

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date MARCH 29, 1989 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
John Kellohim	Kellohim Kellohim	Santa Fe
William L. Sam	Campbell + Black	Santa Fe
Sarah Williams	N.M. & O	Tulsa, Ok
Chad DeLeon	Duhamel, Fisk + Vandiver	Artesia 21711
Leslie Bentz	Vates Pet.	ES 20 Artesia
Theresa Padilla	Yates Pet	Artesia
Kelly Colbert	Yates	Artesia
Al Springer	Yates Pet	Artesia
Bob Hahn	Bryman	Santa Fe
Ernst K. Pfeiffer	Pfeiffer + Suter	Santa Fe
Mal Crabb, Jr.	BHP	Midland, TX
Jack White	Santa Fe Expl	Roswell
Richard Chisholm	Santa Fe Exploration	Roswell
Dan Mutter	Union Texas	Santa Fe
Randall J. Davis	BHP Petroleum Company Inc.	Midland, TX

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NAME	REPRESENTING	LOCATION
<i>Michael A. Phillips</i>	<i>BHP Petroleum Co., Inc.</i>	<i>Houston, Tex</i>
<i>William J Morris</i>	<i>" "</i>	<i>Midland TX</i>

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BUILDING
5 SANTA FE, NEW MEXICO

6 ~~15~~ March 1989

7 29

8 EXAMINER HEARING

9 IN THE MATTER OF:

10 Application of Union Texas Petroleum Corporation for an unorthodox coal gas well location, San Juan County, New Mexico. CASE 9632

11 BEFORE: David R. Catanach, Examiner

12 TRANSCRIPT OF HEARING

13 A P P E A R A N C E S

14 For the Division:

15 For Union Texas Petroleum Corporation: William F. Carr
16 Attorney at Law
17 CAMPBELL and BLACK, P. A.
18 P. O. Box 2208
19 Santa Fe, New Mexico 87501

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I N D E X

DANIEL S. NUTTER

Direct Examination by Mr. Carr 3

Cross Examination by Mr. Catanach 12

E X H I B I T S

Union Texas Exhibit One, Land Plat 5

Union Texas Exhibit Two, Plat 6

Union Texas Exhibit Two-A, Well File 7

Union Texas Exhibit Three, Map 8

Union Texas Exhibit Four, Isopach 9

Union Texas Exhibit Five, Plat 9

Union Texas Exhibit Six, Affidavit 10

1 MR. CATANACH: We'll go back
2 to Case 9632. The application of Union Texas Petroleum
3 Corporation for an unorthodox coal gas well location, San
4 Juan County, New Mexico.

5 Are there appearances in this
6 case?

7 MR. CARR: May it please the
8 Examiner, my name is William F. Carr, with the law firm
9 Campbell & Black, P. A., of Santa Fe. We represent Union
10 Texas Petroleum Corporation and I have one witness.

11 MR. CATANACH: Any other ap-
12 pearances?

13 Will the witness please stand
14 and be sworn?

15
16 (Witness sworn.)

17
18 DANIEL S. NUTTER,
19 being called as a witness and being duly sworn upon his
20 oath, testified as follows, to-wit:

21
22 DIRECT EXAMINATION

23 BY MR. CARR:

24 Q Will you state your full name for the
25 record, please?

1 A My name is Dan Nutter.

2 Q Mr. Nutter, where do you reside?

3 A In Santa Fe, New Mexico.

4 Q By whom are you employed in this case
5 and in what capacity?

6 A I'm a consulting petroleum engineer.
7 I've been retained by Union Texas Corporation --

8 Q Have you --

9 A -- to appear in this case.

10 Q Have you previously testified before the
11 Division and had your credentials as a petroleum engineer
12 accepted and made a matter of record?

