
5 on Exhibit No. 5.

6 And it's interesting to note that,
7 while the Examiner is aware that many pools which
8 over the years have been approved for the 80- or
9 the 160-acre spacing and often it develops that
10 it was too wide a spacing, that none of these
11 pools has reverted back to 40-acre spacing;
12 they've all held up on the 80- or the 160-acre
13 spacing.

14 Now, there's one order in there which
15 is of real interest. That's Order No. 892, which
16 goes way back to 1955, I think. That's for that
17 Dean Pool, the one that I mentioned can be
18 interpreted as being Permo-Pennsylvanian.

19 But I think what's interesting about
20 that order is that, on the application of
21 Sinclair Oil Company, the creation of the -- they
22 have first developed Devonian production in that
23 pool. Then they realized they had some
24 production up here in the Pennsylvanian, and they
25 asked for dual completion of wells in the

1 Pennsylvanian and in the Devonian.

2 They also asked for 80-acre spacing in
3 the Pennsylvanian. And that is the first order
4 that was ever written by the Oil Conservation
5 Commission of New Mexico approving an oil,
6 oil-dual completion.

7 Q. Mr. Nutter, in your opinion is the
8 granting of this application in the interests of
9 conservation and the prevention of waste?

10 A. I believe it will -- it is because I
11 believe that one well will adequately drain
12 80-acres here and prevent the unnecessary
13 drilling of additional wells if the 80-acre
14 spacing is granted.

15 Q. Were Exhibits 1 through 5 prepared by
16 you or under your direction?

17 A. They were.

18 MR. BRUCE: And, Mr. Examiner, at this
19 time I'd move the admission of Exhibits 1 through
20 6.

21 EXAMINER STOGNER: Exhibits 1 through 6
22 will be admitted into evidence.

23 EXAMINATION

24 BY MR. STOVALL:

25 Q. First question coming out of the chute

1 is where did the proposed name of the pool come
2 from?

3 A. I did not prepare that.

4 Q. Do you have any idea where that name
5 came from, Mr. Nutter?

6 A. I imagine notifying all those zillions
7 of operators. It took a lot of patience. That
8 would be one theory.

9 Q. So, to the best of your knowledge, it's
10 not based upon any geographic feature in the
11 area?

12 A. Not that I'm aware of. Patience sounds
13 like a girl's name back in Puritan days. Maybe
14 there's a Puritan girl living in that vicinity
15 and it's named after her.

16 Q. It could be misspelled. Supposed to be
17 T-S?

18 A. It could be, P-a-t-i-e--n-t-s.

19 Q. Mr. Gillespie is aware of the
20 Division's policy with respect to naming pools
21 after geographic features, is he not?

22 A. I don't know. I haven't talked to Mr.
23 Gillespie about that.

24 EXAMINATION

25 BY EXAMINER STOGNER:

1 Q. Do you know if any other pools have
2 been named after Puritan girls?

3 A. I'd have to think a while on that. I'm
4 sure you're too busy to take the time.

5 Q. How about the Big Dog?

6 A. That was anticipatory, I think. If it
7 had been me, I would have called it the real dog.

8 MR. STOVALL: You haven't written a
9 poem or anything to support this name, have you
10 Mr. Nutter?

11 THE WITNESS: No, sir.

12 MR. STOVALL: Shall we take
13 administrative notice of the orders that have
14 been submitted by Mr. Nutter?

15 EXAMINER STOGNER: Yes. I will take
16 administrative notice of all these orders
17 submitted by Mr. Nutter, which most of them have
18 his name on them, by the way.

19 Q. (BY EXAMINER STOGNER) Now, the order
20 in which you referred to back in 1956 was a
21 Commission order?

22 A. Right.

23 Q. And you said that was the first dual
24 completion?

25 A. Yes, sir.

1 Q. Were you around?

2 A. I wrote it.

3 Q. You wrote it?

4 A. Yes.

5 Q. So it was a good order; you agree with
6 it?

7 A. The Commission heard that case, and it
8 was a radical thing in those days to consider an
9 oil, oil-dual. And they debated among themselves
10 a number of times whether to approve it or not.
11 And they finally said, "We've approved it. Go
12 write an order supporting our decision."

