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1 2 3	STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION STATE LAND OFFICE BLDG. SANTA FE, NEW MEXICO					
	23 May 1984					
4	EXAMINER HEARING					
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8	IN THE MATTER OF:					
9	Application of Don Stuckey for com- CASE					
9	pulsory pooling, Eddy County, New 8194					
10	Mexico.					
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13	BEFORE: Michael E. Stogner, Examiner					
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15	TRANSCRIPT OF HEARING					
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	APPEARANCES					
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20	For the Oil Conservation W. Perry Pearce Division: Attorney at Law					
21	Legal Counsel to the Division State Land Office Bldg.					
22	Santa Fe, New Mexico 87501					
23	For the Applicant: W. Thomas Kellahin					
24	Attorney at Law KELLAHIN & KELLAHIN					
25	P. O. Box 2265 Santa Fe, New Mexico 87501					

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2	APPEARANCES							
3	For Yates Petroleum and Chama Petroleum: William F. Carr							
4	Chama Petroleum: William F. Carr Attorney at Law CAMPBELL, BYRD & BLACK P.A.							
5	P. O. Box 2208 Santa Fe, New Mexico 87501							
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1 1 2 MR. STOGNER: We'll call next 3 Case Number 8194. 4 MR. PEARCE: That case is 5 the application of Don Stuckey for compulsory pooling, Eddy 6 County, New Mexico. 7 MP. KELLAHIN: Mr. Examiner, I 8 wonder if we might continue Mr. Stuckey's cases for just a moment to see if Mr. Carr and I can't resolve some of our 9 problems, and if not, we'll present that case later. 10 MR. STOGNER: Okay, we're going 11 to at this time skip Cases 8194 and 8193. 12 (Thereupon later on the same docket 13 the following proceedings were had, 14 to-wit:) 15 16 We will now call MR. STOGNER: Case Number 8194. 17 MR. PEARCE: That case is on 18 the application of Don Stuckey for compulsory pooling, Eddy 19 County, New Mexico. 20 MR. KELLAHIN: If the Examiner 21 I'm Tom Kellahin of Santa Fe, New Mexico, appearing please, 22 on behalf of the applicant and I have one witness 23 sworn. 24 MR. PEARCE: Are there other 25 appearances in this matter?

MR. CARR: May it please the Examiner, my name is William F. Carr, with the law firm Campbell, Byrd & Black, P. A., of Santa Fe, appearing on behalf of Yates Petroleum Corporation and Chama Petroleum Corporation.

MR. KELLAHIN: Mr. Examiner, as a preliminary matter I have some opening remarks to help explain what we propose to accomplish with this application.

I might direct your attention to what we propose to use as Exhibit Number One, which is the land plat.

The proposed 40-acre proration and spacing unit that is the subject of this case is the southwest quarter of the northeast quarter of Section 5. I have outlined it in red on the Examiner's copy of Exhibit One. It is the well location that intersects the two cross section lines.

This is a re-entry of a Morrow well, I believe. Mr. Stuckey will attempt to complete it in the Upper Pennsylvanian.

If you'll note to the north and to the west on the plat, the west half of Section 31, correspondingly the north half of Section 1 in the adjoining township to the east. I have drawn on your exhibit that boundary. That boundary represents the closest limits of the Dagger Draw Upper Pennsylvanian Pool.

The Dagger Draw Upper Pennsyl-

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vanian Pool is spaced upon 160 acres. It is an oil pool. You can see by taking a ruler or otherwise counting the quarter sections that this 40-acre tract is a mile, more than a mile, than the Dagger Draw Pool Boundary.

We therefore propose to reenter this well spaced upon 40 acres and do not believe that we are subject to the Dagger Draw Pool rules because we are, in fact, more than a mile away.

The re-entry of this well involves a royalty ownership that Yates now has and Mr. Stuckey will explain the Yates involvement in the case, but in conclusion we want to identify for you and have you on the proposition upon which the whole case is structured that is that we are not subject to the Dagger Draw Pool We have consulted with Mr. Carr, as attorney of the parties that's entered an appearance Chama. one in this case, and I believe I am correct in saying that Mr. Carr and I both agree that the 40-acre tract that's the subject of this case is not subject to the pool rules in the Dagger Draw.

MR. CARR: May it please the Examiner, I have looked at the plats, the Commission plats, to identify the present boundaries of the Upper Dagger Draw, and we concur that this spacing unit, this 40-acre tract, is more than a mile from the Dagger boundaries, and therefore would not be governed by the pool rules.

