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November 26, 1990

RECEIVED

NOV 27 1990

OIL CONSERVATION DIV
SANTA FE

Mr. William J. LeMay
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

Re: Application of Avon Energy Corporation
for an Unorthodox Oil Well Location
and Simultaneous Dedication,
Section 30, T17S, R31E, Turner "B" Well No. 99
Eddy County, New Mexico

10187

Dear Mr. LeMay:

On behalf of Avon Energy Corporation, please find enclosed our Application for an Unorthodox Well Location and Simultaneous Dedication for the referenced well which we request be set for hearing on the next available Examiner's docket now scheduled for December 19, 1990.

Very truly yours,



W. Thomas Kellahin

WTK/tic
Enclosure

cc: Mr. T. M. Hatfield
BHI Energy Corporation
1153 Dairy Ashford, Suite 803
Houston, Texas 77079

Socorro Petroleum Company
Post Office Box 3268
Midland, Texas 79702



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

February 6, 1991

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Mr. Thomas Kellahin
Kellahin, Kellahin & Aubrey
Attorneys at Law
Post Office Box 2265
Santa Fe, New Mexico

Re: CASE NO. 10187
ORDER NO. R-9429

Applicant:

Avon Energy Corporation

Dear Sir:

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

Sincerely,

Florence Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

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

CASE NOS. 10185

APPLICATIONS OF AVON ENERGY)
 CORPORATION FOR UNORTHODOX OIL)
 WELL LOCATIONS AND SIMULTANEOUS)
 DEDICATIONS, EDDY COUNTY,)
 NEW MEXICO.)

10186

10187

REPORTER'S TRANSCRIPT OF PROCEEDINGSEXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

December 19, 1990

10:25 a.m.

Santa Fe, New Mexico

These matters came on for hearing before the
 Oil Conservation Division on December 19, 1990, at
 10:25 a.m. at the Oil Conservation Division Conference
 Room, State Land Office Building, 310 Old Santa Fe Trail,
 Santa Fe, New Mexico, before Maureen R. Hunnicutt, RPR,
 Certified Shorthand Reporter No. 166, for the State of
 New Mexico.

FOR: OIL CONSERVATION
 DIVISION

BY: MAUREEN R. HUNNICUTT, RPR
 Certified Shorthand Reporter
 CSR No. 166

I N D E X

December 19, 1990

Examiner Hearing

CASE NOS. 10185, 10186, 10187

PAGE

APPEARANCES

3

OPENING STATEMENTS

By Mr. Kellahin

4

APPLICANT AVON ENERGY WITNESS:

ROY C. WILLIAMSON, JR.,

Direct Examination by Mr. Kellahin

10

REPORTER'S CERTIFICATE

25

* * *

E X H I B I T S

ID ADMTD

APPLICANT AVON ENERGY EXHIBIT

1 Structure Map

5 21

2 BLM Survey Turner "B" 100 Well

14 21

3 Revised C102 on Turner "B" 99 Well

15 21

4 Cross section A - A' (West-East)

18 21

5 Cross section B - B' (West-East)

18 21

6 Grayburg Isopach Map

19 21

7 Vacuum Isopach Map

20 21

A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
General Counsel
Oil Conservation Commission
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

FOR THE APPLICANT: KELLAHIN, KELLAHIN & AUBREY
Attorneys at Law
BY: W. THOMAS KELLAHIN, ESQ.
117 North Guadalupe
Santa Fe, New Mexico 87501

* * *

1 EXAMINER STOGNER: Call the next case, No. 10185.

2 MR. STOVALL: Application of Avon Energy Corporation
3 for an unorthodox oil well location and simultaneous
4 dedication, Eddy County, New Mexico.

5 EXAMINER STOGNER: Call for appearances.

6 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of the
7 Santa Fe law firm of Kellahin, Kellahin & Aubrey,
8 appearing on behalf of the applicant; and I have one
9 witness to be sworn.

10 At this time, Mr. Examiner, we would move for
11 purposes of hearing that you consolidate this case with
12 the next two cases, which are 10186 and 87.