13 MR. STOVALL: Was Mr. Kellahin's father
14 the Commission attorney at the time?

15 THE WITNESS: That was after his time.

16 MR. STOVALL: I was just curious.

17 THE WITNESS: He was on the Corporation
18 Commission at that time, I think.

19 MR. KELLAHIN: They still write the
20 orders the same way now, Dan.

21 THE WITNESS: Give them to an underling
22 to write.

23 MR. STOVALL: We better close this
24 record quickly.

25 EXAMINER STOGNER: Yes.

1 THE WITNESS: There's been a lot of
2 stuff off the record here, I hope. I see her
3 fingers dancing.

4 Q. (BY EXAMINER STOGNER) In preparing my
5 ad, I noticed that there was a Townsend
6 Permo-Upper Pennsylvanian Pool that kind of
7 surrounds this particular pool. Are you familiar
8 with that one by chance?

9 A. No, I don't even know where that one
10 is. I didn't look at that pool.

11 Q. Actually you're skirting around it to
12 the west and to the east. But with that I
13 suppose you wouldn't know what the vertical
14 limits would be?

15 A. No. I don't know if it's Strawn. Or
16 it could be an Atoka or something else. I have
17 no idea. I don't think I've got it on my list of
18 pools. Let me check and see.

19 Oh, yeah. However, I didn't pursue it
20 because I didn't think it was close enough for
21 some reason.

22 EXAMINER STOGNER: I'll take
23 administrative notice of that particular pool
24 creation. I believe that it did not include the
25 Strawn.

1 But, Mr. Bruce, if you'll double-check
2 that for me.

3 MR. BRUCE: Will do.

4 EXAMINER STOGNER: Out of my memory, I
5 think you might want to refer to Order No.
6 R-7222.

7 THE WITNESS: That Townsend Strawn is
8 in Section 4 of this township, which would be way
9 up here off the map.

10 EXAMINER STOGNER: There is a Townsend
11 Strawn, but I'm interested in the Townsend
12 Permo-Upper Pennsylvanian.

13 THE WITNESS: Okay. That one is in
14 Sections 4, 9, 10, 5, 8, 11, 2, 3, 17, 1, 12,
15 and 18, which is a good ways away also.

16 MR. STOVALL: We'll check the order.

17 MR. BRUCE: I'll check that.

18 EXAMINER STOGNER: And the vertical
19 limits on that, if you would, Mr. Bruce, in this
20 matter.

21 MR. BRUCE: Yes, sir.

22 THE WITNESS: The nearest section that
23 that pool is in -- here's our proposed pool right
24 here. That Upper Pennsylvanian Pool does come
25 down into Section 18, which is four or five miles

1 to the northwest. Most of it is up here to the
2 north and west of the plat.

3 Q. (BY EXAMINER STOGNER) You're referring
4 to about four or five miles up to the north and
5 east?

6 A. Up to the north and west.

7 Q. Up to the north and west?

8 A. Yes, sir. It wasn't close enough that
9 I gave it any further consideration.

10 Q. Other than the 80-acre spacing out
11 there, Mr. Nutter, you mentioned or are
12 requesting 330-foot offsets off of the quarter
13 section line or quarter-quarter section line?

14 A. Correct.

15 Q. This is somewhat unusual, is it not?

16 A. Yes, it is an exception. Yes.

17 Q. Let's elaborate a little bit on that.
18 Has your experience shown or your research shown
19 that many of these pools that have 80-acre
20 spacing with 150 from the center have had
21 exceptions granted to them?

22 A. A lot of them have required exceptions,
23 and we would prefer to drill in the center of a
24 40-acre tract. It's only when you get close.
25 And when we get the pool fairly well-defined and

1 know that we're not going to fall off of the
2 mound that we will drill in the center of the 40,
3 I'm sure. There's no advantage to getting an
4 irregular spacing pattern if you can develop
5 adequately on a regular spacing pattern.

6 Q. And I believe that was why the 150 from
7 the center was given these 180s, so you wouldn't
8 have an opportunity for four of these 80-acre
9 proration units being produced with a clump of
10 wells in one corner?

11 A. That's correct. And Gillespie would
12 not drill a cluster of wells together, I'm sure.

13 Q. But he wants a little bit of leeway so
14 he won't fall off the mound?

15 A. That's correct.

16 Q. Any topographic features out there?

17 A. No, there aren't any. Now, the
18 Lovington airport is to the south, but it
19 presents no problem to us. I also investigated
20 the possibility that there might be some of those
21 big circular irrigation projects out there. And
22 there aren't any. It's all ranching country.