13 A Yes, I have.

14 Q Are you familiar with the the
15 application filed in this case on behalf of Union Texas?

16 A I am.

17 Q Have you made a study of the subject
18 area?

19 A I have.

20 MR. CARR: Are the witness'
21 qualifications acceptable?

22 MR. CATANACH: They are.

23 Q Mr. Nutter, would you briefly state what
24 Union Texas seeks with this application?

25 A The pool rules that have been promul-

1 gated by the Division for the Basin Coal Gas Pool have
2 prescribed that well locations for the first well on the
3 units in the pool with the 320-acre spacing shall be
4 located in the northeast quarter and the southwest quarter
5 of the section.

6 We are seeking approval of an unorthodox
7 location for a well which would be located in the south-
8 east quarter of Section 35, Township 31 North, Range 9
9 West, San Juan County, New Mexico.

10 Q And the location we're seeking is 1590
11 feet from the south line and 1000 from the east line?

12 A That is correct.

13 Q And what we're basically seeking is ap-
14 proval of this location and exception to Rule 7 of the
15 Basin Fruitland Coal rules.

16 A That is correct.

17 Q Have you prepared certain exhibits for
18 presentation in this case?

19 A Yes, I have.

20 Q Would you refer to what has been marked
21 as Union Texas Exhibit Number One, identify this and then
22 review it for Mr. Catanach?

23 A Exhibit Number One in Case Number 9632
24 is a land plat. It shows the -- by shading the acreage
25 which is held by Union Texas Corporation.

1 In the Pump Canyon area of this exhibit,
2 which is -- covers approximately four townships, Union
3 Texas controls approximately 12,000 acres.

4 Shown by the red triangle in Section 35
5 of Township 31 North, Range 9 West, is the proposed unorthodox
6 location in the southeast quarter of Section 35.

7 Q Would you now go to Union Texas Exhibit
8 Number Two, identify that and review it, please?

9 A Exhibit Number Two in the case is also a
10 plat. It shows the ownership of the -- Section 35 and the
11 ownership of all the surrounding sections.

12 You'll note that all the acreage around
13 the subject section is under lease and we will come to an
14 exhibit later on that will show that all of these offset
15 operators have been notified of this application.

16 Q Now on this exhibit the subject well is
17 indicated by the red triangle?

18 A The unorthodox location which we're pro-
19 posing here today is indicated by the red triangle. Up in
20 the northwest quarter of Section 35 you'll see a PC well.
21 It's the Union Texas 15 Johnston. That well is presently a
22 Pictured Cliff well. It is proposed by Union Texas that
23 this be approved as an unorthodox location and it will be
24 recompleted in the coal gas. An application for the recom-
25 pletion of this -- or the unorthodox location of this well

1 in the northwest quarter is pending with the Division
2 office. The waiting period has expired and I'm informed
3 that it should go out today.

4 This necessitates, if this well in the
5 northwest quarter is completed as a coal gas well a better
6 pattern would be obtained by drilling in the southeast
7 quarter of Section 35. That is why we're requesting ap-
8 proval of this unorthodox location today.

9 Q Mr. Nutter, would you --

10 A Also shown are the two proration units,
11 the east half and the west half that would be dedicated to
12 the two wells. I beg your pardon.

13 Q Anything further with Exhibit Two?

14 A No, sir.

15 Q Would you identify what has been marked
16 as Exhibit Two-A?

17 A Exhibit Two-A, there's only one copy of
18 that, that is the well file for the Union Texas Johnston
19 No. 15 in the northwest quarter of Section 35. Now,
20 perusal of that exhibit will indicate that the well has
21 been drilled and completed in the Picture Cliffs and it
22 will be recompleted, plugged back to the coal gas.

23 The rules provide that administrative
24 approval can be obtained for a well that was previously
25 drilled to a deeper horizon and the subject -- the purpose

1 of that exhibit is to show that that Johnston 15 was
2 drilled to a deeper horizon.

3 Q Will you now go to Union Texas Exhibit
4 Number Three and identify that, please?

5 A Union Texas Number Three is an exhibit
6 that appeared at the spacing case for the coal gas last
7 July. I believe this same examiner heard that case. It
8 was an exhibit that was presented by two different parties,
9 by the -- by Meridian, I believe, and also by the Gas Com-
10 mittee.

11 It's a coal rank map of Fruitland forma-
12 tion coal and depicts the type of coal that is available or
13 present in this San Juan Coal Gas Pool.