13 EXAMINER STOGNER: In that case, I'll call Cases No.
14 10186 and 10187.

15 MR. STOVALL: Both applications of Avon Energy
16 Corporation for unorthodox oil well locations and
17 simultaneous dedications, Eddy County, New Mexico.

18 EXAMINER STOGNER: I'll call again for appearances
19 for any of these cases.

20 (No response.)

21 EXAMINER STOGNER: There being none, Mr. Kellahin --

22 Oh, I'm sorry. The witness may stand and be
23 sworn.

24 (The witness was first duly sworn.)

25 EXAMINER STOGNER: Mr. Kellahin.

1 MR. KELLAHIN: Thank you, Mr. Examiner. If I might
2 take a moment and have you unfold what is Exhibit No. 1.
3 That's Mr. Williamson's structure map, but it will serve
4 to illustrate a couple of points, two of which will, in my
5 opinion, require the division to readvertise the case --
6 or two of the cases.

7 I've noted on your copy of Exhibit No. 1 three
8 red dots, and those represent in each instance the
9 original application for unorthodox producing oil wells in
10 this Grayburg-Jackson pool.

11 Case 10185 is the first well on top of the
12 display. It now has the number 100 next to it. BLM is
13 required for surface reasons that we move the location
14 from the southeast of the southeast of 19, to the
15 southwest of the southwest of Section 20. The well's name
16 changes. It's the Turner "B" 100.

17 The surveyed location, and the location we
18 anticipate will satisfy the BLM conditions, is 150 feet
19 from the south line, 50 feet from the west line. It's a
20 net easterly change of 150 feet.

21 MR. STOVALL: What unit is that?

22 EXAMINER STOGNER: Unit M, right?

23 MR. KELLAHIN: I believe it's M.

24 MR. STOVALL: And as shown on that Exhibit 1 as it's
25 marked, that appears to be the location as shown on

1 Exhibit 1 as the new location.

2 MR. KELLAHIN: That's correct; and it's proximate,
3 but that's the revised location.

4 The No. 5 well, that is still correct.

5 Case 186 is advertised correctly.

6 187 remains the Turner "B" 199. The well name
7 stays the same. It moves, however, from the northeast of
8 the southeast of Section 30. It's going to move to the
9 east, and so it moves into Section 29. That will be
10 changed. It's now in the northwest of the southwest of
11 29. The new footage is 2,590 from the south line and a
12 hundred feet from the west line of Section 30. It's also
13 a net change of approximately 150 feet to the east.

14 In your absence when I approached the division
15 on riding the docket and reviewing the case, I must admit
16 to some uncertainty about the necessity for a hearing, but
17 to be conservative we have applied for a hearing in this
18 instance.

19 For your reference information, Mr. Examiner, I
20 have stapled together the three oil conservation division
21 orders that I can find and their amendments that apply to
22 what had originally been a combination of three waterflood
23 projects operated by Sinclair, subsequently Socorro and
24 now Avon.

25 And my concern was that these three wells may

1 in fact represent wells that are closer than 330 feet to
2 the outer boundary of their leasehold waterflood project,
3 and therefore not eligible for administrative approval.

4 The proof will be, however, Mr. Examiner, that
5 notwithstanding that technical problem, the royalty and
6 working interest on both sides of this section line is
7 common, these Base Federal leases.

8 (Discussion off the record with the reporter.)

9 "Is common." Is in common with the ownership
10 on each side of the section, so Avon at this point is
11 operating these leasehold waterflood projects in
12 conjunction with each other.

13 And I guess to avoid any kind of concern about
14 administrative approval, Mr. Roy Williamson, a recognized
15 expert petroleum engineer, is available; and if you'll
16 permit us, we'll go ahead and make our technical
17 presentation.

18 MR. STOVALL: One quick question to make sure I'm
19 correct. Are they simultaneous dedications with those
20 moved locations?

21 MR. KELLAHIN: I'm of the opinion that that's not
22 necessary. Mr. Catanach threw it in there just to be
23 conservative. I'm not sure you need to do that. These
24 are oil wells.