23 There's no topography. We do not
24 justify our application for exception on the
25 basis of topography. It's only to keep from

1 falling off the mound where necessary.

2 Q. Now, with the size of your request for
3 this particular pool, is this somewhat unusual
4 also, asking for essentially 640 acres with just
5 that one well holding it?

6 A. Well, I don't know if it's absolutely
7 necessary or not. He does control all of the
8 acreage within his proposed pool, though,
9 obviously, as depicted by the yellow coloring on
10 Exhibit No. 1.

11 MR. STOVALL: A question.

12 FURTHER EXAMINATION

13 BY MR. STOVALL:

14 Q. How big do those mounds tend to be? I
15 assume the idea is that you want to get
16 essentially most of the mound. How big do they
17 tend to be?

18 A. Well, you can see that mound on the
19 structure map. And you'll notice that our second
20 well appears to be higher on the mound, and it's
21 an excellent well. It hasn't been completed yet,
22 but the DST on the thing, which I'm not privy to,
23 indicates it's going to be probably a better well
24 than the first.

25 Q. But that's the reason for going for

1 that larger spacing is to try to encompass the --

2 A. The mound.

3 Q. -- what is anticipated as being the
4 mound?

5 A. Yeah. This mound was drawn based on
6 seismic information, so it has to be confirmed by
7 drilling.

8 MR. BRUCE: Mr. Examiner, for your
9 information, a little bit of information,
10 geological information, was presented in Case No.
11 10498, which concerns that second well in Section
12 1.

13 THE WITNESS: Which one?

14 MR. BRUCE: The second. That was a
15 forced pooling for that second well.

16 MR. STOVALL: The one in Section 1?

17 MR. BRUCE: Yes.

18 EXAMINER STOGNER: Did that force pool
19 40 acres?

20 MR. BRUCE: It pooled 40 acres at the
21 time. That's what the spacing is out there,
22 although the ownership -- I think the landman
23 testified that the landownership is uniform in
24 lots in that entire quarter section.

25 EXAMINER STOGNER: Mr. Nutter, do you

1 know what the anticipated 80-acre proration unit
2 would be for that well if this order was
3 approved?

4 MR. STOVALL: The second well?

5 THE WITNESS: Well, no, I don't. I
6 sure don't.

7 MR. BRUCE: I believe it was --

8 THE WITNESS: Whether it would be the
9 east half or the northwest quarter or whether it
10 would be Lots 3 and 6 or whether it would be Lots
11 3 and 4.

12 If he's got such a good well, it would
13 be prudent to dedicate Lots 3 and 4 because you'd
14 have slightly more acreage.

15 EXAMINER STOGNER: But you just don't
16 know at this time --

17 THE WITNESS: I don't know.

18 EXAMINER STOGNER: -- his anticipated
19 80-acre proration unit.

20 MR. STOVALL: That would also give you
21 a chance to drill a second well at the top of the
22 mound too, wouldn't it, looking at your
23 structure?

24 THE WITNESS: I don't know. That would
25 be up to their geologist.

1 MR. STOVALL: I understand. I'm just
2 asking you based on the structure map you've
3 submitted.

4 THE WITNESS: Right. It appears that
5 it's hitting the high there.

6 MR. BRUCE: Mr. Examiner, I believe,
7 although it wasn't in the prior testimony, I
8 believe the anticipation was that the second well
9 would have Lots 3 and 4 dedicated to it. And
10 that would be an oversized unit.

11 EXAMINER STOGNER: And what are you
12 getting that out of?

13 MR. BRUCE: It's from my notes from
14 when we originally began the forced pooling
15 proceeding.

16 EXAMINER STOGNER: There again, we're
17 not sure of what the 80-acre proration unit would
18 be.

19 MR. BRUCE: Correct.

20 EXAMINER STOGNER: Okay.

21 Mr. Nutter, do you know where this Form
22 C-123 that Charles Gillespie sent to the district
23 office -- do you know where that is at this
24 point?