14 Going from the southern end progressing
15 northward, the quality of the coal increases and as the
16 quality of the coal increases the more likelihood develops
17 of the presence of high pressure coal gas.

18 And what it -- the purpose of this is to
19 show that this is in an intermediate section of the coal.
20 It's in the -- what has been designated as the high vola-
21 tile A bituminous coal and prospects for coal gas in this
22 particular location in Township 31 North, Range 9 West,
23 indicates that there should be good prospects for coal gas
24 there.

25 Q All right, Mr. Nutter, now go to Exhibit

1 Number Four and identify this.

2 A Exhibit Number Four is a Fruitland for-
3 mation net coal thickness isopach. Indicated by the red
4 dot on this exhibit is the -- is Section 35 of 9 -- of 31
5 North, 9 West, and you'll see that that is within the 60
6 feet contour, so not only will we have pretty fair pres-
7 sure, we're anticipating pretty fair pressure, but we would
8 also anticipate at least 60 feet of coal in this vicinity.

9 Q And does the --

10 A I also want to point out that seeking
11 the unorthodox location in Section 35 is well within the
12 parameters of the reservoir on both of these exhibits and
13 we're not seeking any geological advantage by drilling in
14 the particular unorthodox location. Conditions are more or
15 less the same throughout the entire section.

16 Q Let's now go to Exhibit Number Five and
17 I'd ask you to identify that for Mr. Catanach and then re-
18 view the spacing pattern in the offsetting section.

19 A Exhibit Number Five is a map, a plat, of
20 the Pump Canyon area and has the Union Texas acreage shaded
21 slightly and it also shows in Section 35 the triangular --
22 the triangle indicating the proposed location, the square
23 indicating the unorthodox location, which should be ap-
24 proved today for the recompletion.

25 You'll note that is a soft pattern; how-

1 ever I would point out that it's on the same pattern that
2 two wells in Section 2 to the -- immediately to the south;
3 Section 3 to the southwest; and one well each in Sections
4 4, 5, to the west/southwest, are all on the same pattern.
5 There aren't any wells on any pattern immediately to the
6 north. So this is in conformance with the existing pat-
7 tern that is prevalent in the immediate vicinity at the
8 present time.

9 The black circles on this exhibit in-
10 dicate completed wells. The black triangles indicate wells
11 that are in any stage of completion, from locations and
12 drilling wells to wells that are having potential cuts run
13 on them at the present time. They're just not completed
14 and on line.

15 Q Mr. Nutter, in your opinion should a
16 penalty be assessed against the subject well because of its
17 unorthodox location?

18 A Oh, no, because it's well within the
19 boundaries. It's not unorthodox as far as the outer boun-
20 daries of the proration unit are concerned and it is on
21 pattern with existing wells in the area; therefor there's
22 no reason for any penalty to be applied to it.

23 Q Is Exhibit Number Six a copy of an affi-
24 davit confirming that notice has been given in accordance
25 with Division rules?

1 A Exhibit Six is an affidavit showing that
2 the offset operators in all directions from the proposed
3 proration unit have been notified. Also there is a copy of
4 the letter to those offset operators, as well as a receipt
5 for sending the mail out and a return receipt which was
6 received from the recipients of the notice, and all offset
7 operators did return the notice and have been notified.

8 Q In your opinion will granting this ap-
9 plication be in the best interest of conservation, the
10 prevention of waste, and the protection of correlative
11 rights?

12 A I believe it will. It will provide
13 Union Texas with an opportunity to recover the gas under
14 its tract and would not cause waste.

15 Q Were Exhibits One, Two, Two-A, Three,
16 Four and Five prepared by you?

17 A No, they weren't. They were prepared
18 in the offices of Union Texas in Houston, but I have re-
19 viewed them and some of them are from the previous case
20 which was heard last July.