25 EXAMINER STOGNER: But as far as -- Okay. Let me,

1 if I may -- Cases 185 and 187 will need to be
2 readvertised.

3 MR. KELLAHIN: Yes, sir.

4 EXAMINER STOGNER: And subsequent to the hearing
5 today that needs to be reviewed so that proper
6 advertisement can be made for the 24th.

7 MR. STOVALL: Twenty -- Well, let's see. Yeah, I
8 guess we are on the 24th.

9 EXAMINER STOGNER: I'm sorry, I don't have my --

10 MR. KELLAHIN: January 24th is the --

11 EXAMINER STOGNER: The second hearing in January, I
12 should say, but case No. 186 we're going to hear today and
13 take that under advisement. Okay.

14 Is your understanding there are three
15 waterflood projects out there? Is that correct?

16 MR. KELLAHIN: Yes, sir.

17 EXAMINER STOGNER: The Russell Grayburg-Jackson, the
18 Turner "A" Grayburg-Jackson and the Turner "B"
19 Grayburg-Jackson?

20 MR. KELLAHIN: That's my understanding.

21 EXAMINER STOGNER: Where does the Atlantic
22 Grayburg-Jackson Friess-Fren -- F-r-i-e-s-s dash F-r-e-n
23 -- Waterflood Project come in?

24 MR. KELLAHIN: Therein lies some of the confusion.
25 It appears to me that the northeast quarter of 30, which

1 has the Max Friess, Base Federal lease identified on
2 Exhibit No. 1.

3 EXAMINER STOGNER: Okay.

4 MR. KELLAHIN: May in fact be part of the Turner "B"
5 Waterflood Project. I'm referring to R-3185.

6 EXAMINER STOGNER: Mr. Utz's order

7 MR. KELLAHIN: Nunc Pro Tunc Order, Case No. 3521 and
8 Order No. R-3185 A.

9 EXAMINER STOGNER: Also another order, No. R-3528; is
10 that correct?

11 MR. KELLAHIN: Yes, sir.

12 EXAMINER STOGNER: Oh, there's an Order R-4306.
13 That's also another of Mr. Utz's order.

14 With this information, I assume you're ready to
15 continue today.

16 MR. KELLAHIN: Yes, sir. It appears to me when you
17 look through the orders, all of Sections 20, 29 and all of
18 30 are going to be in Turner "B" Lease Waterflood Project.

19 EXAMINER STOGNER: I'm sorry. Repeat that.

20 MR. KELLAHIN: Yes, sir. All of Section 20.

21 EXAMINER STOGNER: 20.

22 MR. KELLAHIN: All of 29.

23 EXAMINER STOGNER: All of 29.

24 MR. KELLAHIN: All of 30.

25 EXAMINER STOGNER: All of 30.

1 MR. KELLAHIN: And I believe all of 17 to the north,
2 which is off this display, is also from Turner "B," but
3 for purposes of this case, 17, 20, 29 and 30 are all
4 Turner "B" Lease Waterflood Project operating under the
5 various orders. If that is true, it would appear to me
6 that only the Turner "B" 100, southwest of the southwest
7 of 20, is not available for administrative approval
8 because it encroaches upon the Fren waterflood, also
9 operated by Avon, and which has the same identity of
10 ownership as the Turner, but is in fact a separate
11 waterflood.

12 EXAMINER STOGNER: Okay. Well, with that,
13 Mr. Kellahin, you may continue.

14 ROY C. WILLIAMSON,
15 the Witness herein, having been previously duly sworn, was
16 examined and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. KELLAHIN:

19 Q. Mr. Williamson, for the record would you please
20 state your name and occupation?

21 A. Yes. My name is Roy Williamson; and I'm a
22 consulting petroleum engineer from Midland, Texas.

23 Q. Mr. Williamson, pursuant to your employment by
24 Avon, have you made an engineering study of the facts
25 available to you with regards to your recommendation for

1 the drilling of the three wells that are the subject of
2 the consolidated hearing?

