

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

7 October 1987

EXAMINER HEARING

IN THE MATTER OF:

Application of Western Oil Pro-  
ducers, Inc., for an unorthodox  
gas well location, Eddy County,  
New Mexico.

CASE  
9207

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

Jeff Taylor  
Attorney at Law  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

Ernest Carroll  
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LOSEE & CARSON P. A.  
Artesia, New Mexico 88210

## I N D E X

## N. RAYMOND LAMB

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MR. STOGNER: Call next Case  
Number 9207.

MR. TAYLOR: Application of  
Western Oil Producers, Inc. for an unorthodox gas well loca-  
tion, Eddy County, New Mexico.

MR. STOGNER: Call for appear-  
ances in this case.

MR. CARROLL: Mr. Examiner, my  
name is Ernest Carroll. I represent the law firm of Losee  
and Carson, P. A. of Artesia, New Mexico, and I represent  
the applicant, Western Oil Producers.

We have one witness today, Mr.  
Ray Lamb.

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

Will the witness -- I'm sorry.

MR. NUTTER: Dan Nutter, repre-  
senting Bass Enterprises Production Company.

MR. STOGNER: Are there any  
other appearances?

There being none, will the wit-  
ness please stand and be sworn?

(Witnesses sworn.)

1  
2 MR. CARROLL: Mr. Examiner, I  
3 would, prior to getting started, there are pursuant to the  
4 notice requirements, there were two parties, two operators,  
5 Champlin and TXO, that needed to be given notice of this  
6 hearing.

7 I have an affidavit certifying  
8 that they were given notice. I have -- also have to submit  
9 to you waivers and consents signed by both Champlin and  
10 TXO.

11 MR. STOGNER: Thank you, Mr.  
12 Carroll. You may proceed.

13  
14 N. RAYMOND LAMB,  
15 being called as a witness and having been duly sworn upon  
16 his oath, testified as follows, to-wit:

17  
18 DIRECT EXAMINATION

19 BY MR. CARROLL:

20 Q Would you please state your name, resi-  
21 dence, and occupation?

22 A N. Raymond Lamb, Artesia, New Mexico,  
23 petroleum engineer.

24 Q Mr. Lamb, have you previously testified  
25 before this Commission and had your credentials as a petro-

1 leum engineer accepted as an expert witness?

2 A I have.

3 Q Mr. Lamb, are you familiar with the ap-  
4 plication that has been filed by Western Oil Producers in  
5 this Case Number 9207?

6 A Yes.

7 Q Would you briefly state for the Examiner  
8 wha the application is for and what the circumstances by  
9 which Western Oil Producers has come to be the operator of  
10 this particular well location?

11 A As I understand Western Oil Producers had  
12 made arrangements for the drilling rights under the south  
13 half of Section 1, 22, 27, from Bass Enterprises and have  
14 proposed to drill a Wolfcamp well at 660 from the north and  
15 660 from the west corners of that south half of the section.

16 Q All right, according to your information  
17 has that well already begun drilling?

18 A Yes. The requirements under the farmout  
19 required the well to be commenced by October the 1st, 1987.  
20 It was commenced and is now drilling.

21 Q To your information was Western Oil Pro-  
22 ducers able to obtain an extension for the spudding of that  
23 particular well?

24 A No, they were not able to obtain an ex-  
25 tension.

1           Q           All right. Mr. Lamb, just one other --  
2 the farmout that Western Oil Producers had obtained from the  
3 Bass entities, did that cover the entire 320 acres of the  
4 south half of this section?

5           A           Well, all except 20 acres and I  
6 understand arrangements have been made for that 20 acres in  
7 the southeast southeast.

8           Q           And who owned that other 20 acres, Mr.  
9 Lamb, to your knowledge?

10          A           TXL owned that part. It was originally  
11 marked as J. L. Moore, but TXL now owns it.

12          Q           Excuse me, TXO.

13          A           TXO.

14          Q           Mr. Lamb, have you prepared for  
15 presentation here certain or brought certain exhibits?

16          A           Well, I have brought a contour map. The  
17 map itself was prepared by a Mr. Schulenberger (sic). I  
18 have examined the details and I agree with his  
19 interpretation, and the map is based on what --

20          Q           Excuse me, is this the exhibit that has  
21 been previously marked as Exhibit One?

22          A           Right.

23          Q           All right.

24          A           The contour map is on a point called A  
25 marker, which is about 700 feet below the top of the

1 Wolfcamp, with the idea in mind that it would give a closer  
2 relationship to the structure of the pay zone rather than  
3 the top of the Wolfcamp (not clearly understood).