MR. STOGNER: That should

7 1 2 suffice. Mr. Kellahin, you may continue. 3 MR. KELLAHIN: Thank you, Mr. 4 Examiner. 5 6 DONALD P. STUCKEY, 7 being called as a witness and being duly sworn upon 8 oath, testified as follows, to-wit: 9 DIRECT EXAMINATION 10 BY MR. KELLAHIN: 11 Stuckey, for the record would Q Mr. 12 please state your name and state where you live, sir? 13 Α My name is Donald P. Stuckey and I pre-14 sently live in Mesquite, Texas. 15 Mr. Stuckey, have you previously testi-16 fied before the Oil Conservation Division of New Mexico? 17 No, I haven't. Α 18 0 Would you describe to the Examiner if any, professional degrees that you have earned? 19 I have a Bachelor of Science in chemical Α 20 engineering from Texas Tech in May or June of 1973. 21 Since that time I have been involved 22 the oil industry in a professional capacity with a number of 23 major and independent oil companies and consulting firms. 24 Have you been employed in the capacity of Q 25 petroleum engineer for various companies who have inter-

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2	ests in southeastern New Mexico?
3	A Yes, I have.
4	Q Would you describe what those companies
5	name those companies for me?
	A I will. Marathon Oil Company and MGF
6	Oil.
7	Q For Marathon and MGF Oil, Mr. Stuckey,
8	have you done typical petroleum engineer calculations on re-
9	serves estimates and other well data?
10	A I have. I've also served on secondary
11	and other engineering committees and also served on the
12	American Gas Association SubCommittee on Natural Gas
13	Reserves for Southeast New Mexico.
14	Q All right, sir, and you are the applicant
15	in this case and you are doing business as an individual?
	A I am.
16	Q And the proration and spacing unit that
17	we have described earlier, being the southwest quarter of
18	the northeast quarter of Section 5 is acreage in which you
19	have a working interest.
20	A It is.
21	MR. KELLAHIN: We tender Mr.
22	Stuckey as an expert engineer.
23	MR. STOGNER: He is so quali-
24	fied.
25	Q Mr. Stuckey, let me direct your attention
	to Exhibit Number One, which I discussed earlier, and have

1 March of 1982. 2 3 that has now expired? 5 It was. Α 6 pired. 7 on other tracts. 8 All right. 9 Α On a base lease. 10 11 S. P. Johnson Well? 12 Α 13 14 15 being plugged. 16 17 Α 320 acres. 18 Q 19 Section 5? 20 Α 21 tion 5. 22 0 23 24

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wellbore?

Is that a well that was plugged and abandoned pursuant to a prior oil and gas lease on this acreage And some of the leases have ex-Certain of the leases are still held by production Let me refine my question to you. What was the proration and spacing unit that was assigned to the The S. P. Johnson Well produced from perforations of 9276 to 9399, which were Morrow sand, Morrow sand interval, and it was depleted in that interval prior to All right, sir, and what was the spacing and proration unit dedicated to that well? And that consisted of what portion of The north half. The north half of Are any of the owners in the north half of Section 5, the former spacing unit, do any of those owners now claim an interest in the plugged and abandoned

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3	A	No.				
4	Q	All rig	ht. You	have obtaine	d an interest	
	in the 40-acre tract how?					
5	А	Okay.	The 40-ac	re tract is	7/8ths miner-	
6	als are owned by Superior Oil Company, who have farmed out					
7	to me.					
8		The re	maining	five acres o	of the 40 are	
9	held by pr	oduction from	base leas	e originally	granted to	
10	Northern Na	tural Gas Prod	ucing Com	pany by Ruth	Cobert and	
11	that's the way that the Yates have an interest. They bought					
12	that minera	l interest from	m Ruth Co	bert after t	he lease was	
	signed and e	executed.				
13		That f	ive acres	is held by	production by	
14	another well	on the base l	ease.			
15	Q	All rig	ht, let	me ask you s	ome guestions	
16	with regards	to the Yates	interest.			
17		Do the	Yates cu	rrently have	any working	
18	interest with regards to the 40-acre spacing unit?					
19	A	No, the	y don't.			
20	Q	They h	ave a 1/8	th royalty i	nterest of 5	
21	acres out of the 40 acres that they received from Mrs. Co-					
	bert.					
22	A	Right.				
23	Q	They	received	that by a	cquiring her	
24	mineral int	erest which w	ere alrea	dy subject t	to the lease	

pursuant to which you're attempting the re-entry.

A Right.

Q All right. Yates does not have a working interest; they have a royalty interest. What is your position with regards to their royalty interest?