3 A. Yes, I have.

4 Q. And based upon that study and your background
5 and technical experience, have you been able to reach a
6 conclusion that the development of these various
7 waterflood projects requires and necessitates the drilling
8 of these wells at the unorthodox locations?

9 A. Yes, I have.

10 Q. Pursuant to that study have you prepared or had
11 prepared under your direction certain documents, exhibits
12 and displays?

13 A. Yes.

14 MR. KELLAHIN: We tender Mr. Williamson as an expert
15 petroleum engineer.

16 EXAMINER STOGNER: Mr. Williamson is so qualified.

17 Q. (By Mr. Kellahin) Let me have you take a
18 moment, and I think we have described the basic plan, or
19 at least I have, in looking at Exhibit No. 1, but I would
20 appreciate your taking the display and providing the
21 Examiner with an understanding of what has been, in a
22 summary fashion, the history of development and operations
23 for production out of this Grayburg-Jackson area.

24 A. Okay, sir. This Grayburg-Jackson area was
25 developed back in the early '50s and primarily in the area

1 of Section 29, which is where we're concerned with here.
2 Those wells were originally completed primarily in the
3 Premier zone.

4 There were some other zones in the
5 Grayburg-Jackson-San Andres area that were completed; but
6 then in about mid-'60, '65, '67, a waterflood application
7 was made, and a waterflood in the Premier zone took place
8 largely in Section 29. That is the second order that we
9 have talked about this morning.

10 Subsequent to that time, there is no injection
11 currently going on in Section 29. There are some disposal
12 operations going on in Section 20, and that's been noted
13 by the wells with the arrows through them. There are
14 three wells up there that are currently injecting from
15 disposal water.

16 The in-fill development that has taken place,
17 if you'll refer to the upper part of Section 29, there are
18 well 83, which is in the northwestern part of the section;
19 going to the east, wells 84, 85; dropping down a couple of
20 rows, wells 82, 81, 80, and then well 86 in the southwest
21 corner.

22 These wells have been in-filled. They are now
23 producing. They are completed in various zones within the
24 Grayburg-San Andres interval. And the three wells that
25 are the subject of this hearing, the 100, the No. 5 and

1 the 99, are necessary to be drilled to complete this
2 in-fill pattern, with the ultimate objective being that a
3 new waterflood project will be asked for, probably in the
4 first quarter of next year, and these wells will be
5 fitting in with that pattern, which will initially be an
6 inverted nine-spot, probably converted to a normal
7 five-spot after we get some more information.

8 Q. Have you received sufficient enough information
9 at this point to reach conclusions about whether or not
10 the in-fill program gives you indications that it is a
11 successful operation process for this immediate area?

12 A. Yes, sir, we do. I have some production
13 statistics on these in-fill wells, and, for instance,
14 Well No. 80, which is in the western central part of
15 Section 29, is currently producing about 147 barrels of
16 oil and 220 barrels of water. Well No. 81 is currently
17 producing about 112 barrels of oil and 173 barrels of
18 water. Well No. 82 is 161 barrels of oil, 256 barrels of
19 water. Well No. 83 is 32 barrels of oil, 375 barrels of
20 water. Well 84, 107 barrels of oil, 116 barrels of water.
21 And Well 85, 115 oil and 192 water.

22 Q. For purposes of illustration, you have
23 identified the current oil rates on the in-fill wells in a
24 line both north and south of a line of original producers.

25 A. Yes, sir.

1 Q. Can you give us what the current rates are on
2 the two original producers that are still within that
3 area?

4 A. Yes, sir. For instance, Well No. 59, which is
5 in the northeast corner of the Section 29, it has been
6 revised, and right now it's making 57 barrels of oil and
7 150 barrels of water.

8 Moving to the south and back to the west,
9 Well No. 52 is currently producing 17 barrels of oil and
10 208 barrels of water. And then moving east a couple of
11 locations, we find Well No. 49, and it's producing 16
12 barrels of oil and 124 barrels of water.

13 So the in-fill wells are tapping reserves that
14 were not going to be produced by the existing wells as
15 evidenced by their rates, and it proves that it's going to
16 be a very successful, even primary operation and will be a
17 successful secondary operation with time.