4 Q All right. Have you prepared any --  
5 well, basically do you have any conclusions which you want  
6 to point out to the Commission with respect to your first  
7 exhibit?

8 A Yes. It is obvious from the contour map  
9 that the 660 location out of the northwest corner of the  
10 south half was the highest structural position that could be  
11 drilled on the 320-acre tract.

12 Q All right. I'll ask you to turn to your  
13 second exhibit, marked Exhibit Two. Could you please  
14 explain for the Examiner exactly what this exhibit is?

15 A This is a 4-well cross section including  
16 the proposed location. It takes in the Champlin Pecos Well  
17 to the northeast, the southwest well by TXO Delta Phi, and  
18 and the Western Bass No. 1 in Section 11.

19 The marker A, as is shown on the contour  
20 map, is identified by the blue line. The pay zones that are  
21 noted from the logs and from the completion records are in a  
22 pink color.

23 And it shows that we expect to, well,  
24 encounter the pay zone in the proposed well about 75 feet  
25 below the A marker indicated in blue.

1                   Now the particular cross section in  
2 Exhibit Number Two, is marked on Exhibit Number One, is it  
3 not, showing its --

4                   A           That is correct.

5                   Q           -- direction?

6                   A           That is correct and it shows an A-A' or  
7 A-1 (unclear.)

8                   Q           All right. Do you have any conclusions  
9 that you would like to bring to the attention of the  
10 Examiner with respect to this particular Exhibit Number Two?

11                  A           Well, this location -- this cross section  
12 also supports the contention that the selection of the  
13 location is the best geological structural position that can  
14 be obtained on that tract.

15                  Q           All right. Now, Mr. Lamp, I would ask you  
16 to turn to your exhibit marked Number Three. Could you  
17 please explain to the Examiner exactly what this exhibit is  
18 and what it depicts?

19                  A           Exhibit Number Three is a layout of the  
20 320-acre tracts and in some cases 160-acre tracts, and the  
21 blue dots indicate the location of the various Strawn wells,  
22 and you will note that there are more unorthodox locations  
23 than there are orthodox.

24                  Q           All right. Could you point out to us  
25 exactly the wells that you are making reference to, Mr.



1 Lamb, the unorthodox locations?

2 A Well, there, of course, is one in Section  
3 36 in 21, 27. The Champion well of Nix in the northeast  
4 corner; the TXO well in the southeast corner of Section 2;  
5 the TXO well in Section 12; the TXO well in the west half of  
6 -- no, it's in the east half of 14.

7 The other wells are orthodox locations.

8 Q To your knowledge, Mr. Lamb, have the  
9 operators in this particular field in this area worked to-  
10 gether to arrive or to cooperate to allow the drilling of  
11 wells at the most promising geological position?

12 A I know of no refusal to approve an unor-  
13 thodox location by any of the operators in the area.

14 Q All right. In fact, with respect to  
15 Champlin and TXO, both of those entities operate wells that  
16 could be considered at unorthodox locations.

17 A Except that each of those in the east  
18 half of 2 have only 160-acre proration units.

19 Q All right, now, just to clear up one mat-  
20 ter. This small 20-acre tract, it's your information and  
21 knowledge that TXO has agreed to voluntarily join in with  
22 Western Oil Producers in the drilling of this well.

23 A That is -- that is my understanding.

24 Q All right. Mr. Lamb, do you have any  
25 basic conclusions to draw with respect to this particular

1 exhibit that you would like to bring to the attention of the  
2 Examiner?

3 A Well, I think the -- the location of the  
4 existing wells identified by the blue dots would lead West-  
5 ern to believe that they have chosen the best structural lo-  
6 cation that they have on the 320-acre tract and as well as  
7 to afford them the best drainage pattern rather than move at  
8 some other location bringing about a congestion of wells  
9 around a common center.

10 Q In other words, this location would -- is  
11 best to -- to at least reduce interference between these  
12 wells that surround it.

13 A That's correct.

14 Q Well, Mr. Lamb, do you have an opinion as  
15 to whether or not the drilling of this, the Bass No. 2 Well  
16 at the proposed location will protect correlative rights?

17 A It obviously will protect correlative  
18 rights because we have no objections to obtaining affidavits  
19 of (not understood).

20 Q And, Mr. Lamb, do you have any opinion as  
21 to whether or not the drilling of this particular well at  
22 the proposed location, as to whether or not it will prevent  
23 underground waste?

24 A Yes, it will prevent underground waste  
25 and produce the maximum amount of oil and gas from that 320-

1 acre tract.

2 Q Again with respect to these -- all three  
3 of these exhibits, you have examined them and you find them  
4 to be accurate and complete as to the pictures that they do  
5 depict, is that correct?