A We hope to make them some money.

Q All right, sir. Does your lease, pursuant to which you're re-entering the well have provisions in it that allow the working interest owners to commit this interest to a 40-acre spaced unit?

A I'm not sure I understand your question, but I think I can give you an answer.

Q All right, sir.

A All right. The former working interest owners in this well, the people that put the money up to drill the well, were Mewbourne Oil Company and their partners.

Mewbourne Oil Company and their partners had 98.4375 percent of that well. The remaining 1.5265 percent was the property of Tom L. Ingram, who participated in the well with the -- with the Mewbourne, et al.

Mewbourne, et al, was 25 percent either Mewbourne Oil or Curtis W. Mewbourne. 37.5 percent MGF Oil Corporation, through one of the drilling funds. 12.5 percent to Mr. D. A. Metz of Midland. 12.5 percent to Union Texas Petroleum; and another 12.5 percent to Florida Exploration.

Let me explain that Union Texas and Flor

ida Exploration have -- have bought their way into this by buying out Supron's interest, which originally was a quarter.

Did that answer the question?

Q No, sir, because I didn't make it clear to you. Let me ask it a different way.

Does the lease provision pursuant to which you are re-entering the well have provisions in it that allow the lessee to determine that 40-acre oil proration unit is an acceptable number of acres to dedicate to an oil well?

A They do.

Q All right. Let me turn your attention now to Exhibit Number Two. You have identified for us the various working interest owners that have interests in the north half of Section 5. With regards to that ownership, and directing your attention to the 40-acre tract, would you identify for us which, if any, of these companies or individuals still have not committed their interest to the reentry of this well.

A The only one that hasn't is MGF Oil Corporation.

Q All right, sir, let me direct your attention to Exhibit Number Three, and ask you to summarize for us your efforts to get MGF Oil Corporation to voluntarily participate in the re-entry of this well.

A Okay. Exhibit Number Three is a letter

well because of their held by production status on acreage, asking them to farm out to me so that we could get on with this, and I had — this was subsequent to numerous telephone calls for a period of around May through November. This letter is dated November the 16th. So they'd all been contacted and had been advised of what I was trying to do and why we didn't go into a lot of detail. This was a formality at the time, at least I thought it was a formality.

Subsequent to this, everyone involved except MGF has -- has done something, giving me the authority and the power to re-enter the wellbore and test the zones that we're talking about.

Q Have certain of those companies entered into a joint operating agreement with you?

A Not yet, because we're still trying to get MGF involved and we were trying to pursue in a uniform manner.

Q All right, sir, what is the last correspondence or conversations you've had with the principals of MGF Oil Corporation to find out what they propose to do in terms of their voluntary participation in this well?

A In my last contact with them was in early April and I went to their offices in Midland, Texas, which was my second visit in about a month, to go and assure them that they did have this interest.

Their present operating configuration

staffwise is pretty slim and being a former employee of theirs, I was aware of that and spent some time with them to try to demonstrate to them that they do hold the interest and have the right to farm it out.

Q Did you talk with individuals at MGF Oil Corporation that were in a position to make a decision with regards to their interest in this well?

A I did. I talked to one of their land analysts, a lady named -- okay, let me go -- let me -- Pat Francis at length, and I've been talking with her for a number of months.

I also had an opportunity to, along with talking with her, to talk to Mr. Rick Miller, who is the manager of their land department. Mr. Miller was convinced from our conversations that what I went to demonstrate ws demonstrated. He assured me that the only way they would be able to do anything in a timely fashion was if I would come here and try to force pool their interest, because of staffing problems they didn't feel like they could do anything and get it approved within their own organization.

So it's really at their request that I'm here.

Q Mr. Stuckey, let me direct your attention to what I have marked as Exhibit Number Four, which is the schematic of the wellbore, and ask you to describe that for us.

A Yes. The prime importance of the schema-

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tic is it shows where the casing strings were set. It shows the shoe and each one of the three casing strings that were set in the well when it was originally completed.

Those are 12-3/4 inch casing, 30 pound weight, set at 305 feet, circulated with cement. It doesn't indicate on here it was circulated but it was.

I hope that -- the schematic also shows that cement was circulated around the 8-5/8ths, 25 pound string, which has a shoe at 1250 feet.

Looking further down the hole you'll notice that there's a 4-1/2 inch casing stub at approximately 6600 feet and I didn't show the location of the cement plugs but the cement plugs are a matter of record.