18 Q. Let's go to Exhibit No. 2. Exhibit No. 2 is
19 the BLM survey document on the change of location in the
20 Turner "B" 100 well.

21 A. Yes, sir.

22 Q. Have you utilized that information in making
23 your assessment of the appropriate location of the
24 Turner "B" 100 well?

25 A. Yes, sir, I have.

1 Q. In your opinion, will it disrupt the proposed
2 plan of locating these additional producers if you were
3 required to locate the No. 100 well at a standard
4 location, 330, out of that corner?

5 A. Yes, sir, it would.

6 Q. In what way does that disrupt or upset the grid
7 being developed for those producing well locations?

8 A. Of course, in a water injection project, you
9 want to have your injection wells and your producing wells
10 spaced as uniformly as possible. And by placing the 100
11 at the location that we have requested, that allows us to
12 drain the area proper among the other producing wells and
13 to place it properly in a sweep position with the
14 injection that will be forthcoming.

15 Q. Do you have information available to you on
16 whether or not that requested location for the Turner "B"
17 100 well satisfies the conditions of the Bureau of Land
18 Management for approval of a well at that location?

19 A. Yes, sir. I understand they have visited the
20 site, have approved that location, and the paperwork is
21 underway now.

22 Q. When we turn to Exhibit No. 3, that's the
23 revised C-102 on the Turner "B" 99 well. Do you have
24 that?

25 A. Yes, sir, I do.

1 Q. In your opinion, is the unorthodox location for
2 the Turner "B" 99 well required in order to have a well
3 properly located within the grid pattern for a producing
4 well for the project?

5 A. That is correct. The same reasons apply to
6 No. 99 as "B" to 100.

7 Q. Do you have information available to you on
8 whether or not this revised location has met the
9 conditions for approval by Bureau of Land Management for
10 the surface use of the area for this well?

11 A. Yes, sir. I understand they have visited the
12 site, have approved it and the paperwork is underway.

13 Q. Can you summarize, Mr. Williamson, what were
14 the basic reasons for changing the locations after we had
15 originally requested them from the oil conservation
16 division to the current location of those two wells?

17 A. Yes, sir. It's my understanding that in the
18 case of the No. 99 well, that it was in a drainage ditch,
19 which would have been impractical to locate the well, and
20 there were some archaeological considerations that were
21 taken into account.

22 Q. And the revised location for that well now
23 satisfies those conditions?

24 A. That is correct.

25 Q. And the 100 well?

1 A. Well, the 100, it also was in a drainage ditch.
2 It seems like there are a lot of drainage ditches out
3 there. But it was also located over a power -- over a
4 pipeline and under a powerline, so it had to be physically
5 relocated in order to make it an appropriate location.

6 Q. Do you have an understanding of what is the
7 ownership of the royalty and the working interest with
8 regards to the adjoining properties adjacent to where the
9 properties are in which the wells are located?

10 A. Yes, sir. I understand the ownership, both of
11 the royalty and, of course, the working interest is the
12 same in all those leases.

13 Q. Do you see, from your perspective, any
14 disadvantage to any interest owner in terms of correlative
15 rights violations to the approval by the division of the
16 requested locations?

17 A. None whatsoever.

18 Q. And the approval of these locations, then,
19 would re -- obtain for the operator the greatest amount of
20 opportunity to maximize his oil recoveries from this
21 information?

22 A. That is correct. That will prevent any
23 underground waste by water being -- bypassing oil into the
24 appropriate process under the waterflood operation.

25 Q. Let's turn for a moment to Exhibit No. 4, which

1 is the A - A' cross section.

2 A. Yes, sir.

3 Q. Without going into great detail about the cross
4 section, Mr. Williamson, summarize the significant points
5 of that cross section as they apply to the subject cases.

6 A. Okay. Cross section A' is denoted on
7 Exhibit 1, and it's the southern cross section, and the
8 three wells on the right side of the cross section, 82,
9 the 81 and the 80 on the Turner "B" lease, are three of
10 the new in-fill wells that we've just described the
11 producing capability of.

