STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
Santa Fe, New Mexico

8 October 1986

EXAMINER HEARING

IN THE MATTER OF:

Application of Zia Energy, Inc. for a nonstandard gas proration unit, unorthodox gas well location, and simultaneous dedication, Lea County, New Mexico. CASE 9002

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: Jeff Taylor
Legal Counsel to the Division
Oil Conservation Division
State Land Office Bldg.
Santa Fe, New Mexico

For the Applicant: W. Thomas Kellahin
Attorney at Law
KELLAHIN, KELLAHIN & AUBREY
P. O. Box 2265
Santa Fe, New Mexico 87501

I N D E X

DON BRATTON

E X H I B I T S

MR. STOGNER: Call next Case No. 9002.

MR. TAYLOR: Application of Zio Energy, Incorporated, for nonstandard gas proration unit, unorthodox gas well location, and simultaneous dedication, Lea County, New Mexico.

MR. STOGNER: Call for appearances.

MR. KELLAHIN: If the Examiner please, I am Tom Kellahin of the Santa Fe law firm Kellahin & Kellahin, appearing on behalf of the applicant, and I have one witness to be sworn.

MR. STOGNER: Are there any other appearances in this matter?

Will the witness please stand and raise your right hand and be sworn.

(Witness sworn.)

MR. STOGNER: Mr. Kellahin?

DON BRATTON,

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Bratton, would you please state your name and occupation?

A My name is Don Bratton. I'm a petroleum engineer employed by Zia Energy, Incorporated, in Hobbs, New Mexico.

Q Mr. Bratton, have you previously testified before the Oil Conservation Division as an engineer?

A I have not.

Q Would you summarize your educational background and tell the Examiner when and where you obtained your degree and in what year?

A I obtained a Bachelor of Science in industrial engineering from New Mexico State University in 1971.

Q Subsequent to graduation have you been employed in the oil and gas industry as an engineer?

A Yes, I have. I was employed approximately ten years by Gulf Exploration and Production Company in West Texas, Houston, and New Orleans. Positions included two

years as Production Engineer; three years as a Reservoir Engineer; one year as a Senior Project Engineer in our headquarters in Houston; 1-1/2 years as an Over-water Production Superintendent; one year as an Area Equipment Engineer; 1-1/2 years as a Area Engineer supervising all engineering functions for the Southeastern Offshore Division for Gulf in New Orleans.

Q How long have you been employed as an engineer for Zia Energy, Inc.?

A I've been employed by Zia Energy for approximately one year and two months.

Q What are your responsibilities as an engineer for that company?

A My responsibilities include all engineering functions in the field and the office, including data processing and property acquisition.

Q Are you a Registered Professional Engineer in any state?

A I am registered in the State of Texas.

Q And have you prepared the technical information upon which this application is based?

A I have.

MR. KELLAHIN: We tender Mr. Bratton as an expert petroleum engineer.

MR. STOGNER: Mr. Bratton is so

qualified.

Q Mr. Bratton, let me direct your attention to what we've marked as Exhibit Number One and simply have you identify what that exhibit is and what information is shown on that exhibit.

A Exhibit Number One is a map showing the existing proration unit outlined in yellow. Also shown on the map are all wells in the surrounding area.

Those wells that are circled indicate Jalmat wellss that have produced as either Jalmat oil or Jalmat gas wells.

Q For purposes of the notice requirements of the Division, what offset operators have you caused notice of this hearing to be sent to?

A We've sent notices to Doyle Hartman in Midland, Texas; Conoco, Incorporated, in Hobbs, New Mexico; Cities Services Company in Midland, Texas; and Eurotex Corporation in Ft. Worth, Texas.

MR. KELLAHIN: Mr. Examiner, there a certificate of mailing on file in the application -- with the application in the case file for this case.

Q Mr. Bratton, does that constitute all the adjoining offset operators that may have an interest in the outcome of this application?

A Yes, it does.

Q Let me direct your attention now to Exhibit Number Two and if you'll identify Exhibit Number Two for us.

A Exhibit Number Two is an enlarged area immediately surrounding the proration unit and identifies the wells in question as well as those wells for the immediate surrounding offset operators.

Q From what pool or formation do the wells depicted on this exhibit produce?

A The wells depicted on this picture produce from various formations ranging all the way from the Yates or the Jalmat Pool to deeper formations, including the Devonian.

Q Directing your attention to the west half of Section 20, will you explain to the Examiner what has been the history insofar as the changes that have occurred with regards to the dedication of Jalmat gas acreage to various wells or combination of wells?

A Zia Energy, Incorporated is the operator of a previously established 280-acre nonstandard Jalmat gas proration unit in the west half of Section 20, exclusive of the northwest quarter of the northwest quarter.