Going on down the schematic I notice right, all Ι note that there is a top of cement temperature survey at 7174 and below the top of the cement there are two zones that are target intervals for the entry. The upper one I designated Yeso zone, 7292 to 7298. The other zone is slightly below it, which is definitely an Upper Penn, 7717 to 7734, and further down the hole I've shown in the schematic a bridge plug, cast iron bridge plug, with cement on top of it and below that the schematic indicates Morrow perfs and the shoe of the 4-1/2.

Q All right, sir, I want you to describe for us whether or not you have reached an opinion with regards to the risk involved in the re-entry of this well.

A I have -- I have a decided opinion that it is a well that can be re-entered but there is -- in fact there's probably more risk involved in attempting a completion than there is in the re-entry.

The risk in attempting the completion is primarily from the fact that there was no water saturation log, no resistivity log, run when the well was drilled. They ran one log and that was an acoustic neutron log. That's the only open hole log that was run in the -- in the wellbore. So that it is impossible to determine even an estimate of water saturation.

Q Have you examined the logs of the offsetting wells, Mr. Stuckey, to also assess the risk involved in testing the Upper Pennsylvanian for productivity?

A I have.

Q Let me return to Exhibit Number One and in connection with that exhibit have you approach the cross section, Exhibit Number Five, that we've placed on the wall, and have you describe for us what you have discovered in examining those logs.

A On the cross section the well designated Number Two is the log section from the well we propose to re-enter. The zone that we're -- that we designated on our schematic as the Upper -- as the Upper Penn is right here and it has some porosity.

MR. STOGNER: Excuse me, where's "right here"? What depth?

1 18 And what well are you speaking 2 of? 3 All right, I'll mark this one with red on Α 4 the cross section. 5 The schematic of the wellbore shows 6 perforated interval Upper Penn and the exact depths that 7 we're picking for that interval and this interval right 8 here, this is the perforations (not understood.) 9 MR. STOGNER: That depth is 7717 to 7734 --10 Α Yes, it is. 11 MR. STOGNER: -- that is marked 12 on the cross section? 13 Α That's what I've marked on the cross sec-14 tion. 15 MR. STOGNER: Thank you. 16 Okay, and this zone does not correlate Α 17 porosity in any of the other wells on this B-B' cross section. 18 one thing that I will point out, I Now, 19 did not make this cross section myself. For those of us who 20 have made cross sections, it's a little odd in that north is 21 on the right and south is on the left, and when you look at 22 the map you would expect to see two wells to the left of the 23 well I'm proposing. In fact, those wells are on the right. 24 These wells on the right of the cross 25 section are the wells that separate the proposed re-entry

1 19 from the oil --2 MR. KELLAHIN: The Dagger Draw? 3 The Dagger Draw. Α 4 0 All right, let me direct your attention 5 to those two wells, Mr. Stuckey, and have you describe to us 6 what is your opinion with regards to the separation of your 7 40 acres from the production that takes place in the Dagger 8 Draw Upper Pennsylvanian Pool to the northwest? 9 There's just simply no porosity in there. It's tight, which would give us every expectation that if in 10 fact this is a commercial reservoir, it will be a separate 11 and distinct reservoir with its own pressure history. 12 Q All right, sir, you may return to your 13 seat. 14 Mr. Stuckey, in terms of assessing a per-15 centage to the re-entry and completion of an economically 16 producing well in the Upper Pennsylvanian or in, as you have **17** identified, a Yeso zone, do you have such an opinion as to such a percentage? 18 Α Okay, I believe the percentage should be 19 the maximum allowable, or the maximum allowed, which is 200 20 percent above the original payout. 21 All right, sir. Let me direct your at-22 tention to the proposed AFE for the re-entry and completion 23 of the well. I think you still have that, Don. 24 All right. Okay, I have it. Α 25 0 All right, sir, do you have some extra

copies of that?

A I do.

Q Mr. Stuckey, I show you what we've marked as the application Exhibit Number Six and ask you to identify that.

A It's an AFE, or Authorization for Expenditure, to do the work that we're proposing, that is re-entering the S. P. Johnson Well, tying back into the 4-1/2 inch casing string in the stub looking up at 6600 feet, and subsequently running tubing and packer through that and attempting a completion in the Upper Penn.

It covers hardware as well as labor and intangibles and there's also \$4750 included at the bottom of the sheet for downhole and surface pumping equipment if we're successful and require pumping equipment, and that includes another \$35,000 for an attempted completion if we're not successful in the Upper Penn, to test the shallower zone, which we've designated the Yeso zone, 7292 to 7298.

Q Is this an Authorization for Expenditure that you have compiled yourself?