12 The Max Friess No. 4 well is the well on the
13 other side in the Friess lease and straddles the location
14 of the No. 99; and the purpose of this is mainly to show
15 that the expected producing intervals do exist over this
16 area; and we have the Turner "B" 81 well. We've got
17 various zones that are identified within the Grayburg:
18 those zones being the Loco Hills, the Metex, the Square
19 Lake and Premier; and then below that is the San Andres,
20 and the one interval noted there is the Vacuum. So these
21 are the intervals that are producing in the area, and they
22 are consistent across the area.

23 Q. Let's turn briefly to Exhibit No. 5 which is
24 the B - B' cross section.

25 A. Yes, sir.

1 Q. Again, give us your summary of conclusions and
2 opinions with regards to that display as it affects your
3 opinion concerning the three unorthodox locations.

4 A. Okay. Exhibit B - B' is the northernmost cross
5 section as shown on Exhibit 1. Again the three wells on
6 the right side of the cross section, the Turner "B" 85, 84
7 and 83, are three of the new in-fill wells that we have
8 been discussing.

9 The Friess No. 2 is the well across the
10 Turner "B" lease on the Friess lease. Again we show the
11 perforations that have been made in the new wells and
12 shows the continuity of the formations across this area,
13 which spans the area in which the unorthodox wells will be
14 drilled.

15 Q. I'd like you to turn your attention to
16 Exhibit No. 6 which is your isopach on the Grayburg.

17 A. Okay, sir.

18 Q. In your opinion do we have sufficient
19 distribution of the sand of adequate quality in order to
20 make the drilling of these three additional producer wells
21 a successful operation?

22 A. Yes, sir, we do. This map not only covers the
23 area of interest today, but covers the other study area
24 that we have performed in this particular waterflood
25 project; and this does show that the Grayburg does exist

1 over the areas that we have planned to drill, and it
2 should be an economic venture.

3 Q. Let's turn to the last exhibit, 7. It's your
4 isopach on the Vacuum.

5 A. The Vacuum is the zone that is in the
6 San Andres interval, and the same comments apply there.
7 The Vacuum does exist across the area of interest and
8 should result in an economic completion of a well drilled
9 at those locations.

10 Q. Does it surprise you as an engineer to see this
11 particular project supporting your conclusion about
12 20-acre, in-fill, producing wells?

13 A. No, sir, not at all. Our previous studies that
14 we have performed in this area indicated that there should
15 be additional oil to be recovered, and the instigation of
16 the in-fill drilling process has proven that to be true.
17 It's just a matter of getting the rest of the wells
18 drilled.

19 The financing arrangement under which these
20 wells are being drilled is to be completed by the end of
21 February of 1991, so this area will be quite active in the
22 future in the performing of the rest of the in-fill
23 drilling.

24 Q. Do you see similar successful projects in the
25 Grayburg-San Andres formations in other areas?

1 A. Oh, yes, sir. Yes, sir. It's quite common
2 across the entire Grayburg-San Andres interval to perform
3 these in-fill drilling processes.

4 Q. Having completed your review with regards to
5 these three wells, do you see any problems with the
6 division examiner approving any of these three
7 applications?

8 A. No, sir, none whatsoever.

9 MR. KELLAHIN: That concludes my examination of
10 Mr. Williamson. We move the introduction of his
11 Exhibits 1 through 7.

12 EXAMINER STOGNER: Exhibits 1 through 7 will be
13 admitted into evidence.

14 (Applicant Avon Exhibits 1 through 7
15 were admitted into evidence.)

16 EXAMINER STOGNER: I have no questions. The
17 application is self-explanatory.

18 Mr. Kellahin, if I might, if the activity in
19 which Mr. Williamson is saying in this area does get
20 somewhat active, this situation may come up again. You
21 may want to explore the possibility of combining these. I
22 don't know what it would do or what it would take with the
23 BLM. A cooperative lease waterflood agreement would come
24 to mind.