6 A Yes. On Exhibits One and Two. Exhibit  
7 Three I prepared myself.

8 Q All right.

9 MR. CARROLL: I would tender  
10 Exhibits One, Two, and Three admittance into this cause.

11 MR. STOGNER: Exhibits One,  
12 Two, and Three will be admitted into evidence at this time.

13 MR. CARROLL: Mr. Examiner, I  
14 have no further questions to ask of my witness.

15

16 CROSS EXAMINATION

17 BY MR. STOGNER:

18 Q Mr. Lamb, are all these wells that you  
19 show on your Exhibit Number Three, are they presently pro-  
20 ducing from the Wolfcamp?

21 A Or have produced.

22 Q Have produced.

23 A Some of them are questionable whether  
24 they're commercial at this point. It's difficult to tell  
25 because of the lack of market in the immediate area at this

1 time.

2 Q When are -- are any of these wells that  
3 you show, are they actually plugged and abandoned?

4 A No, no.

5 Q Okay. How about the status of that TXO  
6 Well, is that presently producing or is it shut in, do you  
7 know?

8 A Which one did you have in mind?

9 Q The TXO, that's the one in the southeast  
10 quarter of Section 2.

11 A It is showing production.

12 Q Well, while we're on it, let's -- how  
13 about the Champlin well, the one in the northeast corner of  
14 2?

15 A It has been there some years, like fif-  
16 teen.

17 Q Okay, and that's still producing, I as-  
18 sume?

19 A Some, yes. I would say one thing about  
20 it. In the last two years the reported bottom hole pressure  
21 was 93 pounds two years ago and due to restricted production  
22 or shut-in, the last reported bottom hole pressure is 712  
23 pounds, so it's come up 600 pounds or so, for whatever  
24 that's worth.

25 Q Okay. In the area I see some plugged and

1 abandoned well symbols, in particular the Santa Fe Energy  
2 Well to -- in Section 11 in the northwest quarter. Are any  
3 of those plugged and abandoned, do you know?

4 A That well was plugged and abandoned and I  
5 see a total depth of 4725.

6 Q Okay, I missed that. So that would not  
7 have been a Wolfcamp then.

8 In your testimony you mentioned Strawn  
9 but I assume that you meant Wolfcamp.

10 A Wolfcamp, thank you.

11 Q Yeah, we were all tied up in the Strawn  
12 in the previous case and --

13 A Kind of carried us away.

14 Q Yeah, it did, so I just wanted to clarify  
15 that.

16 It shows that the leaseowner is Delta  
17 Drilling. When did Western assume the -- this acreage?

18 A Well, it, as I understand, it was recent-  
19 ly and I think, if I have the right information, that was  
20 required -- acquired from Bass Enterprises.

21 MR. CARROLL: Mr. Stogner, if I  
22 can make a representation for the record, I did participate  
23 with Western Oil in drawing and drafting the farmout and it  
24 was a very recent farmout that came through a Mr. Schanbur-  
25 ger (sic) and brought to Western. Western has only had --

1 in fact I received the call that docketed -- Mr. Reynolds  
2 was on a fishing trip. It was one -- a last minute deal in  
3 late August when they got ahold of it and the farmout, the  
4 drilling date on that farmout was set for October 1 and  
5 there was no extensions that Bass would agree to with re-  
6 spect to drilling and spudding the well, and that's why the  
7 well had to be spudded at a permitted location.

8 Q Okay, is this on Federal or State  
9 acreage or fee?

10 A I think it is fee and the leases were  
11 acquired from Delta by the many Bass entities. There's a  
12 number of them that are cited.

13 The H. L. Moore, I do not know why, TXO  
14 has held that lease for quite some time, as some of these  
15 other leases in the area, but that -- that H. L. Moore rep-  
16 resentation is wrong. That is TXO.

17 Q I assume TXO has joined our interest in  
18 drilling this well.

19 A They have from my -- the representations  
20 made by Mr. Reynolds that they have an oral agreement and  
21 that they are just transferring or exchanging paperwork at  
22 this time.

23 Q Okay. Let's see, Mr. Lamb, any of these  
24 unorthodox previously drilled that you alluded to earlier,  
25 the one in 36, the one in 2, 12, and Section 14, have any of

1 those had their allowable -- not allowable, but production  
2 penalized because of its unorthodox location?

3 A That I don't know. The wells to the  
4 north of the line of -- east/west center line of Section 2  
5 and 1 are old wells. They've been there for a number of  
6 years.

7 The wells in Section 1, the north half,  
8 were originally a Morrow well and the Wolfcamp wells, and I  
9 think the Morrow well has been plugged back to a Wolfcamp  
10 production now, so that's the reason there's two there, and  
11 the well in the northeast quarter of Section 2 is a rather  
12 old well by Champion.