A No, sir, it is -- this was prepared by a man that has more experience in the area of preparing drilling costs than I have, and for that reason I have more confidence in it than if I'd done it myself.

Q All right, sir. Have you independently reviewed this information and satisfied yourself that these are fair and reasonable numbers?

Α

A I have.

Q And what interest do you have with regards to the percentage of this expenditure?

A I will have an interest in the thing after it pays out.

Q Let me direct your attention to the anticipated overhead charges that you would propose to include in a pooling order and have you give us your opinion with regards to what you think is a fair and reasonable overhead charge for the drilling well rate and then the producing well rate.

What is that first number, Mr. Stuckey?
Well, the drilling well rate, I think a

fair charge would be \$7500 a month and an excess of five days, and that would be proratable by days.

And for an operating well, because I don't operate any other wells in the area, I'm proposing \$600 per month and if I am able to operate another well in the area that will fall to \$400.

Q All right, sir, how many days do you anticipate you will use in the actual re-entry and completion of the well?

A As noted on the AFE, ten days of rig time; probably another ten days of completion time.

Q All right, sir. So if the Commission plugged into its order formula the \$7500 a month drilling well rate and a \$600 per month producing well rate, that is

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a number that you think is fair and reasonable?

A Right.

Q Do you propose to make any adjustments to the producing well rate over the life of the well?

A Well, unfortunately sometimes we see some inflation. I'd like to have those figures adjusted by COPAS standards.

MR. KELLAHIN: Mr. Examiner, we would propose to provide you with a draft order included in which there would be a paragraph that ties this into the COPAS adjustments.

I know the Commission in the past has entered such orders. Sometimes they have this provision in it; sometimes they do not, and if you will allow me, I'll be happy to prepare such an order for you.

 $$\operatorname{MR.}$$ STOGNER: I will allow you and I appreciate it, Mr. Kellahin.

Q All right, Mr. Stuckey, in your opinion will approval of this application be in the best interests of conservation the prevention of waste and the protection of correlative rights?

A I believe it will.

MR. KELLAHIN: We'd move the introduction of Exhibits One through Six.

MR. STOGNER: With no objections, Exhibits One through Six will be admitted into evidence.

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Mr. Carr, your witness.

MR. CARR: I have no questions.

CROSS EXAMINATION

BY MR. STOGNER:

Q Mr. Stuckey, --

MR. PEARCE: Mr. Kellahin?

MR. KELLAHIN: Yes, sir.

MR. PEARCE: Could you or Mr.

Stuckey give me some indication of whether the Yeso is considered a member of the Upper Pennsylvanian?

A I believe that technically it is considered a member of the Upper Pennsylvanian, and it may be within the regulations of the State to attempt to commingle those two, but I think from an engineering standpoint, I would never feel comfortable trying it.

MR. PEARCE: My concern, Mr. Kellahin, is we advertised the pooling case to pool the Upper Pennsylvanian and if there's a possibility of failing that and going back and comleting in the Yeso, I'm not sure that we've advertised the case in which we can pool the Yeso.

MR. KELLAHIN: Mr. Examiner, Mr. Pearce, it is my understanding that the proposed application, although Mr. Stuckey has attempted to define what he calls a Yeso zone, is in fact a portion or a zone in the Upper Pennsylvanian, and as used by the Commission would in-

24 1 clude the Upper Pennsylvanian for both of those intervals, 2 but we will contact the District Supervisor, indicate to him 3 a type log, in fact a log of the well where we propose the 4 perforations, and if the District does not agree with that 5 opinion, we will come back and readvertise our case. 6 MR. PEARCE: If you can just 7 let us know prior to submitted the draft we will appreciate 8 it. MR. KELLAHIN: All right, sir. 9 MR. PEARCE: Thank you, sir. 10 MR. STOGNER: I have no further 11 questions of Mr. Stuckey. 12 Are there any other questions 13 of this witness? If not, he may be excused. 14 Carr, do you have anything Mr. 15 further in this case? 16 MR. CARR: No, sir. MR. STOGNER: Mr. Kellahin, do 17 you have anything further? 18 KELLAHIN: MR. No. Mr. 19 Examiner. 20 MR. STOGNER: Does anybody else 21 ahve anything further in Case Number 8194? 22 If not, this case will be taken 23 under advisement. 24

(Hearing concluded.)

25

CERTIFICATE

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

Salay W. Royd CSR

I do hereby certify that the foregoing is a complete recent of the proceedings in the Examiner Learing of Case No. 8194 heard by me on Aug 23 1989

MW Exeminer Oil Conservation Division