25 MR. KELLAHIN: We're already exploring those issues

1 in order to give the operator the most efficient operation
2 available; and you're quite right, an obvious
3 consideration is to consolidate these in some fashion, get
4 modern, up-to-date orders that handle this on some unit
5 basis where they have the greatest flexibility to
6 maximize.

7 EXAMINER STOGNER: With that --

8 MR. STOVALL: Wait. I've got a couple of questions.

9 EXAMINER STOGNER: Yes, I'm sorry.

10 MR. STOVALL: Do we have the notice -- record on the
11 notice? Has the notice issue been taken care of, as far
12 as you know?

13 MR. KELLAHIN: I will represent to you that unlike
14 Mr. Burleson, I didn't notice to Avon and Socorro other
15 than to send them copies of the docket and the application
16 as filed. It's my opinion that we're dealing with the
17 same parties, and there's no need to do that.

18 MR. STOVALL: Okay. The other question is that I
19 asked you early -- early on about the simultaneous
20 dedication, and you said you're not sure that really even
21 is part of it. Why do you say that? There would be two
22 wells on a proration unit, would there not?

23 MR. KELLAHIN: My understanding -- and perhaps the
24 Examiner is the best source of technical opinion on that
25 point -- for producing oil wells, and particularly in a

1 cooperative waterflood, you could have multiple oil wells
2 on the same spacing. The allowable is assigned on a
3 40-acre basis regardless of the number of wells, I
4 believe.

5 MR. STOVALL: I'll have to check the rules on that;
6 but it is advertised, so I don't think it presents a
7 problem.

8 MR. KELLAHIN: Mr. Catanach asked the same question,
9 and so we put it in the notice.

10 MR. STOVALL: If he hadn't put it in the notice, it
11 probably would have slipped right by me. Since he did,
12 we'll look in the rules and see if we need to address it
13 in the order, but I think it's adequately addressed on the
14 record.

15 EXAMINER STOGNER: At this time I believe we can take
16 Case No. 10186 under advisement. Cases 10185 and 10187,
17 however, will need to be readvertised; and those two cases
18 will be continued to the --

19 MR. STOVALL: January 24th is that second hearing
20 date.

21 EXAMINER STOGNER: -- January 24th date, at which
22 time I don't see any need for any additional testimony.
23 This case will be called and then taken under advisement
24 at that point -- or these two cases will.

25 Is there anything further in any of these three

1 cases by anybody?

2 MR. KELLAHIN: No, sir.

3 EXAMINER STOGNER: If not, then . . .

4 (The foregoing hearing was concluded at the
5 approximate hour of 10:55 a.m.)

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13 I do hereby certify that the foregoing is
14 a complete record of the proceedings in
the Examiner hearing of Case Nos. 10185, 10186, 10187
15 heard by me on 19 December 1990.

16 Michael E. Stogner, Examiner
17 Oil Conservation Division
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2 STATE OF NEW MEXICO)
3) ss.
4 COUNTY OF SANTA FE)

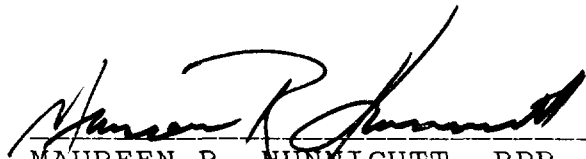
5 REPORTER'S CERTIFICATE

6
7 I, MAUREEN R. HUNNICUTT, RPR, a Certified Shorthand
8 Reporter and Notary Public, DO HEREBY CERTIFY that I
9 stenographically reported these proceedings before the Oil
10 Conservation Division; and that the foregoing is a true,
11 complete and accurate transcript of the proceedings of
12 said hearing as appears from my stenographic notes so
13 taken and transcribed under my personal supervision.

14 I FURTHER CERTIFY that I am not related to nor
15 employed by any of the parties hereto, and have no
16 interest in the outcome hereof.