25 THE WITNESS: I imagine he suspended it

1 with the Hobbs office, or the Hobbs office
2 suspended it when this application here was
3 filed. It hasn't appeared on the southeast
4 nomenclature case as of now, I don't believe.

5 MR. BRUCE: No, it hasn't.

6 EXAMINER STOGNER: Okay. Another
7 synopsis here, no discovery allowable?

8 THE WITNESS: That is correct. We're
9 dismissing that.

10 EXAMINER STOGNER: Okay. Any other
11 specialties for this particular pool other than
12 80-acres and then the special 330 offset?

13 THE WITNESS: That is correct.

14 EXAMINER STOGNER: I have no other
15 questions of Mr. Nutter. Are there any other
16 questions of this witness?

17 THE WITNESS: Now, let me tell you one
18 thing, Mr. Stogner.

19 EXAMINER STOGNER: Yes, sir.

20 THE WITNESS: If you want to issue the
21 order based on the advertised limits of the pool,
22 we would like to see that order issued promptly
23 because right now the well is being penalized,
24 because I mentioned it has a slightly high GOR,
25 2200. The GOR stays the same. They pinched it

1 back. They opened the choke up to various
2 different sizes. And the GOR is relatively
3 stable at 2200 to 1, which results in a penalty.

4 Now, if you approve the 80-acre
5 spacing, we could get an extra allowable because
6 the well is not producing near its capacity. So
7 we would prefer to see you go ahead and issue the
8 order based on the 80-acre pool, if that's what
9 the advertisement states, that it's only going to
10 be 80 acres. And then put the case on the
11 nomenclature, if necessary.

12 MR. STOVALL: Your second well is
13 within a mile anyway.

14 THE WITNESS: It's within a mile,
15 right. And most of our acreage there would be
16 within a mile.

17 EXAMINER STOGNER: And any additional
18 extensions could be done through the nomenclature
19 process.

20 THE WITNESS: That is correct.

21 EXAMINER STOGNER: With that, then I
22 don't see any reason to readvertise with that
23 change.

24 THE WITNESS: Or we can file an
25 application to come back in ourselves and present

1 a case at the next Examiner Hearing.

2 MR. STOVALL: If you presented a
3 nomenclature, there's no reason to come back in
4 if the pool is established and the rules are
5 established.

6 THE WITNESS: Right.

7 MR. STOVALL: And you're within a mile,
8 the nomenclature could take care of it, and
9 there's no reason to have another hearing on it.

10 THE WITNESS: No. And the only thing
11 is, I'd argue for creation of the larger pool.
12 And the Hobbs office might not propose to pool --
13 I don't know what they would propose because that
14 was what was filed with them for creation of a
15 one square mile pool there, see.

16 EXAMINER STOGNER: But with that, if I
17 could take it under advisement at this time --

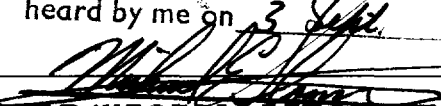
18 THE WITNESS: We would prefer that so
19 we could get the order out and get our allowable
20 boosted slightly.

21 EXAMINER STOGNER: Anything further in
22 this case?

23 MR. BRUCE: No, sir.

24 EXAMINER STOGNER: In that case, Case
25 No. 10530 will be taken under advisement.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 10530
heard by me on 3 Sept. 1992


RODRIGUEZ, J. L. Examiner
Oil Conservation Division
(505) 988-1772

1 Thank you, gentlemen.
2 [And the proceedings were concluded.]
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1 CERTIFICATE OF REPORTER

2
3 STATE OF NEW MEXICO)
4) ss.
5 COUNTY OF SANTA FE)

6 I, Debbie Vestal, Certified Shorthand
7 Reporter and Notary Public, HEREBY CERTIFY that
8 the foregoing transcript of proceedings before
9 the Oil Conservation Division was reported by me;
10 that I caused my notes to be transcribed under my
11 personal supervision; and that the foregoing is a
12 true and accurate record of the proceedings.

13 I FURTHER CERTIFY that I am not a
14 relative or employee of any of the parties or
15 attorneys involved in this matter and that I have
16 no personal interest in the final disposition of
17 this matter.

18 WITNESS MY HAND AND SEAL OCTOBER 3,
19 1992.
20

21
22 

23 _____
24 DEBBIE VESTAL, RPR
25 NEW MEXICO CSR NO. 3