21 Q Can you confirm their accuracy?

22 A I can confirm that they were testified
23 to and are part of the Commission's or the Division's re-
24 cords.

25 Q And Exhibit Six is the notice affidavit.

1 A And Exhibit Six is the notice affidavit.

2 MR. CARR: At this time we
3 would move the admission of Union Texas Exhibits One, Two,
4 Two-A, Three, Four, Five and Six.

5 MR. CATANACH: Exhibits One,
6 Two, Two-A, Three, Four, Five, and Six will be admitted as
7 evidence in this case.

8 MR. CARR: That concludes my
9 direct examination of Mr. Nutter.

10

11 CROSS EXAMINATION

12 BY MR. CATANACH:

13 Q Mr. Nutter, do you know why the Johnston
14 Federal 15 is being plugged back?

15 A No, I don't. I haven't reviewed the
16 producing history on that well but I would imagine it's
17 probably near a state of depletion and that's the reason
18 it's going to be recompleted.

19 Q Do you know when this well was drilled?

20 A Yes, it was drilled a number of years
21 ago. The -- the -- I don't recall exactly what that date
22 was but it was drilled a number of years ago.

23 Q 1980, it's right here.

24 A It never did have a huge potential. I
25 don't know what its cumulative production is.

1 Q Mr. Nutter, do you think this location
2 will have any adverse affect on the surrounding sections as
3 far as throwing them off pattern?

4 A Somewhere there will probably be a revi-
5 sion of the spacing pattern but if you'll note from Exhibit
6 Number Four, that that blank space in Sections -- in the
7 second -- in the fifth row of sections in Township 31
8 North, 9 West, is a great deal of it is owned by Union
9 Texas, so it could be that Union Texas would be the oper-
10 ator that would reverse the trend, because up in Section 29
11 there is a well in the southwest quarter of Section 29.
12 There are no wells in Sections 26 -- 25, 26 and 27, so that
13 could be developed as kind of a buffer between the two
14 development patterns, I believe, but that would be Union
15 Texas' acreage and they could develop the buffer themselves
16 between the two spacing patterns.

17 Q So you believe everything south of there
18 is going to be developed on off patterns?

19 A Most of it appears to have already been
20 developed on off pattern.

21 The wells in Section 1 are on pattern
22 and those are about the only ones that are on pattern.
23 There's one well in Section 9 and when you get way down to
24 Section 13, there's a well on pattern, but Section 21 is
25 off pattern; 15 is off pattern; 10 is off pattern.

1 Sections 2, 3 and 4 and 5 are all off pattern, and Section
2 6 is a short section. I don't know where that well is
3 supposed to be but apparently it's in the southwest quart-
4 er, but the immediate vicinity is off pattern, and this
5 proposed location conforms to the off pattern that's in
6 existence in the area.

7 Q Do you know if that off pattern that's
8 resulted south of there is been a result of wells drilled
9 before the order came out?

10 A Apparently some of them were drilled
11 before the order came out and there is nothing really
12 concrete in the testimony. I reviewed the transcript of
13 the hearing. There wasn't anything really concrete in the
14 testimony at the hearing that specified which quarter sec-
15 tions the wells would be drilled in, so there's been ran-
16 dom drilling. It was on 160 acres throughout a lot of the
17 area prior to the adoption of the 320-acre rule, so there
18 will be many instances where wells are drilled off pattern
19 in the pool, I'm sure.

20 MR. CATANACH: Mr. Carr, has
21 Amoco not taken over Tenneco's property?

22 MR. CARR: Amoco has taken over
23 Tenneco's properties.

24 MR. CATANACH: But you sent
25 this letter to Tenneco.

1 MR. CARR; Yeah, that's still
2 carried in the name in the well files as Tenneco.

3 MR. CATANACH: Okay, so they
4 haven't officially changed?

5 MR. CARR: No, they have not.

6 MR. CATANACH: That's all the
7 questions I have. The witness may be excused.

8 Anything further in this case?

9 MR. CARR: Nothing further,
10 Mr. Catanach.

11 MR. CATANACH: It will be
12 taken under advisement.

13

14 (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 (Commission) 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 Examiner hearing of Case No. 9630,
heard by me on March 29 1989.

David R. Cabana Examiner
Oil Conservation Division