

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

6 June 1984

EXAMINER HEARING

IN THE MATTER OF

Application of Coastal Oil & Gas
Corporation for an unorthodox oil
well location, Lea County, New
Mexico.

CASE
8208

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce
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For the Applicant:

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HERMAN C. LUTHER

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3 MR. STAMETS: We'll call next
4 Case 8208.

5 MR. PEARCE: That case is on
6 the application of Coastal Oil & Gas Corporation for an un-
7 orthodox oil well location, Lea County, New Mexico.

8 MR. BRUCE: Mr. Examiner, my
9 name is Jim Bruce from the Hinkle Law Firm, representing
10 Coastal Oil & Gas and I have one witness to be sworn.

11 MR. PEARCE: Are there other
12 appearances in this matter?

13 (Witness sworn.)

14 HERMAN C. LUTHER,
15 being called as a witness and being duly sworn upon his
16 oath, testified as follows, to-wit:

17
18 DIRECT EXAMINATION

19 BY MR. BRUCE:

20 Q Would you please state your name, ad-
21 dress, occupation, and employer?

22 A My name is Herman C. Luther. I live in
23 Midland, Texas, and I'm a consulting geologist for Coastal
24 Oil and Gas Corporation.

25 Q And have you previously testified before
the OCD and had your credentials as a geologist accepted of

1
2 record?

3 A Yes, I have.

4 Q And are you familiar with Case 8208 and
5 the geological matters involved therein?

6 A Yes, I am.

7 MR. BRUCE: Is the witness con-
8 sidered qualified?

9 MR. STAMETS: Yes.

10 Q Mr. Luther, would you please look at what
11 has been marked as Exhibit Number One and describe that for
12 the examiner?

13 A The Number One Exhibit is a structure map
14 on top of the Bough C pay zone in the Baum Field in Lea
15 County, New Mexico.

16 Q And this is the top of the Bough C?

17 A Yes. It is a -- the B, the Bough B, ap-
18 proximately 9700, and the Bough C at approximately 9800,
19 produce in this field throughout.

20 Q Okay.

21 A The structure map, of course, is a south
22 dipping bed and no apparent closure.

23 These -- this production, the best we can
24 tell, is -- produces because of variations in porosity and
25 permeability within the Bough B and Bough C limestone forma-
tions.

26 Q And the well is located, the proposed
27 well, 990 --

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A The proposed well, --

Q -- feet --

A -- we have been infill drilling on 80 acres. The field originally in 1968 was on 160-acre spacing with -- with the -- at some date drilling on eighties with reduced allowable.

Consequently, in the past two years that I have been with Coastal we have drilled at present four wells in here and we're drilling them on options of 80 acres.

The reason that we would like this location moved 990 is because Cabot Oil in Section 4 a year ago drilled the well in the north, extreme northwest corner there and it's been producing. It's made 20,000 barrels of oil as of the first of the year.

They have since drilled in the south, extreme southeast quarter --

Q What section are you in?

A -- of Section 32, which has been drilled in the last three or four months. That's their New Mexico State No. 4. The map doesn't show it but that offset well is the No. 2 New Mexico State, 4 No. -- I think it's 4 No. 2. I don't know why the dash was left off.

They had abandoned the well to the south, which has made over 200,000 barrels of oil. They just moved up one location and -- and the well is producing.

Coastal Oil and Gas has their 5 No. 2

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2 producing almost due west, and the reason for moving it 990
3 is we don't want to get in the direct line of -- of the --
4 to try to avoid some drainage problem. We still feel like
5 that we have continually tried to alter these locations in
6 this field because we do not want any too severe drainage
7 from them.

8 So that's why we're asking permission to
9 move it 990, to get out of the direct line between our 5 No.
10 2 to the west and Cabot's 4 No. 2, which is a direct offset
11 to the proposed location.