This was established by the ODC Order No. 4139 and was later amended by R-4139-A and R-4139-B.

Q When that was established, then, it was a

280-acre Jalmat gas spacing and proration unit that consisted of the west half of 20 with the exception of the 40-acre tract labeled Martindale up in the northwest of the northwest?

A That is correct.

Q When that was done, Mr. Brtton, what were the Jalmat gas wells dedicated to that proration and spacing unit?

A Originally under R-4139 all this acreage was dedicated to Well No. 1.

Q All right, sir, what changes have subsequently been made?

A With the amendment of R-4139-A, there was simultaneous dedication to Wells No. 1 and 2, and then with R-31 -- 4139-B there was simultaneous dedication to Wells 1, 2, and 4.

Q What has recently occurred that is the basis upon which you seek the current order from the Commission today?

A Well No. 1 has subsequently been converted to salt water disposal.

Well No. 2 has been requalified as an oil producer.

Well No. 3 has subsequently watered out in the South Eunice Queen Field and as a result has been

plugged back to the Jalmat.

Q When we look at the Well No. 3, would you identify for the Examiner what portions of the current application would apply to that well?

You have asked for an unorthodox gas well location as one of the parts of this application. To which well does that apply?

A That applies to Well No. 3.

Q All right, and in what way is that an unorthodox gas well location?

A Well No. 3 is located at a location 330 feet from the north line and approximately 2310 feet from the west line of Section 20 and it's my understanding that this is an exception to the Rule 5-B.

Q It was originally completed and produced in another formation, qualified as a standard location in that formation?

A That's correct.

Q Now you have recompleted it and are producing it under a temporary allowable for Jalmat gas?

A That's correct. We have a temporary 80-acre allowable that was established by the Hobbs Office of the ODC.

Q So now you're seeking the approval of the unorthodox gas well location in the Jalmat plus the nonstan-

dard gas proration unit consisting of the 240 acres depicted in yellow?

A That's correct, along with the right to produceds the assigned unit allowable from either well or both wells or in any combination.

Q When you talk about either or both wells, which are the two wells you're discussing?

A Either Well 3 or 4.

Q All right, sir, let's look now at the basis upon which you have concluded that the spacing and proration unit is reasonably productive of Jalmat gas in the configuration that you propose to dedicate.

Let me show you Exhibit Number Three and have you, Mr. Bratton, identify that exhibit for us.

A Exhibit Number Three is a structure map contoured on top of the Yates formation. It shows the structural position of all wells in the proration unit including the Cities Federal No. 3, which shows to be slightly higher than the other wells which have produced from this unit.

We don't feel that structural position within the unit appears -- or it appears that structural position has little or no bearing on the wells' ability to produce; however, we do believe that Well No. 3, being structurally higher than the other wells, it will afford us

the opportunity to better drain the acreage.

Q Have you caused a cross section to be prepared running through an adequate number of wells in the immediate area to determine whether or not there is geologic continuity of the producing formation in the Jalmat that would connect this formation geologically to the two proposed producing wells?

A We have. Exhibit Number Four is a cross section trending from the southwest to the northeast. It includes wells from Zia Energy No.2-M in Section 20 to the Conoco State E No. 10-O in Section 17.

It shows the Yates formation is consisten throughout the proration unit. The logs indicate that it is reasonable to expect the Jalmat gas to be productive throughout the proration unit and certainly in the proposed Cities Federal No. 3.

Q Do you have an opinion, Mr. Bratton, as to whether the two proposed producing wells will allow the operator a reasonable opportunity to recover the Jalmat gas reserves that remain to be produced under this nonstandard gas proration unit?

A I do feel that the production from both wells will allow us the maximum opportunity to produce those reserves that remain in this proration unit.

Q Let's turn, sir, to Exhibit Number Five

and have you discuss for us the method in which the No. 3 Well has been recompleted for production out of the Jalmat gas interval.

A Exhibit Number Five is a schematic showing the present casing program for the Cities Federal 3 and the recompletion.

The well was originally completed with 4-1/2 inch casing which was set at 4019 feet, cemented with 1,050 sacks of cement. The cement was circulated to the surface.

The previous producing interval was from 3704 to 3866 in the South Eunice-Seven Rivers-Queen Field. A cement retainer was set at 3409 and the lower set of perforations was squeezed with 300 sacks of cement. Then zones of porosity in the Yates were perforated, acidized, and fractured.

What is the current producing rate of the No. 3 Well?

A The well was IP'ed for 405 MCF per day on August 20th, 1986; however, due to the low allowable established for the Jalmat in September, the well's production has been reduced to 50 MCF per day.

Q In your opinion is it appropriate to dedicate the 240-acre nonstandard gas spacing and proration unit to the No. 3 and the No. 4 Wells?