17 DATED at Santa Fe, New Mexico, this 19th day of
18 January, 1991.

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21 My Commission Expires:
22 April 25, 1993

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25

MAUREEN R. HUNNICUTT, RPR
Certified Shorthand Reporter
CSR No. 166, Notary Public

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 10187
ORDER NO. R-9429

**APPLICATION OF AVON ENERGY CORPORATION FOR
AN UNORTHODOX OIL WELL LOCATION AND
SIMULTANEOUS DEDICATION, EDDY COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 19, 1990, and on January 24, 1991, at Santa Fe, New Mexico, before Examiners Michael E. Stogner and Jim H. Morrow, respectively.

NOW, on this 1st day of February, 1991 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) At the time of the December 19, 1990 hearing, this case was consolidated with Case Nos. 10185 and 10186 for purposes of testimony.
- (3) The applicant, Avon Energy Corporation, seeks approval of an unorthodox oil well location for its Turner "B" Well No. 99 to be drilled 2590 feet from the South line and 100 feet from the West line (Unit L) of Section 29, Township 17 South, Range 31 East, NMPM, Grayburg-Jackson Pool, Turner "B" Grayburg-Jackson Waterflood Project Area, Eddy County, New Mexico.

(4) Said well is to be dedicated to an existing 40-acre oil spacing and proration unit comprising the NW/4 SW/4 of said Section 29, which is presently dedicated to the Turner "B" Well Nos. 80 and 86, both located at previously approved unorthodox oil well locations 2565 feet from the South line and 1305 feet from the West line and 1335 feet from the South line and 1305 feet from the West line, respectively, of said Section 29.

(5) The subject well location is within the Turner "B" Grayburg Jackson Waterflood Project Area but is only within 112 feet from the outer boundary of said Project Area.

(6) Directly offsetting the Turner "B" Grayburg-Jackson Waterflood Project Area northwest is the Atlantic Grayburg-Jackson Friess Fren Waterflood Project Area which is also operated by Avon Energy Corporation, and, according to the testimony presented, both waterflood project areas have common ownership.

(7) The proposed well at an unorthodox oil well location would serve to complete a more efficient injection/production pattern between the two Grayburg-Jackson Waterflood Projects.

(8) No interested party appeared and/or objected to the proposed unorthodox location.

(9) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected pool, is in the best interest of conservation and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

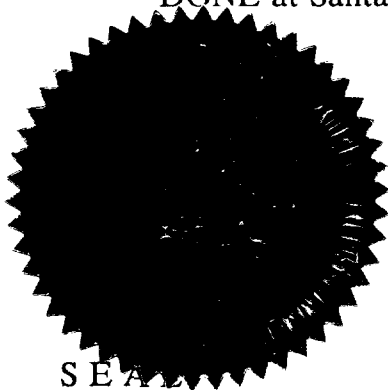
(1) The applicant, Avon Energy Corporation, is hereby authorized to drill its Turner "B" Well No. 99 at an unorthodox oil well location 2590 feet from the South line and 100 feet from the West line (Unit L) of Section 29, Township 17 South, Range 31 East, NMPM, Grayburg-Jackson Pool, Turner "B" Waterflood Project, Eddy County, New Mexico.

(2) The existing 40-acre standard oil spacing and proration unit comprising the NW/4 SW/4 of said Section 29 shall be dedicated to the above-described well and to its Turner "B" Well Nos. 80 and 86 both located in the NW/4 SW/4 of said Section 29.

(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

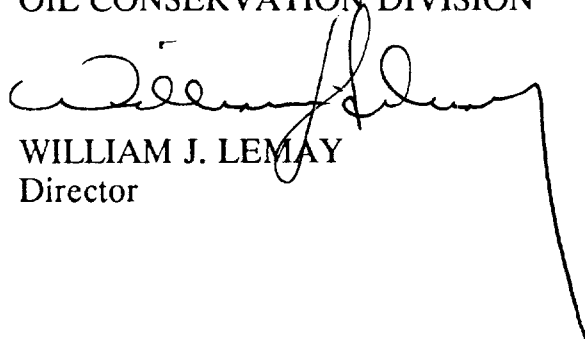
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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read 'William J. Lemay', written over the printed name and title.

WILLIAM J. LEMAY
Director