12 Q Thank you, Mr. Luther.

13 MR. BRUCE: Mr. Examiner, in
14 connection with this application, you'll notice that we ori-
15 ginally applied to have the northeast quarter of Section 5
16 dedicated to the well and actually it will be the east half
17 of the northeast quarter.

18 A Because that well in the northwest quar-
19 ter northeast quarter is -- is still a producing well.

20 MR. BRUCE: We would like to
21 amend and readvertise.

22 MR. STAMETS: So what you will
23 be asking for will be two nonstandard proration units, one
24 for the No. 2 and one for the new well.

25 MR. BRUCE: Correct.

MR. STAMETS: And one non-
standard location.

MR. BRUCE: I was, unfortunate

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ly, not aware of that until about two minutes ago.

MR. STAMETS: Okay. Well, we'll just readvertise it.

MR. BRUCE: Okay.

A We, of course, down in Section 8 down there we've drilled 3-8 and the 4-8. I was up here previously for the -- for these hearings, and also the 6-2 Federal in there and that has been our drilling program in there, and of course many other people have been drilling on eighties in that, Cabot and MWJ, and a few other people have been drilling.

Q Would you please now turn to Exhibit Number Two and describe --

A Well --

Q -- that?

A -- Exhibit Number Two is an Isopach of the gross porosity in the B -- in the C zone, and it just indicates, as you can see, the variations in thickness of this, and we have this over in Section, northeast quarter of Section 5, we do have this thick Bough C zone that tends to be lenticular in there and consequently we feel like that by two offset wells drilled on 80 acres we're going to be drained severely if we don't get a well drilled in there.

On the Isopach, as shown by Cabot to the north and directly to the east, we have severe drainage because that one well west of our proposed location, we'll know later based on our previous drilling in there, we no

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way drained or countered the two directly offset wells.

Q Were Exhibits One and Two prepared by you?

A Yes.

Q And in your opinion will the granting of this application be in the interest of conservation, the prevention of waste, and the protection of correlative rights?

A Yes, I do.

MR. BRUCE: I move the admission of Exhibits One and Two.

MR. STAMETS: The exhibits will be admitted.

MR. BRUCE: And I have no further questions.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Luther, is the northeast quarter of the section one lease?

A I didn't --

Q Is the northeast quarter of the Section 5 one lease?

A That is correct.

Q Okay, why do you want two non-standard proration units?

A I'm not asking -- did I -- this -- the

1 original well that was drilled in there, the 5 No. 2, was
2 drilled in 1968 on -- on 160 acres, you see. It's been
3 there, and it is 1980 and 660, 660 off.
4

5 I imagine that the way they drilled
6 those, they drilled them all in the northeast quarter of
7 both sections. If you'll look over in Section 6, Coastal
8 used to own that. It was the 6-1 they drilled, the third 2
9 No. 1. That's the way they originally drilled those wells
10 on 160 with an option to drill on eighties, and so conse-
quently I don't understand what -- you're saying a --

11 MR. STAMETS: Let's go off the
12 record a second.

13 A Okay.

14 (Thereupon a discussion was had
15 off the record.)

16 MR. STAMETS: Let's go back on
17 the record.

18 Mr. Bruce, after looking at
19 this, I don't believe the case needs to be readvertised. I
20 think that we can do what the applicant needs done based on
21 what we've heard today.

22 MR. BRUCE: That's fine with
23 me.

24 A I misunderstood. I didn't hear him say
25 when he said unorthodox for the other one. I didn't -- it's
really -- was drilled on the right location at the time it
was drilled.

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MR. STAMETS: Are there any
other questions of the witness? He may be excused.

Anything further in this case?

MR. BRUCE: Nothing.

MR. STAMETS: The case will be
taken under advisement.

(Hearing concluded.)

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 Con-
servation Division was reported by me; that the said tran-
script 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. 8208
heard by me on 6-16 1984.

Richard H. Stambaugh, Examiner
Oil Conservation Division