A I believe that the dedication of the acreage to Well No. 3 and No. 4 will help to maximize recovery from the proration unit, will allow Zia Energy as the operator of this property to produce its just and equitable share of gas in the Jalmat Gas Pool. It will prevent the economic loss caused by drilling of unnecessary wells, and will avoid the augmentation of risk arising from the drilling of unnecessary wells, and will otherwise prevent waste and protect correlative rights.

Q In your opinion do Wells No. 3 and 4 have the producing capability to effectively and efficiently produce a 240-acre proration allowable?

A Yes, they do.

Q Were Exhibits One through Five prepared by you or compiled under your direction and supervision?

A Yes, they were.

MR. KELLAHIN: That concludes my examination of Mr. Bratton, Mr. Examiner.

We would move the introduction of Zia Energy's Exhibits One through Five.

MR. STOGNER: Exhibits One through Five will be admitted in evidence.

CROSS EXAMINATION

BY MR. STOGNER:

Q Mr. Bratton, as I understand it, the No. 2 Well is now an oil well in the Jalmat Pool?

A That's correct.

Q Okay, and where's the perforations in the -- in that No. 2 Well?

A I don't show that to be marked on the log and I didn't bring a copy of the log with me, so I couldn't tell you exactly.

Q Do you have an idea of where they're at, in what formation in the Jalmat Pool?

A Yes. They would range from approximately 3,310 feet down to a depth of approximately 3,460 feet.

Q That's approximate, of course, and that would all be in the Yates formation of the Jalmat, is that correct?

A That is correct.

Q Now the -- where did the perforations fall in the No. 4 and No. 3?

A The No. 4 Well is perforated from 3294 to 3434 with approximately 48 holes.

The Well No. 3 is perforated is from 3189 to 92; 3196 to 3200; 3248 to 50; 3268 to 69; 3272 to 73;

3279 to 82; with approximately 20 holes.

Q All of which, both of those formations are the Yates, is that correct?

A That's correct.

Q When did that No. 2 Well convert to an oil well?

A It converted to an oil well and was re-classified in November of 1985.

Q Has there been any production from the No. 2 Well between now and that date?

A Yes, there has. It's been on continuous production since that time.

Q Was this production dedicated to that previous 280-acre proration unit?

A It's acreage was dedicated previously to the 280-acre proration unit; however, it's my understanding with the filing of that well as an oil well -- reclassification of that well as an oil well, that that 40 acres was administratively removed from the proration unit.

Q Administratively by who?

A By the Oil and Gas Commission, the OCD.

Q Santa Fe or Hobbs?

A Hobbs.

Q And who notified you of that?

A I'm not sure that we received notifica-

tion of that. It was my understanding that filing for reclassification, that that was automatically done.

Q When was the No. 3 Well recompleted from the Eumont to the Jalmat?

A It was recompleted in August of this year.

Q Has it gone on line yet?

A Yes, it has.

Q And when was first delivery?

A First delivery was on August 20th.

Q And its production was dedicated to the 280-acre --

A That's correct.

Q When you referred to Exhibit Number Five, you mentioned about the allowable assigned. Were you talking about the allowable assigned to the 280-acre proration unit or today's -- I'm sorry -- yeah, 280-acre proration unit or to a specific well?

A I think I made reference to both. We were given authorization unit this -- till the outcome of this hearing to produce the well based on an 80-acre allowable, that being Well No. 3.

Q And 80-acre allowable?

A That's correct.

Q What was the allowable assigned to the

No. 4 Well?

A The allowable assigned to the No. 4 Well was the entire proration unit.

Q Of 280 acres.

A The 280 acress less, we assume, the 40 acres that should have been removed for Well No. 2.

Q Do you remember, by chance, what the amount of gas was assigned to it; what the allowable was?

A For September?

Q Yeah.

A I believe it was 100 MCF for 160-acre proration unit. Being 240 acres that would allow 150 MCF per day.

Q Is the gas from the No. 4 and No. 3 Well being sold to the same purchaser?

A Yes, they are.

Q And who might that purchaser be?

A The purchaser is Texaco.

Q Does the Well No. 2 make any casinghead gas?

A Yes, it does.

Q And who is that being sold to?

A It also goes to Texaco.

MR. STOGNER: Are there any other questions of Mr. Bratton?

MR. KELLAHIN: No, sir.

MR. STOGNER: I have no further questions.

There being no further questions of this witness he may be excused.

Mr. Kellahin, do you have anything further in this case?

MR. KELLAHIN: No, Mr. Stogner.

MR. STOGNER: Does anybody else have anything further in Case Number 9002?

If not, this 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 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. 9092 heard by me on 8 October 1986.

Oil Conservation Division Examiner