13 Q How about TXO's well in the southeast of  
14 2? Is that an old well or is that recently --

15 A That is a new well, a very new well. I  
16 might comment my records tell me that it's bottom hole pres-  
17 sure was 4515, which I would suspect is close to virgin.

18 MR. STOGNER: I have no further  
19 questions for Mr. Lamb. Are there any other questions of  
20 this witness?

21 Do you have a question, Dan?

22 MR. NUTTER: I'll either ask a  
23 question or I'd like to see a couple of points straightened  
24 up in the record that the Examiner -- or you --

25 MR. STOGNER: Go right ahead.

1 QUESTIONS BY MR. NUTTER:

2 Q Mr. Lamb, I would like to know when the  
3 well was actually spudded, the date and the hour, please.

4 A I do not have that.

5 MR. NUTTER: Mr. Carroll, do  
6 you have that information?

7 MR. CARROLL: I do not have it.  
8 I know it was prior to October 1.

9 Q Okay, what type of a rig is being used  
10 for the drilling of the well at the present time?

11 A Well, I understand it's one of Mr. Rey-  
12 nolds' rigs and all of his rigs are capable of drilling to  
13 that depth --

14 Q It's not a spudding rig, then.

15 A No.

16 Q It's a full size drilling rig.

17 A It's his own rig.

18 Q Okay. Do you know what the current depth  
19 is it's drilling at?

20 A No.

21 MR. CARROLL: Mr. Nutter, I  
22 apologize. Mr. Hundley, who was here earlier with TXO had  
23 a better -- and I just can't recall the depth, but if you  
24 could find Mr. Hundley, he could give you that data --  
25 depth.



1 MR. NUTTER: If you could fur-  
2 nish me the information --

3 MR. CARROLL: Well, I'd be glad  
4 to. I just have it --

5 MR. NUTTER: I would like to  
6 know those --

7 MR. CARROLL: -- available right  
8 now.

9 MR. NUTTER: -- facts, the  
10 exact date and hour of spudding, the type of rig that's  
11 being drilled and the depth capacity of the rig, and what  
12 the drilling depth was at 9:00 o'clock this morning, was on  
13 this morning's drilling report.

14 That's all I have.

15 MR. STOGNER: Thank you, Mr.  
16 Nutter. Let's see, for the record would you state your name  
17 and your affiliation, please?

18 MR. NUTTER: Dan Nutter, con-  
19 sulting petroleum engineer.

20 MR. STOGNER: Mr. Lamb, you re-  
21 ferred to a Mr. Reynolds. Could you clarify for me who he  
22 is?

23 A He is the President of Western Drilling,  
24 Western Oil Producers, and also the President of WEK Drill-  
25 ing Company, whose rig is on the location.

1 MR. STOGNER: Okay, I'm sorry,  
2 he's President of Western Oil Producers.

3 A Western Oil Producers.

4 MR. STOGNER: Western Oil Pro-  
5 ducers.

6 A They are the applicant and are drilling  
7 the well.

8 MR. STOGNER: And he is also  
9 President of WEK Drilling and --

10 A Right.

11 MR. STOGNER: -- that's out of  
12 Artesia.

13 A Yes, that's correct. Ken Reynolds is his  
14 full name.

15 MR. STOGNER: Now when you re-  
16 fer to Mr. Nutter's questions about one of his drilling  
17 rigs, I assume you're talking about one of the WEK drilling  
18 rigs.

19 A Correct.

20 MR. STOGNER: Are there any  
21 other questions of this witness?

22 MR. CARROLL: I have none, Mr.  
23 Examiner.

24 MR. STOGNER: He may be ex-  
25 cused.

1 Is there anything further in  
2 this case?

3 Mr. Nutter, do you wish to of-  
4 fer a statement at this time?

5 MR. NUTTER: No, sir.

6 MR. STOGNER: Mr. Carroll, do  
7 you have anything further?

8 MR. CARROLL: I have nothing  
9 further to offer.

10 MR. STOGNER: Case Number 9207  
11 will be taken under advisement.

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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 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. \_\_\_\_\_  
heard by me on \_\_\_\_\_ 19\_\_\_\_

\_\_\_\_\_, Examiner  
Oil Conservation Division

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MR. STOGNER: Call Case Number  
9207.

MR. TAYLOR: Application of  
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well location, Eddy County, New Mexico.

The applicant has requested  
that this case be continued.

MR. STOGNER: Case Number 9207  
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October 7th, 1987.

(Hearing concluded.)

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Michael E. Stagner, Examiner  
Oil Conservation Division

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